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Inclusive Rural–Urban Linkages

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Inclusive Rural–Urban Linkages

ABSTRACT

The world has urbanized, but it has not done so exclusively or even mainly in large cities. Almost 2 billion people, 27% of the world's total population or half of the world's urban population, reside in towns and small and medium cities of up to half a million inhabitants. An additional 3.4 billion people are classified as living in rural areas, or 46% of our planet's inhabitants. The majority of the world's poor, perhaps as many as 70%, live in these towns and small and medium cities and the rural areas more proximate to them, and poverty rates are also higher in small and medium cities than in large urban agglomerations. This desk review is about the relationships involving 5.5 billion persons, three quarters of all of us on Earth, that live in the increasingly diffuse and porous interface of rural and urban societies.

The study was commissioned by The Ford Foundation, and the terms of reference directed the authors to focus on four entry points to review rural-urban linkages: the changing nature and borders of rural and urban, food systems, labor markets, and domestic migration. The report is based on a thorough review of the literature on these four specific subjects (384 publications are referenced), seven commissioned papers and a limited number of interviews of experts from around the world. The following is a summary of the main findings of the report:

1. *On the significance of rural-urban linkages.* The livelihoods of the majority of rural households, including smallholder farmers, are hardly only rural; "rural" defines the main place of residence, but no longer encompasses the spatial scope of livelihoods. The same is true of a large number of "urban" households, whose livelihoods are intimately dependent on the rural parts of the wider places where they also conduct their life. "Rural" and "urban" defined in the traditional way, are conceptual lenses that distort our view of the reality of social processes and can only lead to sub-optimal policies and investments. This is fairly well established in the literature, yet rural development and rural livelihoods policy and practice, have for the most part not internalized it. Urban development has also adopted a metropolitan bias, either with urban as an undifferentiated category but with a distinctive de facto slant towards large cities, and with policy and investments disproportionally focused on large agglomerations. Deconstructing the rural-urban dichotomy is a necessary first step if any progress is going to be made analytically or policy-wise.

2. *On the definition of rural-urban linkages and of spaces with a socially-constructed identity at the rural-urban interface.* Rural-urban linkages are reciprocal flows of people, goods, services, money and environmental services. Under certain conditions, aided by geographical proximity, they can lead to interdependence between rural and urban, and to the formation of intermediate rural-urban functional areas (territories) that very often cut across administrative boundaries and that encompass a number of rural localities, as well as a few towns and small and medium cities. Such areas cannot be treated as rural or as urban; they share elements of

both, and are distinct from both. Breaking the analytical, policy, programming and investment silos between urban and rural development is essential to be able to promote the development of these distinct societies, of the 5 billion people that live therein, and of the spaces they occupy.

3. *On rural livelihoods and inclusive rural-urban linkages.* The evidence seems to show that stronger rural-urban linkages tend to be beneficial for poor people, both rural and urban. From the perspective of rural livelihoods, the potential benefits of rural-urban linkages include greater social diversity and greater access to: primary product markets and to manufactured goods and services beyond other neighboring rural villages; social services such as education and health beyond the primary levels; financial services, and; non-farm employment opportunities. Some of these benefits cannot be realized in rural areas that do not have significant linkages to an urban location.

   However, rural-urban linkages are not necessarily equally beneficial for rural households and locations, as they are for their urban counterparts. Relations with urban centers can be predatory. It takes more than having a link with an urban center to have inclusive rural development.

   Moreover, the nature of rural-urban linkages and their growth and distributional effects are contextual, underpinned by: (a) the idiosyncratic characteristics of the specific urban and the specific rural, and (b) the position of the country and the subnational regions in the urbanization process.

4. *On food systems and rural-urban linkages.* There is no question of promoting better market access for smallholder agricultural producers or access to better quality and lower price food for the majority of the world's poor, in the absence of better rural-urban linkages in the food systems of the world. Traditional markets at the level of towns and small and medium cities continue being the entry points to the food system for the vast majority of the 500 million smallholders in the world, because the proportion of smallholders that gain entry to the more dynamic segments of the food markets through direct transactions from the farm to the processor, modern specialized wholesaler, modern retailer, or consumer, is tiny.

   Nevertheless, it is a proven fact that deep and rapid changes are taking place in the food systems from production to consumption, with strong implications for rural-urban linkages and smallholder livelihoods. The effects of change include the exclusion of large numbers of smallholders from the more dynamic markets; the concentration of a greater share of value added in the downstream segments of the food system; the weakening of traditional wholesale and retail; a strengthening of the relative weight of non-primary activities in the rural-urban economy creating new employment; and the increased presence of highly processed food, including in the diet of the urban and the rural poor. Actions at the rural-urban interface can help improve the conditions and outcomes of the participation of smallholder farmers and of household and small- and medium-entrepreneurs, in these

changing food systems. It can also help to ensure the availability of a diversity of retail choice to the urban consumer in the interests of both the consumer and local producers.

5. *On labor markets and rural-urban linkages.* Stronger rural-urban linkages promote the creation of more and better farm and nonfarm jobs. The articulation of these two spaces, and the activities therein contained, facilitates investment, production and consumption linkages that are good for the rural and the urban economies and the people that work in them. Moreover, rural areas with weaker connections to urban locations of certain size have lower participation in the nonfarm economy and the density and quality of those jobs are lower. The nonfarm economy in the rural-urban interface is in many countries particularly important for rural women. Despite the fact that the vast majority of the employment that is driven by rural-urban linkages is informal and takes place in household based microenterprises, the evidence shows that it has a strong effect of poverty reduction. However, there is also significant evidence that shows that these activities can increase income inequality, due to access barriers that disproportionally affect poorer households and persons.

   On the urban side of the rural-urban interface, there is a dismal lack of even basic data and analysis when it comes to labor markets in small and medium cities. At best, the analyses are indeterminate, but with a distinct "large city flavor" and with an implicit assumption that labor markets in smaller locations are similar to those in larger agglomerations. The little and partial evidence that exists, however, suggests that labor markets in smaller cities, close to the interface with rural areas, are distinct in that they tend to be less diverse in terms of their sectoral composition (more dependent on agriculture or other primary activities), types of firms (with a stronger presence of micro- and small firms), and quality of labor (with a stronger presence of informal household enterprises and informal jobs).

6. *On domestic migration and rural-urban linkages.* While rural-to-urban migration is intrinsic to the process of development, its effects on the families and communities of origin are ambiguous, as are the causes or motivations of the decision to migrate. Different migration patterns co-exist in countries and in different parts of a given country, but this are often obscured by the singular focus on aggregate net migration numbers. This has major implications for our understanding of migration in the context of rural-urban linkages, simply as net flows of people that over the medium and long term result in more urbanized countries, or also as more complex movements of people that are one element in the shaping of household livelihoods and of rural, urban, and rural-urban spaces and societies. The number and distribution of migrants in the population, as well as the amount of remittances and their dispersion among households, influence the extent to which the impacts of migration are transmitted beyond migrant households into the local economy, but the effects on income distribution are heterogeneous, partly because different countries are at different phases of their urban transition, during which richer families migrate before poorer ones.

   Migration tends to increase with the size of city of destination, while distance to potential destination deters migration. For this reason, migration to distant metropolitan cities may not be feasible for the poorer households, while moving to secondary, closer cities may be less

costly and allows them to maintain and exploit closer social ties with their place of origin. Multi-location household livelihood strategies are more feasible when a significant element of circular migration is included in them.

Because of the numerous factors that determine the distributional and growth effects of rural-to-urban migration, it is very difficult to come up with a general strategy to approach this issue. At best, we can venture to hypothesize that in most developing countries that have not completed their urban transition, migration to smaller cities is less favourable for economic growth, but more favourable for poverty reduction, compared to migration to more distant and larger cities. A second hypothesis is that this type of migration is more feasible in countries with lower rates of urban concentration.

7. *On social actors and rural-urban linkages.* Rural-urban linkages have differential effects on the development opportunities and the wellbeing of different groups of individuals. All other factors held constant, a plausible hypothesis is that rural-urban linkages are generally positive for smallholders (due to better access to services and to markets), for rural women (mainly through improved nonfarm enterprise, labor and temporary and circular migration opportunities), and youth (through the same mechanisms as for women). Women face different and often higher barriers to entry in the labor market and for enterprise development than men. We cannot venture a conclusion in the case of indigenous and minority group peoples in terms of whether they are better off or not in the presence of stronger rural-urban linkages; their position is perhaps more a result of the nature of their livelihood strategy and the economic structure of their communities, than of their ethnic characteristics.

8. *On the governance of the rural-urban interface.* To realize the potential benefits of rural-urban linkages for the rural and the urban poor, it is important to improve the governance of societies at the rural-urban interface. There are three dimensions of governance that we believe deserve special attention. First, coordination, as development of the rural-urban interface and of rural-urban linkages is hindered by multiple coordination failures: between policy sectors, between levels of government, between neighboring local governments, between private and public agents, and between different social actors. Second, the challenge of building a collective capacity that cuts across the partial identities of specific public and private actors to identify, express and lead a "development agenda" of the society as a whole. Third, the limited capacities of local governments in rural areas and in small and medium cities, particularly when compared with the higher relative costs of service provision at lower population densities and the difficulties of identifying and mobilizing the sources of comparative advantages of smaller local economies and generally less-resourced societies.

An appendix of the report lists specific recommendations, organized in five categories: public sector policies and investments; private investment; development of new models; data, analysis and new evidence, and; advocacy. They are summarized in the following four synthetic recommendations that aim at giving strategic guidance to research, public policy, public action, private investment and shared learning.

1. Change the analytical lens. We swim against the current if we continue to think in terms of distinct, separate, rural and urban localities, and if development policies and strategies continue being compartmentalized in our well-known rural and (or versus) urban categories. Huge numbers of people live in places that encompass both rural and urban areas and localities, and that the social life and exchanges of these persons and their organizations (including governments and economic enterprises) create distinct places that correspond to distinct rural-urban societies.

2. Bring rural and urban closer together. We choose to accept the assumption that stronger and closer rural-urban linkages are generally good for economic growth, and are good for social inclusion, including of rural people and of smallholders in particular. Public and private investments are the primary means to strengthen these linkages. Public investment to improve the connectivity between the rural and the urban parts of rural-urban places, supply city-based public goods that service the rural population and producers, and rural-based public goods that service the economic activities in the rural areas starting with agriculture. Private investments to stimulate agricultural development and create nonfarm enterprises and jobs.

3. Remove access barriers to economic and social opportunity in rural-urban places. There is plenty of evidence that says that the assumption that we made in the previous recommendation, does not hold in many cases. Rural-urban linkages are not always beneficial to rural people, nor are they always equally inclusive of everyone involved. It is safe to say that as a rule, the poorer sections of the rural and urban populations and those that face social exclusion will tend to be excluded from the better opportunities that emerge with closer rural-urban linkages. This is a challenge that above all needs targeted investment by governments, social mobilization by social movements, and development and advocacy programs by civil society organizations and, to the extent possible, credible commitments by medium and large businesses to develop more inclusive business models.

4. Improve the democratic governance of rural-urban places. To carry out the above recommendations, it is indispensable to govern places, societies, and flows at the rural-urban interface. There is very little understanding and practical knowledge about the principles or criteria and the mechanisms and tools to get it done, because we have organized ourselves to govern the component parts and not the whole of rural-urban societies. To break new ground, a long term view and commitment is required. The agenda is one that should intimately combine high-quality social science research with development and policy action, on three fronts: solving coordination failures across the many component parts; facilitating and supporting democratic collective action that builds legitimate development agendas and helps get things done, and; innovative models and strategies for improving the capacities of local governments including the mechanisms for coordinated action by neighboring rural and urban local governments that co-exist in the rural-urban place.

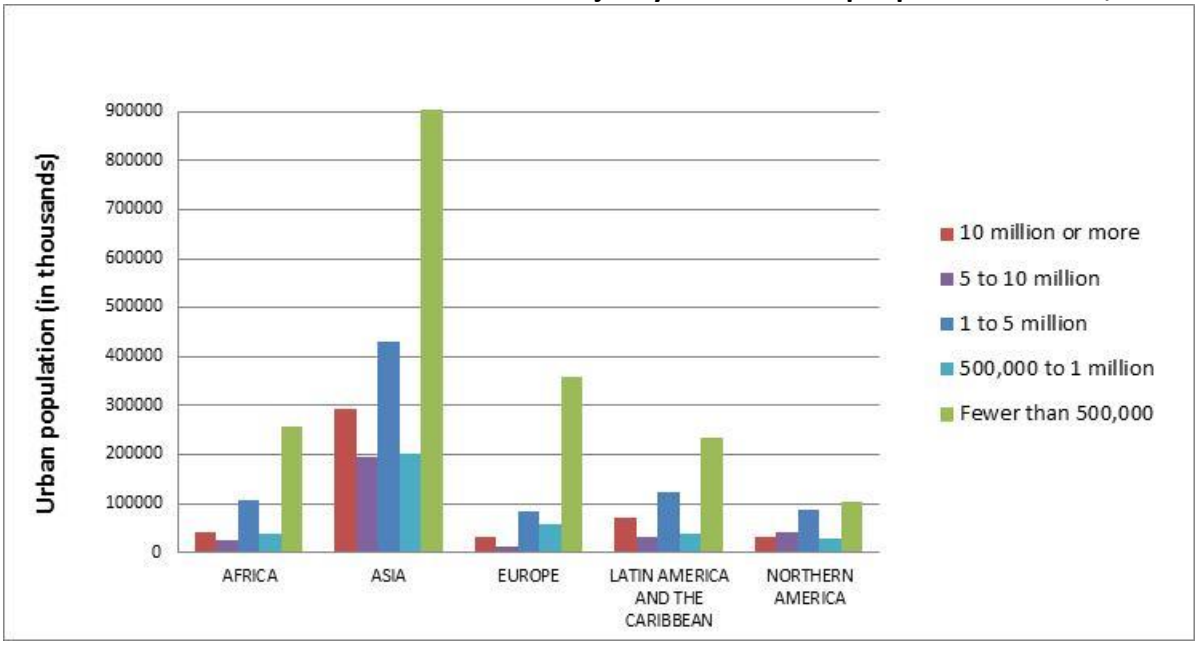
It closing, it is apparent to us that this is an issue that has been slowly developing in the margins of the development agenda for several years now, but that recently has begun to call the attention of a

greater number of policy makers. Why that is, is difficult to say. An optimistic hypothesis is that more developing countries have now reached a stage in which urbanization has become a real issue, where smallholder-based agricultural development confronts the opportunities and challenges made possible by middle-income status, where the low hanging fruits of poverty reduction have been or are being harvested and governments find that much of the job remains to be done, and where public and private are sufficiently mature to start testing approaches to deal with what are at the root quite complex development issues. Is this a real opportunity or a mirage? We are not certain, but finding out will require taking some risks and providing some leadership in thinking and moving the agenda, and that is something that The Ford Foundation has been good at doing..

1. INTRODUCTION

The world has urbanized, but it has not done so exclusively or even mainly in large cities. Almost 2 billion people, or half of the world's urban population reside in towns and small and medium cities of up to half a million inhabitants; this is about 27% of the world's total population[1] (Figure 1)[2]. An additional 3.4 billion people are classified as living in rural areas, or 46% of our planet's inhabitants.[3]

Figure 1. Small and medium size cities house a majority of the urban people in the world, 2015



Source: Updated by the authors with data from the World Urbanization Prospects (UNDESA, 2014), following Roberts and Hohmann, 2014

In addition, the majority of the world's poor, perhaps as many as 70%, live in these towns and small and medium cities and the rural areas more proximate to them.[4] Moreover, poverty rates are also higher in small and medium cities than in large urban agglomerations (Ferré et al., 2012)[5]. Even in a country with huge numbers of people living in the slums of large cities, like India[6], the 1999-2000

[1] 43% of urban citizens live in locations of less than 300,000 people (most of which are actually towns with as little as 2,000 inhabitants), and an additional 7% in cities of 300,000 to 500,000.
[2] This is by no means a characteristic only of developing countries. Bell and Jayne (2009) cite Clancey (2004) to note that in the USA almost 45 million people live in cities with a population of over 250,000, another 40 million live in places of between 50,000 and 250,000 and a further 40 million in cities of between 10,000 and 50,000.
[3] Data in this paragraph are from the 2014 revision of the World Urbanization Prospects (United Nations, 2014).
[4] This estimate is only a rough approximation, based on partial data on the spatial distribution of the rural poor in the World Development Report 2008 and IFAD's 2011Rural Poverty Report, and data on the distribution of urban poverty in Ferré et al. (2012). It is surprising how little we know about the detailed spatial distribution of rural and urban poverty beyond large categories like rural vs urban, or by state or provinces within countries.
[5] Around the turn of the century, about 950 million people lived in urban slums (UN Habitat 2005), but we do not know how many lived in cities of different sizes.
[6] There are about 65 million people living in urban slums in India (The Hindu, October 13, 2013), about 17% of the total urban population of the country.

poverty rates in small towns (below 50,000 inhabitants) were 1 percentage point higher than in rural areas, and 10 percentage points higher than in large cities, and the rate in medium cities (pop. 50,000 to 1 million) was 6 percentage points than in large cities (Kundu and Sarangi, 2005). Latin American countries, also infamous for their slums, confirm the general rule: in Mexico, 3.4 million poor people live in 34 municipalities with populations greater than 500,000, 2 million in 44 municipalities with 250,000-500,000 urban poor, and 11.7 million in 188 municipalities with between 25,000 and 250,000 poor inhabitants; the respective numbers for Brazil are 33 large municipalities with 9.2 million urban poor, 79 intermediate municipalities with 4.7 million poor, and 1098 small municipalities with 23.9 million poor.[7]

This review is about the relationships involving 5.5 billion persons, *three quarters of all of us on Earth*, that live in the increasingly diffuse and porous interface of rural and urban societies (Box 1). The sheer number of people should be sufficient argument to justify the importance of understanding better how rural societies and areas interact with urban towns and small and medium cities.

Box 1. The increasingly porous and diffuse rural-urban interface

In a contemporary rural village such as Mutambu, in Burundi, you will find elements that are 'purely rural'; for example, basically every household in the village practices agriculture. But you will also find characteristics that until a few years ago one would have found only in urban places: many kids attend school and have access to some degree of health services; many households have a mobile phone and almost everyone owns a radio and is informed about current news. Men and women derive part of their income from non-farm jobs and the young people are fans of the same football teams as children in Chile or in England, who have been raised in urban environments. By the same token, a provincial city such as Latur, in Maharashtra, India, with a population of 400,000, has a number of features that tell us that it is, undisputedly, an urban location (such as, for example, its 30 higher education institutes). However, at the same time, it is intimately interdependent with its surrounding rural region as its economy is based on the production, processing and trade of pulses, sugarcane, soybean and fruits. Indeed, without agriculture it would lose most of its urban jobs. Both the Mutambus and the Laturs of this world are parts of the rural transformations that are taking place in the global South.

Source: extracted verbatim from Berdegué, Bebbington and Rosada, 2014

Ultimately, rural – urban relations result from the combination of the structural transformation that is a key feature of development, and the concomitant transformation of rural societies. The structural transformation is a process that involves the whole of a country and that sees a decline in the relative weight of agriculture in the overall economy, a corresponding increase in industry and services, migration of rural people to cities, and a transitory period of rapid demographic growth (Timmer and Akkur, 2008).

[7] Source: the authors' calculation with data from national poverty maps generated by the Rural Territorial Dynamics program of Rimisp (Modrego and Berdegué, forthcoming).

However, this process transforms rather than destroys rural societies[8]. Rural transformation is the reorganization of society in a given space, rather than about a space that empties as people and economic activity move away (Berdegué, Bebbington and Rosada, 2014). Rural-urban linkages become significant as countries move along in these two, highly interlinked processes of change; in fact, the analysis of rural-urban linkages is really nothing more than a lens from which to observe the coming together of structural and rural change, and the policies of rural-urban linkages are instruments to govern some of the implications, challenges and opportunities of such very large, long term development processes.

This desk review was commissioned by The Ford Foundation's Expanding Livelihood Opportunities for Poor Households Initiative Learning Group (ELOPHI). The objective of the report is to increase the understanding of inclusive rural – urban linkages among ELOPHI learning group members and other interested Ford Foundation staff and partners, and to assess broad programming opportunities. As per our terms of reference, our point of view in this report is predominantly "rural", in that we reflect on the opportunities the rural-urban linkages could offer to rural societies and, in particular, to those within them that live in conditions of poverty, destitution, or social exclusion.

As the reader will find out, a key message of our report is that in an increasingly interconnected world, rural-urban linkages are so pervasive that one needs to define them in a way that distinguishes them from issues such as international food trade, foreign direct investment in food processing and retail or even in rural telecommunications, or intercontinental migration, all of which could be claimed as specific forms of rural-urban linkages. Yes, we could discuss London, Nairobi or Mumbai in the light of what they derive or contribute to rural societies, but we believe that the resulting knowledge would be of limited direct use, either for rural or for urban development thinking, planning, or policy-making. We suggest that it would be more fruitful if "rural-urban linkages" is seen as a spatially bounded research and policy subject, that is, largely contained in the actual spaces and societies where the urban and the rural worlds come together.[9]

As a result of our desk review, we believe that there are three overarching questions that could guide a research and policy agenda on inclusive rural-linkages, and we suggest to the reader that they could be kept as he/she progresses in the report:

1. What are the sources of medium and long-term growth and competitiveness of the places where rural and urban come together, and where up to 75% of all humans live? How can growth and competitiveness of these places be promoted?

[8] This, despite the age-old augurs that never cease to predict the imminent demise of rural societies. In the USA, for example, the non-farm *rural* population has remained essentially stable in the last century, having dropped only from 23% of total population at the start of the last century, to about 20%, although the farm population has gone from 42% to about 1% in the same period (Irwin et al., 2010). Similarly, much of European industry is nowadays a rural-based activity (Keeble et al. 1983). Complementarily, in Colombia in 2013, a country whose population is only 24% rural, 54% of those working in primary activities in agriculture, live in cities of 25,000 and more.

[9] This is not a claim that these are self-contained, autarchic spaces. We readily accept that they are part of larger systems.

2. Can this growth be more socially inclusive, a pre-condition for mitigating and eventually eradicating the conditions that afflict the vast majority of the world's poor who we know live in these rural-urban areas, and for containing the spatial inequalities and even polarization that afflict so many developing countries? And if yes, how?

3. If rural-urban linkages play a number of functions that are important for socially inclusive growth, how can we stimulate and strengthen them? What are the policy instruments in the toolkit, and what are the forms of 'civic capacity' that are most appropriate for these kinds of societies, distinct, as we will argue, from "deep rural" areas and from large cities?

The review is organized as follows. Following this introduction, section 2 explores the changing borders of rural and urban, describing the population trends in rural areas, small and medium towns and cities, and large urban agglomerations, and defining the issue of "rural-urban linkages." Sections 3, 4 and 5 review the functional rural-urban linkages in relation to food systems, labor markets and migration patterns, respectively, with a focus on the implications of these economic relationships for the livelihoods of rural residents. Section 6 summarizes the main challenges and opportunities from the perspective of rural livelihoods. We make recommendations about possible strategies to promote more inclusive rural-urban linkages; key actors that need to be involved in such strategies; and knowledge gaps that deserve greater attention.

2. THE CHANGING BORDERS OF RURAL AND URBAN

In a much cited paper, Douglass (1998) reviews the foundational debates on the nature of rural-urban relations since the 1950s. In the early days, Nobel Prize winner Arthur Lewis' "dual sector model" shaped policies based on the proposition that long term national development required the transfer of surplus of labor and capital from the agricultural sector to urban industries (Lewis, 1954). Soon after, other authors began to reflect on the nature of the relationship, introducing categories such as Myrdal's (1957) "spread" and "backlash" or Hirschmann's (1958) "polarization" and "trickle down." Since then, "urban" and "rural" are most often treated in the literature as two distinct categories in opposition to each other. When the interactions are addressed, the intellectual and policy tension is on whether urbanization and urban development will pull rural people to conditions of greater opportunities and wellbeing, or if on the contrary, urban development is parasitic of rural areas and people, leading to countries that are increasingly polarized spatially and socially. Is urban development the solution to, or the cause of rural poverty? This is a question that could frame this old debate. It is tempting to answer "it depends" but then one remembers the yearning of Eisenhower for "a one-handed economist." Hence, we will try in this report to provide a clearer answer: overall, stronger relations with urban areas are not only "good" for rural development; they are, in fact, a *sine qua non* condition. The strategy that we advocate is to build bridges, and not to build defensive walls.

If we are broadly right in arguing that rural-urban linkages are necessary for strong and inclusive rural development, then we cannot but be disturbed by the fact the urban and rural development policies still are almost always designed in isolation to each other and in reference to one of the two spaces (von Braun, 2007). This is convenient and practical, since it does not clash either with academic or technical specialization, or with the sectoral organization of governments.

For most of the almost six decades since Lewis, little attention was paid to the possibilities that poverty-reducing and growth-enhancing effects could be derived from complementarity between both domains (Rondinelli, 1983; von Braun, 2007). The point was missed that "for a rural household, however, the landscape for daily life includes both rural and urban elements. Rural-urban linkages are part of the local reality for household members carrying out the diverse tasks of producing income on and off the farm, maintaining a living space in the village, and going to local and even distant towns for shopping, marketing, work and specialized services. The challenge for rural regional planning is to overcome the rural-urban divide by incorporating this reality into development frameworks and, further, identifying policy measures to foster mutual benefits for both town and village households" (Douglass, 1998: 3). To the Indonesian households that inspired Douglass, one should add today the apparently large number of multi-locational families that live and work in two or more locations, some rural and some urban, and whose livelihoods are actually based on the fact that they have specialized in moving people, money, goods and/or services but within the confines of a single household; more than being farmers, or street food vendors, these people could perhaps best be called rural-urban "linkagers"

The view of rural and urban as separate and conflicting spaces began to change in the late 1990s and with greater strength, starting in the early 2000s, with the consolidation of the livelihood (Carney, 2002) and placed-based or territorial development approaches (Schejtman and Berdegué, 2004; Kanbur and Veneables, 2005; Barca, 2009; Orszag et al., 2009 and 2010; McCann and Rodríguez-Pose, 2011) and a growing body of literature on the opportunities offered by rural-urban linkages and the conditions that would foster a mutually-beneficially relation (Rondinelli, 1983; Douglass, 1998; Tacoli 2006). It is important to emphasize that the issue of rural-urban linkages from the start was taken up by people whose motivation and perspective was that of to improve the opportunities and well-being of rural people, particularly the poor. The experts on urban development arrived later to the topic, stimulated first by problems of urban congestion and unmanageable growth (Williamson, 1965; Ades and Glaeser, 1995; Henderson, 2002; Brülhart and Sbergami, 2009), and later, by debates on the interactions between cities and the environment (McGranahan, 2006; Lozada et al., 2006); still, the issue continues to have a distinct rural inclination.

