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and Livelihood Strategies

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

by

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and

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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 100,000 inhabitants. But demographic significance is not the only reason for an interest in these centres. 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 many of 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 limits 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 for farmers 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-size 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 care, education, safe and sufficient water and good quality sanitation are an important part of the multiple deprivations that most poor groups

face. Small and intermediate urban centres have important roles 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 local 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.

Small and intermediate urban centres have attracted the attention of policy-makers and researchers since the 1960s. However, over the last ten years, there has been a growing interest in their significance for economic growth and poverty reduction. In part, this is because of the recognition that a considerable proportion of the world's population live in them. By 2000, just over half the world's urban population and a quarter of its total population lived in urban centres of less than half a million inhabitants;<sup>1</sup> our analyses of many recent censuses show that much of this is in market towns and administrative centres with between 5,000 and 100,000 inhabitants. By 2000, more than three-fifths of urban population of Africa, the Caribbean and Southeastern Asia were in urban centres with less than half a million inhabitants (as was also the case in Europe).<sup>2</sup> This is despite the fact that in many nations, there is an underestimation of the proportion of the population living in urban areas, especially in small centres.<sup>3</sup>

But there are other, perhaps more important, reasons for the increased interest in the current and potential role of small and intermediate urban centres in regional development and poverty reduction. These are based on the growing recognition of the importance of exchanges between rural and urban households, enterprises and economies. Many urban enterprises rely on demand from rural producers or consumers and, often, on rural raw materials, while agricultural producers rely on urban-based traders and markets. Most rural dwellers rely on retail stores and service enterprises in local urban centres. And increasingly, both rural and urban households rely for their livelihoods on the combination of rural and urban resources, including non-farm employment for rural residents and peri-urban farming for urban dwellers. These interactions and linkages are generally stronger in and around small and intermediate urban centres, but there are also usually important local variations in their nature and scale. This points to two key issues: first, that the division between 'rural' and 'urban' specialists and policies does not reflect the reality and, in many cases, can create difficulties rather than support households and enterprises. It is thus essential that policies and programmes reflect the importance of the 'urban' part of rural development and the 'rural' part of urban development. Second, since policies need to be grounded in the local context – because needs and possibilities can vary greatly between locations – local government should have a key role in the identification of local needs, opportunities and constraints, and be able to act on them.

In addition to income-generating activities, access to services such as health care and education are an important aspect of rural–urban linkages, with 'district' hospitals and secondary schools often located in urban centres from where they also serve the population of surrounding rural areas. Improving the provision and coverage of health care and education services is essential if the Millennium Development Goals of reducing child mortality rates by two-thirds and maternal mortality rates by three-quarters, halting and beginning to reverse the spread of HIV/AIDS, malaria and other major diseases and eliminating gender disparity in primary and secondary education are to be met. For much of the world's rural population, such services will be located in small urban centres<sup>4</sup> serving their population as well as that of the surrounding region.

Clearly, all this has important implications for poverty reduction initiatives in both rural and urban areas. From a regional development perspective, small and intermediate urban centres can have crucial roles in the economic development of their surrounding region: for

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<sup>1</sup> United Nations (2002) *World Urbanization Prospects; The 2001 Revision*, Population Division, Department of Economic and Social Affairs, United Nations, ST/ESA/SER.A/216, New York, 321 pages

<sup>2</sup> Ibid.

<sup>3</sup> See Section 2 for a discussion of this

<sup>4</sup> These may be located in what are considered 'large villages' rather than small urban centres; the extent to which this is so depends on the national criteria used to define urban centres – see Section 2 for more details

example, local urban markets can link producers to national and international markets and thereby increase rural incomes; the concentration of the production and distribution of goods and services in local urban centres can decrease costs and improve access; and the demand for non-farm workers can improve rural households' incomes and decrease migration pressure on the larger urban centres. But many questions remain as to whether this positive view of the role of small and intermediate urban centres is realistic – and, most importantly, whether such roles are an inherent characteristic of such centres or largely determined by a much wider economic, social and political context, including the nature, competence and accountability of governments located in such urban centres.

### ***The policy levels affecting the role of small and intermediate urban centres***

The case studies reviewed in this paper suggest that three different levels of decision-making have a very significant impact on the role of small and intermediate urban centres in local economic growth and poverty reduction. The first is the role of local government, which is best placed to identify local needs and priorities and act upon them. Local decision-making can help avoid the neglect of forward and backward linkages so common in agricultural programmes and projects. It can also help regulate the use of natural resources by rural and urban residents and enterprises, which can otherwise become a major cause for conflict. And local decision-making can make it easier for poor groups, both rural and urban-based, to have their needs and priorities taken into consideration. However, while decentralisation has great potential in terms of both efficiency and accountability, there may be costs and constraints with regard to revenue, capacity and legitimacy.

But by far the most important constraint can come from the lack of 'fit' between national macro-economic and sectoral policies and local development strategies. The spatial dimension of national growth strategies is often ignored, as is the unequal access to natural, social, political and economic resources by poor and vulnerable groups. Economic reforms and adjustment programmes have had a profound and generally negative impact on low-income groups in both rural and urban areas. Sharp reductions in agricultural subsidies have affected small-scale farmers, and while the dismantling of marketing boards has increased their reliance on local markets, access is often hampered by lack of investment in transport infrastructure and storage facilities. In many cases, key national policy issues such as a less inequitable distribution of and access to land are yet to be addressed. As a result, non-farm employment and migration are increasingly important strategies in the livelihoods of low-income rural households. But at the same time, in many nations, public sector retrenchments and the informalisation of urban labour markets has made life in the cities more insecure, and many low-income urban residents rely on rural relatives for a safety net.

The third level is the international or global context. In virtually all nations, the liberalisation of trade and production has reshaped the links between rural and urban areas and, as a result, the role of small and intermediate urban centres within their surrounding region. Cheap imports often undermine local production of manufactured goods, especially those produced by small enterprises using traditional or limited technology. And while international trade liberalisation has opened up new markets for agricultural commodities, access to such markets is often difficult for small and under-capitalised farmers, who may lose their land to large commercial producers. These larger economic operations, in turn, largely by-pass enterprises in local urban centres, with negative repercussions on the economic base of the whole region.<sup>1</sup>

As long as issues of social and spatial polarisation – so often linked to economic reform, restructuring and the internationalisation of trade and production – are not addressed, it is unlikely that regional economic growth policies can contribute to a more equitable

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<sup>1</sup> See Section 3 for more details

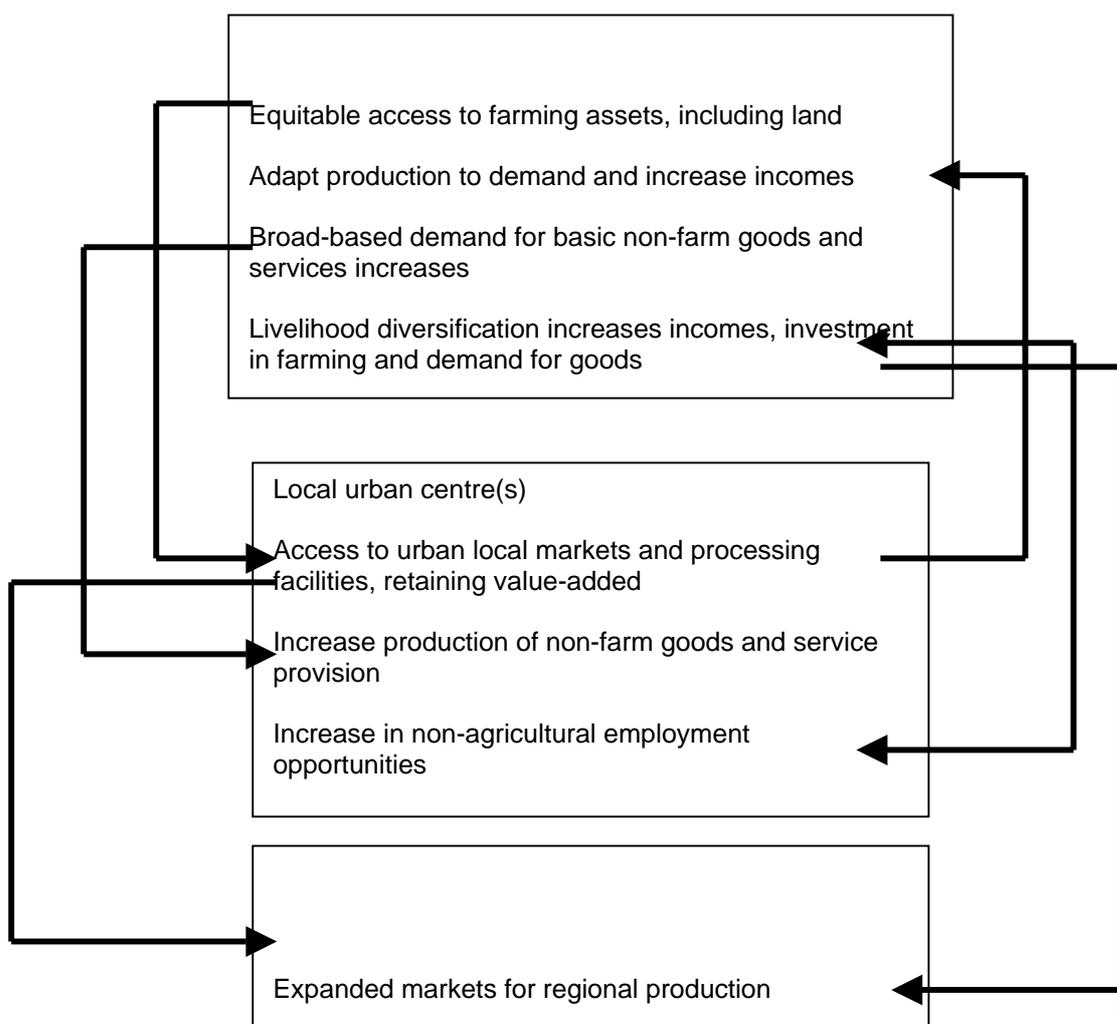
development and a more successful poverty reduction. This is one of the main reasons behind the failure of so many past regional development policies focusing on the role of small and intermediate urban centres in local economic development.<sup>1</sup> Figures 1 and 2 summarise the impact of the international and national contexts and of local governance on rural–urban interactions and on the role of local small and intermediate urban centres.

**Figure 1.1: Positive rural–urban interactions and regional development**

**International context:** access to international markets for small and medium-sized producers, with stable commodities prices. Foreign investment supports local production, imports do not compete with locally produced goods.

**National context:** equitable distribution of and access to land; regionally balanced growth strategies including satisfactory provision of infrastructure, credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); revenue support to local government; regulated institutional structure of markets.

**Local governance:** accountable, with adequate resources and capacity; identifies local needs and priorities and responds to them; supports forward and backward linkages between agriculture and services and industry located in local urban centres; regulates local natural resource management; integrated with national planning



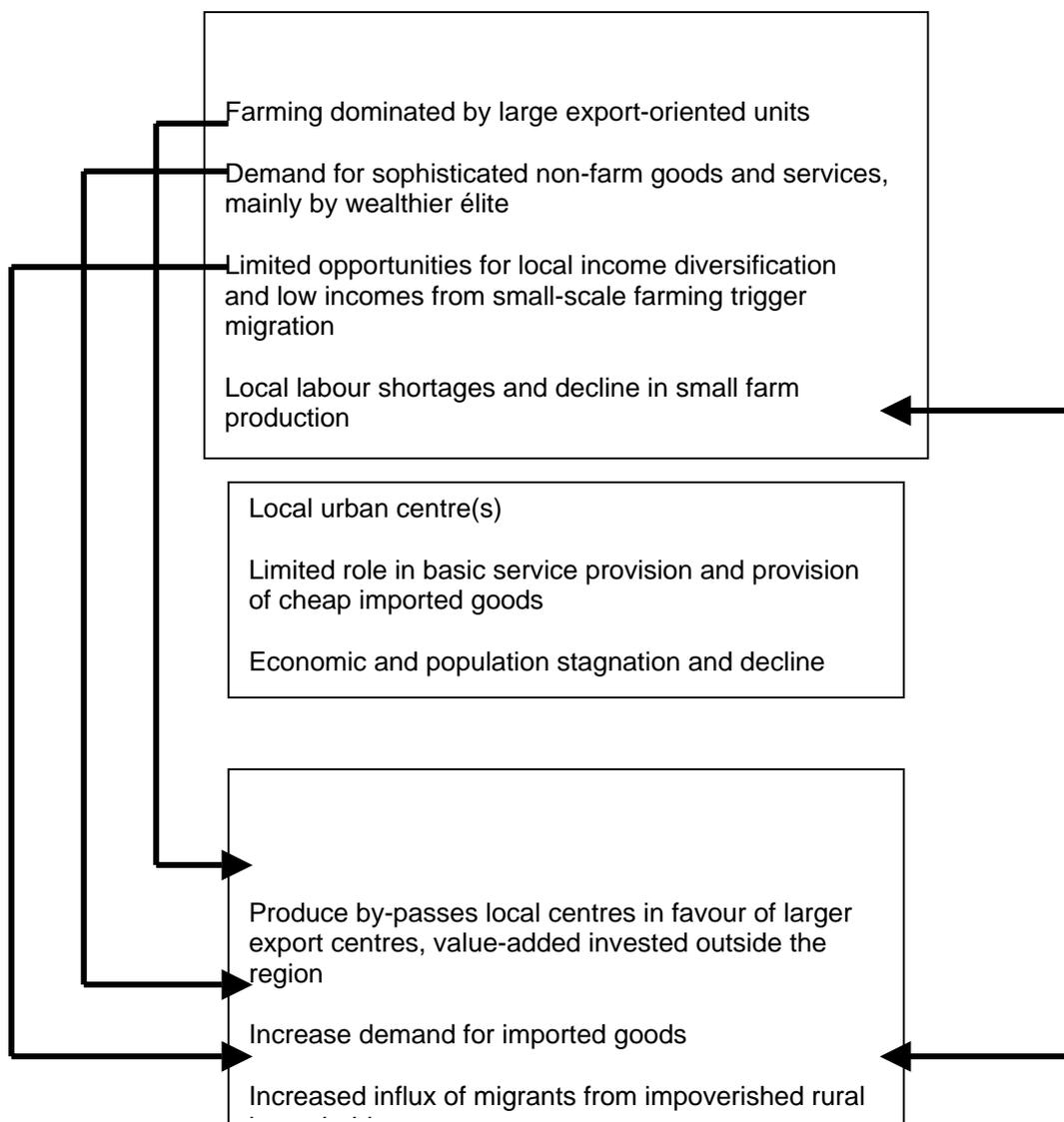
<sup>1</sup> See Section 5

**Figure 1.2: Negative rural–urban interactions and regional development**

**International context:** limited access to international markets for small and medium-sized producers, unstable commodities prices; foreign investment concentrates in large-scale export production, imports compete with locally produced goods.

**National context:** inequitable distribution of and access to land; regionally imbalanced growth strategies including limited provision of infrastructure, credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); lack of support to local government; unregulated institutional structure of markets.

**Local governance:** unaccountable, with inadequate resources and capacity; not integrated with national planning



**Structure of this paper**

Section 2 has an overview of urbanization processes in low-and middle-income countries and a description of the main factors underlying urban change, with a focus on the importance of local economic, political and social factors. Section 3 reviews the empirical

evidence related to the main assumptions on the role of small and intermediate urban centres in regional development, with special attention to poverty reduction. Section 4 describes the potentially important contribution of small and intermediate urban centres to achieving the Millennium Development Goals, with special reference to public services and the non-income aspects of poverty. Section 5 critically reviews past regional development policies and the main reasons behind their high rates of failure, and the current emphasis on access to markets and decentralisation. The concluding section describes the interconnections between local governance, regional development and poverty reduction.

A large proportion of the urban population in most nations lives in small and intermediate urban centres. In both the North and the South, more than half the urban population is in urban centres of less than half a million inhabitants, with sizeable proportions in market towns and administrative centres that have between 5,000 and 100,000 inhabitants. The assumption that increasing proportions of the urban population will be in large cities (especially mega-cities) is now questioned and recent census data show falls in the growth rate of many of the world's largest cities; the world in 2000 turned out to be less urbanized and with less of its urban population concentrated in large cities than had been expected.<sup>1</sup>

While the proportion of national urban populations that live outside the large cities is a good indication of the overall demographic significance of small and intermediate urban centres, there are wide variations between nations in the definition of what constitutes an urban centre and of the proportion of the urban (and national) population that fall into the categories of 'small' and 'intermediate'. As will be discussed in more detail below, 'intermediate urban centres' are better defined within their national context than as a size-category that can be applied in all nations – so an 'intermediate urban centre' in a large economy/ large population nation has a very different size range to that in a small population, low-income nation. This makes international comparisons and generalisations problematic. Moreover, within nations, there are large variations between the urban centres that are defined as 'small and intermediate' in the scale and nature of demographic change, reflecting differences in the economic, social and political underpinnings of such change. In most nations, small and intermediate urban centres include both the fastest and the slowest growing urban centres. It is common for a group of such centres to stagnate or decline, and some even revert to village status once their population has shrunk below the 'urban' threshold. In most cases, this is closely linked to economic decline.

