

**Poverty Alleviation through
Rural-Urban Linkages:
Policy implications**

Yap Kioe Sheng

**Chief, Poverty Reduction Section
Economic and Social Commission for Asia and the Pacific**

Bangkok

Table of Contents

1.	Rural-urban linkages	3
	a. Introduction	3
	b. A fundamentally unbalanced relationship	5
	c. Past policies	6
2.	Changing conditions.....	8
	a. Understanding poverty.....	8
	b. Market economies.....	9
	c. Urbanization.....	10
	d. Rural-urban linkages.....	12
	e. Non-farm income in rural areas	13
	f. Decentralization	14
3.	Policies and projects on rural-urban linkages.....	14
	a. Rural-urban linkages in the 9 th Development Plan of Thailand.....	15
	b. Rural-urban linkages in the Lao PDR.....	16
	c. Poverty alleviation through rural-urban linkages (PARUL) in Indonesia...	17
	d. Rural-Urban Partnership Programme (RUPP) in Nepal	18
4.	Policy implications	19
	a. Understanding rural-urban linkages.....	19
	b. Integration of rural and urban policies.....	19
	c. Rural products for urban markets	20
	d. Employment diversification.....	21
	e. Migration and the urban system.....	22
	f. Local economic development	23
	g. Urban service centres for rural areas	24
5.	Conclusions	25
6.	References	25

1. Rural-urban linkages

a. Introduction

Within the next two decades, a majority of the population in the Asia-Pacific region will live in urban areas. The growth of the urban population is the result of three processes: natural growth of the urban population, rural-urban migration and reclassification of rural into urban areas. Reclassification is a consequence of natural population growth and rural-urban migration, as rapidly expanding urban areas spill over into surrounding rural areas. These areas subsequently require reclassification into urban areas. In this process of urbanization, cities grow and mega-cities emerge. However, it is important to remember that a majority of the urban population does not live in large cities, but in small and medium-sized towns. While the development of mega-cities attracts considerable attention, the small and medium-sized towns also need attention, because of the sizeable population that lives in such settlements.

Rural-urban migration reduces population pressure in the rural areas and, thereby, should improve economic conditions and reduce rural poverty. However, disparities between urban and rural areas in terms of income and employment and the availability of basic infrastructure and services persist. Urban areas offer more and better opportunities for socio-economic mobility of the poor and rural-urban migration, therefore, will continue. A major effort is required to ensure that the urban areas can absorb the growing urban population and that urbanization will not result in an urbanization of poverty. Small and medium-sized towns can play an important role in the urbanization process by absorbing rural-urban migrants. However, they should also contribute to the development of the rural areas and, thereby, reduce rural-urban migration.

While disparities persist, rural and urban areas and their economies are increasingly interconnected. There is a growing movement of people, goods, capital, ideas and information between urban and rural areas. Some of these movements benefit both urban and rural areas; other movements benefit only one side, usually the urban areas. Part of the problem is that policy-makers often do not take these rural-urban linkages into account and divide their policies along spatial and sectoral lines. Urban planners concentrate on the development of the urban areas without due attention to its impact on rural development, while rural development planners tend to ignore the urban areas, as if rural areas exist in isolation. Moreover, the administrative division in urban and rural areas results in a lack of coordination and in work at cross-purposes. Recognition of the rural-urban linkages by policy-makers is becoming all the more important in the light of the ongoing decentralization of government functions in many countries of the region.

This decentralization catches many local governments ill-prepared for the new responsibilities, which include such important tasks as local economic development, the provision of basic infrastructure and services, poverty alleviation and environmental management. Small and medium-sized towns often have the lowest capacity to manage their resources for an efficient and equitable urban development. It is important that national government and the local government of large cities, small and medium-sized towns and rural areas, recognize the rural-urban linkages, the impact of their actions on urban and rural areas, and the positive (and negative) role they can play in poverty alleviation. This will require capacity building of local governments in rural and urban areas on a very large scale. However, building on the

rural-urban linkages for the benefit of both sides requires not only capacity building, but also changing the nature of the rural-urban relationship and developing a more balanced political relationship that is currently very much in favour of the urban areas.

There is a need to gain a better understanding of the relationships between urban and rural areas and the variety in the nature of the linkages. Studies of rural-urban linkages indicate that the nature of the linkages differs from one place to another and differs for different sectors in the same place. It is equally necessary to identify successful practices that promote local rural and urban development and alleviate poverty, using rural-urban linkages, and to build the capacity of rural and urban local governments to review, adapt and replicate such practices. The growing understanding and the pool of good practices should form the basis for capacity building of local governments.

Over the past few years, interest in the linkages between urban and rural areas has increased considerably. This is clear, for instance, from the activities of the United Nations. The Habitat Agenda, adopted at the second United Nations Conference on Human Settlements (Habitat II) in Istanbul in 1996, states that “[p]olicies and programmes for the sustainable development of rural areas that integrate rural regions into the national economy require strong local and national institutions for the planning and management of human settlements that place emphasis on rural-urban linkages and treat villages and cities as two ends of a human settlements continuum.” (UNCHS, 1997: 93-94).

As the theme of its 57th Session in May 2001, the Economic and Social Commission for Asia and the Pacific (ESCAP) selected “*Reducing disparities: Balanced development of urban and rural areas and regions within countries of Asia and the Pacific*”. At its December 2001 meeting, the ESCAP Committee on Socio-Economic Measures to Alleviate Poverty in Rural and Urban Areas recommended that “*governments pay more attention to the development of small and medium-sized towns and build the capacity for poverty alleviation of local governments in those towns in order to reduce the pressure on mega-cities and primate cities, and it urges ESCAP to provide technical assistance in this area*”.

The United Nations Human Settlements Programme (UN-Habitat), with funding from the United Nations Development Programme (UNDP), launched two projects in the region that deal directly with rural-urban linkages:

- Rural-Urban Partnership Programme (RUPP) in Indonesia
- Poverty Alleviation through Rural-Urban Linkages (PARUL) in Nepal

Both these projects aim at strengthening the linkages between rural and urban areas for poverty alleviation.

Before proceeding with a discussion about the role that rural-urban linkages can play in poverty alleviation, it may be necessary to define rural-urban linkages. In general, “rural-urban linkages” refers to the flow of (public and private) capital, people (migration, commuting) and goods (trade) between rural and urban areas. It is important to add to these three economic flows, the flow of ideas, innovation and information. The economic exchange between urban and rural areas can be beneficial or detrimental to either or both areas (Gaile, 1992: 135-136).

Many studies analyze the migration of people from the rural areas to the urban areas (and back) and the flow of goods, ideas and money that occurs in the opposite direction as result of the migration. A second category of studies and projects deals

with economic links between rural and urban areas, the extent to which economic development in the one area benefits or obstructs economic development in the other area, and the policy measures necessary to develop a mutually beneficial relationship. A third category of studies deals with the political aspect of rural-urban linkages and the imbalance of power between the two areas. These three aspects of rural-urban linkages (demographic, economic and political) are closely related and they need to be studied and addressed simultaneously.

While dealing with rural-urban linkages, some studies focus on the relationship between metropolitan areas and the peri-urban areas around the cities. Metropolitan areas often absorb agricultural land, exploit water resources and pollute the rural environment. On the other hand, cities rarely expand very efficiently and there are often extensive rural areas within the metropolitan boundaries, resulting in the “emergence” of urban villages and urban agriculture. These aspects of rural-urban linkages are not part of this overview, which deals with the linkages between small and medium-sized towns and surrounding rural areas.

b. A fundamentally unbalanced relationship

Historians have suggested that when agricultural development made it possible for farmers to produce a surplus, towns developed because of economies of scale in the storage of the surplus and the need for its protection. Once there was a production surplus, comparative advantages led to trade in agricultural products between different locations. Transfer nodes for agricultural products turned into trading posts and these in turn became trading towns.