Thus, the recognition of the growing importance of rural-urban linkages was mostly driven by a greater understanding of the changing nature of rural societies. Several issues are important:

a. Diversification of rural economies and of rural household and community livelihood strategies (Chambers, 1988; Carney, 2002).
b. Urbanization (Kasadra and Crenshaw, 1991; Canziani and Schejtman, 2013) and the agricultural transformation in the context of the structural transformation of developing countries (World Bank, 2007a), plus the growing importance of secondary cities (Van Lindert and Verkoren, 1997; UN-Habitat, 2012) and their growth and distributional effects (Ferré et al., 2012; Christiaensen and Todo, 2014; Berdegué et al., forthcoming).
c. The growing integration of the different forms of contemporary agriculture with manufactures and/or services, and the growing literature on value chains strongly influenced if not dominated by intermediate and downstream actors that had an urban location (Reardon and Berdegué, 2006; Reardon et al., 2012a and 2012b; Reardon and Timmer, 2014).

d. The large improvement in connectivity of rural areas, both physical (roads) and through ICTs (Richardson, 1999; Andersen and Shimokawa, 2006; Chapman and Slaymaker, 2002)
e. The persistence of migration, its patterns or types, drivers and consequences both for rural and for urban development (Lall et al., 2006)
f. The greater importance of subnational governments (provincial and local) with the adoption of decentralization policies by many developing countries (Burki et al., 1999; Arzaghi and Henderson, 2005; Canziani and Schejtman, 2013) and the agenda of democratic governance at the local level (Briggs, 2008).

Today there are a number of international agencies and national governments in both developed and developing countries who have recognized that to take forward an agenda of equitable growth and poverty reduction requires new perspectives that bring together rural and urban development in new arrangements. Some recent and nascent initiatives are listed in Box 2.

Box 2. Examples of international and national agency interest in rural-urban linkages

UN-Habitat

A report on 'Urban-Rural linkages approach to Sustainable Development' was prepared as a result of an Inter-Regional Conference on Urban-Rural Linkages organised by UN-Habitat, UNEP, International Federation of Surveyors (FIG) and the IIED held in 2004 (UN-Habitat, 2005). This followed a multi-year UN-Habitat and UNDP programme on urban-rural linkages development in Nepal, Indonesia and in the area around Lake Victoria. All now completed

Preparations for the United Nations Conference on Housing and Sustainable Urban Development UN-Habitat III will take place during 2014-2016 (See road map http://unhabitat.org/habitat-iii-resources/). Interest has been expressed by some groups to place rural-urban linkages on the agenda. For example a side event at the 1st PrepCom for Habitat III entitled "From MDGs to SDGs-Towards a new paradigm for Habitat 111 Sustainable Cities and Human Settlements in the Post-2015 UN Development Agenda" held 18 September 2014 organised by Communitas and the World Urban Campaign noted: "The catalytic effect of urbanization in rural areas …… likewise, the sustainable use of land, energy and water resources are of mutual concern to both rural and urban residents, as they need to share these resources"

Cities Alliance

With the launch of the Cities Alliance flagship study *Managing Systems of Secondary Cities*, (Roberts, 2014), the Cities Alliance will promote a series of policy dialogues at the global and country level and produce a discussion paper for Cities Alliance members to consider an initiative focused on secondary cities (Cities Alliance, 2014). Although no explicit rural-urban linkage agenda is proposed, the challenges associated with secondary cities are directly relevant and the Cities Alliance' agenda of "equitable economic growth in the city…..to support livelihoods and provide jobs that are needed not just to reduce rural and urban poverty"

OECD Directorate of Public Governance and Territorial Development
The 9th OECD Rural Development Policy Conference *Rural-Urban partnerships: an integrated approach to economic development* held 23rd-25th October 2013, Bologna, Italy, saw the launch of the OECD publication "Rural-Urban partnerships: an integrated approach to economic development" (OECD, 2013)

The United Nations Advisory Committee of Local Authorities (UNACLA)
Out of five principles laid out in the UNACLA 2013 report on job creation and local productivity (UNACLA, 2013), one focusses in Rural-Urban Linkages (others are: Role of cities in creating economic opportunities for all; Economics of urban form; Financing for urban development; Enhancing productivity of the urban informal economy)

World Urban Forum 7
World Urban Forum 7 Medellín, Colombia 2014, held a side conference on *"City Region Food System and Sustainable Urban Development*" (9 April 2014). An interest group[10] plan to use the period from the World Urban Forum 7 to the UN Habitat III meeting in 2016 to demonstrate how food systems can be improved to better satisfy human needs

The group launched "*City region food systems and sustainable urbanisation: A call for global action"*, bringing together the multiple and ongoing interests of the different stakeholders[11]

International Federation of Surveyors (FIG)
The 2nd FIG Regional Conference "Urban-Rural Interrelationship for Sustainable Environment" was held in Marrakech, Morocco, 2003, coordinated by FIG, UN-Habitat, FAO, UNECA and others. The aim of the conference was to shed some light on selected issues of urban - rural interrelations and to raise awareness of this complex topic. It also tried to explain the close linkage of land policy and land administration. The resulting output was the Marrakech Declaration Urban-Rural Interrelationship for Sustainable Development (FIG, 2004)

Development agencies with explicit expressions of interest (examples)
ADB and the **International Poverty Reduction Center in China (IPRCC)** cosponsored an International Policy Workshop Rural-Urban Poverty Linkages, 2-4 September 2014, People's Republic of China[12]. ADB and IPRCC will take this forward to a meeting in Malaysia in 2015, and through a village leaders' exchange program in spring 2015[13]

EU funding of the 'RurbanAfrica - African Rural-City Connections' programme in Ghana, Cameroon, Rwanda and Tanzania (2012-2016). The overall objective is to explore the connections between

[10] FAO, ISU, CFS Civil Society Mechanism - Urban constituency, Communitas Coalition, Global Food Security Cluster - Urban working group, ICLEI – Local Governments for Sustainability, RUAF, IUFN, UCLG, ILO, IFAD, UNCDF, UN Special Rapporteur to the right to food
[11] http://www.cityregionfoodsystems.org/
[12] http://www.adb.org/news/events/rural-urban-poverty-linkages-asia
[13] http://www.adb.org/themes/poverty/rural-urban-poverty-linkages

rural transformations, mobility and urbanization processes and to analyze how these contribute to an understanding of the scale, nature and location of poverty in Sub-Saharan Africa[14]

IFAD has identified the 'rural-urban nexus' as one of its four areas of future focus – "recognizing that this is critical for sustainable urban development as well as for rural development and within that a focus on value-chains, with emphasis on private sector investment and labor in particular youth employment and making small towns and rural cities attractive for youth" (*Pers comm* Adolfo Brizzi, 01 October 2014). Project support to IIED UK for work on 'Rural-Urban Transformation and Food Systems' has been allocated

Selected examples of country initiatives/ expressions of interest

***Colombia*:** Presently updating what defines rural and urban, taking a territorial perspective, and exploring systems of cities and the large numbers of people living in intermediate rural-urban areas (Misión Rural, 2014)

***Indonesia*:** The draft Government of Indonesia Medium Term Development Plan (RPJMN) for 2015-2019 places rural-urban linkages is a key strategy in regional development (Mulyana, 2014)

Kenya: Following the promulgation of the 2010 Constitution, Kenya changed its unitary system and adopted a devolved system of governance involving the formation of 47 new counties. With support from the Ford Foundation, leadership from ten counties are developing a blueprint for local economic development and regional cooperation across the counties in the Lake Basin Region including both rural areas and urban centers (*Pers comm* Ivan Tumuhimbise, 02 December 2014)

***Mexico*:** A new program to provide beneficiaries of the country's conditional cash transfer program (PROSPERA) with productive development support, has explicitly endorsed rural-urban linkages as a key ingredient of its strategy. The program will work in rural-urban territories, using them as units of planning, programing and development action

South Africa: The review of intermediate cities undertaken by the South African Cities Network (SACN) calls for emphasis to be placed on the important role intermediate cities play in the nation's overall development, by providing social and economic services, and infrastructure to impoverished regions and that rural development policies need to take into account the role of intermediate cities (Marais, 2014). Further the Spatial Planning and Land Use Management Act (2013), which – for the first time – enables provincial governments to collaborate with one another. The Act provides for the declaration of "development regions", which could cross provincial boundaries (Atkinson, 2014)

***USA*:** White House Memorandum on developing effective place-based policies to influence how rural and metropolitan areas develop, how well they function as places to live, work, operate a business, preserve heritage, and more (Orszag et al., 2009 and 2010)

[14] http://rurbanafrica.ku.dk/

Definitions

The picture emerging from these societal changes and the literature documenting and analyzing it is such that in most of the developing world today it makes very little sense to continue to see "urban" and "rural" as a dichotomy of vastly distinct and separate spaces. In fact, we now know that there is a gradient from "deep rural" places, to provincial regions that combine rural and urban attributes and locations, to the peri-urban areas in shadows of medium to very large cities in the world, to primate cities and very large urban agglomerations (Schejtman and Berdegué, 2004; Champion and Hugo, 2004; Misión Rural, 2014). Moreover, all of these places are increasingly interlinked in networks (Douglass, 1998) and systems that combine functions and hierarchies (Canziani and Schejtman, 2013; Roberts and Hohman, 2014).

We thus have a continuum in every country between very isolated rural areas that have very weak interactions with urban centers, rural-urban functional territories of the kind described above, peri-urban rural zones in the shadow of medium and large urban agglomerations, and larger cities that exchange with an indeterminate number of rural areas over long distances. The distribution of people across these types of spaces is by no means static, it changes with development, with the rate of urbanization, and with the degree to which the urban population is concentrated in one or two cities or is more distributed among a larger group of primary, secondary and tertiary cities.

As a result, it is today more difficult to come up with definitions or urban and rural that cannot be easily contested. Administrative traditions and peculiarities add to the confusion and make international comparisons difficult to make (Tacoli, 2007; McGranahan and Satterthwaite, 2014). "Urban" is defined in many different ways, and the plot thickens when we turn to concepts such as large, medium and small, or secondary and tertiary, cities (Czerny et al., 1997; UNDESA 2011; Roberts, 2014; McGranahan and Satterthwaite, 2014). Mexico's definition of "urban," includes the indigenous town of San Pablo Huitzo (population 5,500, whose origin traces back to 1200 B.C.) In Equatorial Guinea, an urban center is any locality with 300 dwellings or more or with 1,500 inhabitants or more. In India, an urban location is as follows: (a) All statutory places with a municipality, corporation, cantonment board or notified town area committee, etc.; (b) A place satisfying the following three criteria simultaneously: i) a minimum population of 5,000; ii) at least 75 per cent of male working population engaged in non-agricultural pursuits; and iii) a density of population of at least 400 km^2 (United Nations, 2011). Some countries, like the USA, have several official definitions of what is "urban". A single sub-category, such as "secondary city", can describe a location of 3 or 4 million or India (e.g., Hyderabad), one of 150,000 in Ethiopia (e.g., Harar), or one of 50,000 in Peru (e.g., Moquegua)[15]. Most data used for international comparisons (including that which we use in parts of this report) refer to the city within its administrative boundaries, which in many cases are not the limits of the real city, and this is a source of confusion and of mistaken research conclusions and faulty

[15] Despite the fact that the Rondinelli (1983), who introduced the concept of "secondary cities," places a minimum limit of population 100,000.

policy designs[16]. What is to be noted is that having defined "urban", rural in official classifications is almost always a residual category, i.e., that which is not urban.

Leading authors now propose to leave aside classifications of cities by size, and to focus on the city function and its position in the national hierarchy of urban locations, with a primary city being the leading one in the country, usually much larger than the rest, and below that a series of secondary cities and tertiary cities and towns (Roberts and Hohmann, 2014). The sub-national, district, and sub-district orders of cities in Roberts and Hohman's (2014, figure 2 in page 4) "spatial, scale and functional framework" of systems of secondary cities, would cover in most cases our term "towns and small and medium cities," and, if so, then these are part of either the secondary or tertiary city classes. Czerny et al. (1997) reach the same conclusion about the importance of function over population size, making the important point that function itself is contextual; these authors point out that small cities "…have a distinct package of services and facilities, public utilities and infrastructure, *which reflects the national situation*" (our emphasis, p. 4), so that the functions that one would expect a small or a medium city to play, in say, Chad, would not be comparable to those that would be observed in Chile.

While interlinked rural and urban areas and locations today appear to be the norm more than the exception, it is important to distinguish two different large categories of rural-urban linkages. A first situation is that created by flows of people, goods, money and information, between City X and a very large number of indeterminate rural areas throughout a country or even the world. Mobile phones manufactured in the city of Shenzhen, in China (population over 10 million) will be shipped and used to facilitate trade and social relations in hundreds or thousands of villages in Africa and Asia. The food consumed in Lagos or in Abuja (pop. of 21 million and 3 million, respectively), or the immigrants flowing into them, come from all over Nigeria, the region and the world, and not just from the proximate rural areas. The relationships between Shenzhen, Lagos or Abuja, and the rural areas of their countries and indeed the world, can be said to be quite diffuse. An important exception is the environmental relationship (environmental services provided by the countryside, urban environmental footprint) between these large cities and their rural hinterland: here, the linkage is usually not diffused. For example city administrations have entered into formal or informal agreements with peri-urban districts or local and more distant municipalities to manage water resources including water basins and watersheds, forests and nature reserves to improve water quality and reduce pollution, for waste management (including solids) and so on.

Whilst the focus of this review paper is on linkages between rural and urban which are "traceable and direct", these multiple interactions between rural areas and large agglomerations are important and diverse and include a wide range of environmental goods and services, the "imported" supply of food, the provision of financial and ICT services to rural areas, the spread of megacities over agricultural land and the competition for water between urban consumers and farmers, long distance permanent

[16] *Pers comm* Mike Douglass, 3 October, 2014.

and temporary migration, and so on. For the purposes of illustration only some examples of these wider linkages between rural areas and large agglomerations are given (Box 3).

Box 3. Linkages between rural areas and megacities

Urban agglomerations and environmental management

Many of Asia's mega urban regions are located in coastal regions and river basins that encounter high risks of environmental disasters including landslides and flooding. 25 of the 35 largest cities are located in coastal areas and exposed to the impacts of cyclonic winds and global sea rises, and others to the impacts of unusual weather events, melting glaciers (in Himalayan regions) and large infrastructure projects such as highways and mega-dams (Douglass, 2013).

Rapid urbanization, land use change, land subsidence and the clogging of the city's waterways with waste and sediments have intensified problems of flooding in some coastal agglomerations. For example Jakarta has a long history of flooding and the severity of this flooding has increased in recent years with the 2007 flood inundating over 30% of the city. Such high levels of population growth have resulted in large numbers of people settling in slums and informal settlements in sites with exceptionally high risk of disasters. People living in such settlements are often the first to be evicted to make way for canal widening and flood management needs.

Climate change will further increase the chance of flooding. In such contexts beyond de-silting and dredging of drains, canals and watercourses to reinstate their natural or design capacity, there is a growing recognition of the need for integrated flood risk approaches including traditional infrastructural measures such as dikes and sea-walls as well as options such as forestation in the upper catchment areas, spatial zoning including avoidance of urban uses of steep uplands, coastal ecology management, and reducing land subsidence through the improved supply of drinking water (Jha et al., 2011; Ward et al., 2014) Such comprehensive integrated solutions combined downstream, midstream and upstream approaches and thus combine urban, peri-urban and rural locations on the latter sometimes peripheral rural and in some cases distant rural locations.

Latin American megacities and water

In Brazil water is unequally distributed and is increasingly polluted in urban centers. The sparsely populated Amazon region holds about 80% of the water resources, while the semi-arid states have only 4% of the water but 35% of the population, and the metropolis of São Paulo has only 1.6% of the water and more than 20% of the population. While access to water supply and sanitation services is higher in urban areas, the pollution of urban rivers and streams is Brazil's biggest water quality challenge and continues unabated, since only about 48% of municipal wastewater is collected and only 32% is properly treated. Moreover, dumping untreated wastewater into the water bodies further exacerbates the already critical problem of water scarcity (World Bank, 2011a).

Among the most pressing problems facing the Metropolitan Region of São Paulo (MRSP) with some 20 million inhabitants, is water scarcity. Half of the supply of potable water in the MRSP is imported from neighboring river systems, which is contentious given the demands of other conurbations vying for the same water. The other half of the supply comes from watersheds within the MRSP itself, notably the Alto Tietê river basin. Eleven of the twenty two watersheds in the State are in critical condition (critical condition being when the relationship between demand and availability surpasses 50%) and the Alto Tietê basin in an extremely critical condition (World Bank, 2010). To rehabilitate, protect and increase water availability in these critical watersheds; to reuse waste water for agriculture and industry; to reduce water pollution; and to secure access to water supply and sanitation services, especially among the rural and peri-urban poor, requires policy and investment integration and coordination across sectors and rural and urban administrations. The basin committee for the Alto Tietê basin brings together key stakeholders including over 30 municipalities and seeks to secure such integration.

In Mexico City, over-exploitation of aquifers has contributed to the continued subsidence (5-40cm per year), increasing the chance of catastrophic flooding. The dependence on distant water supplies has resulted in social and environmental conflicts with communities in the donor basin; in addition to the high energy costs (0.6 % of the country's total electrical energy generated) associated with pumping water over 1000m in elevation and 150Km away (Engel et al., 2011).

Migration to large metropolitan regions

There are 42 primary cities in the developing world with populations greater than 1 million in 2015; 224 million people live there. In the period 2000 to 2015, 22 of them had average annual population rates of growth between 3% and 5%, and the other 20 grew faster than 5% per year and up to 13% per year in the case of Ouagadougou. In any country these rates of growth are unsustainable and unmanageable, but the problem becomes particularly acute in very poor and institutionally weak countries like the Democratic Republic of Congo, Pakistan or Honduras. Clearly in these contexts the objective of reducing the rates of rural to large city urban migration, should receive attention.[17]

In several of the countries facing this challenge, the degree of urban concentration in one or two large to very large cities is already high or very high, making the problem more difficult to mitigate; this is the case for example of Bangladesh, Senegal and Honduras. But there are other developing countries that until now have shown a pattern of less concentrated urbanization, that could perhaps promote the already relevant small and medium urban centers, and even of large secondary cities, to reduce the migratory pressure on their leading cities; China, Ghana and Colombia find themselves in this position.

[17] Estimates are by the authors based on data from UNDESA (2014).

City-region food systems on the policy agenda of large metropolitan regions

Mayors, city planners and local and regional are now recognizing the social, economic and environmental opportunities offered through the strengthening of city-region or urban food systems. These include:

- localized production i.e. urban and peri-urban agriculture for food and income security at household level, to reduce market distortions and reduce dependency on imported supplies
- new enterprise and marketing opportunities
- entry point for awareness raising on health foods and lifestyles
- resource recovery (urban waste) and climate change adaptation such as designating low lying areas and flood plains for agriculture to limit construction and reduce the impact of floods
- reduce emissions related to food transport and food waste thus lowering the urban footprint.

Examples of multiple entry points for city food strategies are summarized in Dubbeling (2013) and include: promoting and integrating urban agriculture in city planning; preferential public food procurement for the public sector; promoting safe reuse of urban waste and wastewater in urban and peri-urban agriculture; supporting food projects for the urban poor/disadvantaged, farmer markets and local food hubs, short market chains, and local small enterprises in food processing and distribution; forming Food Policy Councils or Platforms; and reducing food waste including linking to food banks. Such approaches are most commonly reported in large cities in the developed world such as New York, FoodWorks (Quinn, 2010) and the work of the Fair Food Network (http://www.fairfoodnetwork.org/) in Michigan and Detroit; there is growing interest in cities in developing countries such as Belo Horizonte, Brazil; and Amman, Jordan (Dubbeling, 2013).

A different story is that of the relations between a specific rural area and a particular urban location, developed through systematic and repeated flow of goods, services, people and money. Geographic proximity appears necessary for this kind of interaction.[18] In this case, the flows of goods, services, money, and people are much more diverse, and there is a stronger degree of reciprocal dependency between the rural and the urban components. This is so to such an extent that the urban center and the rural hinterland can become integral components of a single rural-urban functional territory, often cutting across administrative boundaries.

In Latin America, Berdegué et al. (forthcoming), based on commuting patterns and the distribution of towns and cities of different sizes, identified 986, 394, and 103 functional territories in Mexico, Colombia and Chile, respectively. Those that correspond to rural-urban configurations involving one or more towns or small and medium cities and a rural hinterland, house 43%, 38%, and 37% of the

[18] Not all authors make this distinction. Tacoli (2006, p.4), for example, in her introduction to a very influential book, explicitly includes "more distant" rural regions in the definition of rural-urban linkages.

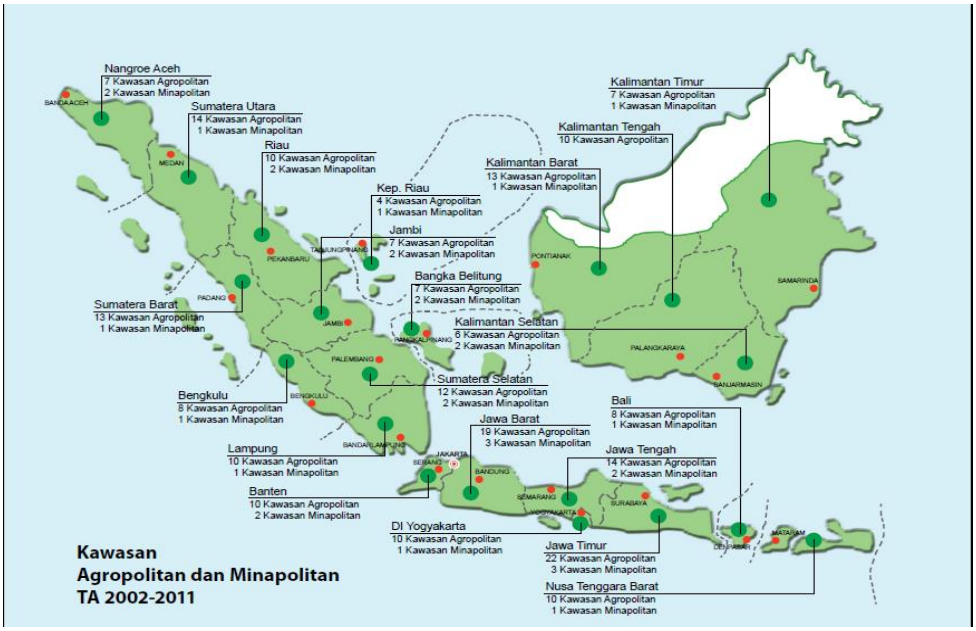
total population, while "deep rural" territories that lack an urban nucleus range have 7%, 16%, and 6%. In Brazil, up to 3400 rural and urban municipalities could be part of these rural-urban functional territories, involving 93 million people, 37 million of which live in poverty.[19]

The West African Border Markets project of the Center for Economic and Social Research (CEPS/Instead) has identified 11 functional regions[20], involving cities and rural regions, crossing international as well as national political and administrative boundaries.

Also in West Africa, the Africapolis program (undated) reports that "The increased spread of agglomerations, going from 125 units to 1,500 in 70 years, has encouraged the filling of empty spaces, as well as the densification of already urbanized areas. Between 1950 and 2000, the average yearly expansion of the urbanized surface has been 5.1%, as opposed to 4.3% for the population. The average distance separating agglomerations has been divided by three, going from 111Km to 33Km for the whole region."

In India, Wandschneider (2003) argues that small towns with a population of under 50,000 or 100,000, surrounded by a rural hinterland, constitute locally integrated local economies. If so, the number of such places, or territories, would be very large in this country.

Figure 2. The Agropolitan Development program in Indonesia promotes the agriculture-based competitiveness of rural-urban regions



Source: Mulyana, 2014

[19] The authors' estimate based on poverty map data produced by Favareto and Abramovay (forthcoming).
[20] http://www.ceps.lu/?type=module&id=47

Indonesia's government has a certain tradition of policies that seek to promote and take advantage of the development of functional rural-urban territories (although under different names). A prominent example is the Agropolitan Development program that seeks to improve the competitiveness of a rural-urban region by improving rural-urban linkages, small and medium agricultural production, and urban-based services in support of the development of the rural hinterland and its economic activities (Figure 2; Mulyana, 2014).

Moreover, these functional territories (rural, rural-urban, and urban) do not function in isolation with respect to each other. Douglass (1998) refers to "regional networks" involving sub-systems of rural villages and urban locations of different sizes. Roberts (2014), focusing on secondary cities, proposes a system based on functions and hierarchy. The proposed system identifies multi-locational regional arrangements such as (a) sub-national cities that are centers of local government, industry, agriculture, tourism and mining; (b) city clusters associated with expanded, satellite and new town cities which surround large urban metropolitan regions, and; (c) economic trade corridors that are urban growth centers or poles planned or developing along major transport corridors. Within each of those spatial arrangements, it could be possible to identify functional rural-urban territories. Within those systems, small and medium cities are "important nodes in the networks between places of different scales, and they are seen to mediate between the rural and the urban, as well as between the local and the global" (Bell and Jayne, 2006).