This section provides the background to the role of small and intermediate urban centres and the policy implications for poverty reduction and regional and rural development. It starts with a brief overview of the main reasons underlying urbanisation processes in low- and middle-income nations. It then describes the often significant variations in the definition of what an urban centre is and what can be considered a small or intermediate urban centre in nations with different urban systems. Drawing from recent case studies of urban change, it then discusses the importance of local factors in current processes of urbanisation in low- and middle-income nations.

### ***What drives urbanisation?***

Within a general trend among most nations to 'urbanise', there are large differences in the scale, speed and spatial distribution of urban change and the factors that drive or influence it, and this implies very different future trajectories for urbanisation in different nations. Many of the factors that produced rapid urbanisation in low- and middle-income nations in the 1960s and 1970s are no longer acting, or are only acting in some nations.

In statistical terms, urbanisation is an increasing proportion of a population living in settlements defined as urban centres. The immediate cause of virtually all urbanisation is the net movement of people from rural to urban areas. Natural increase in population (i.e. the excess of births over deaths) does not contribute to increases in urbanisation levels except where the rate of natural increase in urban centres is higher than in rural areas, or where natural increase brings a rural settlement's population over a threshold so it becomes reclassified as 'urban'. Where the rate of natural increase is higher in urban areas, it is often the result of high proportions of rural to urban migrants of child-bearing

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<sup>1</sup> Satterthwaite, David (2002) *Coping with Rapid Urban Growth*, RICS International Paper Series, Royal Institution of Chartered Surveyors, London, 36 pages

age, whose movement changes the natural population growth rates in the urban centres. But in most cases, rates of natural increase are lower in urban centres than in rural settlements. Another factor that contributes to changes in urbanisation levels between censuses is the reclassification of rural settlements as 'urban' as their population increases over a certain threshold. Similarly, the extension of the boundaries of cities or metropolitan areas changes the status of many settlements and residents within the newly extended area from rural to urban.

But the underlying cause of urbanisation in most nations or regions within nations is changes in economic structures and systems, not population increases. Most of the nations with the highest population growth rates also have low levels of urbanisation, with most of the population residing in rural settlements and deriving a living from agriculture. In contrast, many of the nations with the lowest population growth rates are among the world's most urbanised, with the majority of the population living in urban centres and most of the economically active population working in trade, services and industry. But what underlies a global trend towards increasingly urbanised societies? Why have virtually all nations 'urbanised' for most or all of the last 50 years, bringing the proportion of the world's population from only 15 percent in 1900 to nearly half by 2000, and still increasing? Even in Africa and Asia, close to two-fifths of the total population now live in urban areas, while in Latin America and the Caribbean this proportion is as high as three-quarters.

We know that in low- and middle-income nations, urbanisation is overwhelmingly the result of people moving in response to better economic opportunities. We also know that the scale and direction of people's movements fit well with changes in the spatial location of economic opportunities. In general, it is cities, small towns or rural areas with expanding economies that attract most migration; and although it is often assumed that most migration is from rural to urban areas, in many nations, rural to rural migration is on a larger scale – and most nations also have significant urban to rural movement. But the general increase in rural to urban migration in many low- and middle-income nations in the past 50 years is hardly surprising, since most of the growth in economic activities in all regions of the world over the past 50–100 years has been in urban centres. Both in terms of the distribution of the labour force between agriculture, industry and services, and in terms of changes in the distribution of GDP between these sectors, in virtually all low- and middle-income nations there have been very large increases in the relative importance of industry and services (most of which are located in urban areas), and very large decreases in the relative importance of agriculture (most of which is located in rural areas).

Urban centres also concentrate public service provision. Most secondary schools and higher-education institutions are located in urban centres, and so too are most hospitals and higher-order medical services – although not necessarily primary health care centres. This is discussed in more detail in Section 4. Over the last 50 years, there has also been a large growth in the scale and range of public services and bureaucracies in low- and middle-income nations, and these are overwhelmingly concentrated in urban areas and are part of the reason for increased urbanisation. With decentralisation, a number of settlements have been 'promoted' to urban status because of their administrative functions rather than their population size. However, in the past two decades there has also been an opposite trend, with many national governments implementing significant cuts in public bureaucracies and public expenditure on salaries of public sector employees. This is often associated with structural adjustment programmes, and is one important factor in slowing the increases in urbanisation or, on occasion, halting and reversing it. As described in Section 3, it is not unusual for retrenched public sector workers to move from the cities to small towns or rural settlements.

### ***Variations in the definitions of urban centres***

No accurate international comparisons can be made of the proportion of nations' population living in small urban centres defined by their population size because each nation has its own criteria for determining when a settlement is large enough to be classified as urban (or to have the administrative status, density or concentration of non-agricultural employment to be classified as urban). Some nations use population thresholds of between 200 and 1,000 inhabitants to define urban centres, and a considerable part of their urban population (and a much larger proportion of their urban centres) have 1,000–4,999 inhabitants, 5,000–9,999 inhabitants and 10,000–19,999 inhabitants. Other nations only consider settlements with 5,000+, 10,000+ or 20,000+ inhabitants as urban. So what in one nation would be hundreds of small urban centres would be hundreds of rural settlements in another. For instance, most of India's rural population lives in villages with between 500 and 5,000 inhabitants, and if these were classified as 'urban' (as they would be by some national urban definitions), India would suddenly have a predominantly urban population rather than a predominantly rural one.

In virtually all nations, official definitions ensure that urban centres include all settlements with 20,000 or more inhabitants, but it is the differences in what proportion of settlements with 200–20,000 inhabitants are classified as urban that limits the validity of international comparisons. By 1996, 17.5 percent of Egypt's population lived in settlements with between 10,000 and 20,000 inhabitants which had many urban characteristics, including significant non-agricultural economies and occupational structures. These were not classified as urban areas – although they would have been in most other nations. If they were considered as urban areas, it would make Egypt much more urbanised and would bring major changes to urban growth rates.<sup>1</sup> With regard to population threshold being used in the definition of an urban centre, these can range widely: in the Philippines, settlements with a population of more than 1,000 are eligible for urban status,<sup>2</sup> while the threshold in Vietnam is over 4,000.<sup>3</sup>

Some nations include in their urban definition criteria relating to the proportion of the economically active population working in agriculture. But this can produce a false impression of the role of agriculture, as census data or data from household surveys only record people's primary occupation when many urban and rural residents engage in a variety of income-generating activities, including farming for urban residents and non-farm activities for rural dwellers. And in many sub-Saharan African countries, urban centres are defined only on the basis of administrative, demographic and infrastructural characteristics, even when the majority of the population engages in agriculture.<sup>4</sup> These variations in the definition of what constitutes an urban centre clearly make generalisations problematic.<sup>5</sup>

Changes in urban populations that arise from the extension of urban boundaries and from formerly rural settlements being reclassified as urban is another important factor of urban change, which needs to be incorporated into any longitudinal analysis of urbanisation patterns. In Bangladesh, reclassification contributed to one-third of urban population growth between 1974 and 1981, largely because of the redefinition of urban centres to

<sup>1</sup> Denis, Eric and Asef Bayat (2002) *Egypt; twenty years of urban transformations*, Urban Change Working Paper 5, IIED, London.

<sup>2</sup> Philippine National Statistics Office (1992) *Census of Population and Housing, Report No 3: Socioeconomic and Demographic Characteristics*, NSO, Manila

<sup>3</sup> Decision 132-HDTB dated 5/5/1990 of the Ministers' Council on the classification of urban areas and decentralisation of urban management

<sup>4</sup> Gado, B and F Guitart (1996) L'influence de Niamey sur les marchés de Baleyra et Kollo (Niger), in C Coquery-Vidrovitch, H D'Almeida-Topor and J Senechal (eds) *Interdependances villes-campagnes en Afrique*, L'Harmattan, Paris, pages 177–186; Tingbe-Azalou, A (1997) Cultural dimensions of rural–urban relations in Benin, in J Baker (ed) *Rural–Urban Dynamics in Francophone Africa*, Nordiska Afrikainstitutet, Uppsala, pages 79–89; Hardoy, JE and D Satterthwaite (eds) *Small and Intermediate Urban Centres: Their Role in National and Regional Development in the Third World*, Hodder and Stoughton, London

<sup>5</sup> See also Tacoli, C (1998) Bridging the divide: rural–urban interactions and livelihood strategies, *Gatekeeper Series No 77*, IIED, London

include all *thana* (local district) headquarters, but also because the new urban definition included rural markets and peripheral areas lying outside municipal boundaries. As a result, the number of urban centres grew from 108 in 1974 to 492 in 1981, while the 1991 census recorded 522 urban centres. Many of the newly reclassified settlements are small in size: by 1991, 19.4 percent of Bangladesh's urban population lived in settlements with fewer than 25,000 inhabitants, including 6.3 percent living in centres with fewer than 10,000 inhabitants.<sup>1</sup>

But what distinguishes the smaller urban centres from intermediate urban centres? Most researchers have relied on the use of benchmark population thresholds. But again, the variations in these make comparisons problematic, since they range from less than 100,000 for small towns to 100,000–500,000 for intermediate centres for some authors; 5,000–20,000 for small towns to 20,000–100,000 for intermediate centres for other authors;<sup>2</sup> and 1,000–2,500 for small towns in the Latin American context for yet other authors.<sup>2</sup> Moreover, the underlying assumption that population size is the most important factor does not do justice to the multiplicity of roles and functions that small and intermediate urban centres can concentrate. Indeed, standardised criteria to distinguish small from intermediate and intermediate from large urban centres are not helpful when considering the large variations in the total population and urban systems of different countries. It is more useful to consider these centres on the basis of their functions, including the provision of services, facilities and infrastructure to their own population and to that of their surrounding region. However, such detailed information is not easily available, especially for low-income nations. Furthermore, the wide differences in small and intermediate urban centres' sizes and shapes affect their functions and roles. A useful alternative is to consider the functions of these centres within the wider national or regional system of urban centres (Box 2.1).

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### **Box 2.1 Defining small and intermediate centres in Belize and Mexico**

Belize, in Central America, is a small country with a total population of 200,000, half of which resides in urban centres. Belize City is the largest settlement, with over 40,000 inhabitants. There are a few secondary urban centres with population sizes ranging between 5,000 and 10,000 and other smaller ones, including the capital, Belmopan. These can be defined in the Belize context as intermediate urban centres. Small towns are even smaller, and sometimes do not even reach 2,000 inhabitants. However, they do have clearly discernible functions in the administrative, commercial and educational spheres; while these small urban centres clearly could not absorb sizeable numbers of rural migrants or have strong material linkages with their surrounding region, they do play a role, mainly as service centres, which reflects the national urban system.

By contrast, the 1990 population census in Mexico gave a population of 81 million, with over 2,500 urban centres and a level of urbanisation of over 70 percent. But while the population threshold used to define urban centres is 2,500, centres around this size have limited functions and roles in their surrounding region. This is because the growth of regional, intermediate urban centres has often taken place at the expense of small towns. Centres with a population of 10,000–25,000 can also be defined as small in the Mexican urban system, whereas in Belize they would be intermediate.

Source: Czerny, M, P Van Lindert and O Verkoren (1997) Small and intermediate towns in Latin American rural and regional development, in P van Lindert and O Verkoren (eds) *Small Towns and Beyond*, Thela Latin America Series, Amsterdam

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<sup>1</sup> Afsar, R (2002) *Urban change in Bangladesh*, Urban Change Working Paper 1, IIED, London

<sup>2</sup> Czerny, M, P Van Lindert and O Verkoren (1997) Small and intermediate towns in Latin American rural and regional development, in P van Lindert and O Verkoren (eds) *Small Towns and Beyond*, Thela Latin America Series, Amsterdam, provides a comprehensive review of the different thresholds used by various researchers

### ***Changes in national and regional urban systems: the importance of local factors***

A nation's urban system is, at its core, the 'geography' of its economic and political system. It reflects a nation's economic structure in that the vast majority of all secondary and tertiary jobs are located in urban centres. It also reflects the nation's political structure in that the size of the government and the distribution of power and public resources down the hierarchy of government is reflected in the urban hierarchy. Urban change is largely shaped by local factors, in particular economic, social, demographic and political changes – although many of these are obviously linked to national and international factors such as political interests and economic globalisation. Three examples of this are given below.

In Pakistan,<sup>1</sup> the current size and spatial distribution of the population has been greatly influenced by Partition in the late 1940s (which caused very large migration flows to particular locations, especially to Karachi), by Pakistan's division (as Bangladesh became independent – although the influence on urban change was mainly focused on Karachi), by the civil war in Afghanistan (both through Afghani refugees coming to Pakistan and through the large levels of Western support to Afghans fighting the Soviet-backed government that were channelled through Pakistan), by the Green Revolution and the locations where it was concentrated, and by Pakistan's political structure. Migration from India as a result of Partition increased Pakistan's population by 1.8 million, and most moved to urban areas in Sindh and Punjab Provinces, especially Karachi and Hyderabad. But many urban centres in Pakistan suffered population declines during this period, as Hindus and Sikhs fled to India. This explains the drop in the urbanisation level in North-West Frontier Province and the decline in the population in many towns and cities there between 1941 and 1951. During the Afghani civil war, 3.7 million Afghans moved to Pakistan, mostly to refugee camps in peri-urban areas of North-West Frontier Province and Balochistan, but also some 600,000 to Karachi. The population growth rates of the intermediate urban centres of Quetta and Peshawar were also boosted by Afghans in the 1970s, but much less so during the 1980s. Inevitably, these huge population movements brought many political conflicts, including those between long-term city dwellers and immigrants from India, between Pakistanis and Afghans, and between rural interests and urban interests. They also tended to concentrate population in larger urban centres. In 1998, 8.3 percent of the urban population of Pakistan lived in urban centres with fewer than 25,000 inhabitants, although a very considerable proportion of the rural population lived in over 1,000 settlements with more than 5,000 inhabitants. However, in the 1981 and 1998 censuses, such settlements were not considered as urban centres unless they had a municipal government. This changed the status of 1,483 settlements with more than 5,000 inhabitants which, in the 1972 census, had been classed as urban centres.

Urban change in Mexico should be understood in terms of the significant economic shifts that the nation has undergone during the twentieth century.<sup>2</sup> The influence of different economic phases is reflected in the current urban system: the agro-exporting period up to 1940 (with the rapid growth of urban centres that were key market and service centres for agriculture, also at the origins of the growth to prominence of many of the country's largest cities); the import-substitution period from 1940 to 1970 (with Mexico City expanding rapidly because most new industry located there); and the slowing of economic growth followed by a period of economic decline from 1970 to 1990, with a shift in economic policy from import-substitution industry to export-oriented industry (with the deceleration of Mexico City's growth and the rapid urban growth of the small and intermediate urban centres close to the US border, where export-processing zones concentrate). During the 1990s, the rapid growth of these northern urban centres continued, but this has not

<sup>1</sup> This section draws on Hasan A and M Raza (2002) *Urban change in Pakistan*, Urban Change Working Paper 6, IIED, London

<sup>2</sup> This section draws on Garza, G (2002) *Urbanisation in Mexico during the twentieth century*, Urban Change Working Paper 7, IIED, London

stimulated much development in the rest of the country because their main functional linkages are with urban centres in the United States. There was also the rapid growth of some ports, reflecting the new economic emphasis on exports, and of certain successful tourist resorts. The growth rate of all the largest cities declined: in 2000, Mexico City had half the population that had been predicted 20 years earlier. Emigration to the United States is also an important influence on slower urban growth rates in recent decades, as much of it is from Mexican rural areas to US urban centres.

Urban change in South Africa<sup>1</sup> over the last few decades is closely related to the racial discrimination that was formally embedded in the whole structure of government until the first majority government in 1994. This included strict controls over the black majority's right to live in or move to urban centres. The dramatic increase in urban population in the 1996 census, compared to the two previous censuses, was in part due to the exclusion of the African population living in urban areas in what during the apartheid era were designated the 'independent states' of Transkei, Bophuthatswana, Venda and Ciskei in the censuses of 1980 and 1991. Much of the urban growth in these 'bantustans' or 'homelands' was linked to the need for a cheap workforce living within 60 kilometres of the large cities, as the South African economy industrialised.