Towns could develop only if three conditions were met:

- an agricultural surplus, large enough to support the urban population;
- differences in productivity that generated comparative advantages, large enough to offset transport costs;
- economies of scale in transportation that made large-scale trade and central market places efficient.

Whatever the exact sequence, urban areas developed as the seats of power and wealth, supported by religion and living off the agricultural surplus. Towns and later cities became home to the elite. The urban population formed a small, but powerful and influential segment of the total population due to their link to the ruler, the religion and the military. The large majority of the population lived in the countryside, was involved in agriculture and supplied food and labour to the cities through the market towns. As centres of power, religion and wealth, traditional cities and towns were distinct from the countryside. They were centres of civilization, while rural areas were places close to nature where the simple, hard-working people lived and toiled. Urban dwellers developed a sense of superiority over the peasants in the countryside.

With the elite in the urban areas and the masses in the rural areas, the distinction between urban and rural society also became an ideological and political one. The ideology emphasized the need for urban areas with rulers, traders and priests. The ruler ensured law and order so that the rural population could farm. The traders were prepared to leave their urban homes to buy the agricultural surplus from the farmers to sell in far-away places. Religious leaders gave meaning to life and sanctioned the status quo; they prayed for the well-being of the ruler and his people, so that all would prosper.

The ideology dictated that the common people should live on the land and off the land, and that farming was the natural way of life. Urbanites would confess that they preferred to live in the rural areas, but that this would only be possible once they were old and retired. In the meantime, it was up to the rural population to supply them with food in a mutually beneficial symbiosis. Urban areas could acquire the agricultural surplus at a fair price from the farmers, but, more often, they would simply take it from the rural areas at any price or no price to the farmers. Because towns formed a real political-commercial-religious complex, farmers probably saw it simply as their duty to supply the urban areas with food and other products from the land. Rulers could tax the farmers for their land, their products and their income.

The inherent advantages of urban settlements over rural ones are their economies of scale and agglomeration. The large size of the urban population creates a high demand for goods and services and this promotes increased supply of goods and services at lower costs of production per unit. The availability of wide range of different resources in a small area promotes specialization and innovation. The scattered pattern of rural settlements and the inadequate communication and transport networks disadvantages the rural population when it comes to organization and the articulation of needs, priorities and preferences through political processes. The fact that officials in urban areas often take decisions on behalf of the rural population about their future and the use of their natural resources is an expression of this imbalance in political power between urban and rural areas.

c. Past policies

While disparities between the urban and the rural areas have probably always existed, they became a major concern only some fifty years ago, when the region decolonized. At that time, most of the economies in the region were still agriculture-based and almost the entire population lived in the rural areas. Living standards were low and the economies of the newly independent countries were dependent on the industrialized world. Improving the living conditions of the rural population became a national priority.

During the 1950s and 1960s, most governments recognized the need for simultaneous development of agriculture and industry, of rural and urban areas, but this was impossible in view of the scarcity of the available resources. An exclusive focus on rural areas would result in an under-investment in urban areas and this would limit the growth of the urban sector and its ability to absorb the rural labour surplus. An exclusive focus on urban development would produce similar results, because it would accelerate rural-urban migration and reduce food production per capita (Richardson, 1987: 210).

Most governments opted for industrialization, but their policies were not without problems. There was the need to import machinery and other capital-intensive industrial inputs from developed countries and the cost of importing capital goods nullified the gains made by import substitution. The import-substituting industries needed protection against foreign imports of similar goods through import tariffs, but this made the industries less efficient and competitive. Consumers had to do with locally made, low-quality products at higher prices than necessary. The situation was particularly hard for the rural population, as it faced price ceilings on farm products to keep these affordable for the urban population, but had to pay high prices for industrial goods.

Agriculture was the only productive sector that produced an economic surplus to finance industrial and urban development. Governments did this in many different ways, but none of them was beneficial to the rural economy (Martinussen, 1999: 131-132):

- An unequal exchange of industrial and agricultural goods: industrial goods were being sold at “artificially” high prices to support an inefficient industry, and agricultural goods were being sold at “artificially” low prices to keep the cost of living in the urban areas down.
- Extraction of the surplus from agriculture via foreign trade: a portion of the foreign exchange earned by exporting agricultural products was used for the import of goods needed in the industrial sector.
- A transfer of resources from rural to urban areas via the credit system or through taxation: earnings from agriculture were taxed and the proceeds were used to finance industrial development, thereby often burdening agriculture beyond what public investments and governments services provided to agriculture.

Because of the lack of local entrepreneurship, most governments relied on the public sector for the development of the industry and as a result employment in the public sector in the urban areas expanded rapidly. This, in turn, brought about the need to develop the urban areas with infrastructure and services for both the growing population and the industrial development. This would also please the urban elite and keep the urban population satisfied.

At the same time, the rural population grew faster than had been expected and there was no way for the agricultural sector to absorb such a fast growing population. Without opportunities for an adequate livelihood in the rural areas, poverty increased and this forced many rural poor to seek employment elsewhere, leading to massive rural-urban migration. The urban areas and the young industrial sector could not absorb the new arrivals who ended up in the slums and squatter settlements where they found employed in the informal sector. The result was poverty in both urban and rural areas.

One of the most influential critics of these government policies was Michael Lipton (1977) who blamed governments in developing countries for having an “urban bias” in their development policies. In Lipton’s view, governments paid lip service to rural development whose expressed aim was to improve conditions in rural areas and control rural-urban migration. In reality, governments favoured the urban population, because urban dwellers, even the urban poor, were in a better position to make their demands known than the rural population. City dwellers were visible and could influence government policies due to their numbers, their ability to organize and their proximity to the seat of government. The actual policies improved conditions in the urban areas aimed at placating the urban population and at promoting the development of the city.

Lipton concluded that the policies benefited a small portion of the population, the city dwellers, and ignored the majority of the population in the rural areas. He argued that because resources are scarce in developing countries, governments should use them in the most efficient way and where they have the most impact. Policies that supported urban development and neglected agriculture did not use scarce resources most efficiently. Governments should invest scarce capital instead in agriculture and be used to support small farmers to increase their productivity.

The problem of the urban bias was not only the apparent neglect of the rural areas, but also the apparent inability of the urban areas to absorb the surplus labour from the countryside. The policies not only failed to develop agriculture and alleviate rural poverty, but also failed to alleviate urban poverty. They improved conditions in the urban areas, but the improvements benefited only a small minority of the population: particularly the urban rich. Poor migrants ended up in slums and squatter settlements where life was possibly even more miserable than in the rural areas

2. Changing conditions

Rural-urban linkages deserve and require renewed attention, because some conditions in developing countries have changed drastically in recent years and they are still changing. The important developments include an enhanced understanding of the complexities of poverty, the growing adoption of the free-market economy, the urbanization of the region, the intensification of the rural-urban linkages, and the decentralization of government responsibilities to lower levels of government.

a. Understanding poverty

Over the past years, ideas about rural development have also changed considerably and there has been a parallel shift in the perception of the rural poor in government programmes. Policies dealing with the development of the rural areas initially had a narrow focus on the (agro-)economic aspects of development and assumed that the mere creation of more and better economic opportunities would help small farmers and the landless to improve their social and economic conditions. These policies did not take account of the particular needs, conditions and constraints of the rural population. What was needed was an approach that emphasized the integration of the social, economic and political aspects of development.