At the start of this paper we already showed that these towns and small and medium cities house about half of the world's urban population.[21] Also, recent research has shown that smaller cities have higher rates of poverty and house a larger share of the *urban* poor, compared to large cities (Ferré et al., 2012). In Brazil, 56% of all the poor (rural and urban) are in towns and small and medium cities, compared to 15% in larger cities; in Kenya, 10% vs 8%; in Thailand, 15% vs 1%; in Kazakhstan, 41% vs 1%, but; in Mexico, 17% vs 22% (World Bank, 2013a, based on Ferré et al., 2012). In Vietnam, Hanoi and Ho Chi Minh are home to 10% of the poor, but 55% live in the 634 smallest Vietnamese towns (Lanjouw and Marra, 2012). In India, the poverty rate of small towns of less than 50,000 people is twice as large as that of the cities of 1 million or more (World Bank, 2013a).

A tantalizing possibility immediately comes to mind: if development strategies manage to avoid the metropolitan bias, could it be possible that policies and investments focused on the functional territories integrating towns and small and medium cities and their rural hinterlands, can deliver two birds with the same stone: reduce *rural* poverty and reduce *urban* poverty there where it is more prevalent and important? Research in Colombia, Chile and Mexico suggests that this is so, that places

[21] Although the share has decreased from 60% in 1975. Current United Nations projections are that in the coming years, the increase in urban population will concentrate disproportionally in cities of 1 million or more, in contrast to the pattern in previous years when cities of less than 500,000 were favored. To what extent the slower growth of cities of less than 500,000 compared to larger urban centers is due to economic geography forces, and how much is it due to the political economy of urban (Lipton, 1977), metropolitan biases (Ferré et al., 2012), or political economy decisions favoring large cities (Ades and Glaeser, 1995, Davis and Henderson, 2003; Henderson and Wang, 2007; Kim and Law, 2012; Glaeser, 2013), is a question worth pursuing.

that include a small or medium urban center and a rural hinterland with strong linkages between them, on average and other factors held constant, did reduce poverty and increase per capita income faster in the whole of the rural-urban territory (Berdegué et al., forthcoming).

It is very important to emphasize, however, that the linkages between towns and small and medium cities are not always mutually beneficial (Hardoy and Satterthwaite, 1986; Tacoli, 1998; Douglass, 1998). In fact, such relations can be predatory of the rural hinterland, through a number of mechanisms such as, for example, exposing rural economic activities to outside competition; financial systems that capture rural savings and lend them mostly for urban consumption or investment; urban bias in local government investments despite the facts that numbers of rural people and rural poverty incidence contribute to enhancing the position of the district or municipality or province in the allocation of central government budget transfers; inability of some rural dwellers to participate in the more lucrative non-farm activities due to lack of assets or because of social barriers. The same study that concluded that on average territories that contained an urban center reduced poverty and increased per capita income faster also shows that income or consumption inequality also rises, and it is likely that a proportion of that is due to growing rural-urban income gaps within the rural-urban territory (Berdegué et al., forthcoming). This is why the term "inclusive" in the title of this paper is not a politically-correct cliché: it is a civic challenge to govern these relations in ways that lead to inclusiveness rather than to increased rural-urban inequality and even polarization (Escobal and Ponce, 2012).

In summary, rural-urban linkages in the broad sense are reciprocal flows of people, goods, services, money and environmental services between rural and urban locations. In a narrower sense that we believe to be more fruitful, rural-urban linkages are reciprocal and repetitive flows of people, goods, services, money and environmental services between specific rural and urban locations that, and to a large extent as a result of those flows, become interdependent and constitute socio-spatial arrangements that we call territories, places with a socially-constructed identity (Schejtman and Berdegué, 2004).

Rural-urban linkages and their consequences are contextual

Regardless of definitional issues, what is clear is that the days of fragmented rural spaces made up by largely self-contained rural communities and micro-regions, is long gone. In a sense, every citizen of each of the world's 28 megacities interacts with rural areas every time he eats, just like every peasant in a village is dependent on urban societies when she rides a bus or has her children vaccinated. But the nature of the linkages will depend to a very large extent on two factors:

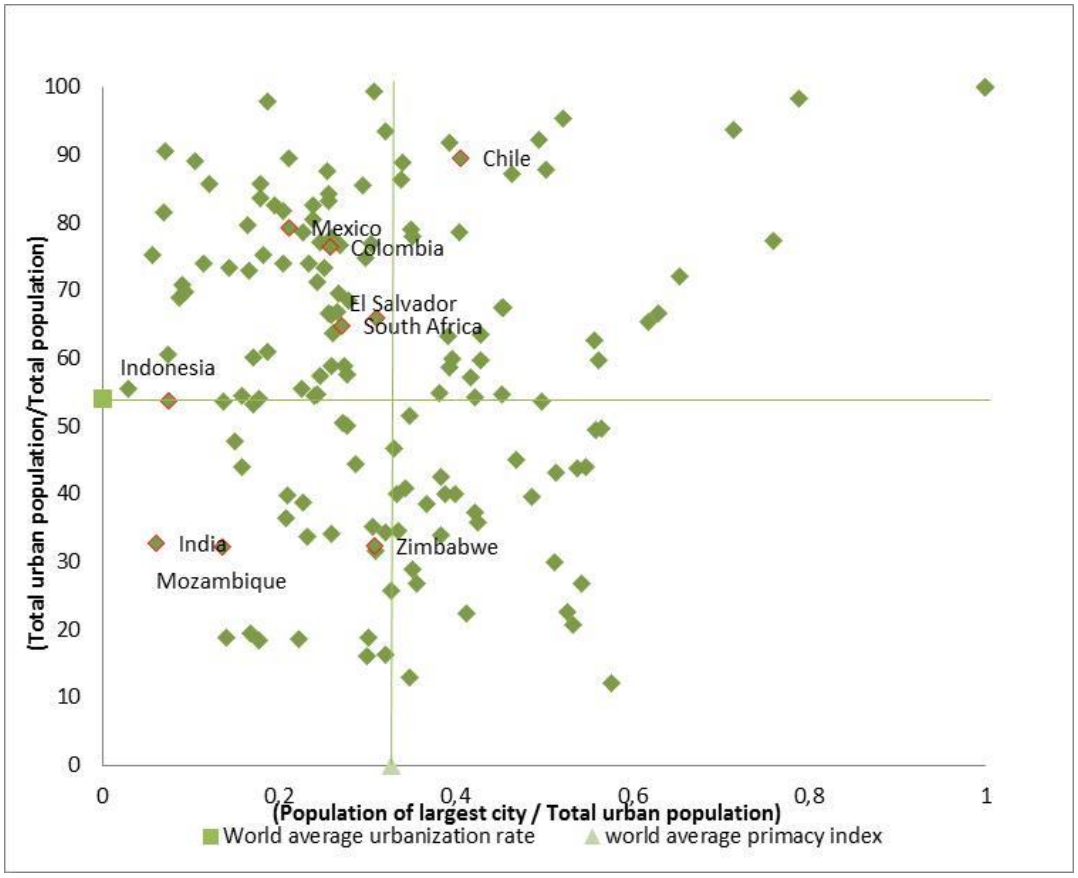
a) The idiosyncratic characteristics of the rural *and* the urban places involved in each concrete relationship, including geographic, economic, social and institutional characteristics, some of them rooted in the place's history (Tacoli, 2008; Tacoli and Mabala, 2010; Modrego and Berdegué, forthcoming). The role of the political and social history of a place is dramatically

exemplified in the case of South Africa and the legacy of apartheid's settlement policies on the nature of rural and urban localities and the relations between them (Atkinson, 2014).

b) The stage of the urbanization process in which each country finds itself, and the nature of the urbanization it is experiencing.

With respect to the urbanization process, figure 3 shows the distribution of 151 countries (developed and developing) according to their level of urbanization (the proportion of the national population officially defined as urban) and their primacy index (the proportion of the *urban* population living in the largest city of the country). The spatial concentration of population and its relationship with economic growth has been addressed in the literature of regional science and urban economics with a focus on the market mechanism. Agglomeration economies resulting from spatial proximity favor the transfer of knowledge, the flow of goods, factors of production, among others, and motivate the formation and consolidation of large urban agglomerations (Marshall, 1920; Hirschman, 1958; Myrdal, 1957; Williamson, 1965; Henderson, 2003). However, this same proximity facilitates diseconomies of agglomeration, such as congestion, crime, pollution, and rising land prices, among others, eventually motivating the spatial de-concentration of the population (Henderson, 2003). However, political economy research has identified that excessive concentration patterns can be perpetuated by institutional aspects that are outside of market mechanisms and that relate to the historical, cultural, political and social dimensions of countries (Ades and Glaeser, 1995, Davis and Henderson, 2003; Henderson and Wang, 2007; Kim and Law, 2012; Glaeser, 2013). In a Latin American context, Modrego and Berdegué (forthcoming) confirm that place-specific institutions seem to play a large and statistically significant role in the longer term process of convergence.

Figure 3. Urbanization with different levels of concentration of the urban population



Source: the authors based on data from the World Urbanization Prospects, 2014 Revision (United Nations, 2014)

On average, the countries represented in figure 3 have an urbanization rate of 54%, and an average primacy rate of 33%, and in both cases the ranges are quite large. At any given level of urbanization, it is possible to find significant differences in the relative importance of the largest city vis a vis other smaller urban centers. For example, Venezuela and Gabon have a very high urbanization in the range of 85%, but the latter has a primacy rate that is four times larger than the former (46% vs 10%). Libreville is the only city in Gabon with over 500,000 inhabitants, and the rest of the cities in the country have far lower populations. In Venezuela there are over 50 cities with population between 100,000 and 500,000 while the largest city has over 5 million. Similarly, Nepal, Nicaragua, and Vietnam have similar primacy rates somewhat below the global average, in the range of 22% to 26%, but their urbanization rates are quite different: 18%, 34% and 59%, respectively.

Table 1. Urbanization and primacy rates in a selected group of countries, 2014

Country	Urbanization rate (Urban population / Total population, %)	Primacy rate (Population of largest city / Total urban population, %)
Mozambique	32.2	13.6
Zimbabwe	32.4	30.8
Tanzania	31.6	30.9
India	32.7	6.1
World	**54.0**	**32.7**
Guatemala	51.6	34.8
Indonesia	53.7	7.5
South Africa	64.8	27.1
El Salvador	66.7	25.6
Colombia	76.4	25.8
Mexico	79.2	21.1
Peru	78.6	40.4
Chile	89.5	40.5

Source: The authors with data from World Urbanization Prospects 2014 (United Nations, 2014)

Table 1 presents the urbanization and primacy rates for 12 countries of interest to the Ford Foundation's ELOPHI initiative; the options for rural-urban linkages to develop should be quite different in a country with low urbanization rates and low primacy (that is, many quite small cities), such as Mozambique, than in India with almost a third of the population in the urban areas, but very distributed in a very large number of cities of significant size, than in Mexico with a very high urbanization but quite low primacy (many cities of significant size), than in Chile with close to half of the population concentrated in one single and quite large city.

Moreover, Christiaensen and Todo (2014) find that countries with a lower level of urban concentration show more inclusive growth patterns and faster poverty reduction than those characterized by the dominance of one or a few very large cities. Along a similar vein, Roberts[22] suggests that "population size has become a less significant factor in the competitiveness, wealth and prospects of smaller towns and cities. The level of specialization and agglomeration seem to be more important. Why does Bangalore outperform many other cities in India? There is something happening in the new economic geography of cities, where the level of primacy may now be generating high externality costs and dis-economies of scale that are beginning to affect big cities... at the same time, smaller cities are costing more to run because densities are low.... Cities [with population] between 300,000 - 500,000 seem to perform best in the sustainability stakes".

[22] Brian Roberts, *pers comm.*13 October 2014.

Governance of rural-urban territories

According to the OECD (2013, p.15), "On average, places where "urban" and "rural" are closer, and where institutions are more inclusive, perform better than others in terms of growth of population and GDP per capita, respectively." That may be so, but the governance of rural-urban territories and their development poses significant governance challenges, for three very important reasons. First, the challenge of coordination becomes all the greater as these territories involve numerous and diverse localities, often cutting across administrative boundaries, *and* rural and urban development policies and agencies, *and* sectoral (e.g., infrastructure, labor, SMEs, agriculture) policies and agencies. To whom does a community that lives in district A but whose children attend the health center in district B complain if services are inadequate? Should the local government of place A co-invest in the market facilities in town B where its farmers sell their products? Should a local government receive its budget transfers on the basis of its residents or on the number of real users of its services even if they come from different localities? Societies are integrating and defragmenting, but rigid administrative boundaries lag behind, and generally mechanisms are lacking for addressing place-based issues and needs in a coordinated and coherent manner. Some developing countries are beginning to pay attention to the problems resulting from this mismatch; Colombia has recently started a process to update the way it defines what rural and urban are, taking a territorial perspective, and thinking about systems of cities and about large numbers of people living in intermediate rural-urban areas of the country (Misión Rural, 2014). Some developed countries are also facing and addressing the same problem, such as the USA, where a White House memorandum proposes "principles meant to advance the Administration's domestic and fiscal priorities and to increase the impact of government dollars by leveraging place-conscious planning and place-based programming... place-based policies leverage investments by focusing resources in targeted places and drawing on the compounding effect of well-coordinated action. Effective place-based policies can influence how rural and metropolitan areas develop, how well they function as places to live, work, operate a business, preserve heritage, and more. Such policies can streamline otherwise redundant and disconnected programs" (Orszag et al., 2009, p. 1; see also Orszag et al., 2010).

The second, and perhaps more difficult challenge, is that a rural-urban territory not only contains a large diversity of social actors (from subsistence farmers to bank managers and factory owners), but also that these actors relate to the development process of their place from different arenas of civic and economic life; at anyone point in time, some are individuals or firms that relate to each other in a value chain; others interact as employer and employees in the services or manufacturing sectors; others engage as parents or students concerned with access to good education; some may be recent migrants from the villages to the urban center that are concerned about housing. Of course, in real life, each citizen in the territory has these different identities. The problem of "civic capacity" (Briggs, 2008) starts with the challenge of building a collective capacity that cuts across these partial identities to identify, express and lead what can be called a "development agenda" of the society as a whole. The question is indeed "how might we improve the relationship among citizens, government, and

private parties (including businesses and unelected interest-group advocates and philanthropies that bring vital resources and capacity) *in relation to important public problems*?... two *core structures* for building and deploying civic capacity are stable coalitions, not political marriages of convenience, for broad-based support, developed together with pragmatic, implementation-focused alliances. Coalitions authorize things, and alliance or partnership arrangements get them done... These twin structures help reconcile [...] the *logic of empowerment* [...] and the *logic of efficiency*..." (Briggs, 2008).

Briggs' conclusions emerge from a study of "democracy as problem solving" in a number of large cities from across the world, but a very similar conclusion is offered in the synthesis of a large program that studied 19 rural territories in ten Latin American countries. The study concludes that "transformative social coalitions", acting on a number of domains (including, for example, the governance of access to natural resources, linkages to markets, and the structure of the local economic), are the most important critical factor that helps explain why certain territories stagnate, others show only economic growth but with little or no social inclusion and, unfortunately, only a few manage to sustain a development dynamic that over time leads to economic growth, poverty reduction, and improved distribution of income (Berdegué, Bebbington and Escobal, in press; Berdegué, Escobal and Bebbington, in press; Fernández et al., 2014). The province of Tungurahua, in the Andes of Ecuador, is the best example in that set of case studies of a rural-urban territory with a transformative social coalition that has led that society in a distinct path of inclusive development (Ospina, 2011).

A third issue is that towns and small and medium cities defined in the sense of this report, are struggling to find their place in the world. As Bell and Jayne (2006: 5) put it: "how are small cities to find a place for themselves, find their 'Unique Selling Point', tap into tradable capital, given the emphasis on the bigness of cities as their defining feature? In an urban hierarchy topped by so-called global cities, followed by so-called second-tier cities – places with national importance but moving towards global reach (Markusen et al., 1999) – can small, third-tier cities find a meaningful and valuable use of their third-tierness, their localness, their smallness (Jayne, 2004)? [...] Small cities are just not a topic that urban studies has engaged with, that theorists have seen as deserving of concerted, coherent and focused research and writing. So the discourses of cities – the ways they are talked about and thought about by different people, including academics, planners, managers, inhabitants – have tended to follow the logic that cities should be big things, either amazing or terrifying in their bigness, but big nonetheless. The very idea of cities is to be big and to get bigger: shrinkage, even stasis, is a sign of failure...." Public service provision is often more difficult and more expensive in smaller cities with their lower populations and population densities, while gaps in access to services are higher in smaller locations; to compound the problem, there where the need is greater and more costly to solve, the capacities and resources of all kinds, tend to be more limited.

We can see that these rural-urban territories are marriages of two seriously challenged entities in a globalized world that is governed in the way ours is. Paraphrasing Bell and Jayne (2009), the question for researchers and policy makers is: can the rural areas and the towns and small and medium cities

that are bound together in intimate social-spatial arrangements, find in such marriage, and in the linkages that tie them together, a source of competitive advantage in the global hierarchy which offers progress towards more equitable development.

In the next three sections of this document we will look at specific issues in the context of rural-urban linkages: food systems, labor markets, and migration. This organization of the text allows us to go in some depth in discussing those three issues that are of special interest to The Ford Foundation; however, it also creates sectoral barriers between three socioeconomic phenomena that are intimately interlinked in the space of rural-urban territories.

The "food system" in many of these places is the largest employer of people living in the rural hinterland of these rural-urban places, and, depending on the production systems, also of significant numbers of urban workers. If you add indirect jobs due to input-output or investment and consumption linkages between agriculture and other sectors of the local economy, then surely the food system will account for a significant share of the labor market, and will have a profound influence on the characteristics of labor supply and demand and on the quality of jobs.

Labor markets and food systems are very closely related to migration trends and patterns. As we will discuss in section 5, there are "push" conditions that favor migration and in the rural hinterlands of most rural-urban territories, these are closely related to the dynamism of the agricultural sector. At the same time, the small and medium cities at the rural-urban interface offer social, economic and cultural opportunities that are powerful magnets that "pull" people, especially young men and women, away from their farm households. As mentioned by Asensio and Trivelli (2014, p. 352) in their study of Latin American young rural women, "this is a collective with a large potential to bridge the rural and urban worlds, as these young rural residents have a strong urban life experience since they are very young… they study, work or shop in the cities to a much greater extent than their mothers ever did, and adopt urban habits, skills, and aspirations." Moreover, the nonfarm jobs that as we will show in section 4 are most frequent in small and medium cities or in the rural areas more proximate to them, employ varying but often very large numbers of people that would otherwise migrate to more distant and larger urban centers and megacities. Members of households in rural-urban territories, engage in a diversity of activities in agriculture and other sectors, are involved in household-based enterprises but also work as salaried employees (formal or informal) across the local economy, and participate in temporary or permanent migration; some of these activities take place in the rural hinterland and others in the urban centers, and the same individual can shift during the year or between years depending on a number of circumstances. The livelihood strategies of these households integrate food systems, labor markets, and migration, and it is these livelihood strategies of thousands of individuals like these that shape the dynamic of rural-urban interactions.

So, food systems, labor markets and migration are tied together by the set of localized flows of people, good, services and money that are responsible for creating the social organization that we call

the rural-urban interface or the rural-urban territory. What ties these "sectoral" issues is, in one word, place.

3. RURAL-URBAN LINKAGES AND FOOD SYSTEMS

Major changes are occurring in food systems in developing countries (Reardon and Berdegué, 2006; World Bank, 2007b). These changes are being driven by several interlinked transformations: urbanization; diet change including changing consumer purchasing and food preparation patterns; agrifood market system transformation; rural factor market transformation; and intensification of farm technology and thereby agricultural transformation (Reardon and Timmer, 2014).

The pace and depth of such transformations differ between regions and are fairly rapid in Latin America and Asia and are emerging in Africa. These changes affect and, at the same time, are affected by rural-urban linkages, and it is these relations that we discuss in this section of the report. We will first discuss the main changes in the organization and the institutions of food systems, starting with consumers and food demand and moving backwards towards primary production. In the second part we discuss the implications of the observed trends for rural-urban linkages. The main conclusions of this discussion are brought up in section 6 of the document.

Organizational and institutional changes in food systems

Consumer changes

On the demand side of food systems, there are some important trends that should be considered because they impact on rural-urban linkages.

Rapid urbanization is increasing the demand for food. Population growth combined with urbanization and rising incomes in particular in urban areas impacts on the demand for food. By 2050 in order to feed this larger, more urban and richer population, food production must increase by 70% (FAO, 2009). The result of urbanization is that today 6.8 urban persons depend on each farm compared to 4 per farm only 25 years ago and an estimated 11 per farm by 2050.[23]

Inequality in food security may be on the rise. With a reduction in poverty, per capita food consumption has also increased due to the gains in poverty reduction in many parts of the world. Households in the most prosperous areas of developing countries have an average consumption almost 75% higher than that of similar households in the lagging areas of these countries (World Bank, 2013a). However, with the urban poor disproportionately concentrated in smaller cities, how the poor in these places access food and how the food systems are structured to best meet their

[23] Urban population based on UNDESA (2014) and the number of farms of all sizes at around 570 million worldwide and with no change over the time period.

needs has to be understood and differentiated; this is a subject on which there is almost nothing in the literature.

Increased income and globalization of food is changing dietary patterns. Much of the structural change concerns the rapid increase of consumption of livestock products (meat, milk, and eggs), vegetable oils and sugar as sources of food energy. These three food groups together now provide 29% of total food consumption of the developing countries, up from 20% three decades ago. Their share is projected to rise further to 35% in 2030 (in industrialized countries the share has been around 48% for several decades). However, these changes have not been universal and wide inter- and intra-country diversity remains in the share of different commodity groups in total food consumption (FAO, 2012).

Two stages of diet diversification are seen in Asia (Joshi et al., 2007): a pattern which broadly applies across other regions. The first is the "income-induced diet diversification", where economic growth leads to increased variety of foods consumed, but the diet maintains mostly traditional features. The second is that of "diet globalization", also known as “nutrition transition" (Hawkes, 2006), where a diet high in fats and sweeteners is promoted through the opening up of trade, foreign investment, and food industry marketing as well as household lifestyle change. This in turn is giving rise to an increase in incidence of non-communicable diseases including obesity, hypertension and diabetes.

Urban residents typically have lower shares of food expenditure in total household expenditure compared with rural residents—but have sufficiently higher incomes that enable urban consumers to spend more on food per person than rural consumers (Reardon and Timmer, 2014). Higher expenditure groups show a shift towards higher value added processed foods (in India, Morisset and Kumar (2011); in China, Zhai et al., (2014), or in East and Southern Africa, Tschirley et al., 2014).

Energy-dense foods are relatively cheap sources of energy but typically have a low nutrient density. As noted in the Southern Africa context “Industrial food processing and food supply systems have replaced traditionally nutritious foods (still available in many rural areas) with nutritionally inferior, energy-dense, but cheaper foods and drink” (Frayne, et al., 2014). People with a low income select a relatively less healthy diet, and we know that low income people live disproportionally in rural areas and in towns and small and medium cities. Tschirley et al. (2014), report that the pattern of penetration of “highly processed food” is similar in both rural and urban areas, in Eastern and Southern Africa. In China Liu et al. (2014) observe that rural communities have been limited in their ability to diversify their food baskets and thus improve nutritional balance, by high electricity and transportation costs and low infrastructure development and modernization.

Urban and rural food consumption is not only influenced by purchased goods. A yet indeterminate but probably significant number of households are spatially stretched across rural and urban spaces, with different household members at different times living and working in different areas, while retaining basic household functions; this impacts on food access and food security patterns in both

rural and urban locations. Almost one in three of the poor urban households surveyed in eleven Southern African cities said they receive food from relatives or friends outside the city, and 11% of rural households were recipients of urban to rural food transfers (Crush, 2012).

Finally there is a push back against "industrial foods", modern retail and large scale agribusiness with emerging agendas linked to for example food sovereignty, calls for new models of producer – consumer linkages including "short chains", and a growing debate on issues of consumer choice, food access and public health. "Short food supply chains" is a term used to describe a range of food systems that share three main characteristics:

- Low or no intermediation. These chains are "forms of agrifood movement with only one or no intermediary between production and consumption" (Nicholson et al., 2012: 21).

- Geographical proximity. Short chains imply short physical distances (Parker 2005) and a shared spatial base between production and consumption, that allows for a "direct relation between both extremes of the agrifood chain" (Nicholson et al., 2012: 24).

- Trust and strengthening of social capital. Short chains share information on the production process, the origin, the distinguishing characteristics related to quality and product traceability. Thus, short chains create greater trust between consumers and producers and the strengthening of social networks (Marsden et al., 2000; Renting et al., 2003; Ilbery and Maye, 2005). Some definitions include "extended" short food supply chains where consumers are aware of the identity of the producers such as fair trade, cultural practice and identity (Kneafsey et al., 2013).

In Latin America, short chains are being recognized as an important and growing phenomenon, linked to local and cultural heritage, biodiversity, and to a lesser extent agro-ecology and social economy initiatives (ECLAC, 2014a). Several Latin American governments (e.g. Bolivia, Chile, Colombia, Ecuador, and Peru) have or are putting in place short chain public policies, often linked to smallholder or "family farming" development strategies and/or for the enhancement of regional agri-food heritages. Some examples of innovations relating to "short food supply chains" are given in Box 4.

Box 4. Linking smallholders with consumers

Farmer markets – India

A marketing model for producers to sell directly to consumers has been developed in some states in India known variously as Apna Mandi, Rythu, Shetkari, Krushak Bazaars and Uzhavar Sandhais (Dey, 2012). These markets enable farmers to sell their produce as retail to consumers in towns on certain days without intermediaries. Whilst the scale of operation of these arrangements is quite small and only farmers near big towns can benefit from them, such an innovative short chain model has been endorsed for promotion by the Planning Commission (Planning Commission, 2011; Chand, 2012).

Farmer Fairs - Costa Rica

The Peasant Women's Coordinating Committee (Coordinadora Mujeres Campesinas) a sub-committee of the National Peasant Platform (Mesa Nacional Campesina) together with Unión de Pequeños Agricultores (UPANACIONAL) has played a key role on raising the profile farmers' fairs (Ferias del agricultor) as a way for smallholder farmers in particular women to sell their products direct to consumers. Good practice tools for farmer fair management have been developed and shared and these weekend fairs are now part of the food system of many small towns in Costa Rica (Coq, 2013).