These three examples of Pakistan, Mexico and South Africa are given here to stress how analyses of urban change (and within this the role of small and intermediate urban centres) need to be rooted in an understanding of local economic, social and political change.

### **Conclusions**

Although most low- and middle-income nations have experienced rapid growth in their urban populations over the last few decades, there are large differences in its form, scale and spatial distribution, and in the implications this brings for future development policy in terms of stronger and more robust economies and in meeting basic needs. There are also significant variations in urban change within national boundaries and across all size classes of urban centres. This reflects spatial differences in the distribution of economic activities, and the overall importance of the links between urbanisation and economic growth.

Local factors and local definitions make generalisations problematic and, in terms of policy formulation, largely unhelpful. Variations in different nations' definition of what constitutes an urban centre are so large that it is imperative to consider them in any meaningful analysis of urbanisation trends and patterns. It is also essential to understand the nature of urban change within each nation, for example the relative contribution of natural increase, net rural to urban migration and reclassification, and the economic, social, political and demographic drivers of these changes.

Definitions of what constitutes a small or an intermediate urban centre also need to be grounded in the understanding of national and regional urban systems, and in the understanding of the regional 'rural' economic base. Neglecting this has resulted in the failure and unnecessary cost of many policies aiming to increase the role of urban centres, especially small and intermediate ones, in rural and regional development, as described in detail in Section 5. The understanding of how the wider context (regional, national and international) affects the potential role of small and intermediate urban centres in regional development and poverty reduction is also essential, as described in Section 3.

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<sup>1</sup> This section draws on Crankshaw, O and S Parnell (2002) *Urban change in South Africa*, Urban Change Working Paper 4, IIED, London

Since the early 1960s, small and intermediate urban centres have attracted the attention of policy-makers and planners. Different theoretical approaches have underpinned such interest and the related policy interventions, which are discussed in detail in Section 5. Early views of the role of small and intermediate urban centres in regional and rural development fell within the general paradigms of modernisation and dependency theories. In the first, small urban centres are seen as centres from which innovation and modernisation would trickle down to the rural population. Hence, the most effective and rational spatial strategy for promoting rural development is to develop a well-articulated, integrated and balanced urban hierarchy. This network of small, medium-size and larger urban centres is described as '*...locationally efficient – it allows clusters of services, facilities and infrastructure that cannot be economically located in small villages and hamlets to serve a widely dispersed population from an accessible central place.*'<sup>1</sup>

The pessimistic view echoes the 'urban bias' debate, and originally argued that small urban centres contribute to rural impoverishment and are the 'vanguards of exploitation' of the rural poor and of extraction of natural resources by external forces which, according to the case, may be colonial powers, multinational enterprises, central governments, local administrators and élites. Such exploitation can only be avoided where there is an egalitarian class structure and free access to land, and '*...where the stimulus to urban growth results in activity primarily by the people and for the people themselves.*'<sup>2</sup>

More recent views adopt a wider perspective and describe uneven development processes as the root of regional inequalities as well as rural–urban and intra-rural disparities.<sup>3</sup> Although the role of small and intermediate urban centres is not explicitly discussed, the economic and political primacy of large centres and metropolitan regions goes hand in hand with the peripheralisation of poorer regions. Recent work in sub-Saharan Africa describes the increasing significance of rural–urban linkages in the livelihoods of rural residents, including occupational and residential transformations, as the mainly negative consequence of pressures on small-scale farming systems accompanied by declining opportunities and high costs of living in the cities.<sup>4</sup> Both views suggest that the role of small and intermediate urban centres in the development of their surrounding rural region is largely dependent on power relations and development strategies at the national and global levels.

Despite the central role often ascribed to small and intermediate urban centres in regional planning, there is little evidence to corroborate or refute their alleged capacity to trigger development or to act as centres of regional extraction. This section summarises the potential role of small and intermediate centres, as implicitly assumed by many policies and programmes. This is then discussed in the light of the available, and relatively limited, empirical evidence, with specific attention to small and intermediate centres' role in more equitable regional development and in rural and urban poverty reduction.

### ***The potential role of small and intermediate urban centres in regional and rural development***

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<sup>1</sup> Rondinelli, D (1985) *Applied Methods of Regional Analysis: the Spatial Dimensions of Development Policy*, Westview Press, Boulder, Colorado

<sup>2</sup> Southall, A (1988) Small towns in Africa revisited, in *African Studies Review* 31:3

<sup>3</sup> Parnwell, M (ed) (1996) *Uneven Development in Thailand*, Avebury, Aldershot

<sup>4</sup> Bryceson, D (1999) *Sub-Saharan Africa betwixt and between: rural livelihood practices and policies*, ASC Working Paper 43, Afrika Studiecentrum, Leiden, the Netherlands

The commonly stated spatial aims of regional planning policies assume that small and intermediate urban centres contribute to regional and rural development in four main ways:

- *By acting as centres of demand/markets for agricultural produce from their surrounding rural region*, either for local consumers or as links to national and export markets. Access to markets is a prerequisite to increasing rural agricultural incomes, and the proximity of local small and intermediate centres to production areas is assumed to be a key factor in their potential role.
- *By acting as centres for the production and distribution of goods and services to their rural region*. Such concentration is assumed to reduce costs and improve access to a variety of services, both public and private and for both rural households and enterprises. Hence, services include agricultural extension, health and education (and access to other government services), as well as banking, post, services of professionals such as lawyers and accountants and lower-order services such as bars and cafés, and wholesale and retail sales of manufactured goods from within and outside the region.
- *By becoming centres for the growth and consolidation of non-farm activities and employment* through the development of small and medium-size enterprises or through the relocation of branches of large private or parastatal enterprises.
- *By attracting rural migrants* from the surrounding region through demand for non-farm labour (and perhaps decreasing migration pressures on some larger urban centres).

The empirical evidence available shows great variations in the extent to which small and intermediate urban centres fulfil these roles. Much of this relates to the specific context in which such centres develop, to land-owning structures, to the quality of transport and communications links and to the structural conditions prevailing at the international, national and local levels. In addition, many centres show high levels of economic and population growth but, at the same time, increasing levels of social differentiation and evidence of little poverty reduction.

### ***Small and intermediate urban centres as markets for regional agricultural produce***

Whether small and intermediate urban centres develop as markets for rural producers, and especially for small-scale farmers, depends on a number of factors. These include farming systems and access to natural resources and labour; accessibility and affordability of transport, road infrastructure, and storage and processing facilities; the presence of local urban demand (obviously much influenced by population and income levels) and links with a wider network of markets; and the relations between producers and traders. The greatest stimulus for small and intermediate urban centres from agriculture tends to be where crops or other products generate a high income per hectare and where the land-owning structure is not too inequitable (so there are many farmers earning adequate incomes).<sup>1</sup>

In agricultural regions dominated by large-scale commercial agriculture, most small and intermediate urban centres do not have major roles as markets for agricultural produce. Large volumes of cash crops produced under this type of farming system mostly bypasses local centres while the low wages paid to local workers generates little demand for goods and services. This is especially the case for export-oriented cattle-raising and for certain crops which are shipped directly to larger centres and ports, with little or no new economic activities developing in smaller urban centres (see Box 3.1). Even where small and intermediate local urban centres function as administrative and service centres for farmers, fluctuations in world markets can result in stagnation or decline. In Ghana's

<sup>1</sup> See Hardoy, JE and D Satterthwaite (eds) (1986) *Small and Intermediate Urban Centres: Their Role in National and Regional Development in the Third World*, Hodder and Stoughton, London, especially Chapter 6; also Satterthwaite, D and B Taneja (2003), *Agriculture and Urban Development*, Paper prepared for the World Bank and available at <http://www.worldbank.org/urban/urbanruralseminar/>.

cocoa-producing Central Region, the collapse of international prices for this commodity triggered population loss in small towns. Where this fell below the threshold of 5,000, the settlements were reclassified as villages: as a consequence, between 1970 and 1984 the total urban population of the Central Region fell from 28.5 to 26.5 percent, while national rates of urbanisation continued to grow.<sup>1</sup> Similarly, it is likely that low prices for coffee on the international market have brought serious economic problems to many 'coffee towns' that had originally developed and often boomed during periods when world prices were higher.

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### **Box 3.1 Cattle-ranching and regional urban centres in Huetar Norte, Costa Rica**

Huetar Norte is primarily a cattle-producing region for foreign markets, although since the implementation of structural adjustment programmes in the 1990s this has been complemented with export-oriented crops. Generous credit facilities were allocated to cattle-ranching in the 1970s, supported by loans from the World Bank, which had made the production of regular quality hamburger meat the keystone of its credit policy in Central America. Large ranchers were preferred over smallholders, increasing inequality in the land-owning structure. Indeed, cattle-ranching caused much rural unemployment, especially among the growing number of landless labourers and evicted smallholders, in turn triggering occupation of forest lands and soil erosion.

Moreover, despite the fact that 21 percent of national cattle stock grazed in this region, no large slaughterhouses nor small rural facilities were located in Huetar Norte. By-passing the regional centres in favour of the capital city, San José, was the result of a powerful alliance between export ranchers in Huetar Norte and politicians and state bureaucrats in San José. Broadly speaking, government policy induced the rapid exploitation of regional natural resources at the expense of sustainability and of the employment and incomes of a considerable proportion of the region's population. While local centres such as Ciudad Quesada have grown, mainly on the basis of the provision of credit services, this growth can be defined largely as parasitic. The creation of wealth as value-added and of employment in the processing of the region's main agricultural produce has, on the whole, by-passed regional small and intermediate urban centres.

Source: Romein, A (1997) The role of central places in the development of regional production structures: the case of Huetar Norte, Costa Rica, in P Van Lindert and O Verkoren (eds) *Small Towns and Beyond: Rural Transformations in Small Urban Centres in Latin America*, Thela Latin America Series, Amsterdam

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Despite the generally limited role of small urban centres in regions dominated by commercial farms, they can nevertheless play an important role as local markets for low-income rural residents, albeit as part of a survival strategy rather than as engines of economic growth. The small town of Banket, in Zimbabwe, lies in a rich agricultural zone. It was established in the colonial era to serve the needs of white commercial farmers, and with a population of 10,000 it still serves as a service centre for the surrounding rich commercial farms. Waged farm workers are among the poorest of Zimbabwe's population, earning far less than the national rural food poverty line and the total consumption poverty line. When there is a need for quick cash, for example to pay school fees, finance a funeral or buy basic necessities, farm workers take commodities to the market in Banket. This activity is not regular, however, and because of the tight work schedules, workers often send children or unemployed relatives to town.<sup>2</sup>

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<sup>1</sup> Songsore, J (2000) *Towards a better understanding of urban change: the Ghana case study*, Urban Change Working Paper 2, IIED, London

<sup>2</sup> Kamete, AK (1998) Interlocking livelihoods: farm and small town in Zimbabwe, in *Environment and Urbanization* 10:1

In general, small and intermediate urban centres are far more likely to play a role as markets for agricultural produce from the surrounding region in areas where small and medium-scale farming prevail.<sup>1</sup> While these types of farming systems imply some equality in access to and distribution of land, availability of labour can be an equally significant constraint for producers with limited capital to invest in mechanisation. Box 3.2 illustrates how in West Africa the issue of labour often overlaps with land tenure systems, and also how strong demand for relatively high-value horticultural produce from nearby urban centres can provide profitable returns from small farm plots.

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### **Box 3.2 Secondary land rights and farming in central Mali**

Secondary land rights include sharecropping, tenancy and borrowing of land under customary tenure systems (land management and allocation by traditional authorities such as village chiefs and village councils). Secondary rights are often seen as exploitative, as they do not give permanent tenure rights to users. However, in some circumstances they can benefit both secondary and permanent rights holders. In the village of Baguinéda, in central Mali, secondary rights allow small-scale farmers to hire migrant workers in exchange for temporary rights to cultivate own plots. The system is highly structured, with specific days of the week allocated to working as labourers and others to working on the borrowed land. Two aspects are central to the functioning of the system: first, land tenure in the village is almost exclusively under the customary system and controlled by the village council, allowing for secondary rights allocation. Second, the strong demand from nearby urban markets for horticultural produce, in which the village specialises, makes cultivation of even a small plot relatively profitable and therefore attractive to migrants.

Source: GRAD (2001) *Potentialités et conflits dans les zones péri-urbaines: le cas de Bamako au Mali*, Rural–Urban Working Paper 6, IIED, London

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Demand from urban-based consumers is obviously as important as supply factors. Demand in small urban centres can be limited by incomes and by the fact that, in many instances, residents are likely to grow at least part of the food they consume. But in larger administrative centres, demand from civil servants and government employees can raise demand for staples and higher value-added crops from the surrounding region.<sup>2</sup>

Rural producers' physical access to the markets in small urban centres and the extent of these urban centres' connection to wider networks of regional, national and international urban centres are key influences on their development. Availability and affordability of transport is important not only in connecting producer areas to local urban centres but also in connecting local small and intermediate urban centres to other actual and potential markets. The location of small urban centres is therefore critical. In many cases, urban centres located on road axes, along railways and rivers, or in coastal areas have better links with wider market networks. Indeed, national and regional urban systems always reflect the dominant transport system, although often also showing the influence of transport systems that have been superseded (for instance, the 'railway towns' and 'river ports', even when road transport now predominates<sup>3</sup>). Border centres also often incorporate elements of underground trade networks, especially where pricing policies result in significant price differences for cash crops. This is, for example, the case on the

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<sup>1</sup> See, for instance Manzanal, M and CA Vapnarsky (1986) The development of the Upper Valley of Rio Negro and its periphery within the Comahue Region, Argentina, in JE Hardoy and D Satterthwaite (eds) *Small and Intermediate Urban Centres: Their Role in National and Regional Development in the Third World*, Hodder and Stoughton, London

<sup>2</sup> Douglass, M (1998) A regional network strategy for reciprocal rural–urban linkages, in *Third World Planning Review* 20:1

<sup>3</sup> However, in part this is because many of the urban centres that developed because they were on the railway or river were also among the first centres in their region to be connected to developing road systems

border between Ghana and Côte d'Ivoire, where cocoa and coffee prices are sufficiently different to encourage smuggling.<sup>1</sup>

Recent case studies in northern and southern Tanzania show the importance of regional and national urban networks. Himo, in the north of the country, is a vibrant market for local producers. Most farming is small-scale and Himo acts as a collection centre for a large number of small farmers. Produce is then shipped to other Tanzanian towns, including the primate centre, Dar es Salaam, and across the border to Kenya.<sup>2</sup> By contrast, the town of Lindi, in the south, has a very limited role as a market for local produce. This is due partly to the poor state of the roads within its region, making transport costs prohibitive for small farmers, but this also extends to the connection between Lindi and other urban centres in the region, and even with the primate city. Lindi is thus a declining centre, and the main locally produced cash crop, cashew nuts, is exported in its raw form by agents who collect it directly from the villages and ship it to international markets, with little if any value-added retained in the region.<sup>3</sup>

However, while infrastructure is certainly important, improving spatial linkages does not necessarily have a positive impact on marketing of agricultural production. The vertically integrated and centrally controlled marketing operations that prevailed in the agricultural sector from the 1960s, and in many cases up to the implementation of structural adjustment programmes, were usually linked to poor prices for local producers – thus limiting farmers' incomes and opportunities to re-invest in farming. In many countries, monopolistic practices still prevail in buying rural produce; moreover, increased supply may dampen prices, and rural settlements may compete against each other if they have no clear comparative advantage in marketing their products.<sup>4</sup>

This points to two key issues: the first is rural producers' access to information on markets, including price mechanisms, fluctuations and consumer preferences; the second, overlapping with this, is the role of traders. Market information can dramatically transform small farmers' practices and help them adapt production to demand while, at the same time, maximising the use of their resources.<sup>5</sup> Information can be provided by local traders and by migrant relatives with access to urban markets. The recent, dramatic increase in the use of mobile phones facilitates such exchanges and may especially benefit low-income producers. Recent research shows that in villages around Kampala, Uganda's capital city, almost 20 percent of rural households have access to mobile phones. These same households could not afford the costs of fixed-line phones.<sup>6</sup>

But for the majority of small farmers, traders are the main link with urban markets. Although traders are often perceived as exploitative, they often provide a vital link for small and diversified production flows that are not sufficiently profitable to attract large-scale trading organisations.<sup>7</sup> Moreover, small farmers' limited access to formal credit means that traders often have an increasingly important role as providers of credit. However, with the exception of export crops, trade in agricultural produce is rarely controlled by large, well-

<sup>1</sup> Stary, B (1997) De la rente agricole à la rente frontalière: Niablé, une petite ville ivoirienne à la frontière du Ghana, in M Bertrand and A Dubesson (eds) *Petites et moyennes villes d'Afrique Noire*, Karthala, Paris

<sup>2</sup> Diyamett, B, M Diyamett, J James and R Mabala (2001) *The case of Himo and its region, northern Tanzania*, Rural–Urban Working Paper 1, IIED, London

<sup>3</sup> Lerise, F, A Kibadu, E Mbutolwe and N Mushi (2001) *The case of Lindi and its region, southern Tanzania*, Rural–Urban Working Paper 2, IIED, London

<sup>4</sup> Diyamett et al (2001) and Douglass (1998) op. cit.