Initially, the rural poor were also largely invisible in government policies and programmes. Later, they became visible, but primarily as a passive group of beneficiaries that needed the assistance of external organizations. In recent years, they have emerged as important stakeholders who are capable of finding solutions to their own problems with limited external support. Increasingly, government programmes see rural communities as independent agents of development who possess a tremendous potential to help both themselves and society. The key characteristics of this new approach to rural development are people-centredness, participation and comprehensiveness.

Poverty alleviation must address the variety of problems faced by the poor in an integrated way. Income poverty is only one of three major aspects of poverty, the other two being poverty of access and poverty of power. In order to be able to improve their social and economic conditions, the poor need access to essential infrastructure and services, including education and health care, clean water and roads, credit and information. They need to be able to participate in decision-making that directly affects their lives and livelihoods, including the control over natural resources on which their livelihood depends. With these critical conditions ensured, the poor in rural (and urban) areas will be better able to seize new opportunities and improve their income.

Agricultural development tends to benefit the large rather than the small farmers. Today, rural development explicitly aims at broad-based human development with poverty alleviation as its core component. It builds on the resources of rural

communities, and assists small farmers and the landless gain access to land, water and forest resources, to technologies and infrastructure, to credit and markets and to off-farm employment. It encompasses a range of activities, from local-level community development, through the provision of infrastructure and services and the generation of employment, to regional development that places rural development in a wider context. The provision of hard infrastructure (roads, power supply) and soft infrastructure (transport, credit, information and other services) needs to go hand in hand with the development of institutional infrastructure (organization, governance) to create opportunities for development (Demaine and Kammeier, 1999: v).

Development is not merely a matter of increasing incomes or providing access to infrastructure and services; it is giving people and the poor in particular, the power to decide how they want to live their life. Integrated rural development aims at the empowerment of the rural poor. Empowerment is more than simply promoting the participation by the poor in the design and implementation of government projects. It requires the recognition of the value of development initiatives by the rural poor, the acceptance of the poor as stakeholders and partners in development. Governments need to listen to the voice of the poor in the deliberations and consider their opinions. In terms of rural-urban linkages, governments should see development in the rural areas not seen merely as a function of national development, but as a development in its own right. Finally, governments should strive at a more balanced political relationship between urban and rural areas.

b. Market economies

Over the past few decades, most governments in the region have adopted free-market principles as the basis of their economic policies. If they do not have market-based economies already, the countries of the region are in transition towards such economies. At the same time, governments in the region are opening the economy of their countries to the global economy through trade and investment liberalization. Such policies can have a significant impact on rural-urban linkages in the countries concerned.

Free-market policies should result in a more balanced relationship between urban and rural areas through the removal of subsidies that benefit the population in the urban areas at the expense of producers of agricultural products in the rural areas. Free-market policies should improve the terms of trade for the rural areas vis-à-vis the urban areas. The opening of the domestic markets to the global economy will also increase market competition and make it harder for local producers to sell their goods and services in the local market. Opening markets and improving transport and communication means that goods and services from the villages and the rural areas can reach the global markets more easily, but also that goods and services from the global market can reach the villages and the rural areas and compete with local products.

Given the increased competition, it will be more necessary than ever for farmers to be aware of the specific demands in the urban centres and in other markets, and to respond quickly to changes in the demand. To do so, farmers require more and better information and channels of information, and a keen entrepreneurial attitude. With economic development and the availability of globally produced goods in the urban markets, consumption patterns of the urban population are likely to change. Demand for staple food is declining and there is an increasing demand for high-

quality food products. Farmers will have to diversify their agricultural production and focus on higher value products. Rural areas would also benefit if the value could be added locally to their products.

Free-market principles promote the movement of not only capital to those places where the return is the highest, but also of labour to where it can be most productive and gain the best earnings. In the past, governments saw urbanization as detrimental to development, because it necessitated more investments in urban areas at the expense of investments in rural areas. It meant that government policies had failed to reduce poverty in the rural areas to the extent that the rural population did not feel the need to move to the urban areas to join the unemployed and underemployed labour force in the city. From a free-market perspective, internal and international migration is, at least in principle, seen in a more positive light, namely as a means to contribute increases in people's productivity.

In this respect, rural-urban migration is potentially a form of poverty alleviation. In the urban areas, rural-urban migrants (or their children) should have more and better opportunities for socio-economic mobility. However, rural-urban migration can only contribute to poverty alleviation, if the rural-urban migrants encounter an urban environment that is conducive to their social and economic improvement and allow them to grasp the new opportunities. However, in order to create a supportive environment, it is necessary to understand better the dynamics of rural-urban migration, the obstacles poor rural-urban migrants face in urban areas and the nature of the links they maintain with the rural areas.

c. Urbanization

Urbanization is continuing in the Asia-Pacific region and according to projections by the United Nations, a majority of the population in the region will live in urban areas by 2025. Urbanization levels vary, however, considerably from country to country: in 2000, more than 80 per cent of the population of Japan and the Republic of Korea lived in urban areas, while in Bhutan and Nepal this was less than 15 per cent. In general, there is a close relationship between the level of economic development and the level of urbanization of a country. The least developed countries of Asia and the Pacific are less urbanized than other countries of the region, but they are urbanizing as a higher rate (table 1).

It is a common perception that rural-urban migration adds mainly to the growth of the mega-cities, i.e. cities with a population of 10 million inhabitants or more. It is true that cities with 5 million inhabitants or more will grow faster (3.2 per cent per year) than small cities and towns with 1 million inhabitants or less (2.0 per cent per year) during the period 2000-2015. However, it is important to note, as shown in table 2, that:

- during the period 1975-2000, small cities with fewer than 500,000 inhabitants absorbed a considerably larger share of the urban increment (43.7 per cent) than cities with a population ranging from 1 million to 5 million inhabitants (25.1 per cent); the latter had a larger share than the mega-cities (15.7 per cent);
- in 2000, the urban population in the Asia-Pacific region was not concentrated in the mega-cities of 10 million and more inhabitants (11.1 per cent), but rather in the smaller cities and towns of less than 500,000 inhabitants (46.1 per cent);

- while the population of mega-cities will still be growing rapidly, the rate of growth has actually declined from 6.3 per cent in the period 1975-2000 to 3.2 per cent for the period 2000-2015 (United Nations, 2001: 88).

Table 1. Urbanization in sub-regions and selected countries of Asia and the Pacific (2000-2025)

Region/country	Urban Population			
	Percentage of total population		Annual average rate of change	
	2000	2025	2000-2005	2020-2025
Asia	36.7	50.6	2.53	1.74
East Asia	36.3	51.8	1.90	1.22
South-central Asia	28.8	44.7	2.95	2.26
Southeast Asia	33.5	53.2	3.17	1.78
Indonesia	40.9	60.9	3.57	1.55
Myanmar*	27.7	43.3	2.86	2.09
Bangladesh*	24.5	40.5	3.98	2.48
Sri Lanka	23.6	38.6	2.84	2.21
Lao PDR*	23.5	39.3	4.87	3.27
Vietnam	19.7	30.4	2.19	2.89
Cambodia*	15.9	28.7	4.16	3.11
Nepal*	11.9	23.4	5.07	3.56
Bhutan*	7.1	15.6	5.95	4.75

Source: United Nations, World Urbanization Prospects: The 1999 Revision, United Nations, New York, 2001

* = least developed country (LDC)

Secondary cities and small and medium-sized towns are more likely to have close links with the rural areas and, therefore, can play an important role in rural poverty alleviation. In this respect, poverty alleviation would mean the development of infrastructure and services within and to urban areas that will allow the rural population and in particular the rural poor to improve their living conditions and seize new economic opportunities. In order to be able to do so, urban local governments need to have an adequate resource base. The local governments in many of the smaller cities and towns lack capacity and resources to alleviate urban and rural poverty, and capacity building of local governments is, therefore, critical for poverty alleviation.