Gastronomy in Peru

Mistura is a food and gastronomy fair that takes place in Lima, with the aim of promoting awareness among consumers about the ecological and cultural diversity of food, and the role of smallholder communities in the maintenance of the country's food heritage. The recent Mistura brought together over 8,000 producers and 192 restaurants, as well as 420,000 visitors. Mistura is one expression of a broader awakening of culturally-distinct gastronomy that in the past 15 years has resulted in a 36% increase of traditional food markets, creating new opportunities for smallholders to reach urban consumers (Ranaboldo and Arosio, 2014).

Direct purchasing by government agencies (institutional markets) in Africa

Inspired by the experience of Brazil and other Latin American countries, a program of public acquisition of food was launched in 2012, as part of the World Food Program's P4P (Purchase for Progress) initiative. The project involves 2,700 farmers from poor rural communities in Ethiopia, Malawi, Mozambique, Nigeria and Senegal, with an initial investment of US$ 4.5 million funded by Brazil and the UK Department for International Development (http://paa-africa.org/).

Whilst "short food supply chains" are today being revisited, they are not new as since time immemorial food has been and continues to be grown and exchanged at the local level.

Intermediate segments

Other changes are taking place in the intermediate segments of value chains, between consumers and producers, driven in part by shifting consumer demand, by competitive strategies among firms in these segments, and by the immense technological changes in logistics and supply-chain management. Some of the changes most relevant to our discussion are the following:

- The growth of large scale modern retail (supermarkets), and fast food outlets/chains. The pattern of spatial and social diffusion starts in the larger cities and eventually reaching almost all neighbourhoods in all but the smallest towns (Reardon et al., 2012a).

- The growth of second and third stage processing agribusiness (bakery/biscuits) with penetration into both modern (supermarkets) as well as into the traditional retail sectors (formal and informal).

- Changes in the organization of procurement systems of supermarket chains and agri-processing business, toward centralized systems, use of specialized/dedicated wholesalers and preferred supplier systems, and private quality standards. These require investment in technological change and 'upgrading' at the producer level and have impacted on the type and scale of producer included in these supply chains.

- New food systems increasingly require an integrated packing, grading, processing and transport and logistic infrastructure including cold chain. These changes impact on the location of post-production infrastructure and on employment in for example transport and logistics, commission agents, wholesaling, warehousing, and processing facilities. These often align a concentration of related businesses such as agri-processors, transport companies and cold storage operatives and in some cases for example in the poultry sector in South Africa these are fully integrated within a limited number of companies whose operations also include animal feed mills.[24]

- The growth of modern retail and concentration in agri-processing changes the organization and rules of food production and procurement and as such are creating many more hurdles that the vast majority of smallholder producers cannot pass through resulting in massive exclusion.

- Change is also taking place at the traditional wholesale market level impacting on the relationship between the producers and the market often with the exclusion of customary farm gate agents. This is mostly stimulated through domestic public and private sector investment including market liberalisation policies for example in India where wholesalers may now contract directly with farmers (Chand, 2012).

A number of reviews give insights into these transformations within the food supply systems for the different regions including for Asia (Reardon et al., 2012b; Reardon and Timmer, 2014); Africa (Reardon et al., 2013) and Latin America (Berdegué et al., 2004). An overall conclusion is that large numbers of smallholders are excluded from these new and more dynamic markets (which overtime may be the dominant in the country), but that those who gain access to them, frequently do benefit.

The debate on changes of value chains mid- and downstream has mostly focused on the implications of the rise in the consumption of high-value crops and livestock (e.g. Delgado et al., 2008; Gulati et al.,

[24] http://www.thepoultrysite.com/articles/1786/south-africa-broiler-production-and-consumption

2007), the rapid emergence of modern retail and its impact (e.g. Reardon et al., 2009; 2012a); innovation to secure smallholder inclusion in modern retail (e.g. Biénabe et al., 2011) and on the effect of food safety requirements on global value chains (Henson and Reardon, 2005; Swinnen and Maertens, 2006). Innovations midstream (intermediating) and downstream in the value chain which have impact on agricultural performance and thus on producers, on chain actors and on consumers have been the subject of more recent review and policy debate (including Swinnen, 2007; Reardon et al., 2009; and Reardon et al., 2012a). There has been less study on the effects of market changes midstream in domestic value chains both modern and traditional (and their interaction) including changing roles and numbers of chain actors. In particular there is a lack of study on the spatial aspects (in for example rural locations, towns and the large urban periphery) of food market infrastructure investment (including collection hubs, cold storage, packaging and grading facility, changes in wholesale and retail market structures, etc.) and on the impact of these changes on local employment and labor including skills demands.

The pace and penetration of modern retail differs by region with Latin America and South Africa showing a share of modern food retail in overall food retail of over 50%; countries in Southeast Asia (outside transition countries like Vietnam) and Central America within the range between 30–50%; and China, Vietnam, India, and Sub-Saharan Africa (outside South Africa) at below 10% (Reardon and Berdegué, 2006).

The penetration of processed (secondary and tertiary) foods has diffused from large cities to small cities including into both modern and traditional retail and is often heavily promoted through multinational agrifood corporations. Modern food manufacturers are leveraging traditional distribution networks (modern-to-traditional retail including formal and informal), substantially increasing access to low-priced processed/packaged foods in rural areas and low-income urban neighbors with mixed impacts on malnutrition (Gómez and Ricketts, 2013).

Small shops, street markets, hawkers, food stalls and other players in the informal and traditional food economy structures each have their own dynamic and service particular groups of the urban consumers. They are central to many urban food supply and distribution systems, are a major source of informal and formal employment often linked with rural households either as producers or as part of multi-locational non-farm livelihoods of rural households –in particular those households adjacent to smaller urban centres. They are a major source of food for the urban poor who often purchase very small quantities on a daily basis and/or who purchase street food as an option given costs of water and energy for cooking in for example slum areas.

In a number of countries for example Indonesia, traditional retail remains central to consumer purchasing behavior. Within Southern Africa significant regional and indeed local variation exists in the relative importance and role of modern versus traditional retail in urban locations (Box 5).

Box 5. Retail models and consumer purchasing behaviour

In **Indonesia**, the shopping habits at each of seven types of food retail outlets: hypermarkets, supermarkets, minimarkets (convenience stores), small shops (warung), semi-permanent stands, traditional wet markets, and peddlers and in three cities in Indonesia: Surabaya, Bogor, and Surakarta (represent large, medium, and small cities, respectively) were surveyed. Minot, et al (2013) find that 73% of urban consumers use modern retail outlets, defined to include hypermarkets, supermarkets, and minimarkets, while virtually all (99%) also use traditional food outlets. Traditional markets are considered the best place to get good prices, while warung and peddlers are appreciated for their convenience. The main reasons for shopping at supermarkets and hypermarkets include proximity to entertainment options, discounts, high quality food and cleanliness.

In the **Southern Africa** region, supermarkets are rapidly growing in importance as a source of basic foodstuffs for the urban poor. Across the region as a whole and in the major cities, 79% of poor urban households normally source some of their food from supermarkets (though only 5% do so on a daily basis). In South African cities such as Cape Town, Johannesburg and Msunduzi, the figure is over 90%. In many cities, small outlets are the first to feel the pressure from supermarket expansion (Crush and Frayne, 2011).

The picture in Maputo **Mozambique** is very different. Almost all the households regularly obtain food from informal sellers and over 90% do so at least once a week, many on a daily basis. Over three-quarters of the households never shop at supermarkets. Small shops (including independent grocers, butcheries and bakeries) are also regularly patronized (Raimundo et al., 2014).

Ongoing and low level harassment of the informal food trade sector in urban centers is ever present in many urban centres with the often punitive regulations imposed on the informal street traders and food vendors; this contrasts with the absence of regulatory controls on supermarket expansion in urban markets (Crush and Frayne, 2011).

Whilst towns and small and medium cities are closer to the locations of production in rural areas which might offer food system advantages, we speculate that poorer food market infrastructure and provision prevails in smaller towns. Work in Southern Africa indicates that populations in small and lower income towns may have fewer choices available to them for the purchase healthy foods at affordable prices (Temple and Steyn, 2011; Crush and Caesar, 2014).

Food production

As can be imagined, the changes in consumer demand and in the intermediate segments of food systems send powerful signals to all types of producers and induce response strategies. Changes in

the production segment of food systems includes socially and spatially differentiated patterns of inclusion and exclusion in different types of supply chains, location of production, farm technology and product composition. Important consequences of these changes include a) exclusion of the vast majority of small-scale farms from the more profitable and dynamic market sectors, b) commercialization of some small-scale farmers, c) increased use of agri-inputs, mechanization and credit, and d) crop and farm enterprise diversification and intensification.

With 570 million farms worldwide, of which 500 million are considered family farms and 95% with less than 2ha (Lowder et al., 2014) and some one billion people employed in agriculture, where food is produced, by whom and how it reaches the consumer is central to the debate on the wider linkage between rural and urban areas in terms of the food system, consumer choice, and employment and livelihood. Masters et al. (2013) consider that urbanization and economic development have made global agriculture increasingly differentiated. Whilst many farming households located far from markets sell only a small fraction of what they produce, and are often net buyers of food, those closer to markets and those in agriculturally dynamic zones and along transport routes even if located quite far from towns and cities, have become increasingly specialized and linked to agribusinesses. As dynamism spreads, even shrinking farms can become increasingly commercialized with investment in specialized capital investment, mostly in higher value cash crops, but also in staple food production (for example high quality and specialist rice). The responders have been in production regions with better production conditions and often with associated change in the midstream and downstream vertical market chain coordination and infrastructure investment. Examples of where investment has stimulated production include: cold storage investments in Bihar India for the potato sector (Minten et al., 2014); refrigeration and primary processing of dairy products (Wenban-Smith, 2014); in investment in mills for example the rice sector in a number of Asian countries (Reardon et al., 2014); and market proximity enabled through good road access (Rao et al., 2004 for case example India; and World Bank, 2007b for Indonesia).

There is substantial evidence that investments in roads and road connectivity positively affect agricultural productivity and output for example in China and India (Fan and Hazell, 2001). In Sub-Saharan Africa, Dorosh et al., 2010, find that agricultural production is highly correlated with proximity (as measured by travel time) to urban markets. Whilst differences were observed between West and East Africa on adoption of high-productive/ high-input technology, overall total crop production relative to potential production is 45% for areas within four hours' travel time from a city of 100,000 people falling to 5% for areas more than eight hours away.

A separate trend is that of peri-urban and urban agriculture. Integration of agriculture within urban boundaries offers opportunities for enhancing urban food security and livelihood. Thebo et al., (2014) has estimated a global total area of urban croplands of up to 67M ha with 24M ha irrigated (11.0% of all irrigated croplands) and 44M ha rain-fed (4.7% of all rain-fed croplands). When peri-urban areas within 20 km of urban extents are included, the authors found up to 456M ha of total croplands; of which, 130M ha are irrigated and 327M ha are rain-fed croplands. Smit et al. (2001) estimated that

there could be in the order of 800 million people engaged in some form of urban agriculture worldwide of which 200 million could be considered to be market producers employing 150 million people on a full time basis; considering that across the world there are about 570 million farms, these massive numbers raise the question on the minimum scale of measurement used in international farm size assessments and on the wider understanding of the role of very small size plot holdings (or landless in the case of small livestock units) in household livelihoods and food security. Using data sets from 15 developing countries, Zezza and Tasciotti (2010) find that agriculture (crop and livestock) is a reality in the urban economy involving from 10% (Indonesia, 2000) to 70% (Nicaragua, 2001) of households sampled. With the exception of sample countries in Sub-Saharan Africa and low income groups in Vietnam and Nepal the role of urban agriculture in household income was more limited. Their data confirmed that urban agriculture is an activity in which the poor are disproportionately represented.

On the other hand, increased competition and resulting conflicts are seen between urban land uses and agriculture land on the urban and peri-urban perimeter as urban centers seek to expand. This processes of change can be seen in not only in the shift of land use from agricultural to industrial, residential and infrastructural uses but also in the use of and impact on natural resources (deforestation, water depletion and pollution) (Allen (2003) in Steinberg (2014). Innovative models are being developed for example in the Western Province, Sri Lanka (Dubbeling, 2014) which integrates urban agriculture into urban and peri-urban planning for both food security and environmental gains.

With the area expansion of secondary cities (Roberts and Hohmann, 2014) there is a call for the reform of land governance systems with a focus on the adoption of collaborative governance.

Implications of the changing food system on rural-urban linkages

The following section builds on the observations of change taking place in food systems and focusses on implications relevant to the links between rural areas and towns and small and medium cities.

"*Dis-intermediation"* in modern market chains reduces the number of chain actors. It provides opportunities to reshape the relationship between the producer and first stage market chain actors, and may create new employment in urban centres. Even with new models to help secure equitable smallholder market access, many smallholders are being excluded and current trends indicate that this will continue.

Modern retail and food processing calls for closer linkage between the producers and the agribusiness sector for the timely delivery of the required quantities and qualities of raw materials, to enable the integration of quality assurance systems and to provide necessary flexibility to be responsive to the changes in the consumer market. A primary objective of modern firms is to squeeze out as many intermediaries as possible breaking away from traditional and often multiple transaction stages,

hence "*dis-intermediation*". Modern retail procurement is shifting away (with significant differences between regions on the pace of this change) from traditional wholesale markets often located in towns and small and medium size cities to sourcing directly and using private standards from preferred suppliers, including dedicated wholesalers, food companies, producer organizations, or contract farmers.

There are multiple examples of food system models where "*dis-intermediation"* has shortened the number of actors in the supply chain including bypassing of the traditional wholesale market such as: virtual integration 'Hub and Spoke' model of e-Choupals, India (Annamalai and Rao, 2003); value chains model with rural collection centres and rural business hubs, Reliance Retail Ltd, India (Pfitzer and Krishnaswamy, 2007; Parwez, 2014); contract production for onward distribution, McCain Foods India (Sharma et al., (2012) and Saung Mirwan Ltd, West Java Indonesia (World Bank, 2007b); tiered cooperatives Amul Cooperative, India (Sharma et al., 2012); and innovation on smallholder market inclusion in modern retail (Biénabe et al., 2011) including direct retail store to grower contracting such as Thohoyandou Spar Supermarket, South Africa (Romanik, 2008). Whilst these new relationships between the producer and the food chain actors may bring new opportunities (higher prices, market stability) for some – it will exclude others who are unable to meet exacting requirements (Birthal et al., 2005; Biénabe et al., 2011).

An important related trend is the diffusion of activities in the intermediate segments of food systems into small and medium cities, as road infrastructure and services expand (e.g. electricity, communication); this includes the locations where first stage transactions take place and where primary and secondary processing is undertaken. Geographic proximity of these first stage activities can bring new employment opportunities in for example grading and packing facilities, warehousing, mills, logistics and transport which are centered in rural or nearby towns and small cities.

For many food staple commodities such "*dis-intermediation*" is not yet observed for example in Sub-Saharan Africa and South Asia where traditional market structures abound which engage multiple actors along the market chains as shown in the case of the cowpea sector in Burkina Faso (Box 6).

Box 6. Multiple actors along basic food chain in rural and urban locations: Cowpeas in Burkina Faso

Some 13,000 tons of cowpeas are produced annually in the Sahel Region of Burkina Faso, destined for Ouagadougou and for export. This involves 21,000 farmers, 325 local traders (primary collectors), 14 wholesalers operating in rural markets in the production zone, 4 wholesalers based in Ouagadougou, as well as 273 retailers and 546 food processors in urban areas. In terms of value added, 95% of the total value added remains in the Region and 50% of total value of the wages generated along the chain are paid in the Sahel Region. In the East Region where a larger share of cowpea is processed and consumed in the regional capital, Fada N'gourma (52,000 population), there are some 200 women processors making a living from the production and sale of fried cowpea as a food snack.

Source: Lancon et al., 2009

Wholesale markets located on towns and small and medium cities play a central role in traditional food market systems and have adapted in some cases to meet the needs of and integrate with modern systems. Some wholesalers operating within wholesale markets have become "modern wholesale actors and logistics companies" undertaking a variety of logistics tasks including wholesaling, warehouse management, information management systems integrated with retail and distribution systems of other companies, cold chain development and packaging, whilst others continue with more limited and traditional functions. Such "modern wholesalers" integrate with modern retail and the food processing industries as well as traditional retail. Even within the traditional food system change is taking place where for example in the case of India with liberalization the wholesale markets buyers are now able to contract production directly with producers and eliminate the first stage village commission agents/traditional village trader.

Whilst wholesale markets remain central to both the modern and traditional food systems in many countries many such markets located in small towns and large cities alike are poorly governed and lack adequate infrastructure and basic services (Box 7).

Box 7. Public wholesale markets

The case of India

The traditional segment of the wholesale sector in India is transforming. Whilst supply chains are *shortening* as village brokers and commission agents (*arhtiyas*) play a reducing role and as *mandi* (public wholesale markets) wholesalers buy direct from farmers (Reardon and Minten, 2011), this transformation is incomplete. Agricultural marketing suffers from inefficiency and a disconnect between the prices received by producers and the prices paid by consumers, fragmented marketing channels, poor infrastructure and policy distortions. Chand (2012) summarizes the appalling state of marketing infrastructure (including lack of auction platform; drying space; general amenities) revealing why producers continue to depend on commission agents and traders in primary markets (*mandis*). Shilpi and Umali-Deininger (2007) show that the likelihood of farmer sales at the market increases significantly with an improvement in market facilities and a decrease in travel time to the market in Tamil Nadu. India requires multiple approaches to address the situation, including through the Agricultural Produce Marketing Committee (APMC) mechanism, new business models, and scaling-up of successful ventures such as cooperative milk marketing, along with organised retail. Most of the reforms needed in agricultural marketing are proposed in the Model Act which has yet to be fully implemented in order to pave the way for direct marketing and vertical coordination through contract farming, create a competitive environment for services and reduce near monopoly of the APMCs (Chand, 2012).

Traditional wholesale and retail markets in Eastern and Southern Africa

In a four country study in Sub-Saharan Africa, the traditional wholesale and retail market sector was found to be extremely under-served with physical infrastructure. Tschirley et al. (2013) report

that the infrastructure deficit is especially acute at the wholesale level. All wholesale trading in Blantyre and Lusaka and over 60% in Nairobi occurs in uncovered dirt fields. Maputo is better, with all of its trading occurring in a single market under somewhat improved physical conditions. Maputo also stands out in having better trash collection and drainage in its wholesale market, while in Blantyre and Lusaka, markets have no drainage of any kind and suffer large amounts of accumulated, rotting organic trash. Though infrastructure at retail is generally better than at wholesale, still 80% of traders in Maputo and Lusaka and nearly 50% in Blantyre operate in areas that lack either an improved floor or roofs that provide sufficient clearance for comfortable walking. 95% of traders in Nairobi operate under such conditions. Across the four countries, the share of retail traders operating in areas with neither a roof *nor* an improved floor ranges from about 25% in Nairobi to about 70% in Lusaka. Drainage is also poor, with nearly 70% of traders in Maputo and 80% in Nairobi operating in areas either with no installed drainage infrastructure or where the installed system does not work. Waste collection is sporadic.

However others such as the National Fresh Produce Market in Johannesburg are seeking new ways of doing business to continue to provide vital functional roles including the upgrading of facilities and offering wholesaling provision for smallholder producers enabling them to maintain a place in the food system (Romanik, 2008).

Further traditionally, centralized wholesale food markets have been located in suburban locations, and close to major transport routes. As cities have grown further, these food markets have become part of the city (example in Manila and Hanoi), and are now located in more congested areas of the city, creating problems of access, congestion and conflicting land use. As cities modernize and expand further and develop multi-nodal sub-centers, new and decentralized wholesale food markets will emerge (Steinberg, 2014).

Food manufacturing - agro-processing - is more decentralized that other manufactures, and that means towns and small and medium cities play a central role with impacts on the local economy and rural and urban labor markets. Of the industrial sectors food manufacture is the sub-sector that has potential for reducing poverty, especially in rural areas because it is less spatially concentrated than other sectors and is able to generate backward and forward linkages with non-farm sector of services, manufacturing and construction in both the informal and formal sectors (Cazzufi et al., 2014). Processing plants are often located in secondary towns, providing a much-needed boost to local economies for example: Miryalaguda (105,000 population in 2011), Andhra Pradesh, India, as a rice milling town; and Bothaville (population 46,030 in 2011), Free State, South Africa, with large maize granaries (Atkinson, 2014). In a study of formal medium and larger scale food manufacturing in Chile and Mexico, Cazzuffi et al., (2014) found that geographically, food manufacturing locates in relatively poor areas, but not in the poorest, and in municipalities with more availability of labor and raw materials and with better infrastructure; thus contributing to local poverty reduction. There are no studies on food manufacture which explore both the determinants of location of processing firms of

all scales and levels of formality, and the associated local impacts on the farming community, local labor markets, and poverty levels.

Some observations can be gleaned from the larger scale agricultural export sector which shows that clustering in the agricultural sector presents many benefits, such as creating an enabling environment for inter-firm cooperation, facilitating the diffusion of innovations, and acting as a means to efficiently channel public support to increase competitiveness in the agricultural sector. Farmers and small-scale firms can benefit from participating through joint-action advantages and agglomeration economies (Gálvez-Nogales, 2010). However much local agribusiness is usually dominated by smaller-scale firms, organized in a more informal manner, with weaker linkages among actors, low productivity, skill shortages and that face more difficulties in achieving a critical mass of firms. For example in India the food processing industry is highly fragmented and is dominated by the unorganized and small-scale sectors. Whilst the unorganized segment varies across categories, approximately 75% of the market is still in this segment (Rais et al, 2013).

The food manufacture sector is exposed to many of the same constraints as other industrial sectors when operating in small towns as shown in a review of bakeries located in small towns in South Africa (Louw et al., 2010) where bakeries were constrained by unreliable services (electricity), hampered by poor access to and retention of suitably skilled and trained work force, and exposed to competition from large food corporations' distribution of bakery products through both modern retail and traditional small retail stores.

There are examples of where governments are seeking to support the food processing sector and agricultural centres. The government of India faced with an under-developed food manufacturing sector sees the expansion of the sector as one way of bringing industry to rural areas (Dev et al., 2004). In response the government has launched (October 2014) an initiative to encourage agribusiness development linking producers with agro-industry and modern infrastructure through a joint public-private partnership. The proposed food parks will be located in small and medium urban centres and along urban corridors[25], and offer a range of infrastructure[26] services to the food processing sector. In Indonesia, the Medium Term Development Plan for 2015-2019 anticipates to build upon the earlier experiences (2003-2011) of development of Agropolitans i.e. investment support to centres in productive or potentially productive rural areas and agriculture-based small towns (Mulyana, 2014).

With the strengthening of these intermediate food system activities, many towns and small and medium cities depend on farming activity in the surrounding rural areas as a key economic driver. Proximity matters to strengthening linkages between rural and urban areas. We would hypothesize

[25] Source: http://news.oneindia.in Posted by: Reetu Sharma Updated: Wednesday, September 24, 2014, 16:38 [IST]
[26] Each facility will consist of 30-35 food processing units and will aim to facilitate the establishment of a food processing industries backed by supply chain infrastructure including collection centres, central processing center and cold chain infrastructure.

that in countries with high urban primacy levels, particularly if they are large, smallholder access can be more difficult. On the contrary, in countries with more towns and small and medium cities, smallholders are better able to access market opportunities and the food sector including food manufacture, better able to take forward first stage activity.

Agriculture that meets requirements of new food systems is intensive in services and benefits from service provisioning located in towns and small and medium cities. Towns and small and medium cities are the places where smallholders access a range of essential inputs and services needed to increase productivity and help to secure access to better markets whether through agro-dealers for agricultural machinery, equipment and tools, seeds and planting material, fertilizers, pesticides and insecticides, veterinary products and irrigation systems and related equipment; banks for financial intermediation provision; small machine shops for equipment repair; packaging; product quality and plant and animal health inspection services; and extension. As with output markets, proximity matters to strengthening these inputs linkages between urban areas and the farming community. Building the capacity of small-scale retailers in technical, product and business management skills to enable them to become certified input providers is the focus of an Alliance for a Green Revolution in Africa (AGRA) programme in a number of African countries[27], creating both urban employment and building better service provision for farming households.

However, modern logistics can reduce the advantage of geographic proximity. Modern logistics technologies and systems used by food retailers and processors allows for integration to take place nationally and globally. The winners will be more efficient and competitive sources of food from other places in the country or the region or the world, this can increase spatial polarization and reduce opportunities in regions with lower productivity levels.

For both agro-processing and for the fresh produce sector "*geographical repositioning"* or expansion of a production base seen being observed, stimulated by change in the market logistics and structure such as the rapid expansion of potato production associated with intermediaries' investment in cold storage facilities in western Uttar Pradesh (to serve the Delhi market, where two-thirds of potato consumption is now from cold stores based in this production area) (Reardon et al., 2012a) and in the more distant Bihar (Minten et al., 2014). In the case of India such infrastructure investment is associated with policy change (change in marketing laws) and tax incentives. Further as supply chains seek to secure greater product availability including all year around supply, "*de-seasonalisation*" is taking place where retailers are sourcing from more distant locations and thus broadening their supply base.

In summary major changes are taking place in the food system from production to consumption, with strong implications for rural-urban linkages. Essentially, quantitative and qualitative changes in food demand, plus the transformation of intermediate segments drive a stronger dependence of

[27] http://www.ifdc.org/about/ifdc_articles/agro-dealer_development_projects_increase_farmers/

agriculture on services and processing, and many of these activities tend to be relatively decentralized and located closer to the rural-urban interface. However, these changes also lead to the emergence of new (and powerful) actors in the food system, and to the exclusion of numerous traditional players. The main net effects of this process probably includes the exclusion of large numbers of smallholders from the more dynamic markets; the concentration of a greater share of value added in the downstream segments of the food system; the weakening of traditional wholesale and retail; a strengthening of the relative weight of non-primary activities in the rural-urban economy creating new employment; and the increased availability of highly processed food (impacting also on increasing health problems).