<sup>5</sup> Rengasamy, S, J Devavaram, T Marirajan, N Ramavel, K Rajadurai, M Karunanidhi and N Rajendra Prasad (2002) *Farmers' markets in Tamil Nadu: increasing options for rural producers, improving access for urban consumers*, Rural–Urban Working Paper 8, IIED, London

<sup>6</sup> Bryceson, DF, DAC Maunder, TC Mbari, ASC Davis and JDGF Howe (2003) *Sustainable livelihoods, mobility and access needs*, TRL, London

<sup>7</sup> Pedersen, PO (2000) *Busy work or real business: revaluing the role of non-agricultural activities in African rural development*, ASC Working Paper 46, Africa Studies Centre, Leiden

capitalised traders. Especially for horticultural produce, the marketing system is often dominated by small-scale traders, even in the case of wholesale dealers and especially in sub-Saharan Africa. In West Africa, traders are usually women who tend to establish personal relationships with both producers and retailers. In this way, financial exchanges are embedded in wider social relations that provide the basic rules for the trust needed for commercial transactions. The major problem confronting most of these traders is limited financial liquidity, which makes them (and, as a result, their creditors) vulnerable to market losses. This problem is compounded by poor physical infrastructure and lack of storage and processing facilities (see Box 3.3)

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### **Box 3.3 The role of traders in central Mali**

In central Mali, wholesale traders are an important source of credit for horticultural producers. However, despite strong urban demand, this informal credit system is prone to a number of risks. The most important one is the loss of produce, due to the almost complete lack of storage and processing facilities. Since wholesale traders often sell to retailers on credit, they tend to absorb losses at both the transport and retail levels. This, in turn, affects their financial liquidity and their ability to offer credit to producers. This vicious circle results in sharp declines in horticultural production, despite strong urban demand and increasing producer prices.

Source: GRAD (2001) *Potentialités et conflits dans les zones péri-urbaines: le cas de Bamako au Mali*, Rural–Urban Working Paper 6, IIED, London

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The role of traders in the development of small and intermediate urban centres deserves to be better understood. To do so, the category of ‘traders’ should be broken down to facilitate the identification of specific roles and, eventually, of support interventions. But in many cases, a better understanding is also necessary to regulate the institutional structure of markets, as monopolistic practices or local mercantile oligopolies that control flows of goods tend to by-pass local urban centres and re-invest profits outside the region.<sup>1</sup>

### ***The role of small and intermediate urban centres in the distribution of goods and services to their rural region***

In this section, we limit the discussion to commercial services, i.e. those that develop based on demand from producers and consumers. Basic services that are provided or are meant to be provided by government (or under the supervision of government), such as health care, education, water and sanitation, are discussed in more detail in Section 4. By goods we mean both household consumption goods and items related to agricultural production inputs. It should be noted, however, that basic services also have a major impact on livelihoods, as they may improve or negatively affect individuals’ and households’ capabilities. The links between income and non-income aspects of poverty and their relation to rural–urban linkages and small and intermediate urban centres are brought together in Sections 4 and 6 in this paper.

The role of small and intermediate urban centres in the distribution of services and goods is at the heart of growth centre and central place policies and programmes. These are based on the concept of urban hierarchy, whereby size plays a key role in the types of services provided by different urban centres. Hence, investments in intermediate urban centres are assumed to spread to and stimulate smaller centres which, in turn, provide a limited range of lower-order services and goods to the rural region. However, empirical evidence does not confirm that the size of urban centres necessarily relates to their economic role within their surrounding region. This is because size tells very little about the

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<sup>1</sup> Harriss-White, B (1995) *Maps and landscapes of grain markets in South Asia*, in JJ Harriss, J Hunter and CM Lewis (eds) *The New Institutional Economics and Third World Development*, Routledge, London

economic structures and potentials of the rural region and the nature of the links between urban centres and their surrounding rural region.

Two main factors influence the role of small and intermediate urban centres as providers of services and goods to their rural region. First is the nature of rural economic activities and, related to this, the income levels and purchasing power of the rural population. Second is the capacity of local enterprises to develop to meet this demand and the demand from those living in the urban centre. The quality and nature of the services and goods provided must be able to respond to local demand in the face of competition from elsewhere; even enterprises in thriving smaller urban centres can be undermined by competition from larger urban centres and cities, especially when these are located sufficiently close and transport links are reasonably accessible, efficient and affordable.

A broad-based demand for goods and services depends on rural and urban economic activities that generate adequate incomes spread across the local (both rural and urban) population of the region. Many small and intermediate urban centres (and many large cities) developed because of such a broad-based demand – usually generated by high-value crops. But where incomes are low (because of low-value crops or because prices for formerly high-value crops are depressed), demand is not only constrained in terms of quantity. Since low-income households and individuals usually also have limited time available for purchasing goods and services, they often combine trips to urban centres in order to make the most of their visit. This means that small urban centres which only provide a limited range of such goods and services are often by-passed in favour of larger centres (see Box 3.4)

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#### **Box 3.4 Market behaviour in a low-income region of the State of Mexico**

The region surrounding the intermediate centre of Tejupilco, about 120 kms from Mexico City, has very limited socioeconomic development, with much of the rural population living at near-subsistence levels. The transport network is also poorly developed. Tenure is a problem, and most rural households have either insufficient land to engage in cash crop production or are landless and rely on seasonal migration for their incomes. Rural settlements are mainly hamlets of less than 1,000 inhabitants, interspersed with a substantial dispersed population. A periodic market system, with different prices and goods on offer, takes place in various settlements, the largest of which has a population of 10,000. This small urban centre also offers a range of permanent services, including secondary education institutions, farmer supply agencies, banks, a municipal centre, doctors and dentists, lawyers and accountants.

The structure of periodic markets is the consequence of traders adapting to low demand and trying to maximise profits. Consumers have to adapt to such a system in order to minimise their cash and time costs. As a result, there is no simple correlation between distance to markets and the frequency of shopping trips. Low-income rural consumers adapt by organising their visits to urban centres to fit in several purposes, including the purchase of goods, the use of services, social visits, in some cases the sale of their own produce, and temporary work. This means that larger regional centres are more likely to be the destination of such trips, as they offer a wider range of opportunities.

Source: Morris, A (1997) Market behaviour and market systems in the State of Mexico, in P Van Lindert and O Verkoren (eds) *Small Towns and Beyond: Rural Transformations in Small Urban Centres in Latin America*, Thela Latin America Series, Amsterdam

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For most small and intermediate urban centres, increasing rural incomes is a pre-condition for their development, based on their being focal points in the provision of services and goods to the rural population. This, in turn, is linked to land ownership structures: for example, much of the dramatic decline in rural poverty in Vietnam in the 1990s is attributed

largely to land allocation reforms, which have given farmers security of tenure and more freedom to manage and work the land and to determine what crops to cultivate.<sup>1</sup>

To a large extent, the nature of agricultural produce also affects demand for goods and services from the farming population. Labour-intensive and high-revenue produce such as horticulture is more likely to increase incomes for a large number of small and medium-size farmers. By contrast, cattle-ranching requires limited labour but high capital investment for the acquisition of large land holdings. The small labour force cannot provide sufficient demand to stimulate the production of goods and services in local small and intermediate urban centres, while the wealthy few are more likely to rely for household consumption on larger urban centres selling a wider variety of specialised goods and services. Even when the number of those employed in farming is relatively high, their incomes need to be sufficiently high. In Zimbabwe, waged farm workers are among the poorest of the country's population and, although they depend on local small urban centres for essential services such as health care and for the purchase of clothing and other basic items, their purchasing power is so low that it can only support the urban informal sector.<sup>2</sup>

Services and goods for agricultural production rather than for household consumption have been affected by economic reform and adjustment since the 1980s. On the demand side, structural adjustment was meant to increase producer prices and, in some cases and for some commodities, this did occur. For example, in Zimbabwe, maize prices increased in the 1993–1994 season. Since this increase was greater than that of the price of fertilisers, the use of fertilisers also grew. However, this only applied to larger farmers with a marketed maize surplus, whereas small farmers, who rely on subsistence agriculture and non-farm activities and who must purchase at least part of their maize for household consumption, did not benefit from the staple crop's price increase and therefore were not in a position to purchase more agricultural inputs and increase their own production.<sup>3</sup>

With declines in demand, the supply of agricultural inputs by enterprises based in small and intermediate centres has also been affected. Moreover, the impact of rising costs of imports, often compounded by currency devaluation, have hit many activities related to agricultural production: for example, rural transporters, grain grinders, mechanics, welders and photographers have, in many cases, suffered from the high costs of equipment and materials. Indeed, even locally manufactured inputs often have some import content, for example, scrap metal for blacksmiths' tools.<sup>4</sup> Especially in sub-Saharan Africa, the demise of statal and parastatal marketing boards has affected small farmers' access to credit, often severely. With the costs of agricultural inputs and consumer goods rising faster than the prices of agricultural produce, both small-scale farmers and the small-scale urban enterprises that rely on their demand have been affected. To some extent, credit provision has been taken up by local traders, as described earlier.

Overall, trade and services are an important component of non-farm activities in small and intermediate urban centres, and especially in smaller settlements they are often closely related to agricultural production. This may consist of buying farm produce and selling it in local urban and rural markets, or shipping it to other markets outside the region; it may also consist of selling goods, both agricultural and non-agricultural, to farmers and households whose main source of income is derived from farming. Both small and intermediate urban centres also provide recreational services to the population of their surrounding region, including bars, restaurants, hotels and guesthouses, cinemas, etc. The link with agricultural production is clear as, in many cases, customers are farmers who

<sup>1</sup> NCSSH (2002) *Vietnam Human Development Report 2001*, Hanoi

<sup>2</sup> Kamete (1998) op. cit.

<sup>3</sup> Pedersen, PO (1997) Rural diversification in Zimbabwe, in DF Bryceson and V Jamal (eds) *Farewell to Farms: De-agrarianisation and Employment in Africa*, Africa Studies Centre, Leiden and Ashgate, Aldershot

<sup>4</sup> Meagher, K and AR Mustapha (1997) Not by farming alone: the role of non-farm incomes in rural Hausaland, in Bryceson and Jamal (eds) op. cit.

come to town to sell their produce or to buy inputs (or, in many cases, do both), and traders travelling between market towns.

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### **Box 3.5 Urban-based trade and services in northern Tanzania**

Himo is a thriving small market town in northern Tanzania, close to the border with Kenya. It is a collection and distribution point for smaller markets in the Kilimanjaro region, and a large proportion of the produce is sold either directly by producers or by small traders to larger operators, who take it to Dar es Salaam and other regional centres in the country or across the border to Kenya. Himo also receives produce from other Tanzanian regions and manufactured goods from Kenya. On market days, the town is hectic, with produce arriving from near and far, and traders, middlemen, porters and food vendors all trying to cash in on the trade.

Services related to the market are the main source of income for the town's residents, and include about 40 bars, 40 guesthouses and around 70 shops, as well as small slaughterhouses and petrol stations. This concentration of services attracts not only traders but also farmers from surrounding villages, where there are often just a few small shops and no bars.

Source: Diyamett, B, M Diyamett, J James and R Mabala (2001) *The case of Himo and its region, northern Tanzania*, Rural–Urban Working Paper 1, IIED, London

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The scale and extent of provision of goods and services to rural consumers by enterprises located in small and intermediate urban centres is closely linked to income diversification and to employment opportunities in non-farm activities, which are often located in local urban centres. This is especially important in smaller urban centres, which are unlikely to attract branches of large private and parastatal enterprises due to their limited demand.

### ***Small and intermediate urban centres, livelihood diversification and non-farm activities***

**Definitions:** In this paper, we define rural non-farm activities as all activities outside the agricultural sector. This excludes wage or exchange labour on other farms (sometimes classed as 'off-farm'<sup>1</sup>) but includes services and manufacturing related to the transformation and processing of agricultural produce, as well as non-related services and manufacturing activities. It also includes all forms of work – self-employment, wage employment, full-time, part-time, formal, informal, seasonal and occasional non-farm income-generating activities. These may take place in a variety of locations: in the home, in rural-based workplaces and urban-based ones requiring workers to commute, and in a number of different places, as is the case for itinerant activities such as trading.

It is generally agreed that in most rural locations, there has been an increase among rural households in the time devoted to, and the income share derived from, non-farm activities, although diversification is not new. Nor is it a purely rural phenomenon, and the reliance of hundreds of millions of urban residents on agriculture, either for household consumption or as an income-generating opportunity, is well documented.<sup>2</sup> However, national employment data tend to underestimate the importance of diversification, as they usually record only people's primary activity. This neglects the fact that individuals are more likely to engage in multiple activities rather than rely on only one, and that there will often be variations over time, either seasonal (and therefore dependent on changes in the labour demands of

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<sup>1</sup> Ellis, F (1998) Livelihood diversification and sustainable rural livelihoods, in Carney, D (ed) *Sustainable Rural Livelihoods: What Contribution Can We Make?*, DFID, London

<sup>2</sup> Baker, J (1995) Survival and accumulation strategies at the rural–urban interface in northwest Tanzania, in *Environment and Urbanization* 7:1; Kamete, A (1998) Interlocking livelihoods: farm and small town in Zimbabwe, in *Environment and Urbanization* 10:1

different activities) or related to individuals' life courses (such as, especially for women, different demands on their time from childcare, caring for older people, etc). Recent survey data on employment patterns in southern Tanzania show that 67 percent of respondents living in villages and in the intermediate town of Lindi are engaged in more than one income-generating activity, including both farming and non-farm activities.<sup>1</sup>

Information on rural households' income share derived from non-farm activities is usually based on relatively small and location-specific household or enterprise surveys. Rarely is there national data, and even where they are available, usually informal sector activities are omitted, including home-based work and petty trade that can be a significant part of non-farm income-generating activities for low-income groups. Available studies show that the proportion of rural households' incomes derived from non-farm sources, including migrant remittances, is between 30 and 50 percent in sub-Saharan Africa, reaching as much as 80–90 percent in some regions, such as southern Africa. In south Asia, the proportion is around 60 percent.<sup>2</sup> In Latin America, non-farm income constitutes roughly 40 percent of rural households' incomes.<sup>3</sup>

### ***The reasons for the increase in income diversification and non-farm employment***

The reasons and determinants of diversification are the subject of intense debate. A key question is whether diversification is the result of growth in both agricultural and non-agricultural sectors or, rather, the result of decline and stagnation in farming.<sup>4</sup> In the regional planning tradition of the 'virtuous circle' of rural–urban economic development, diversification is an essential element of a theoretical model that emphasises efficient economic linkages and physical infrastructure connecting farmers and other rural producers with both domestic and external markets (see Box 3.6)

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#### **Box 3.6 Income diversification in the virtuous circle of rural–urban development**

The virtuous circle of rural–urban development envisions a mutually reinforcing pattern of linkages between an urban centre and its hinterland, which spurs the growth of both agriculture and non-farm activities. The three main stages in the model can be summarised as follows:

- first, rural households earn higher incomes from the production of agricultural goods for non-local markets, and this increases their demand for consumer goods;
- this leads to the creation of non-farm jobs and income diversification, especially in small urban centres close to agricultural production areas;
- this, in turn, absorbs surplus rural labour, raises demand for agricultural produce and, in so doing, boosts agricultural productivity and rural incomes.

Source: Evans, HE (1990) *Rural–urban linkages and structural transformation*, Report INU 71, Infrastructure and Urban Development Department, The World Bank, Washington DC; UNDP/UNCHS (1995) *Rural–urban linkages: policy guidelines for rural development*, paper prepared for the 23<sup>rd</sup> Meeting of the ACC Sub-committee on Rural Development, UNESCO, Paris, 31 May–2 June 1995

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As is often the case, there are several variations of this stylised model, although the critical element is that it is agricultural growth that spurs growth in rural non-farm employment. A more sombre view of diversification sees it as one dimension of a wider process of de-

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<sup>1</sup> Lerise et al (2001) op. cit.