Table 2. Distribution of the population by type of settlement and size of urban settlement, 1975, 2000 and 2015 in Asia

Settlement	Total population			Percentage distribution			Growth rate (%)	
	1975	2000	2015	1975	2000	2015	1975-00	2000-15
10 million+	31	150	241	5.3	11.1	12.4	6.3	3.2
5-10 million	51	86	137	8.6	6.3	7.1	2.1	3.2
1-5 million	142	333	510	24.0	24.6	26.2	3.4	2.8
0.5-1 million	78	161	216	13.1	11.9	11.1	2.9	2.0
<0.5 million	291	623	839	49.0	46.1	43.2	3.0	2.0
Subtotal urban	594	1,353	1,943	100.1	100.0	100.0	3.4	2.4
Subtotal rural	1,812	2,331	2,404	75.3	63.3	55.3	1.0	0.2
Total population	2,406	3,683	4,347	100.0	100.0	100.0	1.7	1.1

Source: United Nations, World Urbanization Prospects: The 1999 Revision, New York, 2001, p.84-85.

d. Rural-urban linkages

Improvements in transport and communication across the Asia-Pacific region have brought urban and rural areas much closer together than they were ever before. It has facilitated the movement of rural produce to the urban areas and of urban-industrial produce to the rural areas. It has also facilitated the movement of people between urban and rural areas and this may in turn have increased the transfer of capital in the form of remittances by migrant labour. Improved transport and communication facilitates internal (as well as international) migration to the extent that migration is becoming much more circular rather than a single permanent move, with people constantly moving between places where the opportunities of the moment are best.

Improvements in communication technology (radio, television, telephone etc.) have made it easier for migrants to stay in touch with their relatives in the rural areas, but also for the urban culture to spread to the rural areas. Economic and educational development and exposure to modern means of communication result in changes in lifestyles and consumption patterns in even the smallest settlements. This and rising demand for urban-style public services such as solid waste collection turn previously predominantly rural centres into urban settlements. In order to meet the demand for urban services, governments across the region are reclassifying villages into (urban) municipalities.

Improvements in transport have made it easier for people living in the rural areas and urban fringe areas, to commute to the urban areas where they can be involved in typically urban occupations. In addition, companies are relocating some labour-intensive manufacturing plants to the rural areas encouraged by de-concentration policies of the government and resulting in factories in the middle of rice-fields. The villages where commuters and factory workers live, though rural in terms of natural environment and population density, become urban in terms of lifestyle and sources of income and economic activity. McGee called these fringe areas *desakota*, because they combine characteristics of urban (*kota* = town) and rural (*desa* = village) areas (McGee and Robinson, 1995: ix).

The multi-spatial household, i.e. a household with household members living in different locations in order to make use of employment or educational opportunities, is not a new phenomenon, but may become less socially disturbing due improved means of transport and communication. With some household members living in rural areas and others living in urban areas, the flow of goods, services and capital between urban and rural areas also increases. As happened during the Asian financial crisis, people in urban areas who lose their employment and income, may be able to return to the rural areas and re-integrate into the rural community, at least temporarily until the situation in the urban areas improves.

The trends described here raise questions about the relevance of the distinction between “urban” and “rural”. Settlement size and population density are the traditional criteria for urban settlements, but they lose their significance, when the source of income and the life style in rural settlements are typically urban. Economic activity and lifestyle also lose their significance as criteria for “urban” settlements, when people live in a typically rural area and commute to the city for work. Finally, a typical rural activity as agriculture in the form of urban agriculture is also more common in urban areas than earlier recognized. The result of these trends would be the growth of an “urban” culture and lifestyle in rural areas as well as of “urban”

economic activities in rural settlements. In order to minimize the negative effects of these urban lifestyles and activities (e.g. increases in the volume of solid waste and wastewater), rural settlements require urban services and an urban, i.e. municipal, administrative organization.

e. Non-farm income in rural areas

One of the possible impacts of the growing social and economic integration of urban and rural areas is the increasing importance of non-farm income in rural areas.

Table 3 Income sources in rural India (1994)

Per capita income quintile	Agriculture		Non-agriculture			Other
	Cultivation	Wage labour	Casual wage labour	Self employment	Regular employment	
Bottom	0.38	0.27	0.16	0.12	0.04	0.02
2 nd	0.38	0.21	0.15	0.17	0.07	0.02
3 rd	0.45	0.14	0.10	0.16	0.12	0.03
4 th	0.50	0.07	0.07	0.14	0.18	0.03
Top	0.64	0.02	0.02	0.08	0.21	0.03
Total	0.55	0.08	0.06	0.11	0.17	0.03

Source: Lanjouw, 1999:2

Lanjouw (1999: 2) points out that the non-farm sector is already an important source of income to rural households, and that different types of activities appear to be of differing relevance to the poor. Agricultural wage labour and non-agricultural casual wage labour comprise an important source of income to the poorest quintiles, while nonagricultural regular employment is associated with the richest quintiles. Self-employment appears particularly important to the middle quintiles. This pattern suggests that the non-farm sector can potentially function as both a route out of poverty and as a safety net, preventing the poor from falling deeper into poverty. Different functions call for different policies.

Reardon (n.d.: 8-9) distinguishes three stages in the development of the rural non-farm sector and of rural-urban linkages:

- During the first stage, rural non-farm activity tends to have a production or expenditure linkage with agriculture while farming directly employs a large share of the rural population. Rural non-farm activity tends to centre on the countryside itself, with little dependence on rural-urban links. Rural non-farm activities are mainly home-based and small-scale production of goods, mainly sold locally. During the first stage, agriculture tends to depend on local supplies of farm inputs and services and on local processing and distribution of farm products, usually carried out by small to medium-scale firms.
- A greater mix of situations characterizes the second stage. The mix includes activities based on linkages with agriculture as well as on other, separate activities (e.g. tourism, mining and services), although the latter did grow out of a historical rural non-farm sector based on linkages with agriculture. The share of rural population dependent on farming is lower than during the first phase. Rural-urban links as the basis for rural non-farm employment have a greater weight than in first stage with nascent sub-contracting of rural companies by urban or foreign businesses and a rapid rise in the labour force commuting between the countryside and rural towns and intermediate cities.

- The third stage shows an intensification of the characteristics that differentiate the second stage from the first stage. There is a greater weight of urban-rural links manifested by the greater importance of more advanced forms of business linkages, such as subcontracting arrangements and labour commuting. A number of other tendencies also characterize this stage: the expansion of subcontracting beyond light durables to medium durables.

The great heterogeneity of the non-farm sector in rural areas implies that there is little scope for general, broad, policy prescriptions. This observation may well provide an important lesson for our thinking about the process of policy formulation. A wide variety of interventions may be required to promote the non-farm sector, each tailored to specific local conditions. Decentralized decision-making may be necessary: mechanisms should be devised whereby local information flows upwards so that the localized bottlenecks are relieved and specific niches can be exploited (Lanjouw, 1999: 9).

f. Decentralization

Because national governments find it increasingly difficult to meet the great variety of needs and demands for public goods and services by population groups across the country, it is privatizing the delivery of some goods and services and it is decentralizing some national government function to local governments in urban and rural areas. After decentralization, local communities can better articulate their needs and demands, and local governments are, at least in principle, in a better position to meet those demands. Local governments and communities can take many more decisions on their own, and adapt development policies and programmes for urban and rural areas to suit the specific needs of the population.