4. RURAL–URBAN LINKAGES AND LABOR MARKETS

In this section we discuss two important manifestations of rural – urban linkages in relation with labor markets: labor markets in towns and small and medium cities, and rural non-farm employment (RNFE) most of which occur at the rural-urban interface. While the different forms of rural-urban migration have an obvious relationship with labor markets both in the rural and the urban areas, this topic is discussed in section 5 of this paper.

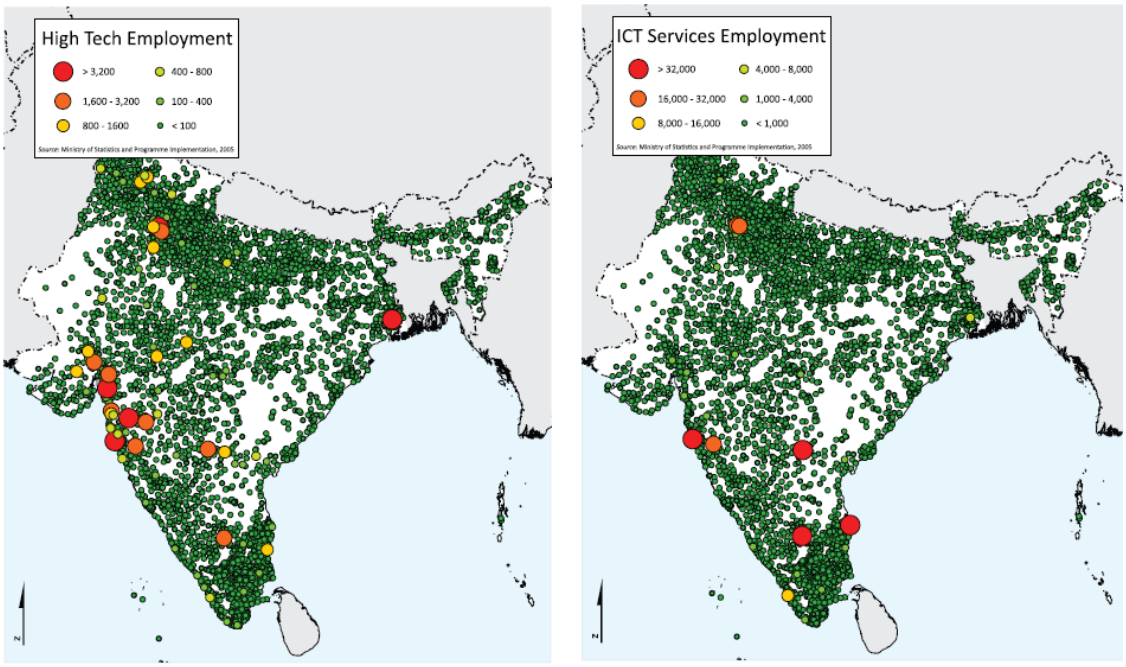
Labor markets in towns and small and medium cities

One of the main surprises we had while preparing this review is how little information and analysis there is on labor markets in towns and small and medium cities that we can presume to be closer to engaging in rural-urban linkages, despite the fact that the majority of the urban population lives and presumably also works there. The 2013 World Development Report, titled “Jobs” has a total of four mentions to small, intermediate or secondary cities, buried in its 400 pages. Similar reports by the regional development banks do no better. According to the answers to our requests to ILO officers, this agency does not have any data base that distinguishes the distribution of labor variables according to urban locations of different sizes; it is also acknowledged that international labor market data are mainly derived from surveys in medium to large cities, or from industrial services of formal firms that tend to be found also in medium to large cities. Since there are virtually no studies of labor markets in small cities, much less in towns, one must conclude that the literature to a large extent implicitly assumes that urban labor markets in those locations are very much alike those of medium and large cities where agglomeration economies are in play; however, the few studies there are, appear to show that such assumption may not hold.

One of the very few studies that look into labor market in small and medium cities has been done by the World Bank (2013b) for India. The authors test the theory that production of high-tech goods will tend with time to relocate to smaller cities where production costs are lower. As expected, small cities are specialized in activities related to the primary sector (agriculture, fishing and mining), while manufacturing is not found to be concentrated in any particular group of cities according to size (Figure 4). However, high-tech manufacturing and firms in ICTs are found in the largest urban centers

in the country. Low- and medium-tech manufacturing is spread out across second and third-tier cities. However, the authors caution that patterns of distribution of manufacturing jobs vary significantly across countries.

Figure 4. Spatial distribution of high-tech manufacturing and ICT services in India, 2005



Source: Word Bank, 2013b

Between 1993 and 2010, India shows a growing share of employment in cities over one million, except for construction, which has moved to smaller cities and rural areas (Denis et al., 2012). However, despite the shift large urban agglomerations account for between less than one third to less than half of urban employment, depending on the sector (Denis and Zérah, 2014). Moreover, these authors also argue that the labor market of small and medium cities differs from that of large urban localities, reflecting "a diversified economic structure with a stable mix of traditional services (comprising trade and repair services, hotels, transport and communication, and community, social and personal services), manufacturing and construction."

Wandschneider (2003) studied the economy of small towns (populations 10,000 to 83,000) in four districts in Madhya Pradesh and Orissa, India. He finds that a majority of the labor force resides in the town or commutes from neighboring towns, while few town workers commute from neighboring rural villages, due to the poor quality of rural roads and transportation systems. However, a large proportion of the clients of town enterprises were rural residents.

Béneker at al. (1997) found significant differences in labor market participation within small towns, in three case studies in Mexico, Costa Rica and Bolivia. Migrants dominate blue-collar jobs while natives are concentrated among the more skilled occupations. Also, migrants from rural areas into these

small towns are concentrated in less skilled and lower pay occupations, compared with migrants from other urban centers.

In Vietnam where more than half the workforce is employed in agriculture, forestry and fisheries, smaller towns and cities show a higher proportion engaged in the sector compared to the larger agglomerations where 'commerce and services' and 'industry and construction' is more concentrated (World Bank, 2011b) (Table 2).

Table 2. Employment structure by city class in Vietnam. Share by sector %, 2009

	Special cities	Class 1	Class 2	Class 3	Class 4	Total
Average population	6.81m	1.06m	295,000	135,000	89,000	
No. of cities	2	5	12	41	34	
Agriculture, forestry and fisheries	17.2	41.4	54.7	57.0	61.7	54.0
Industry and construction including:	35.5	23.6	21.4	19.3	15.5	20.3
- Mining and quarrying	*0.2*	*0.3*	*1.6*	*1.1*	*0.7*	*0.6*
- Manufacturing	*27.4*	*15.5*	*13.9*	*12.6*	*10.0*	*13.7*
- Construction	*7.1*	*7.0*	*5.4*	*5.2*	*4.3*	*5.5*
Commerce and services	47.3	35.0	23.9	23.7	22.8	25.8

Source: World Bank, 2011b

Marais (2014) in a review of six intermediate cities in South Africa note that the majority have a narrow single sector economic base that depends largely on old technologies and that when the formal/informal employment ratio is considered, the informal sector is proportionally larger in intermediate cities than in metropolitan areas. The secondary cities are also hampered by much less effective municipal government than is the case in the metros, with the result that business growth is undermined (Marais et al., 2014 reported in Atkinson, 2014).

Christiaensen et al. (2013) study the effect of urbanization on poverty reduction in Tanzania, and conclude that the growth of small and medium-size towns has a smaller impact on aggregate economic growth, but a larger effect on poverty reduction.

The diversification of rural economies and rural non-farm employment

As countries develop, the employment shares of agriculture and other primary activities, industry and services change across the whole economy. It is important to emphasize the differences between regions in overall employment shares by sector. As shown in Table 3, in South Asia and Sub-Saharan Africa agriculture remains the principal employment sector at 48% and 61% respectively, but this

contrast to Latin America at 16%[28]. This sets the context in which any debate on the diversification of the rural economy should be seen.

Table 3. Employment shares by sector (%)

Region	Agriculture		Industry		Services	
	2000	2012	2000	2012	2000	2012
East Asia	47.4	31.0	23.7	30.9	28.9	38.1
South-East Asia and the Pacific	49.8	39.2	16.4	19.8	33.9	41.1
South Asia	59.5	48.5	15.6	22.2	25.0	29.3
Latin America and the Caribbean	21.5	15.7	21.2	21.1	57.3	63.2
Middle East	22.9	14.9	23.9	27.2	53.2	57.9
North Africa	33.8	30.1	20.1	21.5	46.1	48.3
Sub-Saharan Africa	65.5	61.1	8.1	8.9	26.3	30.0

Source: ILO, 2014

Footnote: ILO notes - only nationally representative labour market indicators are included. Observations corresponding to only urban or only rural areas are not included, as large differences typically exist between rural and urban labour markets, and using only rural or urban data would not be consistent with benchmark files such as GDP.

The World Development Report 2013 (World Bank, 2012) notes that in agrarian based economies (that is, much of Sub-Saharan Africa), formal employment, including wage labor in registered private enterprises and the entire public sector, typically accounts for less than 10% of total employment and the share of wage labor in manufacturing is typically much smaller. It notes that, if anything, employment in the formal sector has tended downwards over the past two decades as state owned enterprises have been privatized and foreign trade liberalized.

Non-farm activities undertaken by rural households are very diverse (Lanjouw and Lanjouw, 2001). They include employment in manufacture and in services, including the public sector. They can be in the form of self-employment (including non-remunerated family labor in family enterprises) or wage employment, formal or informal. The activities can be related through forward or backward production linkages to agricultural production, but they can also respond to urban demand (as Binswanger-Mkhize, 2013, claims is currently the case in India), including but not limited to nearby towns and small and medium cities, to investments in mining or oil and gas in rural areas, or to other rural-based activities such as tourism. Most of the time rural non-farm work is induced by private demand and private investment, but it can also be created by government programs aimed at alleviating unemployment or poverty (as in the case of the Mahatma Gandhi National Rural Employment Guarantee Program one of the world's largest rural employment support schemes that

[28] Shares themselves do not however reflect the full picture in that the actual numbers of people employed in agriculture in Sub-Saharan Africa rose from 138m to 176m, a 28% rise, and for Asia from 300m to 347m, a 16% increase over the period 1999-2009 (Proctor and Lucchesi, 2012).

aims to guarantee a maximum of 100 days of wage-employment in a financial year to a rural household whose adult members volunteer to do unskilled manual work (Denis and Zérah, 2014).

The nonfarm activity can take place on the farm, on the family's home, elsewhere in the rural village, or in a nearby town or small and medium city, or in several of the above[29] (e.g., a product may be manufactured in the home and sold in the city market by another member of the household). It can be a permanent or temporary or seasonal activity. It can be the primary source of income for the individual, or a secondary or even a minor activity. It can be formal employment (that is, with a contract, sometimes linked to some form of social security) but is largely in the informal economy including household enterprises.

The changing composition of rural household income demonstrates the shifting importance of farm- and non-farm activities in the local economy: rural China went from 17% non-farm income in the early 1980s, to 40% in the late 1990s; rural Tanzania, from 11% in 1991 to 46% in 2000; and rural Mexico, from 43% in 1997 to 67% in 2003 (Haggblade et al., 2007). In a review of multiple studies undertaken in the 1990s and 2000s the nonfarm share of rural income was estimated at 37% for Africa; 51% for Asia and 47% for Latin America (Haggblade et al., 2007 p4).[30]

In Asia, Haggblade et al. (2007) report 51% non-farm employment share, and Hazell et al. (2010) found nonfarm employment shares ranging from 34% in India to 64% in Bangladesh, contributing between 50 and 60% of total rural income in Bangladesh, India, Nepal and Pakistan, and nearly 80% in Sri Lanka.

According to Himanshu et al. (2013), India's rural India's workforce is primarily engaged in agriculture (60%), but the share of this sector has declined steadily since the 1980s, when it was close to 80%. The rate of growth of rural non-farm has been many times higher than that of agricultural growth and while it declined to slightly over 2% per year in the period 2004-2009 (from a high of almost 5% in the late 1990s and early 2000s), in the same period agricultural employment had a growth rate of almost *minus* 2% per year. As a result, the non-farm sector has been for quite some time the source of the majority of *new* jobs in Indian rural areas. Trade, transport and communication and construction account each for 30% of the non-farm jobs, followed by manufacturing and services. Basant (1994) finds in a survey of rural employment in the Indian State of Gujarat, that 25% of rural male non-agricultural workers commuted to urban areas for work.

[29] Hence, the "rural" in the term rural non-farm employment or income, refers to the worker's main residence, not to the location of the activity, which hardly ever is recorded in national household surveys or population census.
[30] The reader should be aware that these national figures include many different types of nonfarm activities, formal and informal, higher- and lower-productivity, and so on. There are differences in national household surveys that make inter-country comparisons tenuous. Therefore, these data are only indicative of general trends, despite the fact that Haggblade et al. (2007) do apply the same definitions across countries, to the extent made possible by the data.

In Indonesia, McCulloch et al. (2007) report that between 1993 and 2002 non-farm employment grew by almost 7% among the rural non-poor, and by almost 1% among the poor, while agricultural employment *decreased* by around 2% for both the poor and the non-poor.

In Africa, Barrett et al. (2001) cite different sources that estimate that nonfarm sources accounted for as much as 40–45% of average rural household income during the 1990s. Benzu and Barrett (2010) make an important distinction in the African context: "Nonfarm activities account for 30% of full-time rural employment in Asia and Latin America and 10% in Africa (Haggblade, 2007). These figures do not include farmers who engage in nonfarm activities as part-time employment or during agricultural slack seasons. When these are considered, the participation rates are 83% for Asia, 82% for Latin America and 78% for Africa (Winters et al., 2009)."

In Ethiopia, a country whose economy is still deeply agricultural, Bezu and Barrett (2010) report that on average 35% of the households they studied participated in rural nonfarm employment, and of those the majority participates in self-employment. The same study states that other publications find that rates of nonfarm employment vary by region, with some, like Tigray, with a participation rate of 80% of households[31], and others, like Oromia, with only 25%. We find it telling that even in a deeply agricultural region in a deeply agricultural country, the rate of nonfarm participation is 25%.

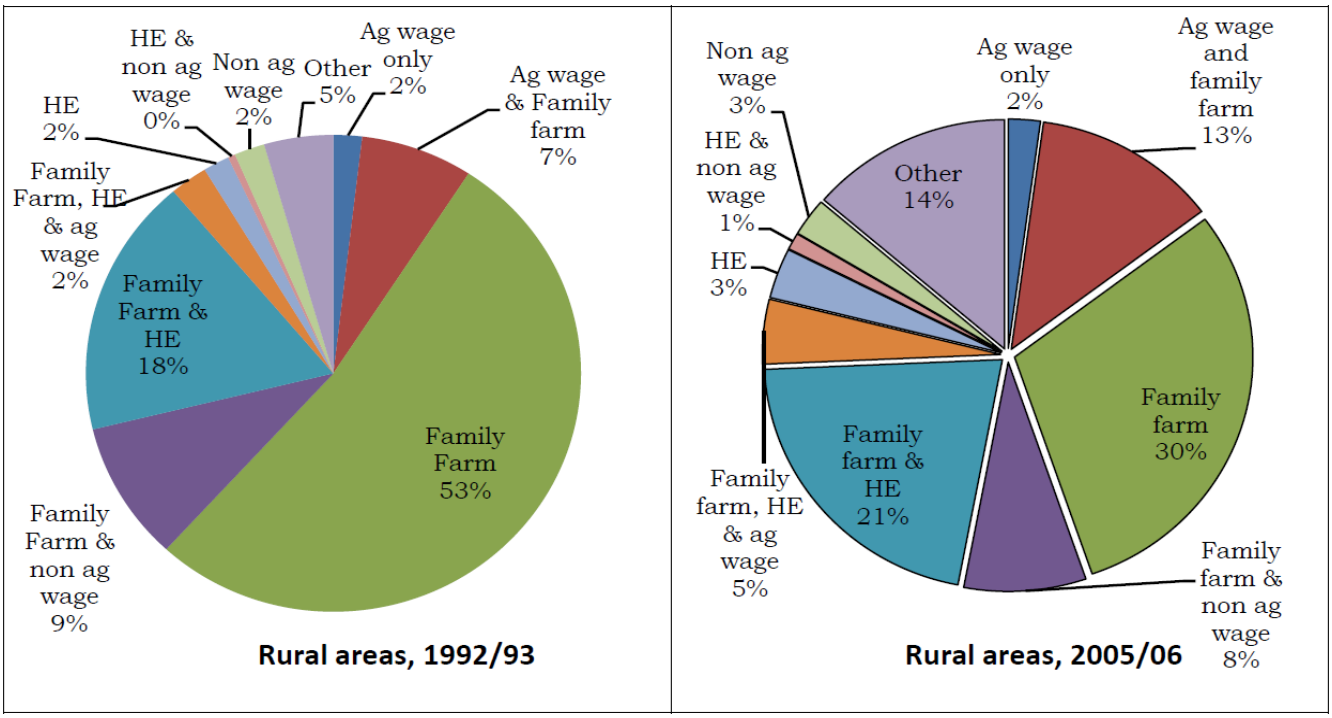
In Latin America, a special issue in the journal World Development covers the topic quite well, and while the numbers will have changed in the last decade, the trends are probably still valid and perhaps have accelerated (Reardon et al., 2001). The key finding from the 11 papers published in that special edition, are that rural nonfarm income at the end of the 1990s in Latin America, had reached almost 50% of total rural income. The rate of rural nonfarm was around 17% for the region in the early 1970s, 24% in the early 1980s, and in the 1990s it ranged between 17% and 57% in the 11 countries reported in the study. A second important conclusion was that while agricultural growth was an important driver of nonfarm growth, Latin America already featured other engines, such as mining, tourism, and urban demand, and roads are critical in putting in contact new rural areas with new sources of demand for nonfarm goods and services. Much of the nonfarm jobs in Latin America are informal.

Employment data, however, generally only provides information about the main employment and thus misses the multiple income earning strategies adopted by rural households. Multiple sources of household income are central to the livelihood strategy of rural households and to the rural economy. While the income share of nonfarm enterprise activity, for example in Tanzania, may not be seen as high, the National Bureau of Statistics, Tanzania (2012) notes that diversifying income sources by generating income from activities off the farm may increase the productivity of the farm and help reduce farmers' vulnerability to exogenous weather or price shocks. In Tanzania around 65% of farm

[31] There are several food-for-work projects in Tigray that serve as an important source of nonfarm employment (Bezu and Barrett, 2010)

households had at least one member earning income outside of the farm during 2010/2011. This represents a 10 per cent increase from 2008/2009. A similar trend is reported for Uganda by Fox and Pimhidzai (2011; see Figure 5).

Figure 5. Rural livelihood portfolios in Uganda, 1992-93 and 2005-06



Source: Taken from Fox and Pimhidzai, 2011. Note: HE = household enterprise

What drives non-farm growth in rural areas?

Bezu and Barrett (2010) review the literature in preparation for their study of nonfarm employment in Ethiopia, and they conclude, echoing Haggblade et al. (2007) and several other studies, that the following factors are important determinants of greater participation in nonfarm activities: (1) Human capital; education increases the likelihood of participation, while the influence of age appears to have the form of an inverted-U, increasing with age until a certain point and then decreasing. (2) Gender, whose influence Bezu and Barrett find to be "inconclusive," in the sense that the relationship varies significantly by country and, in some cases like North Africa and Western Asia, by region, perhaps due to the influence of formal and informal gender institutions (Ramírez and Rubens, forthcoming). (3) Household labor supply has a positive influence on nonfarm participation. (4) Access to infrastructure and proximity to towns and cities is found "by consensus" to improve participation in nonfarm activities. (5) Agro-climatic conditions and the state of agriculture in the region are found both in Africa and in Asia to contribute not only to more nonfarm economic activity but also to better quality nonfarm opportunities in favorable agro-climatic locations; conversely migration is higher in unfavourable areas. On the contrary, Foster and Rosenzweig (2004) model the rural economy and

propose that growth can take place driven by agricultural productivity increases, or by increased demand for goods and services produced in rural areas. Their research concludes that the non-farm economy is more pro-poor than agricultural growth, and that non-farm investment goes to regions where agriculture is less dynamic. (6) Farm income and liquidity has two ways of influencing participation in nonfarm employment: households that experience low income and low liquidity, are "pushed" into (generally low-quality) nonfarm jobs, while households with capital to invest are "pulled" into the nonfarm economy by the opportunities it offers. The authors also state that "While nonfarm activities can be a source of agricultural investment for rural household who have limited access to credit, missing credit markets can also hinder participation in activities that require initial investment (Barrett et al., 2001)".

Nagler and Naudé (2014) in their review of the literature note that a distinction is often made between push and pull factors in an attempt to understand what determines the share of non-farm employment/income in Sub-Saharan Africa including trying to understand what drives household decision taking to enter the sector. Push factors relate to minimizing risks, in particular those associated with a high dependency on agriculture, managing the aftermath of shocks or use of surplus family labour, in particular during the farm calendar off-season. Pull factors, such an individual and household level capabilities, including educational attainment and assets, as well as institutional and regional features, such as access to credit and infrastructure, are considered to be significant. However, the true picture is likely to be much more nuanced within a household and over time, and is likely to combine both push and pull characteristics. Along the same lines, and based on country studies generated through the RuralStruc programme (seven countries studied), Losch et al. (2012) note two broad patterns emerging. The first of these is 'positive diversification' in which self-employment contributes significantly to household income. The second, and more common, is a pattern of more 'neutral diversification' in which the poor and more marginalized households develop coping strategies by accessing minor self-employment activities with very low returns.

Nagler and Naudé (2014) provide an empirical description of the determinants of non-farm entrepreneurship in rural Africa using datasets from LSMS-ISA on six countries for the period 2005 to 2012. They found that both push and pull factors matter for a household's decision to operate a non-farm enterprise. The effects of external shocks, the experiencing of food shortages, the distance that households are located from major roads and cities and the importance of gender and marital status were all difficult to generalize given significant heterogeneity across the countries. Households that have experienced food shortages were found to be somewhat more likely to operate a non-farm enterprise. As regards the probability of a household being involved in running an enterprise, individual and household level characteristics are important determinants of entrepreneurship as reflected in the statistically significant coefficients for age, marital status, educational attainment ('read and write') and household size. The study also showed that rural households in Africa are, on average, almost 16% less likely to operate a non-farm enterprise than urban households.

How do all of these factors come together in a local economy and space? There are two hypotheses about the first-order drivers of rural non-farm economic activity: a vibrant agricultural economy (Haggblade et al., 2007), and/or proximity to urban areas (Renkow, 2006). Haggblade et al. (2007) summarize the agricultural linkage, and what follows is largely based on their work.

The process can take place under two broad scenarios: one catalyzed by increasing agricultural productivity in some regions; the other observed in stagnant rural areas. Under the first set of circumstances, rising labor productivity in the agricultural sector releases workers who can then undertake non-farm activities. Simultaneously, a share of the increasing farm income (due to productivity gains) is invested outside agriculture, for example, in commerce of agricultural products or in small-scale manufacturing of low value goods. The higher income also allows the same households to buy more nonfood items. Increased nonfarm income can allow new investments in the farm economy, thus substituting for imperfect or missing financial markets that affect agriculture particularly hard in developing countries. Growing demand (due to increased income) stimulates diversification and, eventually, specialization of different households in different activities and in different combinations of farm and non-farm work. Growing trade follows from specialization. The growing number of people involved in services and manufacturing supports the growth of towns and cities, and the agglomeration of economic activity becomes, in itself, a force that attracts new investment and new workers. Agricultural workers respond to the growing demand for labor in the towns and cities sometimes by relocating, at other times by establishing labor markets linking towns and hinterlands and involving workers commuting daily or seasonally. Over time, both the farm and the non-farm activities become more sophisticated and productive. A new pattern of daily commuting has developed in South Africa, whereby farm workers resident in urban centers are transported over distances of up to 30 km to their place of work, and back, in the evening. This crucial trend means that the spouses and children of farm workers can now live in urban areas and enjoy urban amenities. This systemic de-linking of “place of work” and “place of residence” would have been almost unthinkable three decades ago (Atkinson, 2014).

We suggest that the model summarized by Haggblade et al. (2007) is, however, dependent upon relatively equitable access to land, such that surplus from growing agricultural productivity is to a large extent captured, saved, spent and reinvested locally. This is why this model of a virtuous cycle has been observed in the Green Revolution regions of Asia, and in selected parts of Latin America and Africa that for historical reasons had a large class of small and medium-sized locally-based farmers.

The second scenario discussed by Haggblade et al. (2007) refers to stagnant rural regions, where processes are far less positive. What we see in some regions is a process of net outmigration of rural people that can no longer sustain their livelihood on the basis of subsistence agriculture, as pressure on the land grows due to population growth, natural resource degradation and declining soil fertility. While many people do migrate to distant regions, many others take refuge in low-pay, low-productivity non-farm work, much of it in the form of household enterprise and in informal wage labor, in a form similar to Losch et al.’s (2012) neutral diversification process. Elbers and Lanjouw

(2001) report about half a million non-farm rural enterprises in Ecuador, in the mid-1990s, each of them employing on average 1.4 family members with the largest group engaged in petty trade. In Ethiopia, in 2003 there were 975 thousand cottage and handicraft establishments, employing 1.3 million people (Ayele et al., 2010). Small towns do emerge but often lack sufficient stimulus to grow much. A more diversified, but low-income, high-poverty rural region is the outcome of this type of process. Such conditions may rapidly and often dramatically change if large scale investors come to these regions to develop new activities, attracted by the low value of land and because local actors are socially and politically too weak to oppose alternative uses of natural resources. Such changes are not necessarily for the better and to some extent recent literature on "land grabs" has begun to document such transformations (Journal of Peasant Studies, 2012).

However, as Reardon et al. (2000) show, the country-level evidence is very mixed as to the relationship between the share of non-farm income in total household income, on the one hand, and the level of total income and/or the size of landholdings on the other. The same would probably hold if one were to look at subnational patterns, with significant variation across the aggregate national relationship. Therefore, the scenarios proposed by Haggblade et al. (2007), Nagler and Naudé (2014), and Losch et al. (2012), should be seen as conceptual models to try to interpret this diversity, but the actual relationship needs to be established empirically for each country or region within a country.