<sup>2</sup> Ellis (1998) op. cit.

<sup>3</sup> Reardon, T, J Berdegúe and G Escobar (2001) Rural non-farm employment and incomes in Latin America: overview and policy implications, in *World Development* 29:3

<sup>4</sup> Ibid.

peasantisation. This is described as an overall sectoral change involving the rapid shrinkage of the proportion of the population engaged in farming and residing in rural settlements. In this context, non-farm activities concentrate in over-competitive and poorly paid services such as petty trade.<sup>1</sup>

A review of the main reasons behind the growth in rural non-farm employment in different nations and regions suggests that diversification is a response to a variety of factors. These can be divided broadly into 'push' (or constraints) and 'pull' (or opportunities) factors. However, this is more an analytical distinction, and empirical evidence shows that, in most cases, diversification is driven by a combination of both.

For example, in some regions of China and in the densely populated Red River and Mekong deltas in Vietnam, increases in rural non-farm activities are primarily the consequence of large labour surpluses in the agricultural sector. However, it should also be stressed that in both countries, such labour surpluses emerged after the demise of the commune farm system in the 1979–84 period in China, and post-1986 in Vietnam. As households took over responsibility for farming, production levels increased and, in high-potential regions, this contributed to a decline in rural poverty and to increased demand for non-agricultural goods; at the same time, however, land scarcity gave rise to unprecedented migration to small and large urban centres.<sup>2</sup>

In Brazil's central plains, since the early 1970s export-oriented agro-industry has taken hold with highly mechanised crops such as cotton, and has swept aside the traditional production of staples by sharecroppers, small tenant farmers and rural squatters, forcing them to find employment in non-farm sectors.<sup>3</sup> In much of sub-Saharan Africa, the growth in non-farm occupations since the implementation of structural adjustment derives as much from the need for cash to cover user fees for basic services as from the decline in farming incomes and, in some locations, the emergence of new types of employment in services for international tourism.<sup>4</sup> The latter are, in most cases, not the consequence of endogenous development but of the internationalisation of trade, production and services. Similarly, the development of many small and intermediate urban centres in northern Mexico, and the related growth in non-farm employment among their populations and that of the surrounding rural regions, is not locally induced but is based on foreign investment and production for international markets in *maquiladoras*.<sup>5</sup>

### ***Diversification patterns, inter-household and intra-household differences***

Given the broad variations in the reasons behind diversification, and the ways in which local contexts affect both constraints and opportunities, it is useful to look at diversification patterns in relation to their potential contribution to poverty reduction and to greater equity.

A first distinction can be made between poor and vulnerable households and individuals, and better-off households and individuals. This cuts across both rural settlements and urban centres, as it is increasingly recognised that diversification and access to both rural and urban resources is important for residents of both areas. On the other hand, there are

<sup>1</sup> Bryceson, D (1999) African rural labour, income diversification and livelihood approaches: a long-term development perspective, in *Review of African Political Economy* 80

<sup>2</sup> Kirkby, R, I Bradbury and Gguangbao Shen (2000) *Small Town China – Governance, Economy, Environment and Lifestyle in Three Zhen*, Ashgate, Aldershot; Douglass, M et al (2002) *The Urban Transition in Vietnam*, UNCHS and University of Hawaii

<sup>3</sup> Chase, J (1997) Managing urban settlements in Brazil's agro-industrial frontier, in *Third World Planning Review* 19:2

<sup>4</sup> Bah, M, S Cissé, B Diyamett, G Diallo, F Lerise, D Okali, E Okpara, J Olawoye and C Tacoli (2003) Changing rural–urban linkages in Mali, Nigeria and Tanzania, in *Environment and Urbanization* 15:1

<sup>5</sup> Beneker, T and O Verkoren (1998) Reception centre and point of departure: migration to and from Nuevo Casas Grandes, Chihuahua, Mexico, in M Titus and J Hinderink (eds) *Town and Hinterland in Developing Countries*, Thela Thesis, Amsterdam

also significant differences in the ways in which different households straddle the rural–urban divide, and in how this contributes to their security and wealth.

Diversification can be described as an accumulation strategy for households with farming assets and with access to urban networks, who often re-invest profits from urban-based activities in agricultural production and vice-versa, resulting in capital and asset accumulation. But for other groups, rural non-farm activities can be determined by lack or loss of land, labour or capital in what can be described as a ‘survival strategy’ that aims to reduce risk, overcome seasonal income fluctuations, and respond to external and internal shocks and stresses.<sup>1</sup> Land ownership can become increasingly unequal, as large farmers and wealthier urban households purchase land rights from smallholders who cannot afford to buy inputs and who have limited access to credit.<sup>2</sup> As a result, the poorest households become less able to spread risk as they lose farming as part of their portfolio of activities. Indeed, reliance on non-farm income sources is much higher than average among rural residents with limited or no access to farming resources, such as, in many nations, women and the landless. But at the same time, households that rely on farming only can be considered a high-risk category, especially in rainfed-agriculture areas where they are susceptible to climatic vagaries.<sup>3</sup>

As wealthier households’ diversification of activities consolidates, multi-activity takes place at the household level, where individuals specialise in specific sectors of activity but resources are used to facilitate investments across sectors. By contrast, poor and vulnerable individuals lack the skills and education to specialise in any activity and must engage in a multitude of low-paid income-generating occupations to make ends meet.

At the intra-household level, gender and generational relations are likely to have a significant impact on the ways in which different groups engage in diversification. In Tanzania, domestic trade liberalisation has opened up opportunities in local small-scale trade. These have been taken up especially by young women, who are otherwise expected to work as unpaid labour on their family’s farm, which they would not expect to inherit; but young men are also moving out of farming, as petty trade replaces agriculture as their main activity. Their reasons for doing so are not only the decline in farming incomes but also frustration at the almost absolute control still held by the older men over land and farming decisions.<sup>4</sup> At the same time, widespread access to information, changing financial expectations and a view of farming as ‘un-modern’ also have a profound impact on employment patterns in many ‘rural’ areas. Hence, in densely populated southeastern Nigeria, which also has a comprehensive network of small and intermediate urban centres, young men in rural settlements are expected to find work, at least for a period of time, in nearby urban centres – should they decide not to do so, they risk being derided for being lazy.<sup>5</sup>

New non-farm employment opportunities can have a profound impact on traditional social structures. For example, in South India, young men from landless low castes who find employment in urban centres openly defy the caste system as they are no longer dependent on their upper caste, land-owning employers for a living.<sup>6</sup> While these transformations should be welcomed for breaking up unequal social relations, their economic and social consequences are still not sufficiently understood. What is clear is

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<sup>1</sup> Baker (1995) op. cit.

<sup>2</sup> GRAD (2001) *Potentialités et conflits dans les zones péri-urbaines: le cas de Bamako au Mali*, Rural–Urban Working Paper 6, IIED, London

<sup>3</sup> Baker (1995) op. cit.

<sup>4</sup> Lerise et al (2001) and Diyamett et al (2001) op. cit.

<sup>5</sup> Okali, D, E Okpara and J Olawoye (2001) *The case of Aba and its region, southeastern Nigeria*, Rural–Urban Working Paper 4, IIED, London

<sup>6</sup> Anandhi, S, J Jeyaranjan and Rajan Krishnan (2002) Work, caste and competing masculinities, in *EPW Review of Women Studies*, 26 October 2002; available on <http://www.epw.org.in>

that the assumption that rural households and communities are relatively stable units of production and consumption is no longer valid, and that this needs to be taken into account in the formulation and implementation of rural development initiatives.

### ***The nature of rural non-farm employment and the role of small and intermediate urban centres***

Only a minor proportion of rural non-farm activities are in the manufacturing sector, usually around 20 to 25 percent.<sup>1</sup> Moreover, this is likely to decline due to competition from cheaper imports: for example, in northern Tanzania, labour-intensive vegetable oil-processing by women's groups is undermined by imported oil from Singapore.<sup>2</sup> In southeast Nigeria, traditional cloth-weaving has long been an additional source of income for local women and one which had managed to retain a market niche in the face of competition from imported goods; but lack of backward linkages with agriculture (for example, local production of cotton yarn) and insufficient local infrastructure (such as unreliable electricity supply in the rural settlements) are major constraints on production.<sup>3</sup>

Services and trade typically provide a much larger share of employment and income. Both tend to concentrate in small and intermediate urban centres and have benefited from liberalisation and the demise of central marketing boards for agricultural commodities, which controlled trade as well as most transport services between rural settlements and urban centres.<sup>4</sup> Manufacturing in small and medium-size enterprises has also increased in response to the contraction of large formal sector enterprises, although many rural non-farm enterprises employ fewer than five workers and suffer from constraints which can hamper their growth. These range from shortage of capital, limited demand, poor marketing ability, inadequate space, and lack of information, technology, skills and management capability.<sup>5</sup>

Small and intermediate urban centres can help overcome such constraints, and may stimulate the growth of these enterprises by offering markets large enough to capture economies of scale and agglomeration for many types of non-farm enterprises. Higher levels of infrastructure also help reduce production costs and facilitate access to markets and communications. This fits well with the current growing interest in clustering and industrialisation and in local economic development, where local and regional institutions, usually located in small and intermediate centres, can play a key role in supporting local actors and connecting them to national and international agencies and markets.<sup>6</sup>

Clusters are defined as sectoral and spatial concentrations of firms, which benefit from a range of localised external economies that lower costs for clustered producers. These include: a pool of specialised workers; easy access to suppliers of specialised inputs and services; and quick dissemination of new knowledge. Clustering is thought to be particularly relevant in the early stages of industrialisation by helping small enterprises to grow in small steps, as producers can concentrate in stages rather than on the whole production process, and rely on horizontal linkages with other specialised enterprises to complete the process.<sup>7</sup> But a proactive, consciously pursued joint action around issues

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<sup>1</sup> Haggblade, S, P Hazell and T Reardon (2002) *Strategies for stimulating poverty-alleviating growth in the rural non-farm economy in developing countries*, EPTD Discussion Paper 92, IFPRI, Washington DC

<sup>2</sup> Diyamett et al (2001) op. cit.

<sup>3</sup> Okali et al (2001) op. cit.

<sup>4</sup> Pedersen, PO (2003) *The implications of national level policies on the development of small and intermediate urban centres*, IIED, London

<sup>5</sup> Hoang Xuan Thanh (2002) *Rural-urban linkages in Vietnam – background paper on rural employment patterns and market mechanisms in Ha Nam province*, IIED, London

<sup>6</sup> Helmsing, AHJ (2001) *Partnerships, meso-institutions and learning: new local and regional economic development initiatives in Latin America*, Institute of Social Studies, The Hague, Netherlands

<sup>7</sup> Schmitz, H and K Nadvi (1999) Clustering and industrialisation: introduction, in *World Development* 27:9

and problems of common concern is essential for positive cluster development, and collective efficiency is the critical concept.

Emerging issues in the literature now identify trade networks that give access to non-local markets, and effective sanctions and trust as key elements for clusters to develop. In Indonesia, clusters are often located close to roads and rural centres, and traders and middlemen link producers to distant markets, provide materials and equipment, pass on essential technical information and offer advances for labour. In countries with poor infrastructure, weak information systems and cultures that place high value on face-to-face communication, geographical location is a key element of clusters.<sup>1</sup>

Much of the literature on industrial clusters in low- and middle-income countries draws from Asian and Latin American experiences and, while the consequences of clustering for inter-firm production and social relations and, ultimately, for sustained economic growth is extremely mixed, it is even more so for African nations (see Box 3.7). For example, growth can vary widely, from artisanal clusters serving only local markets to highly dynamic clusters with deep inter-firm division of labour, entering international markets. Moreover, clusters are internally differentiated and, in many instances, large firms emerge and have important roles, raising the issue of the need for vertical, as well as horizontal, integration.

### **Box 3.7 Limitations to cluster development in Africa**

The ability of small enterprises to achieve agglomeration economies through clustering (and therefore through collective efficiency or collective action) has been widely documented and discussed in the Latin American and Asian literature. In Africa, experiences have been generally much less impressive. There seem to be a number of reasons for this.

First, small African enterprises seem to cluster primarily to reduce the costs of attracting more customers. This, however, is done in a passive way, as there is no collaboration in marketing and most enterprises continue to sell directly from the workshop. Traders and middlemen are missing in these clusters, and so is their role in knitting together successful clusters and as agents of change.

Second, African small enterprises rarely specialise vertically. Enterprises specialise in specific products and cover the full production process. Exceptions are sharing large orders with other enterprises, although still covering the whole process, and renting out excess capital equipment capacity to other enterprises. The lack of vertical division of work is likely to be due to the often extreme market instability in which the small enterprises operate.

Third, successful Asian and Latin American clusters often comprise a whole town and include large and small enterprises, traders and service providers. African clusters are more narrowly described as small enterprise areas within a town, which limits access to new technology and larger markets – mirroring the limited interactions between large formal sector enterprises and small informal sector ones so common in Africa.

Source: Pedersen, PO (2003) *The implications of national level policies on the development of small and intermediate urban centres*, IIED, London

### **Key issues in non-farm employment in small and intermediate urban centres**

Empirical evidence shows that diversification of income sources is not a transitional phenomenon but, rather, a persistent one with great potential for poverty reduction. This

<sup>1</sup> Schmitz and Nadvi (1999) op. cit.; Weijland, H (1999) Microenterprise clusters in rural Indonesia: industrial seedbed and policy target, in *World Development* 27:9; McCormick, D (1999) African enterprise clusters and industrialisation: theory and reality, in *World Development* 27:9

means that while support is necessary for the development of non-farm activities, and especially that of small and medium-size firms which represent the majority of such activities, it is also important to ensure that at the same time, households are able to retain a foothold in farming. Indeed, diversification into commercial agriculture by wealthier urban residents suggests that farming as a secondary activity is an essential part of accumulation strategies.<sup>1</sup> The nature and form of non-farm activities depend on a combination of macro-economic environment at the international and national levels and local conditions, including governance. A pre-condition for the effectiveness of local governance is its integration with national planning. The key issues for policy are summarised as follows.

*Recognise the potential that often exists for forward and backward linkages with agriculture to support non-farm enterprises' activities.* There are often possibilities to stimulate regional economic growth and development through a closer linking of the non-farm sector to agriculture (especially particular high-value crops that have possibilities for local value-added), especially where agriculture remains the main occupation for much of the population. Far too little attention has been given to this in 'small and intermediate urban centre' policies, which tend to give little attention to agriculture. Farming and personal services, as well as simple consumer durables, should be an essential output of non-farm enterprises located in small urban centres.

*Ensure that small and micro-entrepreneurs have access to markets, to outside capital sources, to basic education and to essential technical knowledge.* Small and especially intermediate urban centres can be key providers of such services. However, different types of small enterprises have different requirements for policy support. For micro-enterprises, access to working capital is often key, while for larger enterprises non-financial constraints are often more critical, especially those relating to access to markets and marketing skills. Entrepreneurs' gender may also affect the type and needs of enterprise, and women may want to fit their business plan around domestic responsibilities.<sup>2</sup> Local policy-making and implementation is more likely than national planning to respond to the locally specific variety of needs, especially where local governance systems make local politicians and bureaucrats more responsive and accountable to local citizens.

*Respond to competition from larger and international firms by identifying local opportunities.* Globalisation and market liberalisation can negatively affect small and micro-enterprises that cannot compete with cheaper imported goods. Small and micro-enterprises usually do not have the capacity nor the information to identify bottlenecks and comparative advantages for the whole sector. Institutional support is therefore key to enabling them to better understand constraints and opportunities in local and non-local markets and, where possible and desirable, become better integrated in national and international supply chains.<sup>3</sup>

*Support trade and networking activities based in small and intermediate urban centres to encourage links between the local and rural economy and the national and global economies.* Traders are a vital link between farm and non-farm enterprises, and between local markets and national and external ones. They also often provide credit and technological advice to producers. Many small urban centres function primarily as market towns, but more support should be given to traders as agents of change rather than merely seeing them as exploiters of both producers and consumers.

*Ensure that natural resource management responds to the needs of both farming and non-farm activities.* In many instances, there is latent or even open conflict in the use of natural resources such as land and water for agriculture or for urban residential and non-farm

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<sup>1</sup> Bah et al (2003) op. cit.