Decentralization gives local governments and communities more control over their situation and bureaucrats in far-away capitals will no longer take decisions that directly affect the lives and livelihoods of populations in small towns, villages and rural areas. This gives rural communities more opportunities to pursue their own interests and to decide on their own development path, and thereby creates a more balanced relationship between urban and rural areas and a more level playing field for rural communities. This does not mean, however, that the relationship is completely balanced and that there is no urban bias in the political relationship between the rural areas and the national centre, which is almost by definition urban-based.

The ability to take decisions and make plans for development does not come naturally, but needs to be learned. Capacity building of local governments and communities in urban and rural areas is critical to make decentralization work. Good governance is particularly important in this respect. Good governance means that decision-making is participatory and inclusive and that the implementation of the decisions is effective and efficient. It means that there is particular attention for the needs of the poor and that the (environmental) needs of future generations are taken into account.

3. Policies and projects on rural-urban linkages

The trends described above have made it necessary and worthwhile to take another look at rural-urban linkages and to see how, under these new circumstances, rural-urban linkages can contribute to the principal challenge for governments and international aid agencies: urban and rural poverty alleviation. In a number of

countries in the Asia-Pacific region, governments and aid agencies have shown a renewed interest in rural-urban linkages and their use for development and poverty alleviation. This section describes only a few of these activities. These four cases will be presented at the workshop. Do you need them here?

a. Rural-urban linkages in the 9th Development Plan of Thailand

In 2000, only 21.6 per cent of the population of Thailand resided in urban areas according to the United Nations (2001: 159). This seems to be a low level of urbanization given the level of economic development of the country. It may well be that many migrants who live in urban areas and did not change their civil registration have been included among the rural population. Furthermore, circular and season migration is common in Thailand due to the good transport facilities across the country. Urbanization is extremely skewed towards the Bangkok Metropolitan Region where 54.9 per cent of the urban population lived in 2000 (UN, 2001: 101). Rural development, decentralization of economic development and reduction of rural-urban migration to Bangkok are, therefore, important objectives of any Thai Government.

One of the key themes proposed for the Ninth National Economic and Social Development Plan (2002–2006), currently in the process of finalization, is the Restructuring of Management for Sustainable Rural and Urban Development. The Plan argues that area management should focus on the links between sustainable urbanization and rural development in order to reduce the gap between rural and urban areas (DCO, 2000: 2; DCO, 2001: 5).

Under the heading of Sustainable Rural and Urban Development, four major targets are listed:

- Empowerment of communities and development of livable cities

The Government of Thailand should place an emphasis in its policies on the development of processes that empower communities so that they can serve as strong foundations of society. Mobilizing participation of all stakeholders in community development is a priority target.

- Alleviation of rural and urban poverty through participation

Poverty alleviation efforts of the Government should be holistic in approach, not just focused on income poverty. To this end, empowerment of the poor should be a priority. There is a need for legal and regulatory reform to provide the poor with access to government services, and to give them opportunities to utilize natural resources for their livelihood in a sustainable manner and without breaking the law.

- Establishment of linkages between rural and urban development

In order to distribute economic and social opportunities equitably, the Government should strengthen grassroots economies that can provide sustainable incomes for the rural population. The Government should establish economic clusters that link rural and urban areas, and the cluster-based economic development should be consistent with the economic potentials, preferences and functions of each area.

- Management of integrated area-function-participation development

Capacity building is needed to equip local administrative organizations with trained people and effective management systems in order to facilitate decentralization.

b. Rural-urban linkages in the Lao PDR

The Lao PDR is a predominantly agrarian country where only 23.5 per cent of the population lives in the urban areas. However, the Government of the Lao PDR has started to recognize the increasing contribution of the urban areas to the country's economic growth. Consequently, it included urban development as an investment priority in the public investment programme for 1996-2000. With the objective of raising living standards in the rural areas, the Government is emphasizing the complementary and supportive role that urban centers can play in rural development.

The Lao PDR is divided into provinces, districts and villages, but there is no administrative distinction being made between urban and rural areas. The Prefecture of Vientiane, for instance, consists of eight districts of which four have a predominantly urban character and one is partly urbanized, while the three other districts are rural in character. Each study of the city of Vientiane would (have to) draw its own "urban" boundaries, often based on the urban character of the villages in each of the districts, because there was no difference in the administrative setup for the urban and the rural districts. Only recently, the Government of the Lao PDR has introduced a first administrative distinction between urban and rural areas, mainly because of current trends in urbanization and economic development.

As the urban areas in the Prefecture of Vientiane and in other urban centres developed physically and economically, the Government felt the need for more investments in urban infrastructure, and the Asian Development Bank became the main donor of such investments. However, the bank set as its condition that the Government establishes municipal organizations to manage the urban infrastructure. Now, the country has five Urban Development Administration Authorities. Each is responsible for a specific agglomeration of urban districts and villages: Vientiane, Luang Prabang, Thakek, Savanakhket and Pakse. However, since the Constitution of the Lao PDR does not recognize municipal organizations, the UDAA's come under the responsibility of the province and report to the provincial Governor. These new authorities, nevertheless, have set the urban areas aside from the surrounding rural areas.

The government's investment programme for 2000-2003 emphasizes the strengthening of rural-urban linkages through the adoption of appropriate urban development strategies. A greater emphasis than before is placed on the development of small towns that have intimate linkages with the rural hinterland and that can act as market and service centres for the rural population and the rural economy. The intention of the government for the medium to long term is to promote small towns as vehicles for supporting rural development and agricultural production.

During 2001-2002, the Department of Urban Planning and Housing of the Ministry of Communication, Transport, Post and Construction of the Lao PDR is drafting a National Urban and Rural Basic Infrastructure Development Strategy (NURBIDS) as part of the government's overall poverty alleviation strategy until 2020. The objectives of NURBIDS include balanced regional development in the country based on a strategy of urban growth centres that can serve as a central node for a group of villages called clusters. For the Lao PDR where a large majority of the population lives in rural areas, but urbanization is increasing, rural-urban linkages are expected to play an important role in the reduction of rural and urban poverty.

c. **Poverty alleviation through rural-urban linkages (PARUL) in Indonesia**

The Asian financial crisis of 1997/98 had a devastating impact on the urban economy of Indonesia with bankruptcies, lay-offs and massive unemployment. The sector that showed the most resilience during this period was that of the small and medium-sized enterprises producing and trading agricultural products. Because of their increased competitiveness as a result of the currency devaluation, this sector was able to explore new export markets.

The discovery of the small and medium-sized enterprises as a vehicle for development led to the PARUL (Poverty Alleviation through Rural-Urban Linkages) project, a nationally executed project under BAPENAS, the National Development Planning Agency, funded by the United Nations Development Programme (UNDP) with technical support from the United Nations Centre for Human Settlements (Habitat). The challenge of the PARUL project is to bring more benefits to the rural population in regions of Indonesia being left behind by the economic growth of the nation. It was assumed that a reason for this exclusion from the benefits of development is the poor linkage of rural areas to larger market networks in a far-flung country like Indonesia.

PARUL is a pilot project to introduce a market-led approach to local economic development through the establishment of commodity-focused public/private partnership organizations in selected provinces and districts under the aegis and leadership of the local government, especially the local planning organization. The task of the organizations is to identify the constraints facing a selected local export commodity, to mobilize public and private resources required to remove these constraints, and to improve the linkages and business arrangements between poor rural producers and urban processors and exporters.