Some social groups face particular challenges in securing and maintaining their livelihoods. Based on a range of socioeconomic indicators, evidence shows that indigenous peoples and minority populations are one of the most severely disadvantaged groups (World Bank, Undated). The number of indigenous globally is estimated at around 300 million (World Bank, Undated) accounting for some 4.5% of the world's population; although some estimates are higher at around 350million (Hall and Patrinos, 2012). 80% of indigenous are located in Asia, with China and India accounting for more than two-thirds of the worlds' indigenous and minority populations. Despite their unique knowledge and know-how, and values and strengths of their cultures, many feel impoverished as a result of processes which are outside of their control and sometimes irreversible. Many of these processes are part of national and global economic and social transformations including urbanization for example which call on environmental resources such as water from locations which are often home to indigenous and minority groups. Such processes have dispossessed indigenous peoples of their traditional lands, restricted or prohibited their access to natural resources often the basis of their livelihoods, resulting in the breakdown of communities and the degradation of the environment, thereby threatening their physical and cultural survival (Extract from Indigenous Affairs 1/2003 editorial by Diana Vinding).[32] Box 8 provides examples of the struggles faced by indigenous peoples and minority populations in securing livelihoods and employment sometimes in locations away from the rural locations of their origin.

[32] http://www.iwgia.org/environment-and-development/poverty

Box 8. Indigenous peoples and minority populations face particular livelihood and employment challenges

Latin America

In a five country (Bolivia, Ecuador, Guatemala, Mexico and Peru) review of economic opportunities and the role of social networks within indigenous communities in Latin America, Patrinos et al. (2007) found that income generating strategies differs between indigenous and other non-indigenous households in a variety of aspects. Overall, indigenous peoples are more likely to be involved in low-skilled, low wage occupations, and depend to an inordinately high extent on agriculture for their livelihood. In addition, evidence from three out of the five countries also suggests that incomes of indigenous peoples are less diversified than for the non-indigenous. For example in Guatemala, most of the indigenous peoples' income in rural as well as urban areas is generated by self-employment, while the non-indigenous receive higher proportions of earnings from salaries. Within non-labor income, non-indigenous households receive higher shares of income from capital sources (interests, dividends, and rents), retirement pensions, and private and public transfers, in both rural and urban areas. In urban areas, indigenous workers are less likely to work for wages for example less than 50% of urban indigenous in Guatemala have waged employment compared to 65% for non-indigenous.

In addition to lower quality education, low labor market returns to schooling explain a significant proportion of the earnings gap between indigenous and non-indigenous people. The portion of the indigenous/non-indigenous labor earnings that is 'unexplained' due to discrimination or other unidentified factors (further discussed in Patrinos et al., 2007) represents between one-quarter to over one-half of the total earnings differential. Although over the period mid-1990s to mid-2000s and in three countries examined (Guatemala, Mexico and Bolivia) the percent of the earnings difference that is unexplained is falling (Hall and Patrinos, 2006).

Social networks affect the economic opportunities of individuals through two important channels: information and norms. However, their analysis shows that the networks available to indigenous peoples do not facilitate employment in non-traditional sectors (Patrinos et al., 2007).

Vietnam

Despite much progress in living standards, health, and education in recent years, ethnic minority groups still lag behind ethnic majority groups in Vietnam. In 2006, the general poverty rate for ethnic minority groups is 52%, more than five times that of ethnic majority groups; the extreme poverty rates for ethnic minority groups is 29%, more than nine times that of ethnic majority groups. Ethnic minority groups appear to lag behind ethnic majority groups in all modern employment sectors. In 2006, while agriculture accounts for only 30% of ethnic majority employment, it makes up 55% of ethnic minority employment. The wage work sector for ethnic minority people is around 8%, less than one-third of that of ethnic majority people, and the service sector is around 2%, less than one-seventh of that of ethnic majority groups. A disproportionate

share of ethnic minority people are self-employed (85%) and this share is around 20% higher than that of ethnic majority people. Similarly, the shares of ethnic minority people working in the private sector or the public sector are less than half of those of ethnic majority people (Dang, 2012).

Part of the reason why the minorities have less access to wage employment and have less diversified income sources more generally is that they are much less mobile than the majority groups. Further whilst access to infrastructure and services has improved greatly throughout the country, in 2006 the proportion of communes with mainly ethnic minorities that have factories/enterprises within 10km was 40% as compared with 74% for communes representing majority groups. Finally ethnic minorities tend to focus their production on lower value staple crops (Baulch et al., 2010).

Kenya

Kaunga (2007) describes rural – urban migration among indigenous hunter-gatherers and pastoralists communities in Kenya. The prolonged droughts, violent incidents of so-called cattle-rustling, land and water access, and access to forest resources in Kenya continue to decimate the assets of the pastoralists and hunter-gatherers and/or impact on their access to natural resources, forcing movement to cities in search of work jobs or to seek food aid. Many are illiterate or semi-illiterate and only (if at all) find menial and insecure employment. Whilst there is no disaggregated data on the number of indigenous peoples who have moved to urban areas, it is noteworthy that more than 50% of security guards in the major cities are from pastoralist and hunter–gatherer communities. They are often exposed to very poor employment, housing and other service provisioning conditions as vividly described in the case of the Maasai seeking work and services in Dar es Salaam (Riley et al., 2013). The culture and heritage resources of the Maasai and Samburu have been a driving force in the growth of tourism in Kenya and some urban indigenous youth find employment in the tourist industry for example as dancers, in hair plaiting or beadwork. Urban indigenous youth may become a source of information and channel of communication to and from their own rural communities passing on information to their families about developments such as in government services. Those who secure decent jobs generally create social networks that link them with the youth and members of their communities in the same urban centre. These social networks become a strong pull factor, as unemployed relatives will use them as a launch from which to begin their efforts to find a job.

India

The labor market profile of Scheduled Tribe (ST) households and workers in India is quite distinct from other social groups. The large majority of ST households in rural areas own at least subsistence land and so, when they cannot get benefits from job quotas, due to lack of education, lack of access to information about vacancies, or vacancies remain unfilled, they remain on the land as subsistence farmers. As a last resort, they end up as casual laborers. Members of ST households who migrate temporarily or who move to cities, and who are employed in construction sites, are paid wages that are lower when compared to wages paid to other social groups. However, where formal jobs are

concerned, a premium is attached to ST in urban areas driven primarily by ST elites in administrative jobs who have over successive generations benefited from public policy reservations (Das et al., 2012).

The spatial distribution of nonfarm employment and the role of urban locations

Renkow (2007) looks into the spatial distribution of nonfarm economic activity in rural areas of developing countries, to determine the importance of urban drivers of rural nonfarm activities, and to assess what types are likely to take place in towns and small and medium cities or in their proximate rural hinterlands, and which others are probably going to be found in the more distant and less densely populated rural regions. His main hypothesis is that "the observed spatial pattern of firm location and settlement size fundamentally depends on the tension between the benefits of spatial concentration and the costs of economic distance."

Renkow's (2007) key messages are: (1) The greater the spatial integration of labor markets, the smaller the gap between wages across locations, and therefore, more productive, higher-wage nonfarm activities emerge in these circumstances. (2) Nonfarm investment is dependent to a significant degree on agricultural capital surpluses, citing a number of studies including in Kenya and Sierra Leone that find that between 15% and 40% of the nonfarm capital investment originates in agriculture. The Malawi Integrated Household Survey (2010-2011) investigated sources of start-up capital for household non-farm enterprises. Savings from agriculture constitute the main source of finance for enterprise start-up for most businesses in both rural and urban areas. In rural areas, the main source of household enterprise set up capital is own savings from agricultural activities (39%), followed by savings from proceeds from non-agricultural activities (17%), loans from family and friends (5%) and proceeds from another business (4%) (Proctor, 2014). At the same time, many studies have confirmed that nonfarm income very frequently is a primary source of finance for household agricultural activities (as well as a *de facto* insurance mechanism). For these reasons, higher productivity and higher-wage nonfarm income earning activities will be associated to dynamic agricultural regions. (3) The rationale for the influence of input markets is quite similar. (4) Product markets, through production-consumption linkages, are also an important determinant. The higher the rate of total income that goes into food consumption, the lower the stimulus for nonfarm activities, and the higher the share of agricultural production that is traded, the greater the stimulus to the nonfarm services.

The results of the study of Deichmann et al., (2008) in Bangladesh exemplify well the spatial interactions between urban centers and rural areas in determining nonfarm activities. Using individual level employment data from the Bangladesh Household Income and Expenditure Survey undertaken in 2000, their study yields three main results. First, access to major urban centers matters greatly for high-return nonfarm activities. Second, agricultural potential of a village also matters, but through its interaction with access to urban centers. The results specifically suggest that the likelihood of being

employed in higher return jobs and in self-employment increases with a decrease in distance to growth pole and the negative effect of isolation is magnified in regions with greater agricultural potential. In contrast, low return nonfarm jobs, paying equal to or less than median agricultural wage of a village, are driven by local demand and are distributed much more evenly across geographical space. Finally, access to smaller rural towns with population of about 5,000 exerts little influence on nonfarm activities except for non-tradable services work. The empirical results thus highlight the need for improved connectivity of regions with higher agricultural potential to urban centers for stimulating growth in higher return wage employment and self-employment in nonfarm activities in Bangladesh.

Therefore, labor, capital, product and input markets, in interaction with economic distance to these markets, are the key factors in determining the spatial distribution of nonfarm employment. For this reason, larger scale, more productive, and higher-wage nonfarm enterprises are likely to be based in towns and small and medium cities, or near them. The greater the economic distance to these four markets, the greater the likelihood that nonfarm activities will be based on very small, low productivity and low wage enterprises.

The relationship between urban centers and rural nonfarm employment can be improved in ways that also promote growth of jobs in the cities. Under China's township model in place since the late 1970s, small and medium urban centers have been given the responsibility for the development of their rural hinterland. Cities are supposed to finance infrastructure and social services in the rural areas. The United Nations Advisory Committee on Local Authorities (UNACLA, 2013) concludes that this policy has had a positive impact on the quantity of jobs in the rural but also in the urban areas, as well as having improved access to those new jobs.

The informal and microenterprise nature of rural nonfarm and small and medium city employment[33]

The labor market at the rural-urban interface is largely one of informal microenterprises, in all the developing regions. We could not find estimates of the proportion of the developing world's working age population that work in informal microenterprises at the rural-urban interface, but we speculate based on partial data that it is well above 50%.

It is an established fact that almost all of smallholder agriculture is informal. Outside agriculture, microenterprises (most of them also informal) play significant roles in job creation. According to the World Development Report 2013 (World Bank, 2012), they account for 97% of manufacturing employment in Ethiopia (a low-income country), and 39% in Chile (a high-income country). In Sub-Saharan Africa the vast majority of the population works in farming and nonfarm microenterprises, very often household-based, even in periods of high economic growth (Fox and Gaal, 2008). The contribution of the informal sector to the national economy of eight West African countries, was found to range between 43% and 77%, and 17% to 37% if agriculture is excluded; in Burkina Faso,

[33] This section draws on Proctor (2014)

rates of informality are extremely high even in sectors such as commerce (93% in informal employment) and metal industry (85% in informal employment) (Hitimana et al., 2011).

Since the birth of development economics with Lewis' dual sector model (1954), the standard norm of "development progress" is that more and more people move into the higher-productivity jobs in the formal economy. A high concentration of workers in informal microenterprises is normally seen as a sign of something that went wrong, and it may be so in high-income economies such as Chile, or in an upper-middle income country like Mexico where 60% of the work force is in the informal sector (ILO, 2014). However, in the context of the ongoing discussion about whether the structural transformation of Sub-Saharan African countries have started or not, Fox and Pimhidzai (2011, p.1) have put forward the interesting idea that "the process of transformation [...] begins at the household level. Household livelihoods do not move from ones based on subsistence farming and household level economic activities into livelihoods based on individual wage and salary employment away from the household in one leap—this process takes generations. The intermediate step is the productive informal sector. It is income gains at the household level in this sector that fuel productivity increases, savings, and investment in human capital in this sector. Ensuring that most households are able to diversify their livelihoods into the non-farm sector through productive informality not only increases growth, but also allows the majority of the population to share in the growth process."

If true in most circumstances (for example in the 84 countries with per capita GDP of less than USD4,125[34]), this proposition could change the nature of both the intellectual and policy debates, given the pervasiveness of informal work and informal enterprises both in the urban and the rural sides of the rural nonfarm economy. Nonfarm informality in this view is not necessarily a social problem, but a developmental step where alternative employment opportunities have yet to emerge.

ILO (2013) in a working paper on the informal economy suggest that one of the potentially promising strategies for a comprehensive and multifaceted approach for upgrading informal economy workers and economic units and improving their access to mainstream services, social protection and markets is the area-based local development schemes. They suggest that the decentralized local government structures in rural and urban areas provide a favourable ground for bringing together the spatial, social and economic dimensions of the informal economy, linking the macroeconomic dimensions with micro level interventions, the supply with demand and access to land with access to services and to markets. Local initiatives can facilitate local employment creation especially for disadvantaged youth and women and encourage labour-intensive methods to deliver goods and services.

UN-Habitat (2007) has promoted economic development programs based on leveraging linkages between rural areas and small cities. These area-based programs include the Rural-Urban Partnership Program in Nepal, the Poverty Alleviation through Rural-Urban Linkages program in Indonesia, and

[34] The upper limit for low- and lower-middle income countries according to the World Bank country classification.

the Rural-Urban Support Program in the area around Lake Victoria. This last example included a component of job promotion in small cities.

In Sub-Saharan Africa most household enterprises are frequently not registered with national authorities, not least as national level registration requirements often focus on small and medium-size enterprises and businesses. Registration requirements for household enterprises vary between countries. For example in Ghana and Tanzania, national registration is optional, as it is legal to do business as a household enterprise in one's own name without license or registration. In other countries, such as Rwanda, national legislation requires all household enterprises to register with local authorities (Fox and Sohnesen, 2012). In Malawi overall 9% of businesses report being registered by any of the official registration bodies (Registrar of Companies, Malawi Revenue Authority or Local Assemblies). Further, a difference in registered enterprises is seen between urban and rural areas with 16% of businesses in urban areas being registered compared to about 7% in rural areas (National Statistical Office, Malawi, 2012).

Although they may not pay income or other taxes at the national level, household enterprises are likely to make payments at the local level, as household enterprise owners are often obliged to register with local authorities. Studies in Uganda show the central role of revenue from household enterprises where the informal sector pay for licenses, user fees and/or permit fees to the local government and thereby contribute close to two thirds of local governments' locally generated revenues (Bakeine, 2009). Household enterprises play an important role in local economic development and thereby contribute to growth (Fox and Sohnesen, 2012). Further some studies suggest that the smaller the enterprise, the larger the share of its revenues it is likely to pay to local authorities. What is important in this debate is that the household enterprise should see benefit from any form of registration or fee payment.

The dual economy model implies that the formal and informal sectors represent polar opposites with little interconnection. In reality, there is a continuum of different degrees of formality in terms of different characteristics, such as the nature of registration, payment of taxes, management structure, contractual arrangements with employees, market orientation, and so on. Furthermore, formal and informal enterprises are often more closely linked than may first appear. For example, the recent growth of telecommunications companies in most African countries depends heavily on informal vendors of phone cards and calling services. Many street hawkers are actually selling goods on behalf of (or obtain on credit from) larger shops. Informal food preparers surrounding factories and other places of employment make cafeterias unnecessary (Bakeine, 2009). There are many connections between formal and informal employment activities that may span rural and urban space and which are yet to be fully understood and enabled. Informal enterprises are often treated as a residual category created by the scarcity of formal sector jobs. In reality, informal employment may be a preferred choice given a country's institutions.

Effects of RNFE on poverty and inequality

The significance of non-farm employment for poverty reduction can be assessed against the frequent finding that in many developing countries, the share of primary workers in agriculture declines more slowly than the share of agriculture in the country's GDP. That means that average labor productivity in agriculture falls relative to that in other sectors of the economy. This is reported, for example, by Hazell at al. (2010) for South Asian countries. Despite the growing gap in labor productivity, rural-urban income gaps are not widening or at least not at the same pace; this is directly due to the growing importance of non-farm income, mostly from non-farm employment but also through remittances and social cash transfers (or equivalent social supports, such as, in India, the Mahatma Gandhi National Rural Employment Guarantee Scheme).

However, in considering the relationship between the sectoral composition of growth and benefits to the poor, the IMF (2014) examined panel data from 35 Sub-Saharan African countries and five three-year time periods between 1996 and 2010 with data from the IMF on sectoral real value added for agriculture, manufacturing, services, extractive activities, construction and utilities. Growth in all sectors (except utilities) has a significant and negative effect on poverty. The magnitude of this impact varies widely from one sector to another. Agriculture seems to have by far the strongest bearing on poverty where a 1 per cent growth in agriculture pulls 0.41 per cent of the population out of poverty. This is followed by services, where the same 1 per cent growth reduces the proportion of poor people in the population by roughly 0.28 per cent. Other sectors show a much lower elasticity of poverty to growth.

There is evidence from a number of different publications that while rural non-farm employment generally speaking reduces rural poverty, it may also lead to increased income inequality. In India Jatav and Sen (2013) report, that there has been a marked increase in the share of casual labor in the non-farm sector. The same is found for several Latin American countries (Reardon et al., 2001). Apparently the driver of the inequality-increasing effects, are education, age and gender entry barriers into the more profitable segments of the non-farm economy, so that households that start poor tend to concentrate in "refuge" nonfarm activities, while those that have more assets at the beginning, can go into the better services and manufacturing jobs. Public works programs, like the Mahatma Gandhi National Rural Employment Guarantee Scheme, appear to encourage a marked feminization of casual workforce in the non-farm sector (Jatav and Sen, 2013).

A survey of studies in Africa, Asia and Latin America, allow Reardon et al. (2000) to conclude the following: "(i) In contrast to conventional wisdom, the evidence is very mixed as to the effect of nonfarm employment on rural income inequality. The nonfarm employment and microenterprise programs will not necessarily resolve rural income inequality and attendant social tensions nor automatically benefit the poor. (ii) Policymakers should be worried by substantial evidence of poor people's inability to overcome important entry barriers to many nonfarm activities. (iii) The main determinants of unequal access to non-farm activities are the distribution of capacity to make

investments in nonfarm assets and the relative scarcity of low capital entry barrier activities. Therefore, it is crucial for public investments and policy to favor an increase in the access of the poor to assets that allow them to overcome nonfarm employment entry barriers. (iv) It would be an error to assume that one can address asset-poverty and inequality in the nonfarm sector without addressing farm-side problems and vice versa."

In their review of different country studies, Reardon et al. (2001) find four different types of relationships between nonfarm participation and total household income or assets (e.g., land), including a negative relationship, and positive one, U-curved with the poorer and the richer households having higher participation in nonfarm activities, and an inverted-U curve pattern with the higher participation found in households with medium-range income or assets.

Rimisp (2013) studied the factors that impacted on the quality of jobs in rural areas, including rural-urban territories. They found, first, that local institutional characteristics mattered greatly, and that this was an important factor explaining wide spatial inequalities in the quality of jobs[35]. Second, they also concluded that the economic structure of the territory also mattered, so that good quality jobs were less frequent in areas dominated by agriculture and other primary activities. However, the way in which economic and social policies are implemented or enforced locally, and the existence of 'social dialogue' mechanisms (e.g., collective bargaining, trade union) also had an important effect, so that areas with a similar economic structure, even if primary, differed substantially in the quality of their jobs.

In summary, it appears to be clear that nonfarm activity generally reduces poverty (although its pro-poor effect could be lower than that of agriculture, particularly in countries in which agriculture is still the largest or a very large sector in the national economy and employs the majority of the poor), but that its effect on inequality is highly contextual with different patterns being possible in different countries and regions within countries.

Gender dimension of RNFE

Barrett et al. (2001) report that across many countries rural women have high participation in the non-agricultural sectors of diversified rural economies, although often in less lucrative activities such as small-scale commerce and cottage industries. The same is reported by Ospina (2011) for the province of Tungurahua, Ecuador, highlighting that women often innovate by starting microenterprises in new areas of economic activity, mainly in the services sector but also in manufacturing. Bezu and Barrett (2010) state that… "Gender of the individual [of the household head] may also affect participation. Women were found to be less likely to participate in rural nonfarm employment in Tanzania (Lanjouw et al., 2001), China (Shi et al., 2007) and India (Lanjouw and Shariff,

[35] The concept included the existence of a contract that gave access to a social security system.

2002).” Across Sub-Saharan Africa based on household survey data from eight African countries, there is no clear gender gap in own account self–employed household enterprise (Fox and Sohnesen, 2012)

In Latin America, Reardon et al. (1990) looked at nine countries and found that in all of them, men worked mostly in the farm sector, while rural women always worked significantly more in nonfarm activities. The differences between men and women participation in nonfarm employment ranged between almost zero in Bolivia, to almost 50 percentage points in Panama. In the following countries the rate of female participation in the nonfarm economy was higher than 60%: Chile, Colombia, Costa Rica, El Salvador, Honduras, Mexico, Panama, Dominican Republic and Venezuela, and in six of them the rate was higher than 80%. An analysis of Colombian data for the year 2013 (Tenjo and Jiménez, 2014) shows the extremely different employment structure of rural men and women. In agriculture the rate of participation of women is 24% and that of men is 59%; in contrast, women dominate in manufacturing, commerce, social services, and public administration, with commerce and social services being the two most important employment areas, followed by agriculture.

Haggblade et al., 2007 argue that higher rate of participation of women than men in nonfarm activities is a trend across regions, with the exception of West Asia and North Africa where it is quite low. It is also probably safe to say that the trend gets stronger if one looks only at women of 35 or 40 years or age or less. However, there are exceptions to the rule: Bezu and Barrett (2010), for example find that Ethiopian rural women have lower participation in nonfarm work than men, and that those women who participate are often engaged in low-return activities.

Youth and RNFE

Given the large number of youth entering the labor market (see Box 9) specific challenges are faced to secure livelihood and employment opportunities. Unemployment figures generally are not helpful in understanding the true nature of the utilization of human capital in developing countries, particularly under-utilization. However, they can act as a barometer. For example, in 2010 the unemployment rates globally and across regions show youth unemployment (13.1%) nearly three times that of the adult population (4.8%) (ILO, 2010 reported in Proctor and Lucchesi, 2012). A lack of decent work, if experienced at an early age, threatens to compromise a person’s future employment prospects and frequently leads to unsuitable labour behaviour patterns that last a lifetime. There is a demonstrated link between youth unemployment and social exclusion. The scourge of under- and unemployment has to be addressed if youth in developing countries are to secure livelihoods to meet their aspirations, a point strongly emphasised in the case of South Africa (Atkinson, 2014).

Taking Sub-Saharan Africa as an example, Filmer and Fox (2014) estimate that only one in four of youth will find a wage job and only a small fraction of those jobs will be “formal” jobs in modern enterprises. Most young people will end up working where their parents do—on family farms and in household enterprises. The employment challenge is therefore not just to create jobs in the formal sector, important as that may be, but to address the barriers to establishment and increase the

productivity of household enterprises as almost 80% of the workforce will be in the informal sector. In Sub-Saharan Africa youth struggle to set up a household enterprise with only some 11% of household enterprise owners being between the age of 20 and 24 years (Filmer and Fox. 2014).

Box 9. Youth entering the labour market

Youth (defined as the age group 15 to 24 years) make up approximately one-fifth of the total population in many developing and emerging economy regions. Globally in 2010, over 85% of youth were living in developing and emerging economy regions with the three Asian regions accounting for more than half (55%) of the world's youth.

When different demographic trends are translated into yearly cohorts – particularly into yearly cohorts of new entrants in the labour market – we have a clearer indication of what the labour supply, and indeed employment demand, should be in the coming decades. The work of the RuralStruc programme (Losch et al., 2011) shows the delayed trends between the main growing regions of Asia and Sub-Saharan Africa and provides an estimate of the need for absorption by the different regional economies. At present, Sub-Saharan Africa's yearly cohort of the new economically active population is around 17 million people and should reach 25 million in 15 years. The peak will occur after 2050. Thus, for a medium-sized country in Sub-Saharan Africa with a population of, say, 15 million people, the annual cohort was 250,000 in the 2000s and is likely to be 400,000 in 2020s (Losch et al., 2011). In general, projections for Sub-Saharan Africa may be underestimated, depending on assumptions made of fertility rates.

The proportion of rural youth is decreasing in all sub-regions as well as the absolute number of rural youth, with the exception of Sub-Saharan Africa where their number will continue to increase until 2030 or 2040. In Eastern Asia, South-Eastern Asia and Latin America, the absolute number of those aged 15 to 24 living in rural areas has already started to decline over the past 10–25 years (Van der Geest, 2010). Sub-Saharan Africa will therefore face particular and unique challenges for the decades to come in securing decent livelihoods and employment for young people in both urban and rural areas, but in particular in the latter.

Source: Proctor and Lucchesi, 2012

In a four Asia country study relatively more urban young people used to be jobless than their rural counterparts in the 1990s. But the early years of this decade have brought a reversal in the pattern in India, Indonesia and Thailand where joblessness is now usually higher among the young in rural areas than in urban areas although not in the Philippines where there has been outmigration of the youth (ADB, 2008). An absence of labor-market information systems, mismatches among regions in demand for and supply of different skills types, inadequate rural–urban transportation linkages, and inadequacy of urban wages to cover the cost of risk from migration are common to all four countries – such factors act as barriers to the mobility of rural and urban youth in the labour market.

In closing this section, it can be said that in general, rural areas with a more diversified economic base, a greater density of inter-sectoral linkages and a solid presence of small and medium-sized businesses in the economy will have greater options for building the dynamics of growth with social inclusion. Such dynamism may often be found where there are strong linkages between the rural hinterland and small markets and secondary towns and cities (Proctor, 2014).

