

## **The urban part of rural development: the role of small and intermediate urban centres in rural and regional development and poverty reduction**

More than half the urban population in Africa, Asia and Latin America lives in urban centres with less than half a million inhabitants, many of them in market towns and administrative centres with between 5,000 and 10,000 inhabitants. But demographic significance is not the only reason for an interest in the role of small and intermediate urban centres in regional development and poverty reduction. The economic interdependence between urban-based enterprises and rural consumers and between rural producers and urban markets, and the reliance of many households on both rural and urban-based resources are often stronger in and around small and intermediate urban centres, underlining their important potential role in local economic development. And for much of the world's population, the services needed to achieve the Millennium Development Goals are located in small and intermediate urban centres, to serve their populations and those living in surrounding rural areas.

Although most low- and middle-income nations have experienced rapid urbanisation over the last few decades, there are large variations between nations in the scale and spatial distribution of urban change, including the roles and functions of small and intermediate urban centres within their national urban systems. This makes generalisations problematic and unhelpful in policy formulation, and points to the need to understand such variations and the local factors underlying urban change within different nations. The significant differences in how national governments define urban centres also limit the validity of international comparisons of urban growth trends.

Nonetheless, small and intermediate urban centres have a considerable potential role in regional and rural development and in poverty reduction. They can provide local markets for agricultural produce, which are essential for small-scale farmers. But unless farmers are able to respond to demand from urban consumers, through access to natural resources, credit, labour and inputs, local markets are limited to very low-level transactions. More attention to the role of small and medium-scale local traders as a major source of information and credit is also necessary, as they often play a vital role but are hampered by lack of transport infrastructure and storage facilities, and are often ignored by policy-makers. And small and intermediate urban centres' role in the distribution of goods and services to their rural region is only significant where there is broad-based demand. Prosperous agriculture can underpin rapid local urban development, but only if land-owning structures are not too inequitable and a broad range of small and medium-sized farmers get good returns from crop production.

The diversification of income sources is increasingly important for rural and urban, wealthy and low-income households. Many non-farm activities revolve around local urban centres, and activities based on backward and forward linkages with agriculture are more likely to stimulate regional growth and benefit all groups. Small and micro-enterprises, where low-income groups concentrate, need access to markets, outside capital sources, basic education and technical knowledge, and institutional support to identify local opportunities and respond to competition from imports.

Regional rural-urban migration, especially of the poorest groups, often concentrates in those small and intermediate urban centres where there are employment opportunities. But constraints on access to housing and land can severely limit possibilities for poor migrants to diversify their income sources through subsistence agriculture and home-based income-

generating activities. Many rural residents prefer to commute rather than migrate, as this helps them to retain a foothold in farming. Investments in transport facilities that respond to the needs of low-income groups are likely to increase their options and reduce pressure on urban centres.

Lack of, or limited access to, health, education, water and sanitation is an important element of the multiple deprivations that most poor groups face. Small and intermediate urban centres play an important role in the provision of basic services for much of the urban population and most of the rural population. These urban centres are also particularly important in providing rural populations with access to government services, the rule of law and the fulfilment of their civil and political rights. But official national statistical services produce remarkably little information that is useful for local policy-making and planning. Census data are rarely made available to local governments in a form that they can use in their planning, while increasing use is made of national sample surveys which primarily serve national decisions, not local decisions. The limited documentation on water and sanitation provision in small and intermediate urban centres in low- and middle-income nations shows that problems with availability, quality and cost are generally more serious than in larger and more politically important cities. Moreover, most assessments of the provision of water and sanitation emphasise rural needs but fail to recognise the differences between rural and urban contexts, and the particular needs for good provision in the large, high-density settlements that characterize most urban centres.

Many of the policies proposed for small and intermediate urban centres and regional development since the 1960s have had very limited success. Current initiatives for regional economic development attempt to address many of the previous shortcomings, with attention to local conditions, involvement of local actors and the creation of flexible institutional coalitions to support the process. But the reliance on heavy subsidies, and the extent to which such initiatives can be implemented in the poorest regions and where national and local accountability is limited need to be better understood. The focus on clustering as a strategy for local economic development needs to include an analysis of its impact on poverty reduction and take into account the growing incorporation of many local economic activities in national, regional or global value chains, often controlled by large organisations in the capital or overseas cities. Policies aiming to link peripheral regions to global networks are as important as ever for poverty reduction and regional development, but more attention to the political dimension is required to avoid the failures of past initiatives.

The phenomenal diversity in the size, economic base, administrative boundaries and functions of small and intermediate urban centres affects the role of local governments and the nature of governance. But the explicit goals and targets for poverty reduction will not be met without more effective local governance. More capacity is required from local officials and councillors to support local economic development and poverty reduction in their locality – in both urban and rural areas. This also demands horizontal collaboration between local authorities and vertical collaboration between different levels of government, especially better integration between local initiatives and national macro-economic and sectoral policies. Decentralisation has great potential for contributing to more efficient and accountable development, but it should involve real decision-making power and budgetary control (currently rarely the case). And real participation in local governance, especially in small urban centres and rural areas, requires that its real objectives are clarified, that there is clear political commitment to it (and to the necessary changes in power relations) and that participation is linked to local planning. ‘Better’ governance is key to a broad range of developmental goals, including greater equity, greater justice, the protection of human rights and of key natural resources, and the achievement of greater democracy; but these require financial resources, capacity, legitimacy and, especially, time to develop a process that responds to the needs and priorities of different groups in different locations.

**International Institute for Environment and Development (IIED)**  
**3 Endsleigh Street, London WC1H 0DD, United Kingdom**  
**Tel: (44) 020 7388 2117**  
**Email: [urban@iied.org](mailto:urban@iied.org)**  
**Website: [www.iied.org](http://www.iied.org)**