The PARUL approach provides a stark contrast to development efforts of the past. Past efforts focused on rural development or urban development with inadequate consideration of the systematic and pragmatic linkages between the two. Like in many other countries, previous development policies tended to be driven by an emphasis on production at the expense of consideration for marketing. With little consultation with the private sector, government dominated the development planning and implementation process and the process was highly centralized. By contrast, PARUL stresses that the local economic development process must be market-led, decentralized, participatory and focused on strengthening practical linkages between rural producers and urban processors and exporters.

To strengthen the linkages between rural producers and urban-based exporters, PARUL operates at two levels of local government: the province and the district. At the province level, it creates a Cluster Development Partnership (CDP) bringing together a broad representation of people concerned with the selected commodity. In selected districts, PARUL assists in the establishment of the *Kabupaten* Implementation Team (KIT) that also is composed of a cross section of people interested and involved in the selected commodity. PARUL assists these public/private partnership organizations to develop their action plans and to strengthen their capacity to address constructively the challenges facing their commodity.

At the sub-district level, PARUL assists in organizing networks of farmer groups linked to the KITs. Additionally, PARUL staff work to identify specific linkages between producers and markets, essentially helping to put together business

deals between, for example, a group of coconut farmers and a potential charcoal exporter, or a group of fishermen with an ice producer and a shrimp exporter.

d. Rural-Urban Partnership Programme (RUPP) in Nepal

The central idea of the Rural-Urban Partnership Programme (RUPP) in Nepal is that a major bottleneck in commercializing agricultural and rural production in a manner that can alleviate poverty is the absence of market linkages and information about markets. In Nepal, especially but not exclusively in the Terai region where urbanization is proceeding rapidly, this problem is exacerbated by the high level of imports from India. In a situation of low commercialization, finding market niches for rural commodities and services is a daunting task. The RUPP, which is funded by UNDP and implemented by UNCHS (Habitat), has shown, however, that such niche markets do exist and are manifold, especially in localized markets in which petty commodity producers and service providers can produce efficiently and competitively.

Although rural and urban producers face numerous obstacles in entering the market place, the RUPP has so far demonstrated that poor communities and small rural and urban enterprises in Nepal can compete in bigger markets in many ways. Vegetables, fruit, fish, bee keeping, buffalo selling, renting telephone services, tin and copper pot making, metal working, shoe making, stationery and envelop making from paper produced in Nepal are but of few of the successful examples that RUPP has supported through training and credit.

RUPP has approached poverty alleviation through rural-urban linkages at two levels. At the municipal and rural-urban level, it has supported the construction of rural market centers and, to a lesser extent, key sections of roads and bridges, and the development of institutional and service linkages of rural market centers with municipal markets. At the level of communities and enterprises, it has used the TLO (Tole/Lane Organization) as an institution to screen potential enterprises and candidate entrepreneurs who, in small groups, are able to borrow from the RUPP credit program at around NRps.25,000 per group of 5 members. The TLO is an invaluable mechanism in participatory decision-making allowing for consensus around priorities at a scale above the individual household, yet sufficiently decentralized to allow for democratic decision-making by relatively small community groups.

At the end of December 1999, the programme had supported over 250 enterprises contributing to the strengthening of rural-urban linkages. The package approach that the programme adopted and that involved credit, technology, skills transfer and seed grant in the promotion of economic enterprises resulted in the optimization of resources and laid groundwork for sustained economic impact. Total disbursement of credit by the end of 1999 had reached NRps. 5.4 million; so far, NRps. 3 million in loan repayments have been collected. The equity share from the economic enterprises has so far amounted to NRps 3.8 million, slightly over 70 per cent of the programme's total credit disbursement.

4. Policy implications

a. Understanding rural-urban linkages

While rural-urban linkages can play an important role in economic development and poverty alleviation in urban and rural areas, it is important to recognize that the nature of the rural-urban linkages differs from one place to another and from one function to another. As Douglas (1998) has pointed out, a particular urban centre may play a crucial economic role for the surrounding rural areas in one respect, while the rural area may completely bypass that same urban centre and link directly to more distant urban centres and cities in other respects. It is, therefore, dangerous to generalize about the nature of rural-urban linkages and to base policy interventions on such generalizations.

What is necessary is the recognition of (a) the existence a regional economy as a reality, irrespective of administrative boundaries, and (b) the need to develop knowledge about such regional (i.e. sub-national) economies (World Bank, 2000). The development of this knowledge should be demand-driven, as urban and rural local governments come to recognize their shared interests and constraints. The political impetus for this process of knowledge development may be the decentralization process that is a new feature that distinguishes regional planning today from the top-down and technocratic variety of yesterday.

The knowledge about regional economies should include long-term perspectives (e.g. population shifts) and incorporate information on dynamic trends not readily available from existing data but known to the practitioners on the ground (e.g. shifting comparative advantage and economic opportunities). Therefore, information needs to be developed through dialogue and partnership between public and private stakeholders. In addition, such knowledge would help to mobilize local resources based on actual or potential economic activity and this could empower local authorities (World Bank, 2000).

b. Integration of rural and urban policies

The growing interdependence of urban and rural areas reduces the significance of the rural-urban distinction. The flow of people, capital, goods, services and ideas between urban and rural areas, made possible by improvements and cost reductions in communication and transport, is reinforcing the existing rural-urban linkages and more than ever conditions and developments in the urban areas have an impact on the rural areas and vice versa. Rural residents adopt urban lifestyles and occupations; small settlements require urban infrastructure and services; residents of rural areas commute between rural and urban areas; industries move to rural areas; urban waste pollutes natural resources in the rural areas; and agriculture in urban areas is becoming important for both economic and environmental reasons.

It is, therefore, an anachronism that governments still design policies and programmes that are focused either on urban or on rural areas, but rarely on both. Rural and urban communities need to have an interest in each other's conditions, and policy-makers need to consider these when formulating policies and programmes. Coordination of decision-making and cooperation between authorities of urban areas and their surrounding rural areas are critical to ensure that the development of urban areas and rural areas support each other. However, the continuing integration of rural

and urban areas requires more than simply coordination and cooperation, it requires planning that incorporates rural and urban development.

Such regional planning should not be an urban-centred exercise as it often has been in the past. Rural and urban areas need each other and each can benefit when the other's needs are met. Backward linkages and forward linkages between agricultural production and industry and services can foster positive rural-urban interactions and a virtuous circle of development. However, policies that encourage such mutually reinforcing linkages need to overcome the traditional separation between rural and urban planners. They also need to avoid generalizations and be grounded in the specifics of the regional context (Tacoli, 1998: 13).

A UNDP workshop on rural-urban linkages in Curitiba in 1998 noted the need for a localization of planning and management capacities to assess rural-urban linkage issues and devise appropriate initiatives for each context. Localization is necessary to ensure that local values and norms are central to the policy dialogues rather have policies and values imposed exclusively from above. Localization can provide an institutional framework for participatory evaluation of policy impacts and outcomes by establishing an inclusive process of project identification *with* rather than *for* rural communities (UNCHS, 1999: 78).

c. Rural products for urban markets

In a free-market economy, producers should not only be concerned about the production of goods and services, but also about demand and marketing. In the past, farmers and other rural producers often relied (or had to rely) on public- or private-sector intermediaries to market their products, because of the inadequacy of the transport and communication links and the lack of market information. This not only forced them to accept smaller profits, but also made them vulnerable to exploitation by the intermediaries. In some cases, market information may not even have been so important as prices were fixed by regulations.