5. RURAL–URBAN LINKAGES AND DOMESTIC MIGRATION

Migrants play an important role in shaping rural-urban linkages and economic development in both home and destination regions. This section focuses on domestic rural-urban migration and on its impacts on rural livelihoods, highlighting the differences between migration to larger versus smaller cities. We define as migration any movement of people across administrative boundaries which last for more than a month, thus including temporary, permanent and semi-permanent migration, but excluding commuting. This includes both relocations of entire households, and multi-locational households with one foot in rural areas and the other in urban areas, who maintain sustained physical connections between places of origin and destination, and for whom migration of one or more members, often seasonal, is part of a livelihood strategy to diversify income sources, minimize risk and secure safety nets both in terms of activities and in terms of location (World Bank, 2007a; Keshri and Bhagat, 2013). Most of the existing literature on internal migration, however, does not systematically distinguish between different types of migration streams.

Migration trends

Internal migration is an important component of urbanization. However, the evidence suggests that natural population increase in urban areas, and not net immigration, is the dominant cause of urban population growth in Latin America, and in most of Asian and African countries for which data are available (Kessides, 2007; UNPD, 2008; Potts, 2009 and 2012; Jedwab et al., 2014; McGranahan and Satterthwaite, 2014). For instance, rural-urban migration rates decline over time in Sub-Saharan Africa from 1.1% per year in the 1960s, to 0.8% in the 1970s, to 0.5% in the 1980s (Chen et al., 1998), making Sub-Saharan Africa the continent where the contribution of migration to urbanization has been the smallest (de Brauw et al., 2014). In India, on the other hand, the predominant net migration flows are rural-rural (62% of moves in 2007-08 according to Chandrasekhar and Sharma (2014). However, the apparently marginal role of net immigration for the process of urbanization might be due to population inflows and outflows of similar size into and out of the same urban area.

Thus, figures on net immigration can hide important changes in the population composition of urban areas, including in terms of skills. In Latin America, for example, there is evidence that large cities simultaneously experience large migration inflows and outflows, while medium-sized cities experience net immigration (Rodríguez, 2007). In recent years however, evidence of re-ruralisation, that is, of migration from urban to rural areas, is found in both Asia and especially in West and

Southern Africa.[36] China and Indonesia are among the few countries where internal migration accounts for most of urban growth, but even in Indonesia re-ruralisation is increasing, following the economic downturn post-1990s financial crisis (Sylvey, 2001).

National statistics, however, typically fail to capture circular and temporary migration, an important type of internal migration stream, a key livelihood strategy for both rural and urban dwellers, providing a means of diversifying sources of income and risk, and an important component of the links between urban and rural development. In India, the stock of temporary and seasonal migrants is estimated to be around 200 million, with 20 million people migrating temporarily each year (Mendola, 2012; UNDESA, 2008; IOM, 2005). Denis and Zérah (2014) emphasize the importance of a combination of commuting and temporary migration as central to the livelihood strategy of rural and urban poor households in India (Box 10).

Box 10. Commuting and temporary movements more than residential migration – the case of India

Field work based evidence point towards a large number of households keeping houses both in rural and smaller urban centres confirming the analysis of commuting and temporary migrations based in particular on NSS series. A total of 32 million individuals, accounting for 4.3% of India's rural population, live in households where one or more worker commutes from rural to urban areas. Also, 15.4 million individuals accounting for 5.5% of India's urban population live in a household where at least one member commutes from urban to rural area for work. These figures give an idea of the extent of the Indian peri-urban environment, where opportunities of work are also flowing massively in a centrifugal manner.

Workers migrate from rural to urban but only for temporary periods. In the lean season of the rural labour market, workers migrate temporarily to urban areas to engage in construction activities or pulling rickshaws, without severing their link to the land in their rural homeland. This is not the kind of labour force who is likely to be available to work in manufacturing or modern services, mainly due to a lack of skills, and often even primary education. Such migration is a reflection of rural distress.

Recent empirical research point to the fact that rural to urban and peri-urban temporary migration increasingly concern nearby small towns which are fast growing and where construction is a major employer. Many agricultural *coolies* are shifting toward construction and brick kiln industry.

Source: Denis and Zérah, 2014

[36] For Ghana, see Songsore, 2000; Potts, 1995. For West Africa in general, see Beauchemin and Bocquier, 2004; and Beauchemin 2011, focusing on Burkina Faso and Cote D'Ivoire. For Eastern and Southern Africa, see Potts 1995 and 1997.

In both Indonesia and Thailand, it is estimated that one-third of all internal migration consists of temporary movement to the capital city and its metropolitan region during the lean season, when labor demand for agricultural work decreases (IOM, 2005). One study for China shows that 38% of migrants who had moved between 1988 and 1998 had returned home by 2005 (Tunon, 2006), while in Zimbabwe only 13% of migrants in 2001 thought they would stay in their destination indefinitely (Potts, 2010).

Why people migrate

People migrate for a variety of reasons, and motives may differ between temporary and permanent migration. The literature, however, does not clearly distinguish between the two. In general, reasons for migrating include the expectation of earning higher incomes (Lall et al., 2006; Lucas, 1997); liquidity constraints for meeting contingencies, social obligations, or long term productive investments (Djajic and Vinogradova, 2014); consumption smoothing, risk coping and diversification (Macours and Vakis, 2010; Fafchamps and Shilpi, 2003; Rosenzweig and Stark, 1989); access to better services (Archambault et al., 2012); or education of children (Macours and Vakis, 2010). Temporary migration appears to be more closely related to the economic climate, with shifting patterns determined by the direction of economic change (IOM, 2005; Haberfeld et al., 1999, Rogaly et al., 2001, Mosse et al., 2002; Deshingkar and Grimm, 2004).

Van Hear et al. (2012) propose a methodological framework for thinking about migration drivers, distinguishing between predisposing, proximate, precipitating and mediating factors. Predisposing factors create a context which encourages migration, such as spatial differences in utilities, mainly due to spatial differences in expected incomes net of migration costs (Lall et al., 2006; Lucas, 1997); conflict (Ibáñez and Vélez, 2008; Lozano-Gracia et al., 2010); or environmental factors (Barrios et al., 2006). Proximate factors relate to changes in living conditions resulting from the structural, predisposing factors, such as lack of public services and amenities at the origin (Dustmann and Okatenko, 2014) and their availability at destination (Lall et al., 2009), large scale development projects that involve displacement, or a downturn in the economic cycle at the origin while economic opportunities open at destination (Alvarez-Cuadrado and Poschke, 2011; Gollin et al., 2013). Precipitating factors are those that actually trigger departure by precipitating the worsening of the household's welfare, such as a leap in local unemployment, a bad shock to agriculture, possibly related to natural disaster (Ghimire et al., 2015; Gray and Mueller, 2012; Kleemans and Magruder, 2011), or the escalation of conflict. Mediating factors facilitate or constrain the migration decision, for instance availability of transport and communication; distance to destination; ability to obtain and process information (evidence consistently shows that migrants tend to have a higher level of educational attainment than non-migrants at source (Hanson, 2010)); existing wealth or a positive income shock that frees enough resources to cover migration costs (the evidence suggests that the poorest people are prevented from migrating by high migration costs, and those who migrate are members of better off households (Lipton, 1980; Skeldon, 2002)), and existence of a network at

destination. McKenzie and Rapoport (2007) show that a network at destination may actually facilitate migration of poorer people, by lowering migration costs.

There are few longitudinal household studies on the impact on livelihoods of those who migrate. One example of such as study is the case of the Kagera region of Tanzania (Box 11). In a similar vein, the National Panel Survey of 2010-2011 in Tanzania finds that growth in consumption since the previous survey in 2008-2009 is positively associated with the level of education of the household head, working in non-agricultural jobs, and living in Dar es Salaam or (to a lesser extent) in other urban areas (Wenban-Smith, 2014).

Box 11. Study of migration and economic mobility in Kagera region of Tanzania

In a study in the Kagera region of Tanzania, the extent to which migration contributed to improved living standards was examined, using data from a panel survey covering from 1991 to 2004. Key findings include:

- Migrants experienced 36 percentage points higher consumption growth compared with those who stayed behind
- For those who stayed in the community, the poverty rate decreased by about 4 percentage points over the thirteen years. For those who moved elsewhere within the region, the poverty rate decreased by about 12 percentage points, and for those who moved out of the region, the poverty rate decreased by 23 percentage points
- Although moving out of agriculture resulted in much higher consumption growth than staying in agriculture, growth was always greater in any sector if the individual physically moves
- Transfers from migrants to non-migrating household members are relatively limited although some suggestive evidence indicates that some transfers occur but that these are relatively limited from those who migrated long distances
- As to why more people do not move given the high returns to geographical mobility, the analysis finds evidence consistent with models in which exit barriers set by home communities (through social and family norms) prevent the migration of some categories of people.

Source: Beegle et al., 2011

Barriers to migration

Barriers to migration can result from policies, both explicit and implicit, and from individual characteristics not immediately related to policy. With respect to explicit migration policies, some countries adopt strict measures, such as household registration systems that restrict migrants' access to employment opportunities and public services at destination. In Ethiopia an urban registration card is (at least formally) required in order to access formal employment (de Brauw et al., 2014), and permission from district officials is required in order to access public services at destination (Headey and Taffesse, 2014). In Vietnam the household registration system implies that *de facto*, although not

de jure, migrants are limited to receiving health, schooling and other social services within their district of residence (Duong et al., 2011). A similar scenario is observed in China with the *hukou* system (Mullan et al., 2011). Other countries, including Indonesia and Thailand, adopt policies to lower migration to densely populated areas, especially the capital city, with incentives for migration to other areas, and/or with decentralization of infrastructure, services and economic activity, aiming to create new centers of growth to absorb the rural population inflow.[37]

Among implicit policy restrictions, insecure and/or incomplete property rights, especially of land, are very important. Leaving the land often implies losing the right to it, and this makes it more difficult for whole families to migrate, and is one of the reasons for engaging in temporary migration and/or transforming into a multi-locational household. Tenure insecurity and restrictions on land markets (especially rentals) are important barriers to migration in several countries including China (Mullan et al., 2011; Bao et al., 2009), Zambia (Sitkoa et al., 2014), Mexico (de Janvry et al., 2013), Ethiopia (de Brauw et al., 2014; de Brauw and Mueller, 2012). Educational policies are also relevant, because the availability and quality of education in rural areas affects the probability that a person migrates, and how successful migrants are, given the tendency of migrants to have higher education levels than non-migrants (de Brauw et al., 2014). Finally, labor market policies that do not address labor market segmentation and discrimination against rural migrants also function as implicit barriers.

Individual barriers to migration stem from characteristics that tend to increase the costs of migrating, such as lack of migrant networks at potential destinations, the importance of the potential migrant's contribution to household income at home, language and cultural barriers, as well as individual risk preferences and aversion (de Brauw et al., 2014).

Migration and impacts on rural livelihoods

Theoretical predictions on the effects of migration on the family and communities of origin are ambiguous: outmigration can relieve an overcrowded labour market and provide relatives with remittances, and decrease the pressure on land and other scarce resources, while loss of labour and skilled human capital may harm local development. Official information on internal remittance flows is scarce, but anecdotal knowledge suggests they could be large (especially in Asia, see IOM, 2005), and that they reach a larger number of poorer people, compared to international ones (Castaldo et al., 2012; Housen et al., 2013; McKay and Deshingkar, 2014). Remittances sent home by migrants can at least partially compensate for the lost-labour effect, contributing to household incomes both directly and indirectly by stimulating investment in productive activities, health and education.

[37] Bangladesh, for instance, tried to reduce the congestion in large cities by promoting industries and services in peri-urban and secondary cities (Skeldon, 2003). According to Waddington (2003), industrial and urban decentralization strategies appear to have been successful in South Korea and Cuba, but faced more challenges in India, Malaysia and Tanzania.

Empirical evidence suggests a mixed picture on the impact of migration on the family of origin, including:

- no effect in income or investment (Adams et al., 2008a for Ghana);
- decrease in crop income at home (Taylor et al., 2003 for China and Gray, 2009 for Ecuador)
- increase in consumption expenditure (Rosenzweig and Stark, 1989 for India and de Brauw and Rozelle, 2003 for China)
- increase in business formation and productive investment (Woodruff and Zenteno, 2007 for Mexico; Black et al., 2003 for Ghana; Adams, 1991 for Egypt; Nguyen, 2008 for Vietnam; de Janvry et al., 1992 for the Dominican Republic)
- increase in investment in education (including Adams, 2005 for Guatemala; Cox-Edwards and Ureta, 2003, for El Salvador; Adams 2007 on Ghana; Lokshin et al. 2010 on Nepal; Taylor et al. 2005 and Alcaraz et al., 2012 for Mexico)
- improvement of children's health and survival rates (Amuedo-Dorantes and Pozo, 2005; Duryea et al., 2005; Hilderbrandt and McKenzie, 2005).

Overall, Gupta et al. (2009), Calí and Menon (2013) and Nguyen et al. (2013) find that remittances have a poverty mitigating effect in Sub-Saharan Africa, India and Vietnam, respectively, a finding confirmed by Housen et al. (2013) in their review.

The number and distribution of migrants in the population, as well as the amount of remittances and their dispersion among households, influence the extent to which the impacts of migration are transmitted beyond migrant households into the local economy of the community of origin. Remittances can have a multiplier effect on local incomes, labour and employment (Adelman et al., 1988; Azam, 2001; Taylor, 1996; León-Ledesma and Piracha, 2001; Glytsos, 2002). However, effects on income distribution at source are heterogeneous (Black et al., 2005), partly because different countries are at different phases of their urban transition, during which richer families migrate before poorer ones (McKenzie, 2005 for the US; McKenzie and Rapoport, 2007 for Mexico). Accordingly, some studies suggest migration increases inequality in rural areas (Knowles and Anker, 1981 for Kenya; Rodriguez, 1998 and Leones and Feldman, 1998 in the Philippines; Barham and Boucher, 1998 in Nicaragua; Adger, 1999 in Coastal Vietnam; Adams et al. (2008b) in Ghana); while others find it lowers it (Stark et al., 1986 and 1988 for Mexico; Adams, 1994 for Pakistan; Rodriguez, 1988 for the Philippines).

Migration also changes the distribution of human capital in the sending region (Kanbur and Rapoport, 2005), given the higher likelihood of migration from rural areas of the better educated (Fernández-Huertas Moraga, 2013).[38] Some authors suggest that "brain drain" can actually lead to "brain gain" for the sending economy, because the possibility to migrate and to earn higher incomes (be it through salaried employment, self-employment, formal or informal activities) in another region provides an

[38] For an overview of the "brain drain" versus "brain gain" literature, see Bhagwati and Hamada (1974); Docquier and Rapoport (2007 and 2012); and Gibson and McKenzie (2011 and 2012).

incentive to acquire human capital, thus enhancing growth (Mountfort, 1996; Stark et al., 1997). In contrast, Bénassy and Brezis (2013) show that an economy starting with a low level of human capital can fall into an underdevelopment trap, where low levels of human capital lead to low wages, which result in emigration of valuable human capital. Beine et al. (2001) argue that migration can have an ex ante gain effect and an ex post drain effect, with a positive net effect only if the first dominates the second.

The distinctiveness of migration to small and medium cities: pull factors and impacts

Traditional gravity models of migration find that net migration inflows tend to increase with the size of the population at destination,[39] suggesting that, everything else being equal, migrants prefer to locate in large cities. In contrast, distance to potential destination, representing a proxy for monetary and non-monetary migration costs, appears to deter migration (Schwartz, 1973; Greenwood et al., 1981; Mora and Taylor, 2005). Migration to distant metropolitan cities may not be feasible for the poor, while moving to secondary, closer cities may be less costly, allowing them to maintain and exploit closer social ties with their place of origin[40] and providing them with more employment opportunities given higher local demand for unskilled and semi-skilled labor, as observed in Tanzania (Muzzini and Lindeboom, 2008). Béneker et al. (1997) interviewed several hundred migrants and native residents of three Latin American small cities (in Mexico, Costa Rica and Bolivia), and concluded that the migrants in each of these urban centers came largely from their own close-by rural hinterlands, so that ".. migration to the three towns can be labelled to a large extent as a one-step, rural-urban affair, which bears the hallmark of family-migration" (p. 108).

Smaller cities do not only attract poor rural migrants. Push factors promoting outmigration from metropolises may also exist, resulting from high living costs and negative externalities from agglomeration (such as governance and safety problems, lack of basic public services particularly for those living in the slums, traffic congestion and pollution); shifts of urban investment to other areas and decentralization policies (Owusu, 2005); and/or explicit policy restrictions on migration to large cities (Deshingkar and Grimm, 2004; Hickey et al., 2013; de Brauw et al., 2014 for Ethiopia).[41]

A recurrent empirical finding is that more skilled people concentrate in larger cities (Henderson, 1986; Glaeser, 1999; Glaeser and Maré, 2001). Models of spatial sorting of labor help understanding this,

[39] Including Larson and Mundlak, 1997; Greenwood, 1995; 1997; Greenwood and Hunt, 2003; Andrienko and Guriev, 2004.

[40] Rosenzweig and Stark (1989), however, find that children of poorer households are more likely to migrate far away. They explain this in terms of risk covariance: children of households that are more vulnerable to exogenous risk, such as drought or flood, tend to migrate larger distance than other children. Similarly, children of households that are better able to self-insure against exogenous risk – usually wealthier – may choose to migrate closer to home.

[41] Some authors argue that structural adjustment programs, which often resulted in reduced service provisions, fewer employment opportunities and lower wages in urban areas, further decreased the attractiveness of large cities (Becker et al., 1994; Riddell, 1997; Simon, 1997).

and the different pull factors of larger and smaller cities. Large cities attract more skilled workers because

- they have a higher density of firms with high-skill requirements, attracted by the productivity gains associated with agglomeration, resulting from access to a deeper labour pool, knowledge spillovers and lower transactions costs (Glaeser and Gottlieb, 2009);
- they host the bulk of public jobs employing educated people, often for political economy reasons (Ades and Glaeser, 1995; Moomaw and Shatter, 1996; Henderson and Becker, 2000; Davis and Henderson, 2003; Behrens and Bala, 2013);
- demand for amenities and services tend to increase with skill (e.g. Florida et al., 2008).

Depending on the assumptions on the complementarity of high- and low-skill workers, different theoretical models provide different predictions on the destination of less skilled migrant.[42] Eekhout et al. (2013, for the US) finds that large cities attract both high- and low-skilled migrants, while Aharonowitz (2011, for the US) and McCormick and Wahba (2005, for Egypt) find a net inflow of job-related high-skill migrants into large cities, and a net outflow of housing-related low-skill migrants from large to secondary, cheaper cities. Overall, human capital represents first a barrier to migration and then a determinant of destination, suggesting a spatial sorting of population where the least skilled remain behind in rural areas, the medium to low skilled migrate to small and medium cities, and the high skilled workers migrate to high-income and high-growth metropolitan cities (Dorosh and Thurlow, 2014).

With respect to the differential impact of migration to smaller cities versus larger ones, there is evidence that excessive spatial concentration of population and economic activity in one or two metropolitan cities may harm long run aggregate economic growth (Brülhart and Sbergami, 2009; Mureddu and Cerina, 2009; Atienza and Aroca, 2013), social inclusion and poverty reduction. Micro-evidence from Tanzania and cross-country evidence (Christiaensen et al., 2013; Christiaensen and Todo, 2014) show that migration into secondary towns is associated with a reduction in poverty (at the national aggregate level); while migration to metropolitan cities does not appear to have any statistically significant effect on poverty reduction. This appears to be driven by the fact that many more of the poor manage to migrate to small and medium cities compared to metropolitan cities. Furthermore, rural diversification and secondary town expansion result on average in more inclusive growth patterns. In contrast, and as expected, metropolitan agglomeration yields both faster aggregate income growth and higher income inequality, which appears to offset the impact of growth on overall poverty (Dorosh and Thurlow, 2014, for Ethiopia and Uganda).

Migration patterns in relation to specific social groups

A number of important findings reported in the literature about the participation of women, youth and indigenous peoples in migration processes are given in Box 12.

[42] Most of theoretical models and empirical applications on the labour sorting literature focus on developed countries.

Box 12. Migration and women, youth and indigenous and minority group peoples

Women

- Women represent about half of the number of internal migrants (IOM 2013a), although regional variations exist.[43] A common pattern across countries is the increase over time in the share of migrant women, and the increase in the share of women migrating independently and not as dependent spouses (UN-INSTRAW, 2008).
- Distinctive regional patterns: In Africa, women tend to move shorter distances than men and more likely to migrate internally than men (Camlin et al., 2014), while the opposite holds in most Latin American countries, where women also predominantly engage in urban–to-urban migration (UNDESA, 2008). Rural-to-urban internal migration in South Asia (India, Pakistan, Bangladesh) is still largely male-dominated, although women's migration is on the increase, in part due to relocation of light industries such as textiles to areas where labour is cheap (Holly and Reeves, 2005).
- Specifically female forms of migration: these include migration of domestic workers and care-givers, the migration and trafficking of women for the sex industry, and the organized migration of women for marriage (UN-INSTRAW, 2006; Kofman and Raghuram, 2012). Women also tend to move for longer periods and are less likely to return (IOM 2010). Migration of women entails more blurred boundaries between forced and willing migration than for other population groups. Willingness to move may result in forced migration as a result of migration restrictions and human trafficking. In general, migration entails for women specific risks of sexual and physical violence over the journey and at destination (UNFPA 2006; Gasper and Truong 2014).
- Personal and local characteristics and migration behaviour: Migrant women in Latin America tend to have lower levels of educational attainment than men and are less likely to work in skilled occupations than non-migrants, while the opposite holds in several countries in Asia and Africa. However, women often face deskilling and downgrading at destination (IOM, 2012). Networks, asset ownership and rural development appear to affect female and male migration behavior differently, but more research is needed to understand this (Mendola, 2012).
- Labor market marginality: gender-segregated job markets often imply that migrant women have lower labor market participation at destination, tend to access low-status occupations and jobs which are traditional for women, are more likely than men to be exposed to poor and dangerous working conditions, and gain lower earnings than migrant men (Holly and Reeves, 2005; Page and Plaza, 2006; Raghuram, 2008; World Bank, 2009).
- Different remittance behavior and challenges: women are more likely to remit and tend to send a higher proportion of their income as remittances than men, but men remit a greater amount. This is mainly due to gender differences in endowments and labor market outcomes, which are less favorable for women (Niimi and Reilly, 2008; IOM, 2010). Women also send more regular remittances and for longer, so they spend more on transfer fees (IOM, 2010). However, women confined to

[43] Differences in data collection methods and harmonization across countries, as well as differences in computation methods, lead to differences across sources (e.g., World Bank versus UNDESA) in migration figures by population groups.

secluded accommodation and workplaces may face particular challenges to access formal remittance channels. Moreover, the evidence suggests that men are more likely than women to invest in productive activities at home or at destination. This may be due to a number of reasons, including the lower proportion of income left for migrant women themselves; problems of access to finance and property, as well as different levels of financial literacy; saturation of markets seen as appropriate for women (such as beauty salons); as well as a lower propensity than men to plan for a return to the place of origin (IOM, 2010).

- Gender specific barriers to migration, employment and remittances affect the way women's migration shapes rural-urban linkages. Women left behind may find the feminization of agriculture to pose increasing challenges to their livelihoods; on the other hand, when women manage remittances directly, these are predominantly spent on children's wellbeing (UN-INSTRAW, 2008). Migrant women have the potential to contribute to the development in the rural area of origin in a more consistent and committed way, but the various form of labor market discrimination they face at destination substantially reduces the size of their contributions.

Youth

- A third of total migrants from developing countries are aged 12 to 24 and young people are estimated to be 40% more likely to move from rural to urban areas or across urban areas than older people (World Bank, 2006). Young migrants often move within the region of origin, and are more likely than older people to engage in temporary forms of migration (World Bank, 2006). Their role in shaping rural-urban linkages may be substantial, but data on their remittances are lacking.
- Reasons for migration include lack of decent employment opportunities for youth in rural areas, the high incidence of vulnerable employment and poor working conditions among youth, as well as better education (Crivello, 2011; Archambault et el., 2012; Azaola, 2012; Bezu and Holden, 2014). In addition, work in the agricultural sector appears to be negatively perceived, associated with demanding work, low returns and low social status (Leavy, 2010; Bezu and Holden, 2014) although not where new farming opportunities exist such as in higher value crops (Proctor and Lucchesi, 2012).
- Migration, either their own or of a family member, can provide benefits for children, but also entails substantial costs. Children represent one of the most vulnerable groups among migrants, as they may suffer from trafficking, abuse and exploitation, and they often encounter various difficulties in accessing basic social services, such as healthcare or education (Kwong, 2011; UNDESA, 2013). Moreover, certain forms of seasonal family migration and independent child migration tend to increase the risk of child labor (IOM 2013b). Children left behind may suffer from various psychological and emotional problems linked with separation, and may also be required to take on family or working responsibilities (UNDESA, 2013).

Indigenous people

- World data on indigenous and minority group migrants are particularly difficult to find, with the exception of Latin America. The data suggests that indigenous people are less likely to migrate than non-indigenous ones, which may reflect a combination of particularly strong links to their territory of origin with particularly severe barriers to migration. The main draws are capital and major cities, but,

at least in Latin America, they also tend to be drawn to emerging development poles such as those prominent in the agricultural export sector (ECLAC, 2014b).
- Motives for migration include regional imbalances in access to goods, services and opportunities, as well as deterioration of traditional livelihoods with lack of economic alternatives. Indigenous people also appear to be more exposed than other demographic groups to drastic push factors such as natural disaster, land dispossession, armed conflict (UNDESA, 2009).
- Migration can improve living conditions, but discrimination at destination may lead to a number of negative outcomes including extreme poverty; living in marginal areas with environmental and social risks and without security; difficulty in maintaining and exercising identity and culture, which is particularly strong for young individuals; difficulty in accessing services and employment opportunities due to discrimination, which is even worse for women who are doubly-discriminated, as indigenous, and as women. Labor market outcomes are particularly unfavorable because the majority of indigenous peoples' skills and knowledge find little recognition outside of their particular communities, and indigenous migrants are typically considered "low skilled workers" suitable only for agricultural, fishing, and forestry industries (IOM, 2008).