<sup>2</sup> Rogerson, CM (2001) In search of the African miracle: debates on successful small enterprise development in Africa, in *Habitat International* 25

<sup>3</sup> Rogerson (2001) and Haggblade et al (2002) op. cit.

productive activities. Especially for small urban centres in the proximity of large urban conurbations, competition for natural resources can benefit large urban-based firms and higher-income residents at the expense of low-income 'rural' residents. For example, industries relocated in peri-urban areas can occupy agricultural land or discharge polluting effluents into water used for domestic and agricultural use by rural settlements and small urban centres.<sup>1</sup> Non-farm enterprises located in small and intermediate urban centres can also have a negative impact on the local environment. In China, in the mid-1980s, township and village enterprises were responsible for one-third of gas emissions, one-sixth of water pollution and one-sixth of solid wastes produced in the country.<sup>2</sup> In Vietnam, rural industrial zones are planned to facilitate small enterprises' access to infrastructure and environmental protection measures such as water treatment for weaving firms; however, there is a real risk that home-based micro-enterprises may not afford to move to these zones.<sup>3</sup> Local governments are in the best position to assess local needs and priorities and implement a wide range of initiatives to respond to them, provided they have the legitimacy, the resources and the capacity to do so.

### ***Small and intermediate urban centres and regional rural–urban migration***

One of the key potential roles of small and intermediate urban centres is that of attracting rural migrants from their surrounding region through demand for non-farm labour. This would increase local opportunities for income diversification and, at the same time, decrease pressure on larger national urban centres. But the credibility of this role has often been undermined by unrealistic government policies that seek this as an end, but without the policies to strengthen their economies that would actually make this happen.

Since migrants tend to move to centres where they have more chances of finding employment (and reasonably priced accommodation), flows towards small and intermediate urban centres are influenced by national macro-economic strategies and public investment patterns. In many nations, infrastructure and other basic facilities have been provided principally to areas which are judged to have high growth potential; even where they existed, explicit dispersal policies that were meant to support smaller urban centres were often undermined by spatial biases in macro-economic and sectoral policies, including trade, industrial and agricultural policies.<sup>4</sup> For example, the development of export-oriented industries, which are normally located close to major ports and large cities, function as major poles of attraction for migrants.<sup>5</sup> The impact of national policies on small and intermediate urban centres and regional development are discussed in more detail in Section 5.

It is also important to note that migrants are not usually the poorest groups, especially for long-distance migration. This is because moving requires resources: financial means are needed to pay for transport, and social networks are as, if not more, necessary to provide migrants with information on opportunities at destination and with a safety net during the first period there, including accommodation and learning new skills. Hence, the poorest rural residents tend to move locally or, at most, within the region.<sup>6</sup> Their destinations are often other rural areas, where they can sell their labour in agricultural work, often on a seasonal basis. In recent years, networks and demand from employers have stimulated international migration directly from the villages; for example, in northern Mali it is not

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<sup>1</sup> Benjamin, S (2003) *The role of small and intermediate centres around Bangalore: their impact on local economies, rural development, poverty reduction and pro-poor politics*, IIED, London; Okali et al (2001) op.cit.

<sup>2</sup> Kirkby et al (2000) op. cit.

<sup>3</sup> Hoang Xuan Thanh (2002) op. cit.

<sup>4</sup> Hardoy and Satterthwaite (eds) (1986) op. cit; Parnwell, M (1996) Introduction: uneven development in Thailand, in M Parnwell (ed) *Uneven Development in Thailand*, Avebury, Aldershot

<sup>5</sup> Hoang Xuan Thanh (2002) op. cit.

<sup>6</sup> Skeldon, R (2002) Migration and poverty, in *Asia–Pacific Population Journal*, December

unusual for men to move to West African coastal destinations several hundreds of kilometres away and, increasingly, to overseas destinations such as the Middle East and North African countries. Since this involves substantial financial costs, migrants tend to stay away for several years before returning home, which can result in labour shortages on their family farms.<sup>1</sup>

An essential pre-condition for migrants moving to small and intermediate urban centres within their region is the availability of employment, especially in non-farm sectors such as trade, services and manufacturing. Indeed, the growth of many such centres is historically linked to their role as market towns for the surrounding agricultural regions and, in many cases, this role also explains the economic and demographic decline of some towns (see Box 3.8).

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### **Box 3.8 The interlinked fortunes of a small town and its rural region in Côte d'Ivoire**

The town of Dimbokro, in Côte d'Ivoire's 'cocoa belt' was founded less than a century ago and developed out of 'sheer luck and political will'. It was first chosen by the colonial army as a stopover point on the way north; and despite the unhealthy location, it was selected as one of the very few railway towns while other, busier centres were not included in the network. In the 1940s, production of cocoa and coffee for export in the surrounding region transformed the small administrative district town into an important commercial crossroads busily involved in import–export activities. However, dependence on the plantation economy was the downfall of Dimbokro, when production moved towards the western 'frontier' and road transport replaced rail transport. After growing from fewer than 10,000 to over 31,000 inhabitants between 1956 and 1975, the population of the town stagnated in the following decade.

Source: Bredeloup, S (1997) Dimbokro, the typical Ivorian town or the absence of rural–urban interaction? in J Baker (ed) *Rural–Urban Dynamics in Francophone Africa*, Nordiska Afrikainstitutet, Uppsala

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Many small and intermediate centres show fluctuations similar to those of Diombokro, which underline their vulnerability to macro-economic changes or changes in transport systems. One of the reasons for demographic decline is that migrants stop moving to these urban centres, or indeed move out of them in search of better opportunities in more dynamic locations. However, the exact contribution of migration to urbanisation, including the growth of small and intermediate urban centres, is usually under-estimated. This is due in part to the fact that migrants may not be officially registered as urban residents, either because they consider their stay as temporary or because of administrative restrictions (the population of China's urban centres has long been under-counted because 'floating populations', who have no formal right to work there, are not included); and in part because the availability and reliability of national-level data for the calculation of estimates of the components of urban growth – natural growth, internal migration and reclassification – are limited. In many nations, population censuses do not include specific questions on movement.<sup>2</sup>

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<sup>1</sup> GRAD (2001) *Potentialités et conflits dans les zones peri-urbaines: la cas de Mopti au Mali*, Rural–Urban Working Paper 8, IIED, London

<sup>2</sup> Bilsborrow, R (1998) The state of the art and overview of the chapters, in R Bilsborrow (ed) *Migration, Urbanization and Development: New Directions and Issues*, UNFPA and Kluwer Academic Publishers

### **Factors affecting destination choices**

Despite these problems, migration is increasingly recognised as an essential component of the livelihoods of most households in low- and middle-income nations.<sup>1</sup> While migration can be considered as a household income diversification strategy involving the spatial movement of at least one of its members (with different individuals engaging in farm and non-farm activities in different locations), in some cases the choice of destination underlines the need to rely on both rural and urban resources in the same location. For example, research in sub-Saharan Africa suggests that movement of retrenched formal-sector workers from large urban centres to small and intermediate ones in the 1980s may have been determined by the better opportunities provided by less densely populated centres to combine urban and peri-urban agriculture with other urban-based non-farm occupations.<sup>2</sup>

Another recent significant transformation in migration patterns is the increase in the number of women, especially young unmarried ones, moving independently – that is, not following male relatives. In part, this is because of demand in ‘new’ sectors, such as export-oriented manufacturing firms and the growing service industry. The first are often located in major urban centres, hence migrants from rural areas by-pass local urban centres.<sup>3</sup> Demand for workers in the service industry is more evenly distributed across space, since it includes waitressing in local bars and restaurants (often major employers in small and intermediate urban centres, especially market towns) and work in international tourist resorts. This category also includes the ‘entertainment’ industry, often a euphemism for prostitution. Whatever the reality of the job, however, there is often a strong stigma attached to female employment in places which are mostly considered disreputable. As a result, many young female migrants tend to move to places further away from their home areas and avoid the local urban centres, so that they will not risk ruining their own and their family’s reputations.<sup>4</sup>

Gender also affects decisions to migrate from rural to urban areas for women who, through widowhood or separation, head their own households. For rural women who find themselves without a male partner, economic survival can be problematic since they usually have only limited access to land, and work in rural non-farm activities is often confined to the most marginal and low-paid sectors.<sup>5</sup> In Honduras, 26 percent of female heads of households in urban *barrios* are migrants who arrived in the cities alone with their children. Young, separated women find it most difficult to survive alone financially in rural areas since, on separation, rights to land tend to remain with men. Their main options are thus to move to areas with better non-farm employment opportunities or return to live with their parents as embedded sub-families, if resources are sufficient.<sup>6</sup> This does not exclude migration to the local urban centres, provided local non-farm work opportunities exist. In Biharamulo, a small urban centre with a population of 20,000 in northwestern Tanzania,

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<sup>1</sup> For a comprehensive review of the literature, see de Haan, A (1999) Livelihoods and poverty: the role of migration. A critical review of the migration literature, in *Journal of Development Studies* 36:2

<sup>2</sup> Songsore, J (2000) *Towards a better understanding of urban change: the Ghana case study*, IIED, London; for Tanzania, Bryceson, D (1997) De-agrarianisation in sub-Saharan Africa: acknowledging the inevitable, in Bryceson and Jamal (eds) op.cit.

<sup>3</sup> Afsar, R (1999) Rural–urban dichotomy and convergence: emerging realities in Bangladesh, in *Environment and Urbanization* 11:1

<sup>4</sup> Ouedraogo, J-B (1995) The girls of Nyovuuru: Dagara female labour migration to Bobo-Dioulasso, in J Baker and T Akin Aina (eds) *The Migration Experience in Africa* Nordiska Africainstitutet, Uppsala; Chant, S and C McIlwaine (1995) *Women of a Lesser Cost: Female Labour, Foreign Exchange and Philippine Development*, Pluto Press, London; GRAD (2001) and Diyamett et al (2001) op.cit.

<sup>5</sup> Seppala, P (1996) The politics of economic diversification: reconceptualizing the rural informal sector in south-east Tanzania, in *Development and Change* Vol 27

<sup>6</sup> Bradshaw, S (1995) Female-headed households in Honduras: perspectives on rural–urban differences, in *Third World Planning Review* 17:2

almost 30 percent of urban households are headed by women, compared with only 7 percent in the surrounding villages.<sup>1</sup>

Other considerations affect the choice of migration destinations and are also closely related to the different priorities of different groups. In Mexico, the migration of middle-class households from Mexico City to intermediate urban centres is explained as a response to both increased economic opportunities for skilled workers, following the relocation of many firms, and to negative perceptions of the capital city's environmental conditions and air pollution levels. By contrast, low-income households' concerns with access to land and home ownership, which may be more easily achieved in some peri-urban settlements of large urban centres, eclipses any other environmental perceptions, and movement continues to be directed largely towards the capital city.<sup>2</sup> Indeed, particularly in Latin America, spatial control by planners and local élites can be much tighter in small and intermediate urban centres than in larger ones, and informal settlements and alternative land use by the urban poor may not be tolerated (see Box 3.9).

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### **Box 3.9 The impact of accommodation restrictions on poor migrants in Brazil's central region**

Brazil's medium-size urban centre of Rio Verde is located in the agri-business central region. While the growth of the centre has attracted many white-collar, middle-class workers from larger urban centres, the majority of migrants are expelled tenant farmers struggling to find local housing and employment. Since the early 1980s, with increasing urban growth and competing demands for urban space from middle-class migrants, local authority officials have introduced restrictions on the size of plots and the ways in which the land can be used in low-income housing projects. This negatively affects residents' opportunities for diversification through renting, secondary housing, small shops or restaurants, subsistence plots or orchards.

Source: Chase, J (1997) Managing urban settlement in Brazil's agro-industrial frontier, in *Third World Planning Review* 19:2

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### **Employment in small and intermediate urban centres, migration and mobility**

Whether migrants move to small and intermediate urban centres rather than to larger cities depends on the income-generating opportunities (both 'formal' and 'informal') available locally and on the reasons why migrants move in the first place. In areas where tenant farmers and smallholders are expelled from rural areas because of increasing concentration of land in large, mechanised commercial farms, migrants tend to come from the surrounding region essentially because they often lack the networks and financial means to reach larger, more distant urban centres. A comparative study of migrants in three small and medium-size urban centres in northern Mexico, Costa Rica and Bolivia shows that migrants from the surrounding rural areas, who have limited skills and education, are overwhelmingly concentrated in low-skilled and low-income occupations – hence they have little job stability, limited purchasing power and lack the propensity to save. These very poor migrants have recently arrived in the urban centres and several members of their households engage in a variety of income-generating activities, often more than one in the case of adults. By contrast, these towns also attract a significant group of professional migrants coming from other urban centres, and whose presence in

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<sup>1</sup> Baker, J (1995) Survival and accumulation strategies in the rural–urban interface in north-west Tanzania, in *Environment and Urbanization* 7:1

<sup>2</sup> Izazola, H, C Martinez and C Marquette (1998) Environmental perceptions, social class and demographic change in Mexico City: a comparative approach, in *Environment and Urbanization* 10:1

small and intermediate urban centres is part of a career path, usually as employees of large private and parastatal firms who run branches in such centres.<sup>1</sup>

While low-income rural households who lose their farming assets and have no access to alternative income-generating activities have little option but to move to urban centres, in most cases rural residents prefer to live in their home villages and benefit from the opportunities provided by the local urban centres by increasing their mobility.<sup>2</sup> This, of course, requires the availability of affordable transport. In southeast Nigeria, low-income people commute regularly from the villages to the intermediate town of Aba to work as domestic workers, gardeners and so on.<sup>3</sup> This allows them to grow their own food and generally to spend less cash than they would need to by living in the town. Commuting also helps avoid labour shortages during specific times in the farming season, which are often associated with migration.<sup>4</sup> In China, research in Jiangsu Province in the mid-1980s showed that although the change in migration regulations attracted migrants to small towns, especially from within a small radius, the number of commuters was more important than the number of those who had actually moved. Daily commuters from the surrounding rural villages accounted for up to 43 percent of the daytime urban population.<sup>5</sup>

Better transport facilities are a key element of livelihood strategies based on diversification of activities and reliance on both rural and urban resources. The latter is such an important aspect of how poor groups reduce their vulnerability that poverty reduction policies should focus primarily on increasing the opportunities for diversification. Recent research on mobility in Uganda and Zimbabwe suggests that while planning should include far greater attention to access to services, work and basic needs where people reside, thus cutting down on time-consuming, energy-draining and disruptive movement, there is also a need for more sensitivity in addressing the mobility needs of poor groups. Since low-income groups tend to move primarily by walking, this should include the construction and maintenance of dedicated safe walking paths; moreover, efforts should be made to lower the cost of public transport to increase access to poor groups, with local authorities preventing the development of monopolistic or oligopolistic conditions within public transport services.<sup>6</sup>

### ***Conclusions: the role of small and intermediate urban centres in equitable regional development and poverty reduction***

This section suggests a considerable potential role for small and intermediate urban centres in regional and rural development – and this will be further amplified in Section 4, which discusses their role as centres for public service provision. However, their capacity to trigger equitable regional development – that is, balanced across different regions and benefiting all groups – is much influenced by the region's internal characteristics (including the natural resource base, population density and infrastructure), land ownership patterns and economic, social and cultural transformations at the local, national and international levels. At the international level, the positive role of small and intermediate urban centres is supported by access to international markets for small and medium-size producers, with stable commodities prices; and by foreign investment that supports local production and imports that do not compete with locally produced goods. At the national level, important

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<sup>1</sup> Beneker, T, P van Lindert and O Verkoren ((1997) Migrant-native differences in the labour markets of Latin American towns, in P van Lindert and O Verkoren (eds) *Small Towns and Beyond – Rural Transformation in Small Urban Centres in Latin America*, Thela Latin American Series, Amsterdam

<sup>2</sup> Baker (1995) op. cit.

<sup>3</sup> Okali et al (2001) op.cit.

<sup>4</sup> GRAD (2001) op. cit.

<sup>5</sup> Kirkby et al (2000) op. cit

<sup>6</sup> Bryceson, DF, DAC Maunder, TC Mbari, R Kibombo, ASC Davis and JDGF Howe (2003) *Sustainable livelihoods, mobility and access needs*, TRL, London; Lerise et al (2001) op. cit. on transport monopolies in southern Tanzania

factors include a not too unequal distribution of and access to land; regionally balanced growth strategies, including satisfactory provision of infrastructure, credit facilities and advisory and training services for small and medium-size producers (both in agriculture and in trade and manufacturing); and basic service provision reaching small and intermediate urban centres, adapted to local needs. They also include revenue support to local governments (smaller urban centres' potential to attract new investment being considerably influenced by the competence of its government) and a regulated institutional structure of markets that restricts monopolistic and oligopolistic practices.