Today's reductions in transport costs and improvements in information and communication technology make it easier for producers to obtain information about market conditions. They are now in a better position to respond to changing market demand and to negotiate higher prices with intermediaries and end-users. However, to do so requires not only that the infrastructure for transport and communication is in place and that the necessary information is available, but also that the producers adopt a market-oriented attitude. Such an attitude is even more necessary, because trade liberalization and improved infrastructure will bring the global economy to markets in the smallest towns and the rural areas.

Studies show that urban areas often obtain goods not so much from the surrounding rural areas, but either directly from more distant rural areas or through other urban centres. The reason why urban areas do not to rely on the surrounding rural areas may be the cost of the product, its quality or the availability. The local producers need, therefore, to ensure the competitiveness of their products in terms of quality, price and availability and to expand their marketing efforts to make the urban consumers aware of the local products.

Banepa [a small town in Nepal] does not act as a collection centre for local produce as significantly as it does as a distribution centre for urban consumer goods. Only small rice mills collect rice and maize from nearby

villages; the larger rice mills obtain their inputs directly from the *Terai*. The retail fruit and vegetable market in Banepa often gets its supply from the Kathmandu wholesale market owing to the irregularity in the supply of vegetables from surrounding villages. Large surpluses of rice, potatoes and fruit belonging to rich farmers from surrounding villages often go directly to Kathmandu, by-passing the small town. In contrast, the small farmers often sell their limited produce directly to the retail establishments in Banepa to pay for items such as salt, kerosene and other daily necessities (Bajracharya, 1995: 35).

Urban centres can play a role as centres for the trading of rural products at urban, national and global markets. However, there is a need for urban local government to remove market imperfections, as Gaile (1992: 132) calls them, and develop infrastructure and services in the urban area that can support the marketing of rural produce from the surrounding rural areas. This includes markets, storage, transport, communication and information infrastructure linking the small centres with towns and cities, and eventually with the global market. However, Douglas' earlier warning that it is not possible to develop small urban centres in a uniform way has to be kept in mind. Each region needs to be developed according to its own assets and opportunities,

Gaile (1992: 133) calls for small town development programmes that identify specific project package elements directly linked to tapping unmet economic potential as opposed to previous regional planning programmes which generally called for a standard package of infrastructure. He points out that farmers with poor access to markets will grow crops for home production only; by improving their access to markets, such farmers could become more productive. However, what is lacking is not only physical infrastructure to markets. The capacity of producers to compete in these markets needs strengthening, for instance through credit and marketing organizations for farmers and other rural producers.

d. Employment diversification

Even with the most successful rural development programmes, it is unlikely that agriculture will be able to provide adequate income and employment to the entire rural population. It will become even more difficult when markets for agricultural products will open because of trade liberalization, and when education becomes more widespread raising the expectations of school graduates. The options usually mentioned to absorb rural labour are off-farm employment, including rural industries, and urban employment.

The possibilities to establish medium- or large-scale industries in rural centres are equally limited, unless low labour costs are the most significant factor. Any industry will prefer a location in a larger urban centre rather than a small settlement, because of the benefits of urban economies of scale and agglomeration. Some industries and services require the economies of scale and agglomeration of large cities. Viable rural industries generally are small in scale and labour-intensive rather than capital-intensive. Local raw materials, local demand and local labour with special skills are the key assets for industrial activity in the rural areas.

Rural industries based on local raw materials are mostly concerned with the processing of agricultural produce. Local demand-based industries are usually

processing semi-finished agricultural products or aim at meeting local consumer demand for finished agricultural products. Special local skills tend to be connected with traditional art and handicrafts. Mere reliance on local markets is, however, difficult, because local markets tend to be small and the rural population usually has a low purchasing power. Therefore, the marketing of the products in urban, national or global markets remains a necessity (ESCAP, 1979: 248-252).

A promising type of arrangement according to Reardon (n.d.: 35) is the business linkage between big urban companies and small rural businesses in contracted outsourcing and franchising, an arrangement that is developing rapidly in East Asia. As labour costs and skills grow in the initial set of companies, there can be a second wave of outsourcing with rural companies subcontracting to other rural companies. Infrastructure development that lowers costs constitutes a key ingredient in the success of these arrangements.

This type of subcontracting arrangement appears to have a number of strong advantages. It transfers skills to small firms, creates access to dynamic markets, in some cases provides credit. The buyer sometimes provides capital to suppliers by providing an advance payment for an order or by supplying raw materials for processing. Business links can help suppliers reduce their capital needs as well as cutting down on search and start-up times by targeting production to an identified market. A small company can also receive marketing advice from its larger partner.

Education levels tend to be very important in determining the type of non-farm activity in which individuals are engaged as well as the earnings accruing to these individuals. The contribution of education in the non-farm sector tends to be considerably greater than what is found for agriculture. Breaking down the non-farm sector between casual non-agricultural wage employment and regular, salaried employment typically reveals that the probability of employment in the latter sector rises as education levels rise. The opposite is often observed for employment in the casual non-agricultural wage sector. Involvement in self-employment is usually most likely for those with some basic education, but is lower for both the illiterate and those with high levels of education (Landouw, 1999: 5).

The heterogeneity of the non-farm sector makes it again difficult to provide general recommendations as to which types of infrastructure services need to be provided to support rural industrialization. In fact, it is often argued that the focus should be on a minimum *package* of infrastructure services. Different types of activities require different types of infrastructure, and varying standards of provision. Moreover, it is worth reminding that the provision of, say, better road infrastructure, not only reduces marketing and other costs for rural enterprises, but it also makes it easier for firms to relocate, possibly to urban areas. Infrastructure services are thus best seen as promoting responsiveness of enterprises to the overall incentive environment. If this environment is biased against the rural non-agricultural sector, then improved infrastructure could simply hasten the decline or disappearance of the sector (Landouw, 1999: 6).

e. Migration and the urban system

Off-farm employment in the rural areas may be able to absorb part of the rural labour force, but local off-farm employment also has its limitations. Therefore, large sections of the current and future rural population will have to find part-time or full-time employment in the urban areas. Improved transport and communication has

made it feasible for some rural residents to work on a part-time (daily, weekly, monthly or yearly) basis in nearby or distant urban areas or abroad, and to return at regular or irregular intervals.

Circular and temporary migration is already a common pattern in many countries, but working and housing conditions in the urban areas may not always be conducive to this form of migration. Housing is often an acute problem for temporary migrants who prefer to rent rather than to own housing, because they feel that their home is in the rural areas. Temporary migrants are sometimes not entitled to urban services and this makes their life in the urban areas more difficult than necessary. Local governments and private employers in the urban areas should accept temporary rural-urban migration as inevitable and perhaps even as desirable, and they may consider measures to facilitate such forms of rural-urban migration.

Gaile (1992: 134) argues that the problem is not urbanization as such, because the urban areas need to absorb the additional rural labour. The problem is that migrants have only a limited choice when migrating, because most local economic development occurs in one or a few large cities. He points out that the problem is really “under-urbanization”, i.e. the underdevelopment of the urban system. The major impediment to the working of the general market and the consequent development of a labour market is the undersupply of centres of sufficient minimal size to provide sites for market development.

f. Local economic development

The motive behind employment in the urban areas may not be to earn a daily income, but to save urban earnings for investment in the rural area. While remittances to the rural areas by family members in the urban areas or abroad is a common phenomenon, productive investments in agriculture and other sectors may be less common. Returning migrants may have an inadequate insight in what constitutes a productive investment. Investments in rural housing and beauty salons are easy to make, but will only have a limited impact on rural poverty and the rural economy. It is worthwhile to consider how capital flows from urban to rural areas can contribute more to poverty alleviation and regional economic development.