In summary, the relationship between rural-urban linkages and migration is complex, due to the heterogeneity in the multiple migration streams (permanent, temporary and circular) and differences in the stage of urbanization across and within countries. While migration to distant metropolitan cities may not be feasible for most of the rural poor, moving to closer towns and small and medium cities may be less costly. It allows migrants to maintain and exploit closer social ties with their place of origin, experiment with urban life, learn skills outside of agriculture, and take up unskilled and semi-skilled labor employment or build other livelihood opportunities. Millions of households maintain livelihoods that straddle rural and urban places and income opportunities. Remittances and flows of goods and people between these households – both rural-urban and urban-rural – are crucial aspects of livelihoods. Multiple social, economic, infrastructural and basic service provision, and policy barriers limit the extent to which rural households and their members can take full advantage of opportunities that permanent, temporary or circular migration may offer both to the migrant and to their household and communities of origin.

6. CONCLUSIONS AND RECOMMENDATIONS

The following conclusions and recommendations address the nature and characteristics of flows between urban and rural and the resulting socio-spatial arrangements, and how these can be strengthened and made more inclusive to rural people. In taking this debate forward we refrain from making conclusions or providing recommendations on urbanization or rural societies *per se* or on how to improve food systems, labor markets, or migration more generally.

1. *On the significance of rural-urban linkages.*

Rural areas proximate to urban locations, together with towns and small and medium cities are where about 5 billion people, and the vast majority of the world's poor, live and work. This huge population is underserved, not only due to long term market-driven transformations, but to an important degree also as a result of both the urban and the metropolitan biases of mainstream public policies and investments.

The livelihoods of the majority of rural households, including smallholder farmers, are hardly only rural; "rural" defines the main place of residence, but no longer encompasses the spatial scope of livelihoods. The same is true of a large number of "urban" households, whose livelihoods are intimately dependent on the rural parts of the wider places where they also conduct their life. "Rural" and "urban" defined in the traditional way, are conceptual glasses that distort our view of social processes and can only lead to sub-optimal policies and investments.

This is something that is fairly well established in the literature, yet rural development and rural livelihoods policy and practice, have for the most part not internalized it, to the extent that "rural" is in most cases a residual category in official definitions, even in countries with sizable shares of the population living in those areas. Urban development has also adopted a metropolitan bias, either with urban as an undifferentiated category but with a distinctive *de facto* slant towards large cities, and with policy and investments disproportionally focused on large agglomerations.

2. *On the definition of rural-urban linkages and of spaces with a socially-constructed identity at the rural-urban interface.*

   Rural-urban linkages are reciprocal flows of people, goods, services, money and environmental services.[44]

   Under certain conditions, aided by geographical proximity, they can lead to interdependence between rural and urban, and to the formation of intermediate rural-urban functional areas (territories) that very often cut across administrative boundaries and that encompass a number of rural localities, as well as a few towns and small and medium cities. Such areas cannot be treated as rural or as urban; they share elements of both, and are distinct from both. Breaking the analytical, policy, programming and investment silos between urban and rural development is essential to be able to promote the development of these distinct societies, of the 5 billion people that live therein, and of the spaces they occupy.

[44] Because of the terms of reference of this study, we did not include the environmental dimension of rural-urban relations in this review. However, we believe that this is a major element of these relations, one of increasing importance, and also a growing source of conflict (e.g., land, water, pollution). We encourage the Ford Foundation to complete the review with an analysis of environmental rural-urban linkages that distinguishes between large cities and towns and small and medium cities.

3. *On rural livelihoods and inclusive rural-urban linkages.*

Overall, the evidence seems to show that stronger rural-urban linkage tend to be beneficial for poor people, both rural and urban. From the perspective of rural livelihoods, the potential benefits of rural-urban linkages include greater social diversity (with its implications for the persistence or change of institutions that govern ethnic, class, gender, and religious relations, as well as for notions of development that can contest the public space) and access to: primary product markets and to manufactured goods and services beyond other neighboring rural villages; social services such as education and health beyond the primary levels; financial services, even in the case of mobile financial intermediation, and; non-farm employment opportunities (salaried or self-employed; formal and informal). Some of these benefits *cannot* be realized in rural areas that do not have significant linkages to an urban location.

However, rural-urban linkages are not necessarily equally beneficial for rural households and locations, as they are for their urban counterparts. Relations with urban centers can be predatory (some mechanisms include brain drain; breakdown or erosion of social and family structures with migration; labor shortages for agricultural activities; unfair exchange with highly imperfect towns and small and medium cities product and service markets; temporary migrants to cities that are registered as rural residents may not be able to access housing and social services). It takes more than having a link with an urban center to have inclusive rural development.

Moreover, the nature of rural-urban linkages and their growth and distributional effects are contextual, underpinned by: (a) the idiosyncratic characteristics of the specific urban and the specific rural, and (b) the position of the country and the subnational regions in the urbanization process. Among the first are geography, economic structure, social structure, history and institutions. The latter include rates of urbanization and degree of concentration of the urban population.

4. *On food systems and rural-urban linkages.*

There is no question of promoting better market access for smallholder agricultural producers in the absence of better rural-urban linkages in the food systems of the world. Traditional markets at the level of towns and small and medium cities continue being the entry points to the food system for the vast majority of 500 million smallholders in the world, even taking into account the countries where food systems have undergone a process of defragmentation and modernization; this is because the proportion of smallholders that gain entry to the more dynamic segments of the food markets through direct transactions from the farm to the processor, modern specialized wholesaler, modern retailer, or consumer, is tiny.

Nevertheless, it is a proven fact that deep and rapid changes are taking place in the food systems from production to consumption, with strong implications for rural-urban linkages and

smallholder livelihoods. The effects of change include the exclusion of large numbers of smallholders from the more dynamic markets; the concentration of a greater share of value added in the downstream segments of the food system; the weakening of traditional wholesale and retail; a strengthening of the relative weight of non-primary activities in the rural-urban economy creating new employment; and the increased presence of highly processed food, including in the diet of the urban and the rural poor.

Actions at the rural-urban interface can help improve the conditions and outcomes of the participation of smallholder farmers and of household and small- and medium-entrepreneurs, in these changing food systems. It can help to ensure the availability of a diversity of retail choice to the urban consumer in the interests of both the consumer and local producers.

5. *On labor markets and rural-urban linkages.*

There is much evidence that supports the conclusion that stronger rural-urban linkages promote the creation of more and better farm and nonfarm jobs. The articulation of these two spaces, and the activities therein contained, facilitates investment, production and consumption linkages that are good for the rural and the urban economies and the people that work in them. Moreover, rural areas with weaker connections to urban locations of certain size have lower participation in the nonfarm economy and the density and quality of those jobs are lower. The nonfarm economy in the rural-urban interface is in many countries particularly important for rural women, who (outside their traditional non-remunerated work in the family farm) tend to be employed in the services and manufacturing sectors.

Despite the fact that the vast majority of the employment that is driven by rural-urban linkages is informal and takes place in household based microenterprises, the evidence shows that it has a strong effect of poverty reduction. However, there is also significant evidence that shows that often these activities whilst central to the livelihood of poorer households today in the urban-rural interface can increase income inequality, due to access barriers that prevent these households and individuals from participating in the more profitable nonfarm jobs and activities.

On the urban side of the rural-urban interface, there is a dismal lack of even basic data and analysis when it comes to labor markets in small and medium cities. At best, the analyses are indeterminate, but with a distinct “large city flavor” and with an implicit assumption that labor markets in smaller locations are similar to those in larger agglomerations. The little and partial evidence that exists, however, suggests that labor markets in smaller cities, close to the interface with rural areas, are distinct in that they tend to be less diverse in terms of their sectoral composition (more dependent on agriculture or other primary activities), types of firms (with a stronger presence of micro- and small firms), and quality of labor (with a stronger presence of informal household enterprises and informal jobs).

6. *On domestic migration and rural-urban linkages.*

While rural-to-urban migration is intrinsic to the process of development, its effects on the families and communities of origin are ambiguous, as are the causes or motivations of the decision to migrate. Different migration patterns co-exist in countries and in different parts of a given country, but this is often obscured by the singular focus on aggregate net migration numbers: rural-to-large urban; rural-to-small and medium urban; large-urban to smaller-urban; urban-to-rural; rural-to-rural; all of which can be permanent, temporary, or circular.[45] This has major implications for our understanding of migration in the context of rural-urban linkages, simply as net flows of people that over the medium and long term result in more urbanized countries, or also as more complex movements of people (and associated movements of goods, services, and money) that are one element in the shaping and re-shaping of household livelihoods and of rural, urban, and rural-urban spaces and societies. Outmigration can relieve overcrowded labour markets, provide relatives with remittances, and decrease the pressure on land and natural resources, while the loss of labour and skilled human capital and the disruption of social networks can harm local development. Official information on internal remittance flows is scarce, but limited country studies suggests they could be large and that they reach a larger number of poorer people, compared to international ones. The number and distribution of migrants in the population, as well as the amount of remittances and their dispersion among households, influence the extent to which the impacts of migration are transmitted beyond migrant households into the local economy, but the effects on income distribution are heterogeneous, partly because different countries are at different phases of their urban transition, during which richer families migrate before poorer ones.

Migration tends to increase with the size of city of destination, while distance to potential destination (reflecting monetary and non-monetary migration costs) deters migration. For this reason, migration to distant metropolitan cities may not be feasible for the poorer households, while moving to secondary, closer cities may be less costly and allows them to maintain and exploit closer social ties with their place of origin. Multi-location household livelihood strategies are more feasible when a significant element of circular migration is included in them, although such strategies can also take place across long distances.

Overall, human capital represents first a barrier to migration and then a determinant of destination, suggesting a spatial sorting of population where the least skilled remain behind in rural areas, the medium to low skilled migrate to small and medium cities, and the higher skill workers migrate to high-income and high-growth metropolitan cities.

[45] For example, in Indonesia in 2010, the totally urban province of DKI Jakarta received 643,000 immigrants, but also had 883,000 out-migrants. The very rural province of Nusa Tenggara Timur had 49,000 immigrants and 67,000 out-migrants, also in the course of the same year. To focus only on net migration numbers as the policy debate often makes little sense (data from Mulyana, 2014).

Because of the numerous factors that determine the distributional and growth effects of rural-to-urban migration, it is very difficult to come up with a general strategy to approach this issue. At best, we can venture to hypothesize that in most developing countries that have not completed their urban transition, migration to smaller cities is less favourable for economic growth, but more favourable for poverty reduction, compared to migration to more distant and larger cities. A second hypothesis is that this type of migration is more feasible in countries with lower rates of urban concentration.[46]

7. *On social actors and rural-urban linkages.*

Overall rural populations experience lower measures of social welfare and economic wellbeing compared to urban populations. Rural poverty rates are significantly higher than urban poverty rates and rural populations have far worse access to the basic public services defined by the MDGs, such as access to safe water and sanitation facilities: within both urban and rural areas asymmetries in access are large. Smaller towns matter greatly for urban and rural poverty reduction and for rural and urban service delivery. Women experience lower lower measures of social welfare and economic wellbeing compared to men. Poor access to basic infrastructure disproportionately affects rural women by directly reducing the time they have available for income generating activities because they perform most of the domestic chores and often walk long distances to reach clean water. Women and children bear a disproportionate burden of improper sanitation and poor health care. Women earn less than men everywhere—in the informal sector, paid work, and farm and nonfarm jobs (World Bank, 2013). Closing the gender gap in education can boost rural women's empowerment by increasing agricultural incomes; relative to male farmers, female farmers have lower productivity, which is directly related to their educational attainment.

But the picture is incomplete without a deeper understanding differing measures of social welfare and economic wellbeing, and the changing nature of opportunities and constraints for specific groups within the rural populations not only rural women, but rural youth both young men and women, indigenous peoples and ethnic minorities as well as households with different levels of access to natural assets of for example land, water, forest resources, and to education, finance services and infrastructure and so on. Rural populations are far from homogeneous and as seen in the case of rural to urban migration from the Kagera region of Tanzania (Box 11) where who migrates and why is controlled by complex social and cultural norms and values.

Such a deeper understanding needs to be central to framing investment and policy in support of social and economic development. Ensuring that the voice of those who are disadvantaged is heard and that economic and social interventions are designed in a manner which is sensitive to diverse social and cultural norms and values, are prerequisite to development.

[46] That is, a lower percentage of the urban population concentrated in only one or two primary cities.

8. *On the governance of the rural-urban interface.*

   To realize the potential benefits of rural-urban linkages for the rural and the urban poor, it is important to improve the governance of societies at the rural-urban interface. Improved services, more assets, and, in general, improved capacities, are not enough, despite being very important, as context and the functioning of context matters, and because improved capacities are to a large extent a consequence of improved governance.

   There are three dimensions of governance that we believe deserve special attention. First, coordination, as development of the rural-urban interface and of rural-urban linkages is hindered by multiple coordination failures: between policy sectors, between levels of government, between neighboring local governments, between private and public agents, and between different social actors. Second, the challenge of building a collective capacity that cuts across the partial identities of specific public and private actors to identify, express and lead a "development agenda" of the society as a whole. Third, the limited capacities of local governments in rural areas and in small and medium cities, particularly when compared with the higher relative costs of service provision at lower population densities and the difficulties of identifying and mobilizing the sources of comparative advantages of smaller local economies and generally less-resourced societies.

   Appendix 1 presents 28 specific and action-oriented recommendations, and others could have been added. To avoid the trap of the all-encompassing shopping list and based on the above eight conclusions, in the following paragraphs we have tried to come up with a small set of synthetic recommendations that could give strategic guidance to research, public policy, public action, private investment and shared learning.

1. *Change the analytical lens*. We swim against the current if we continue to think in terms of distinct, separate, rural and urban localities, and if development policies and strategies continue being compartmentalized in our well-known rural and (or *versus*) urban categories. This is not to say that rural and urban sectoral development policies have no place or are less important. It is just the affirmation that huge numbers of people in this world -including most of those who are poor- live in places that encompass both rural and urban areas and localities, and that the social life and exchanges of these persons and their organizations (including governments and economic enterprises) create distinct places that correspond to distinct rural-urban societies. Place-based development thinking, practice, policy and investment, is a critical first step, for if we continue to only see and think rural or urban, then the problem we are concerned with, that of promoting inclusive rural-urban linkages, cannot be solved, in fact, it cannot even be tackled.

   The agenda under this recommendation includes:

   - Research: we need to gain a better understanding of the determinants, size, characteristics, and dynamics of these rural-urban places and the people therein; more spatially-disaggregated analysis of population, growth, poverty and inequality patterns and

dynamics; urban data sets and urban development analysis more finely disaggregated by city size and city categories.

- Advocacy at the national and international level (including, e.g., in the framework of organizations and initiatives such as UN-Habitat, the Cities Alliance, the post-2015 SDGs discussions on urbanization, inequality, and poverty reduction) to change the definitions of rural and urban based purely on demographic data and simplistic dual categories, to new definitions that take into consideration the function of places, the relations between them, and the fact the distinctions between different spatial arrangements can be described as gradients between distant, very low density, purely agrarian rural places, and very large, very dense, urban agglomerations where almost no one is employed in primary activities.

Think tank and academic researchers, NGOs concerned with local or regional development, and associations of local authorities, are perhaps the key partners for this part of the agenda.

2. *Bring rural and urban closer together.* To prioritize one must make choices, and we choose to accept the assumption that stronger and closer rural-urban linkages are generally good for economic growth, and are good for social inclusion, including of rural people and of smallholders in particular.[47] Public and private investments are the primary means to strengthen these linkages. Public investment to: improve the connectivity between the rural and the urban parts of rural-urban places, city-based public goods that service the rural population and producers, and rural-based public goods that service the economic activities in the rural areas starting with agriculture. Private investments to: (a) stimulate agriculture, processing, value-adding and trade of agricultural products, and (b) create nonfarm enterprises and jobs. While some of this private investment will come from medium and larger firms, the fact is that much of it will be done by households and small investors that will often remain in the informal space of the economy. The research agenda should prioritize: (a) the very difficult questions of (i) sequencing of public policies, and (ii) response-capacity of different places to different public investments, particularly in less developed countries where resources are very scarce and must be used very smartly; and (b) a better understanding of the determinants of different types of private investments to identify those that are legitimate entry points for public investment and support programs, and; (c) a far better understanding of how to support the development of informal household and small-scale enterprises, if possible to the extent that over time they grow and formalize, but without making this the overarching and immediate objective of the policy. Encouraging and supporting associations of economic actors that are involved in highly place-specific economic activities to develop business-support agendas from the bottom up, is perhaps something worth considering.

3. *Remove access barriers to economic and social opportunity in rural-urban places.* There is plenty of evidence that says that the assumption that we made in the previous recommendation, does

[47] We mark this emphasis because this review is commissioned by a *rural* livelihoods initiative within The Ford Foundation.

not hold in many cases. Rural-urban linkages are not always beneficial to rural people, nor are they always equally inclusive of everyone involved. It is safe to say that as a rule, the poorer sections of the rural and urban populations, and those that face social exclusion for reasons such as their ethnicity, race, religion, or social class or cast, will tend to be excluded from the better opportunities that emerge with closer rural-urban linkages. This is why many studies find lower poverty (e.g., as a result of greater nonfarm employment) but, at the same time, higher income inequality or social polarization.

This is an objective that above all needs targeted investment by governments, social mobilization by social movements, and development and advocacy programs by civil society organizations and, to the extent possible, credible commitments by medium and large businesses to develop more inclusive business models. This includes a very wide range of issues and options, from quality education in rural areas to improving the quality, transparency and fairness of product and labor markets and so on. The challenge faced is how to bring all of these initiatives together, so that we do not revert to the conventional sector-based approaches? Place-based development programs are perhaps the way to go, as they can coordinate and leverage specific public and private, commercial and non-for-profit actors and initiatives, around a set of place-development objectives; testing this approach and documenting and assessing its principles, results, and impacts, can be a valuable contribution.

4. *Improve the democratic governance of rural-urban places*. To carry out the above recommendations, it is indispensable to govern places, societies, and flows at the rural-urban interface. And there is very little understanding and practical knowledge about the principles or criteria and the mechanisms and tools to get it done; it is so because we have organized ourselves to govern the component parts and not the whole of rural-urban societies. These parts can be value chains, smallholders, urban and nonfarm household and small enterprises, local governments, wholesale or retail markets, financial services, and so on. But how to govern the societies where they all come together? This is where we most need a long term view and commitment, to really break new ground and make real progress. The agenda is one that should intimately combine high-quality social science research with development and policy action, on three fronts: solving coordination failures across the many component parts; facilitating and supporting democratic collective action that builds legitimate development agendas and helps get things done, and; innovative models and strategies for improving the capacities of local governments including the mechanisms for coordinated action by neighboring rural and urban local governments that co-exist in the rural-urban place.

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Appendix 1 – Specific recommendations

This part of the report includes a number of recommendations that are more specific than those included in section 6. Much of the context-specific agendas of rural-urban linkages will rely on normal sectoral practice; for example, improving rural roads, enhancing the quality of rural education, improving traditional wholesale markets in towns and small and medium cities, creating a better environment for farm and nonfarm investment, are all measures that could be very valuable in improving the efficiency and the growth and distributional effects of rural-urban linkages. However, in this appendix we have made an effort to avoid, to the extent possible, recommendations that are overly sectoral and whose relation to the core issue of rural-urban linkages is indirect. Which of these recommendations have higher priority is a question that can only by answered on a case-by-case basis, since their relevance depends in many instances on the country, the places within the country, and the specific objectives that are being addressed.

1. Public sector policy and investment

1.1. Mostly at National level

1. Strengthen the capacity of budgetary and planning public agencies, as well as those charged with sectoral policies, to understand rural-urban linkages, place-based approaches, and the differences in development dynamics in different places, and to use that understanding to design differentiated policies and/or to allow local flexibility in implementation of policies and programs.
2. Develop technical capacity of governments to leverage place-based investments to coordinate and enhance the impact of sectoral policies and investments, including mechanisms that enable participatory priority-setting that is open to strong social control. In many instances, this can include supporting the creation of government authorities with the responsibility, capacity and power to bring together different agencies to coordinate strategies, policies, programs and investments.
3. Support government capacity to prioritize and to improve the design and implementation of sets of policies and investments that are essential for rural-urban linkages and for place-based development at the rural-urban interface including:
    a) Rural-urban connectivity infrastructure and services
    b) Basic public service provision in small cities and rural areas (fresh water and sewage, electricity, housing, waste disposal, public safety, etc.)
    c) Development of the smallholder and nonfarm economies
    d) Social policy services and initiatives in small and medium cities and rural areas
    e) Labor and employment policy; technical and vocational training for labor market

1.2. Mostly at regional/territory/local

4. Strengthen the *collective* capacity of local governments, private sector, civil society, and grassroots social organizations and movements, to identify the comparative advantages and the critical bottlenecks of the place they share at the rural-urban interface, and to design viable development strategies, action plans and implementation and monitoring mechanisms, that are both legitimate and effective.
5. Support the development of innovative models of local government associations to face the governance challenges of rural-urban linkages and of place-based development in territories that involve several rural and urban municipalities.
6. Develop principles, criteria, perhaps data, methods and tools to help governments prioritize where to focus investments, e.g. infrastructure, technical education, wholesale markets, etc.
7. Support local government capacity to prioritize and to improve the design and implementation of two sets of policies and investments that in many countries are under their authority, and that are important for rural-urban linkages and for place-based development at the rural-urban interface:
    a) Zoning plans to bridge and facilitate interaction between rural and urban areas, e.g., land use, urban-rural public transportation, wholesale and retail markets, retail food stores, industrial parks including food sector, public services designed to accommodate commuters and temporary and seasonal rural-to-urban and urban-to-rural migrants, urban sewage and waste disposal, fresh water provision ordinances.
    b) Services of the local government that have a direct impact on private investment and economic activities (including informal and household-based enterprises), including for example licenses and fees, infrastructure and equipment, wholesale markets, modernization of traditional food retail, etc.

2. Private investment from micro- to medium and large firms

8. Support policy analysis, design and implementation that avoids urban and metropolitan biases, to reduce the gaps in public good provision in rural areas and towns and small and medium cities, that is absolutely fundamental to attract investment in agriculture, in the intermediate segments of the food system, in agricultural sector inputs and services, and in manufacturing and services not linked to agriculture.
9. Support policy analyses to critically examine targeted subsidies that generally favor medium and large firms located in the more favorable regions of the country, and assess the social benefits of those programs. This can then be linked, if necessary, with schemes to promote and advocate those schemes that are socially-beneficial and to dismantle those that are spatially and socially regressive transfer mechanisms.
10. Support innovative schemes for skills development (formal and informal systems) in the labor markets in rural areas and towns and small and medium cities.

11. In places with limited enterprise and job creation in the formal economy, put in place structures and incentives which support informal economies including household enterprise development, and remove barriers to their creation and growth.

3. Develop new models, principles and pilots

12. Share and publicize national government decisions to improve the definitions of rural and urban and the removal of the dichotomy of rural and urban (e.g., Colombia).
13. Rigorously (meaning, critically and in technically-sound ways) systematize cases where rural-urban linkages are working in ways that simultaneously advance local economic growth and social inclusion, with benefits fairly shared across the rural-urban divide; draw out principles, share and determine transferability.
14. Document and define principles for placed-based policies, budgeting, and programs to complement sectoral policies; advocate and pilot innovation in place-based development.
15. Support innovative models of alternative food markets for the benefit of both smallholders and urban consumers including poor urban households.
16. Support innovative models of labor market development at the rural-urban interface.
17. Support innovative models of contributing to the growth of the nonfarm economy, including through household enterprises (formal and informal).

4. New data, analysis and evidence generation

18. For a significant number of countries with different levels and patterns of urbanization, gain at least a basic but rigorous level of understanding of the spatial distribution of urban and rural poverty (including to the extent possible, non-monetary dimensions of poverty), at the scale of districts / municipalities; how this is changing over time, and why.
19. Undertake analysis (beyond the many existing case studies, most often purely qualitative) of how context determines rural-urban linkages including country and, to the extent possible, multi-country studies. Test the significance, determinants, dynamics and distribution of the costs and benefits of rural-urban linkages.
20. Understand social institutions and other factors that can prevent certain groups (women, youth, indigenous and ethnic minority groups, casts, poorest smallholders and rural households) in rural societies from equal access to the opportunities and benefits that may be derived from rural-urban linkages.
21. Gain a better understanding of the spatial distribution of different business sectors (beyond primary activities and nature tourism), how that distribution is changing in time, its determinants and its distributional and growth effects. Given the structural change taking place within the national food system, prioritize studies to understand the geography of the food system transformation, from production to food retail and food consumption.
22. Understand the links between the formal and informal enterprise sectors operating in rural areas and functionally linked towns and small and medium cities.

23. Support budget and policy analysis to reduce the metropolitan bias on the provision of public goods that are important for business development.
24. For a significant number of countries with different levels and patterns of urbanization, fill the data and analysis vacuum on labor markets in towns and small and medium cities.
25. Fill knowledge gaps on internal migration, specifically differences in the “push” and “pull” incentives that lead different categories of rural people to migrate to small and medium provincial towns and cities versus large agglomerations. In countries with different levels and patterns of urbanization, test hypotheses about the spatial sorting of internal migrants, and about the costs and benefits for the migrant, sending households and places of migration to towns and small and medium cities compared to large cities.

5. Advocacy

26. Based on existing evidence and the practices of different developing and developed countries, advocate definitions of “rural” and “urban,” and national rural and urban development strategies that facilitate dialogue and collaboration across what today are conceptual and policy silos. Advocacy is required at the level of international organizations including UN agencies (UNDESA, UN-Habitat, UNDP, FAO, IFAD), international financial institutes (World Bank and the regional banks), international associations of local governments, and others like Cities Alliance
27. Support the development, policy analysis and advocacy work of national associations of local governments.
28. Support the development and the capacity to understand rural-urban linkages and use place-based development perspectives and tools, of NGOs and civil society organizations working on issues relating to rural development and smallholder agriculture, domestic migration, labor markets, and food systems.