At the local level, governance that is accountable and with adequate resources and capacity is essential to identifying local needs and priorities and responding to them. This includes supporting forward and backward linkages between agriculture and services and industry located in local urban centres; and the regulation and management of local natural resource use.

Most successful small and intermediate urban centres have developed when most of these conditions were present, although of course there are also many cases of such centres growing in contexts which can be described as exploitative of the surrounding rural region. These centres are usually more vulnerable to the vagaries of international markets, and in many cases suffer economic and demographic decline after periods of growth. However, even successful small and intermediate urban centres may not play a significant role in poverty reduction unless specific attention is given to the needs and priorities of poor and vulnerable groups.

With regard to **small and intermediate urban centres' role as markets for agricultural produce**, it is certainly true that access to markets is essential for small-scale farmers. However, this could remain limited to very low-level transactions unless farmers are able to respond to demand from urban-based consumers (and traders). This implies stable access to natural resources (land and water), labour, financial resources and affordable agricultural inputs. Small and medium-scale traders often play a crucial role in collecting and channelling produce from diverse and often geographically dispersed small farms; in many cases, they are also a major source of credit and information for small farmers. But small traders are often ignored or viewed with suspicion by policy-makers, and the lack or limitation of affordable transport and storage facilities make them especially vulnerable to losses.

Small and intermediate urban centres' role in **the distribution of goods and services to their rural region** only becomes significant where there is a broad-based demand, that is where the income levels and purchasing power of the region's population are sufficiently high and stimulate local production, trade and services. Where incomes are low, households tend to combine several activities in their visits to urban centres, which means that small centres are often by-passed in favour of larger towns that offer a wider range of goods and services. Moreover, in regions with highly skewed income distribution, demand from the wealthy few also tends to by-pass local centres, since these cannot provide the specialised goods and services demanded by this group.

**Livelihood diversification and non-farm activities** are important for all income groups, although a useful distinction is that between the wealthier households who diversify for accumulation and the poorer individuals or households who diversify as part of their survival strategies (often because they have lost their job or income source in agriculture). As a result of rising cash needs and of generally declining revenues from farming, income diversification into non-farm activities is increasingly significant in rural settlements, especially among younger generations and often (although not always) revolving around local urban centres. Especially where the majority of the region's population remains involved primarily (but not only) in smallholder agricultural production, non-farm activities based on forward and backward linkages with agriculture are more likely to stimulate

regional growth and to benefit all groups. It is also important to ensure that small and micro-enterprises, where low-income groups concentrate, have access to markets, outside capital sources, basic education and technical knowledge, and are given institutional support to identify local opportunities that enable them to respond to competition from imports. And finally, since the diversification of income sources is so important in the livelihoods of poor and vulnerable groups, it is crucial to ensure that they have access to opportunities both in farming and in non-farm activities – and, in many cases, this involves careful management of natural resources by local governments, for example by making sure that land and water are not allocated to residential and industrial use at the expense of farming.

**Regional rural–urban migration** often concentrates in small and intermediate urban centres, although there are many exceptions to this. Since migration requires financial and social resources (migrant networks), it is usually the poorest groups who move locally. Small and intermediate urban centres are able to attract rural migrants if they offer employment opportunities – although the poorest rural migrants usually also have limited education and skills other than farming, and end up in the lowest-paid urban jobs. Constraints on accommodation in local urban centres can severely limit poor migrants' ability to diversify their income sources, for example through subsistence agriculture and home-based income-generating activities. Many rural residents (from both higher- and lower-income groups) prefer to commute into town rather than move, as this helps retain a foothold in farming. Where distances between rural settlements and local urban centres are not too great, investment in transport facilities that respond to the needs of low-income groups are likely to benefit them by increasing their options, and will to some extent reduce pressure on small and intermediate urban centres – and by extension on larger towns and cities.

The last 10 to 15 years have brought recognition of the multiple deprivations that most of the urban poor face; also of the limitations of definitions of poverty based only on consumption or income.<sup>1</sup> Figure 4.1 illustrates the many immediate (local) influences on the scale and nature of poverty.

**Figure 4.1: Immediate external causes or influences on urban poverty**

IMMEDIATE EXTERNAL CAUSES	Incompetent or ineffective government agencies and inappropriate land use controls	Homes built on illegal and often dangerous sites; better-quality housing and serviced lots too expensive	Lack of credit available to low-income groups to support land purchase and house-building	IMMEDIATE EXTERNAL CAUSES	
No institution providing survival income if income source is lost or falls	<p>The diagram features a central circle with the text "POVERTY IN URBAN AREAS". Surrounding this circle are several text boxes representing different causes and influences. On the left side, there are boxes for "Limited or no safety net", "Inadequate and often unstable income and high prices paid for many necessities", and "Limited household asset base". On the right side, there are boxes for "Lack of infrastructure and services causing very large health burden", "Lack of legal and police protection/ rule of law and citizen rights", and "Absence of 'rule of law' and of support for poor realising their civil and political rights and entitlements".</p>	Poor quality and often insecure, hazardous and overcrowded housing	Lack of infrastructure and services causing very large health burden	Households living in illegal settlements where utilities or service providers refuse to operate	
Debt repayments reducing available income					Service providers unaccountable and/or un-influenced by democratic pressures
Dangerous jobs undertaken because of higher incomes – high risks of injury/illness					Inefficiency or incapacity of utilities or providers
Income lost to illness and injury (and treatment costs)					Incompetent, ineffective or anti-poor police force
Economy producing little opportunity for better incomes					High levels of violence and other crimes
Health risks from undernutrition and cheaper foods, fuels and water					Absence of 'rule of law' and of support for poor realising their civil and political rights and entitlements
High/rising prices for necessities (food, water, rent, schools, transport.....)					
IMMEDIATE EXTERNAL CAUSES	Short-term survival limiting asset-building (e.g. children taken out of school to earn)	Asset base constantly eroded through coping with illness and other stresses and shocks; limits of reciprocity	Lack of collateral to allow purchase of land or obtain credit	IMMEDIATE EXTERNAL CAUSES	

There is also recognition that many of these deprivations have little or no link to income levels. For instance, many relate far more to the incompetence and incapacity of local governments or other bodies to provide infrastructure and services in a cost-effective manner. Those deprivations associated with poor quality and insecure housing often relate to the failure of local governments to remove constraints on the development of land for housing. Most of the deprivations suffered by poorer citizens also relate to the failure of

<sup>1</sup> Mitlin, Diana and David Satterthwaite (2001) Urban poverty: some thoughts about its scale and nature and about responses to it, Chapter 12 in Shahid Yusuf, Simon Evenett and Weiping Wu (eds), *Facets of Globalization; International and Local Dimensions of Development*, World Bank, Washington DC, pages 193–220

local governments to ensure that they are served by the rule of law, that political systems and bureaucratic structures are accountable, and that poorer groups' voice has influence.

In most small and intermediate urban centres in Africa, Asia and Latin America, urban poverty is linked not only to inadequate and often unstable incomes but also to poor quality and often overcrowded homes, lack of infrastructure and services, and limited asset bases. Figure 4.1 highlights how many factors can influence the scale and nature of urban poverty; of course the relative importance of the different deprivations will vary greatly from urban centre to urban centre and between different groups in each urban centre. So too will the relative importance of the causes listed; and obviously, not all the deprivations exist for all poor urban populations.

It is also important to be clear as to how and why urban poverty often differs from rural poverty, for instance in terms of:

- what mix of assets best serves poor households in reducing their vulnerability to shocks and stresses;
- the environmental health risks low-income households face (and the quality and form of infrastructure and service provision that are needed to reduce these risks);
- what factors explain the exclusion of low-income households from infrastructure and services essential for health and development – for many rural dwellers, it is distance, for many urban dwellers it is exclusion for economic, social or political reasons; and
- the extent and nature of the influence of 'good' or 'bad' governance on poverty.

**Figure 4.2: The rural–urban continuum**

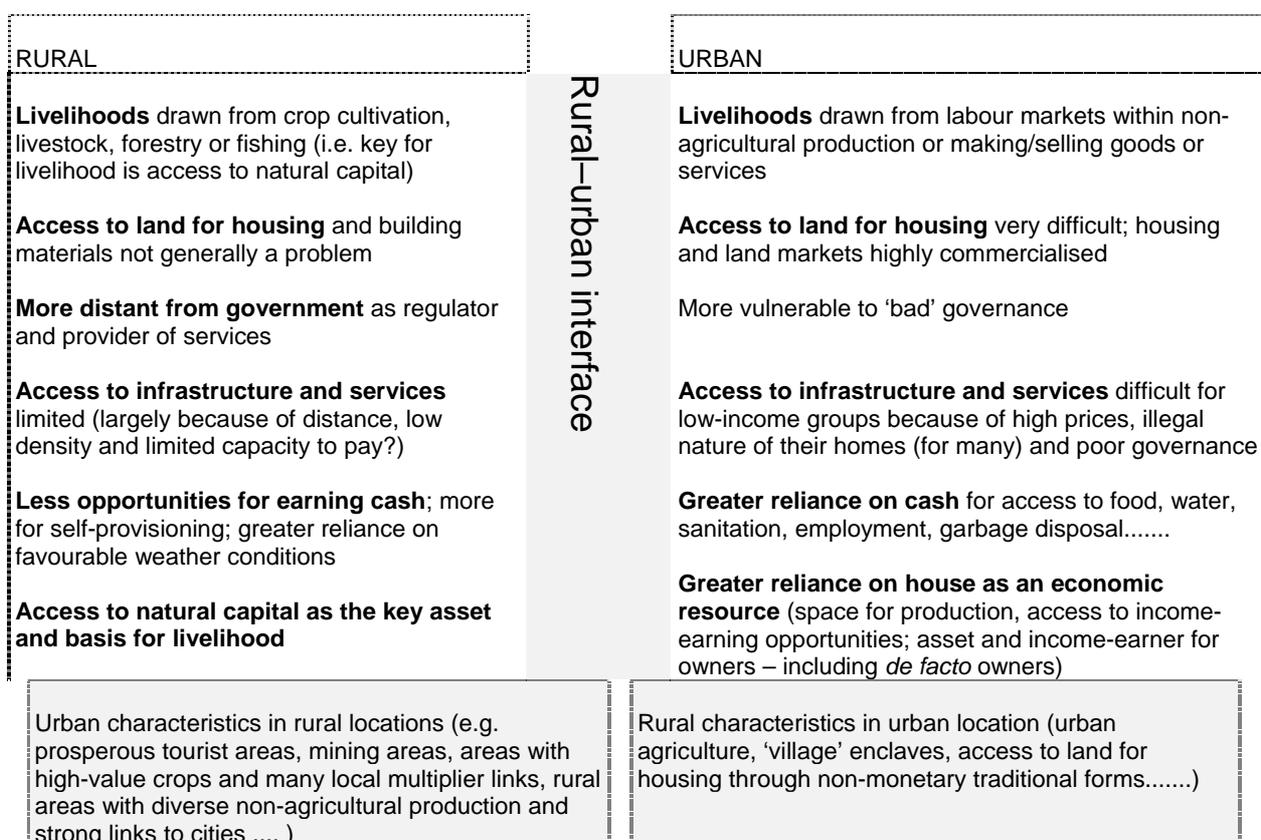


Figure 4.2 highlights the main differences between rural and urban areas that are relevant to understanding poverty. Perhaps the most important difference is in the basis for livelihoods – which, in rural areas, depends more on access to land and/or water (for crop

cultivation, livestock, forestry or fishing) whereas in urban areas, it depends on finding an adequately paid job or source of self-employment. But the characteristics listed under each column in Figure 4.2 are two ends of a continuum. As described in Section 3, many rural settlements have households that rely on non-agricultural jobs, and non-agricultural employment opportunities may be very important for reducing rural poverty. In many nations, landless labourers are also among the poorest of the rural poor and these also require better income-earning opportunities, just like the urban poor. Meanwhile, most urban areas have some rural characteristics – for instance, the importance of urban agriculture for many low-income urban households. In addition, in the middle of this continuum between ‘rural characteristics’ and ‘urban characteristics’ is a ‘rural–urban’ interface in which these rural and urban characteristics are mixed.

### ***Income poverty and smaller urban centres***

We found few studies that examined poverty in smaller urban centres or how it varied within urban systems. Among these studies, there is some evidence that poverty is higher in the smaller urban centres than in larger urban centres. But this may be due more to the lack of sophistication in poverty measurements – for instance, the failure to adjust income-based poverty lines to the variations in the income needed to avoid poverty between different urban centres. The costs of many necessities such as housing, water, sanitation and getting to and from work are generally higher in large cities than in smaller urban centres (and rural areas); the costs of keeping children at school and health care may also be higher.<sup>1</sup>

A World Bank study in Bolivia notes that the proportion of poor people is higher in small towns (two-thirds of the population) than in big cities (50 percent of the population).<sup>2</sup> Data in this study suggest that 21.6 percent of the population in the larger cities and 30.9 percent in smaller towns are ‘extremely poor’. Similar findings were reported in a study of urban poverty in Côte d’Ivoire using five (varied) household surveys between 1985 and 1998.<sup>3</sup> They suggest that the incidence of poverty (US\$ 1 per day) was 1.2 percent in Abidjan in 1998 and 10 percent in other cities. The authors conclude ‘... *the incidence of poverty was always higher in other urban centres than in Abidjan whatever the chosen year.*’<sup>4</sup> (Perhaps the differentials in the proportion of people suffering from income poverty between Abidjan and other urban centres would have been less if account had been taken of the differentials in the income level needed for necessities. It is also clear that far more than 1.2 percent of Abidjan’s population live in very poor quality housing lacking basic services, which raises the issue of the validity of this poverty measure for Abidjan.)

### ***Provision of services to local populations***

Most of the population in low- and middle-income nations (and high-income nations) depend on goods and services obtained in small and intermediate urban centres – including access to goods from retail stores, access to service enterprises and access to public services and facilities (e.g. for health, education and government services). These centres not only serve their own populations but also generally act as service centres for surrounding rural populations. Thus, the quality of education and health care for much of the urban population and most of the rural population depends on the quality of provision in small and intermediate urban centres. Primary schools and health care clinics may be (and probably should be) available in rural locations to best ensure universal coverage, but most secondary schools and higher-education institutions and most hospitals and more

<sup>1</sup> Mitlin and Satterthwaite (2001) op. cit.

<sup>2</sup> World Bank (2002), *Bolivia Poverty Diagnostic 2000*, Washington DC.

<sup>3</sup> Grimm, Michael, Charlotte Guenard and Sandrine Mesple-Soms (2002), What has happened to the urban population in Cote d’Ivoire since the 1980s? An analysis of monetary poverty and deprivation over 15 years of housing data in *World Development* 30:6.

<sup>4</sup> Ibid, p 1075

specialised medical services are located in small and intermediate urban centres. Small and intermediate 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 (including political voice). These are issues that often get lost or ignored in the arguments between 'rural' and 'urban' specialists. There is not necessarily an urban bias in having most secondary schools, higher-education institutions, hospitals and government offices in urban areas if most of these are in smaller urban centres and serve both rural and urban populations.

The current and potential role of small and intermediate urban centres for improving service provision for rural populations is obviously a key issue for governments and international agencies – and one whose importance is considerably increased, if there is a commitment to meeting the targets of the Millennium Development Goals. According to these goals, development now has to:

- ensure universal primary education;
- greatly reduce child mortality (reducing under-five mortality by two-thirds between 1990–2015);
- greatly reduce maternal mortality (reducing it by three-quarters between 1990 and 2015);
- halve the number of people without safe drinking water, adequate incomes and food intakes by 2015 compared to 1990;
- significantly improve the lives of at least 100 million slum dwellers and increase the proportion of people with good quality sanitation; and
- halt and begin to reverse the spread of Aids, malaria and other major diseases.

A very considerable part of the measures needed to achieve these will have to be in small and intermediate urban centres, in part to serve their populations, in part to serve the rural populations in their surrounds.

### ***The inadequacies of official information and data-gathering systems***

Official national statistical services produce remarkably little information that is useful for local policy-making and planning. For most small and intermediate urban centres, there is little or no official information available about housing conditions, the adequacy of livelihoods and safety nets, the quality of police and legal protection for low-income groups, and the extent of 'voice' permitted to local citizens – as well as little or no information about all the immediate causes of the deprivations that are listed in Figure 4.1.