In order to improve the opportunities for productive investments, the investment climate in the smaller towns needs to improve so that rural-urban and urban-rural migrants can channel their remittances and savings into income- and employment-generating activities in those smaller towns to the benefit of the region. This points again to the need in those towns for physical and economic infrastructure and services related to transport, communication and marketing. Capacity building of local governments to promote local economic development by the private sector is critical.

Economic development in small towns can have a positive impact on the economy of the surrounding rural areas, if the increase in purchasing power results in the purchase of agricultural and non-agricultural products from the surrounding rural areas. This will obviously depend on the types of products produced, their quality and cost and their competitiveness compared to products from other parts of the country (and elsewhere). The development of the local urban economy may also lead to a reduction in rural-urban migration to the larger urban centres and the city and redirect migration flows to smaller urban centres.

Key to local and regional economic development is a realistic assessment of the strength and weaknesses of local urban and rural economy and the opportunities to market local products in the urban, national and global economy.

g. Urban service centres for rural areas

One of the main aspects of rural poverty is the lack of access to basic infrastructure and services, such as roads, communication infrastructure, health care, credit, education, and market information. Governments tend to develop infrastructure and provide services initially in the urban areas only, because of their economies of scale. The scattered settlement pattern of the rural areas renders the provision of infrastructure and services too expensive. Urban centres are expected to play a role as service centres for the rural areas. Towns and secondary cities, therefore, require more investments in infrastructure and services for both the growing urban population and the population in the surrounding rural areas

However, small towns are also actual or potential destination for rural-urban migration. If they are destination for rural-urban migration, they need improved urban infrastructure and services in order to reduce urban poverty. If they do not serve as destinations for rural-urban migration and are by-passed by migrants who move directly to the city, the development of urban infrastructure and services could help to redirect migration flows to smaller towns rather than primate cities..

The “urban functions in rural development” (UFRD) approach aimed at rural development through the establishment of hierarchically organized networks of small, medium-sized and larger centres each providing centrally located functions, such as infrastructure and services. However, the model relied too much on generalizations about the role of urban centres and did not take account of the variety in the roles of urban centres, which are determined by both the rural and regional context (Tacoli, 1998: 9).

The development of urban settlements into rural service centres requires special attention for the actual nature of the rural-urban linkages and their impacts rather than the simple assumption that they are relevant and beneficial in any and all circumstances. Even where urban services can reach rural households, they may do so in such an uneven manner that they increase rather than reduce rural inequality and rural poverty. As Douglas (1998) points out, unless the infrastructure or service meets the conditions, needs and priorities of the end-users, in particular the poor, they will not alleviate poverty, but only benefit those who already have the means to make use of them, usually the rich.

It is important to see which infrastructure and services can be centralized in urban centres and which have to be provided locally in the rural areas. The recent developments in the information and communication technology (ICT) are creating new opportunities for the delivery of services in remote areas. However, it is important to understand that ICT is only a vehicle for information and that the relevance of the information for the user is the more important aspect. This applies not only to ICT, but also to other kinds of infrastructure and services: it is the service provided through the infrastructure that is important, not the infrastructure itself.

5. Conclusions

The above shows that infrastructure development in urban and rural areas as well as linking urban and rural areas is one of the core elements of urban and rural poverty alleviation. Nowadays, poverty is understood as a condition that has three related aspects: “income poverty”, “access poverty” and “power poverty”. The alleviation of income poverty can only be sustainable, if the poor themselves initiate and sustain the income-generating activity. However, in order to be able to seize the economic opportunity, the poor need access to essential infrastructure and services and a supportive environment that includes pro-poor laws and regulations. The participation of the poor in decision-making that directly affects their lives and livelihoods is necessary to bring about this supportive environment.

Using rural-urban linkages for poverty alleviation means strengthening the links through a more balanced distribution of political power between urban and rural areas and an improved capacity to seize economic opportunities in a globalizing economy. The empowerment of rural communities is part of the process of decentralization, the redistribution of government function to lower levels of government, the move towards good governance and the growing emphasis on community participation in decision-making.

Within the globalizing economy where free-trade principles reign, economic development of regions that include both urban and rural areas requires opening the region through infrastructure and service development, in particular markets, roads and transport. This will facilitate the marketing of rural products and it will support local economic development in the urban centres. However, opening a region to the broader economy can have both positive and negative impacts. It will not only make it easier to move local products to the national and global market, but it will also make it easier for global products to enter the small urban centres and the rural areas and compete with local products.

Therefore, capacity building of all stakeholders concerned needs to accompany the provision of infrastructure and services in the rural areas and in the small urban centres and between the rural areas and the urban centres. Farmers and other rural producers need to develop products that can compete in the open market in terms of price and quality as well as an entrepreneurial attitude. Small and medium-sized enterprises involved in trading or processing of products in the urban centres need to be able to compete in the market, and local governments need to create an economic environment in which the enterprises can prosper.

6. References

- Bajracharya, Bishna Nanda (1995), Promoting small towns for rural development: A view from Nepal, *Asia-Pacific Population Journal*, Vol.10, No. 2, June 1995, pp.27-48.
- Demaine, Harvey, and Hans Detlef Kammeier, (1999), Editorial introduction to planning and financing of rural development in Asia, *Regional Development Dialogue*, vol.20, No.2, Autumn 1999, pp. v-xii.
- Development Communication Office (2000), The Ninth Plan Development Vision Framework, *Development News Bulletin*, Vol. 15, No.8, August 2000.

- Development Communication Office (2001), Summary of the Ninth Economic and Social Development Plan, *Development News Bulletin*, Vol. 18, No.10, October 2001.
- Douglas, Michael (1998), A Regional Network Strategy for Reciprocal Rural-Urban Linkages: An Agenda for Policy Research with Reference to Indonesia, *Third World Planning Review*, Vol. 20, No. 1, 1998.
- ESCAP [Economic and Social Commission for Asia and the Pacific] (1979), *Guidelines for rural centre planning*, New York.
- Gaile, Gary L. (1992), Improving rural-urban linkages through small town market-based development, *Third World Planning Review*, Volume 14, No.2, pp.131-148.
- Landouw, Peter (1999), The rural non-farm sector: A note on policy options, World Bank, Washington.
- Lipton, M. (1977), *Why poor people stay poor: urban bias in world development*, London, Temple Smith.
- Martinussen, John (1999), *Society, state and market: a guide to competing theories of development*, London, Zed Books.
- Reardon, Tom (n.d.), Rural non-farm income in developing countries, Paper prepared for the FAO.
- Richardson, Harry W. (1987), Spatial strategies, the settlement pattern, and shelter and services policies, in Lloyd Rodwin (ed.), *Shelter, settlement & development*, Boston, Allen & Unwin, pp. 207-235.
- Tacoli, Cecilia (1998), Rural-urban interactions: a guide to the literature, *Environment and Urbanization*, vol.10, No. 12, April 1998, pp. 147-166.
- UNCHS [United Nations Centre for Human Settlements (Habitat)] (1997), *The Istanbul Declaration and the Habitat Agenda with subject index*, Nairobi.
- UN [United Nations] (2001), *World Urbanization Prospects: The 1999 Revision*, New York.
- UNCHS [United Nations Centre for Human Settlements (Habitat)] (1999), *Perspectives on urban-rural synergies: Report of a colloquium*, Nairobi.
- World Bank (2000), Rural-Urban Linkages and Interactions: Synthesis of Issues, Conclusions and Priority Opportunities, Washington DC.