There is also remarkably little information about how provision for infrastructure and services varies within national urban systems. Most of the information on the quality and extent of infrastructure and service provision is given only for 'urban areas' and 'rural areas' – in large part because international agencies have tended to support household surveys based on representative samples of national populations rather than on censuses or local government-generated information systems. If there is an interest in improving basic service provision and in identifying where provision is worst, there is not much point in a household survey establishing that 63.4 percent of rural dwellers and 48.6 percent of urban dwellers lack safe, sufficient water supplies or access to health care, if it does not identify where these people live. The demographic and health surveys cannot provide information that is useful for local policy. They can be analysed to provide some idea of how infrastructure and service provision varies between different size-classes of urban centres (as summarised later) but not where these urban centres are. We suspect that the same is true for the Living Standards Measurement Surveys; they, like the Demographic and Health Surveys are essentially intended as supports for national policies and they do not provide information that is useful for local governments. There may have been recognition that far more attention is needed to supporting the capacity and competence of local government, but the information and statistical services of governments and the

information-gathering that international agencies support have not adjusted to this recognition. In addition, in most nations, census data is still not processed to serve local government needs.<sup>1</sup> Despite the fact that censuses can provide detailed and accurate data of use to local governments – i.e. which households, streets and districts in their jurisdiction lack provision for water and sanitation and have poor quality housing – in most nations, local governments never get census data in a form that allows its use for this purpose. Small-area data from censuses is rarely made available to local governments.

### ***Urban bias, large-city bias or middle-income household bias?***

We suspect that if there were a stronger information base about who has access to those forms of infrastructure and services that are critical determinants of health (e.g. provision for water, sanitation, health care, emergency services) and a stronger information base related to health outcomes (for instance, infant and child mortality rates, life expectancies, nutritional status), we would find that the urban populations in small and intermediate urban centres would generally be worse off than the urban average.

Indicators of health determinants or outcomes will generally be better for urban populations than for rural populations in low- and middle-income nations because most middle- and upper-income groups (and most of those with most political power) live in urban areas. This does not mean that indicators for health determinants or outcomes will be better for (say) the poorest half or poorest fifth of the urban population when compared to the poorest half or fifth of the rural population. Among many low-income nations and some middle-income nations, the differentials between rural and urban populations in infant and child mortality rates are not very large – see, for instance, Table 4.1. Indicators of health determinants or outcomes ‘for all urban areas’ can also disguise how bad conditions are in smaller urban centres. To illustrate this, we have reviewed all the information we could find on provision for water and sanitation in small and intermediate urban centres – as described in the sections below. This shows that the quality and extent of provision for water and sanitation is generally much worse in smaller urban centres – although in nations where provision for water and sanitation has improved considerably and urban systems are more decentralised, there are smaller cities in the wealthier regions that can have very good levels of provision. For instance, in Brazil, the populations of some of the wealthier smaller cities in the southeast are better served with water and sanitation than those in some of the larger cities in the northeast.

**Table 4.1: Comparing rural and urban under-five mortality rates**

Nation and year of survey	Under-five mortality rate		
	Urban	Rural	Urban as % of rural
Chad 1996/97	200	216	0.93
Zambia 1996	182	216	0.84
Malawi 2000	154	189	0.81
Tanzania 1999	147	173	0.85
Eritrea 1995	133	166	0.80
Mauritania 2000/01	115	124	0.93
Bangladesh 1999/2000	98	116	0.84
Gabon 2000	91	102	0.89
Kenya 1998	90	112	0.80
Namibia 1992	88	97	0.91
Paraguay 1990	58	69	0.84
Uzbekistan 1996	52	58	0.90
Peru 2000	46	49	0.94

<sup>1</sup> Navarro, Lia (2001) Exploring the environmental and political dimensions of poverty: the cases of the cities of Mar del Plata and Necochea-Quequén, *Environment and Urbanization* 13:1, pages 185–199

### ***Provision for water and sanitation in small and intermediate urban centres<sup>1</sup>***

There is far more documentation on provision for water and sanitation in large cities than in smaller cities or in the urban centres that are too small to be considered as cities.<sup>2</sup> As noted in Section 2, most of the world's urban population does not live in large cities. In 2000, three-fifths of Africa's urban population and half of Asia's urban population lived in urban centres with fewer than half a million inhabitants.

All urban centres (whether large or small cities or urban centres too small to be called cities) need:

- water supply systems that draw on protected water sources, ensuring that uncontaminated water is easily available to all households (preferably through connections to homes or yards but if not, then to nearby standpipes); and
- provision for the disposal of household and human wastes (including excreta, household wastewaters, storm and surface runoff and solid wastes).

The limited range of available statistics suggest that, in general, within low- and middle-income nations, the larger the city, the higher the proportion of the population with water piped to their home or yard and with connections to sewers – although many cities in Africa and Asia do not have any sewers. This was shown in an analysis of service provision in urban areas of 43 low- and middle-income nations drawn from Demographic and Health Surveys – see Box 4.1. The variations in provision between urban centres of different size-classes is less dramatic for water in the home (Figure 4.3) than for flush toilets (Figure 4.4) and, in sub-Saharan Africa and Asia, urban centres with fewer than 100,000 inhabitants apparently have a higher proportion of their population with water in the home than the largest cities. For flush toilets, in all regions, urban centres with fewer than 100,000 inhabitants have the lowest proportion of their population served. Drawing from all the studies, less than two-fifths of the inhabitants of urban centres with fewer than 100,000 inhabitants have flush toilets, compared to 70 percent for cities with 1–5 million inhabitants and more than 80 percent for cities with 5 million+ inhabitants. Figure 4.4 is also a reminder of how small a proportion of the urban population in Africa has access to flush toilets.

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#### **Box 4.1 Availability of water in the home and flush toilets for rural areas and urban areas by size-class**

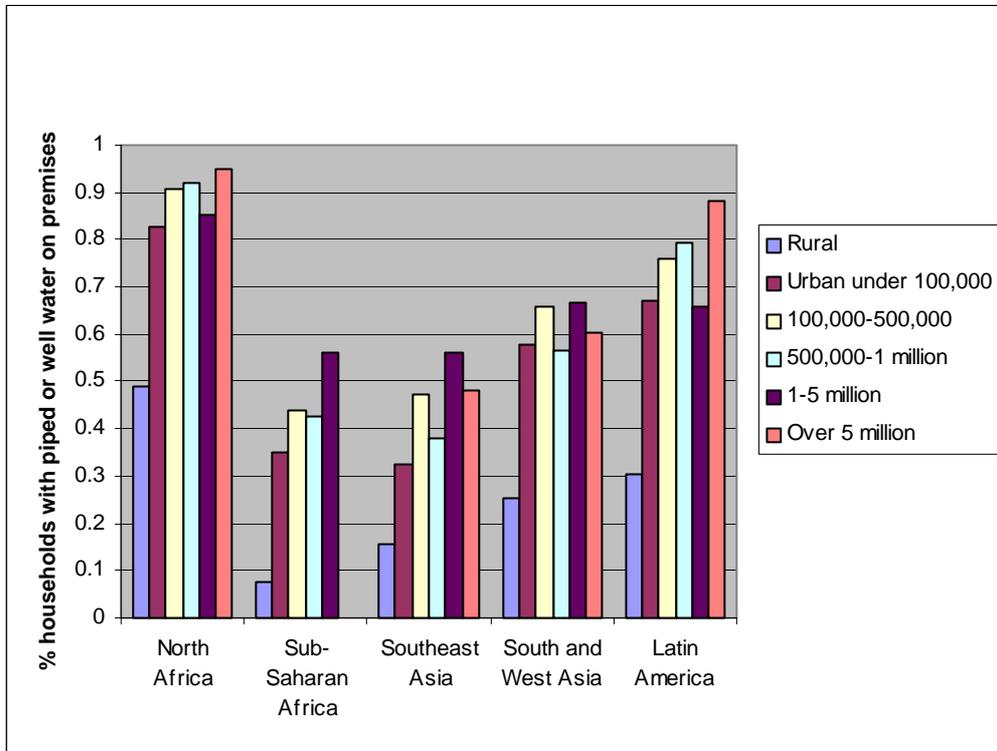
The Demographic and Health Surveys have limited data on geographic identifiers, but it was possible to analyse their data on service provision grouped within five categories, namely rural areas and four categories of urban area (urban areas under 100,000 inhabitants; 100,000–499,999; 500,000–1 million; 1–5 million; and above five million). Figure 4.3 shows the variation in water piped to people's home, with Figure 4.4 showing the variation in the availability of a flush toilet.

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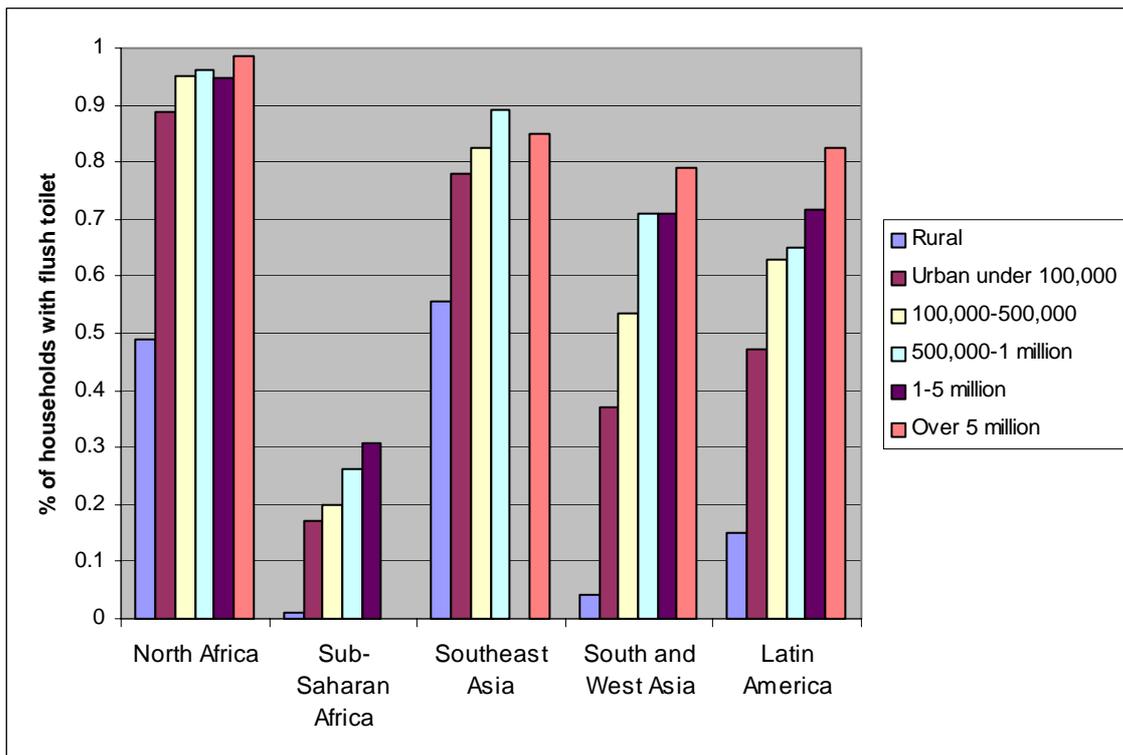
<sup>1</sup> This section draws on work the authors undertook with Gordon McGranahan in preparing UN-Habitat (2003) *Water and Sanitation in the World's Cities; Local Action for Global Goals*, Earthscan, London

<sup>2</sup> The proportion of people living in cities is also considerably smaller than the proportion living in urban centres, as a significant proportion of the urban population lives in urban centres too small to be called cities (because they lack the size and the economic, administrative or political status that being a city implies) There is no agreement as to what characteristics an urban centre should have to be classified as a city

**Figure 4.3: Water in the home for different size-classes of cities**



**Figure 4.4: Flush toilets for different size-classes of cities**



Source: Hewett, Paul C and Mark R Montgomery (2002) *Poverty and Public Services in Developing Country Cities*, Population Council, New York, 62 pages

In many nations, especially those where there have been improvements in provision for water and sanitation in recent years, many smaller urban centres in wealthier regions may have better provision than larger urban centres in poorer regions. Box 4.2 shows how provision for water and sanitation varies by size of urban centre in Brazil. It shows how, within each region in Brazil, provision is generally better the larger the city, but with less difference between provision in larger and small urban centres in the wealthier regions.

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**Box 4.2 Differences in provision for water and sanitation according to the population size of the urban centre in Brazil**

In general, in Brazil, the larger a city's population, the higher the proportion of households with piped water and the greater the likelihood that the water is treated. Only 46 percent of households in municipalities with fewer than 20,000 inhabitants have access to a general water network system, and smaller municipalities are also less likely to have water treatment plants. Fourteen percent of Brazil's population live in municipalities with fewer than 20,000 inhabitants.

The larger a city's population, the greater the proportion of households with connection to sewers, although in the wealthier regions, the disparities between large and small cities are much less. Forty-eight percent of municipalities in Brazil have no sewers – with a clear pattern of disadvantage in the poorer regions and among the smaller urban centres. On average, municipalities with more than 300,000 inhabitants have almost three times as many households connected to sewers than municipalities with fewer than 20,000 inhabitants. In the southeast, 59 percent of households in municipalities with 300,000 or more inhabitants have sewer connections compared to 42 percent of households in municipalities with fewer than 20,000 inhabitants. In the northeast, municipalities with 300,000 or more inhabitants have 3.4 times more households with sewer connections than municipalities with fewer than 20,000 inhabitants; in the centre-west, there is a twenty-fold difference.

Source: Jacobi, Pedro (2002) *Management of urban water and sanitation in Brazil*, Background Paper prepared for UN-Habitat

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Detailed case studies of water and sanitation in particular small urban centres confirm that provision is generally very inadequate – although there are relatively few such case studies, especially in relation to the number of such small urban centres in low- and middle-income nations. Box 4.3 provides some examples of provision in different urban centres in Africa, and also illustrates the lack of any capacity by local authorities to ensure adequate provision for water and sanitation. A review of provision for water in small towns in Africa highlighted that these generally have several different water supply systems co-existing, and sometimes competing, with each other – for instance, mechanised supplies (generally, boreholes with motorised pumps supplying water to elevated storage tanks attached to a limited distribution system of public tap stands, sometimes coupled with cattle troughs and individual house connections) plus water drawn from tapped and protected springs or other (often distant) sources.<sup>1</sup>

It is interesting to note how few of the population (or, in some instances, none of the population) have access to a piped water system in Mbandjock, Aliade, Igugh, Ugba, the smaller towns in Mwanza Province and two of the three towns in Benin. In Kumi and

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<sup>1</sup> Moriarty, PB, G Patricot, T Bastemeijer, J Smet and C Van der Voorden (2002) *Between Rural and Urban; Towards Sustainable Management of Water Supply Systems in Small Towns in Africa*, International Water and Sanitation Centre, Delft

Wobulenzi in Uganda, most of the population has access to a piped supply, but through water kiosks where the water is expensive. Among 47 small towns in Matam Department in Senegal with between 2,000 and 15,000 inhabitants that are part of a water management support programme, the typical water supply system is a borehole with a motorised pump and a piped network with between 5–20 standposts and one or two cattle troughs.<sup>1</sup> A review of 25 small urban centres in two districts of northern Darfur in the Sudan pointed to comparable systems: boreholes equipped with diesel-powered pumps supplying water to elevated storage tanks with a limited distribution system of standpipes.<sup>2</sup>

Most small cities and urban centres in Africa have no public provision for sanitation. This means not only no sewer system but also no public system to serve a population reliant on pit latrines – for instance, no service to advise on pit latrine construction (so that they function effectively and do not pollute groundwater) and no equipment to empty them. It is also clear from the case studies summarised in Box 4.3 that it is common for a significant proportion of all households to have no latrine. What case studies of such centres make clear is local authorities' lack of any investment capacity for installing or expanding basic infrastructure, and the inadequacy of the basic infrastructure and equipment. Even when some capital investment has taken place, the capacity to manage or maintain it is often very limited. For instance, even though two of the smaller towns in Mwanza region in Tanzania had a network of pipes in place and functioning piping stations, water was rarely delivered to the network because the fuel allocation could only meet the requirements of a few weeks operation per year.<sup>3</sup>

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#### **Box 4.3 Examples of provision for water and sanitation in small African urban centres**

**KUMI (Uganda):** Kumi town is the capital of Kumi District, with a population estimated at 17,000 inhabitants in 2000. The town's water supply comes from boreholes and pumps, plus overhead tanks feeding a piped distribution network with public kiosks (at the time of the study there were 15 kiosks but two were closed from lack of operation) and a few household connections. In February 2000, water was available for two hours a day. Virtually all households are reliant on water kiosks or water vendors. Around 60 percent of households have pit latrines and there are two public pit latrines. Men collecting water are mostly vendors and they bully women and children so that they get priority even when women have been queuing for as long as two hours. Children have lower priority in the queues than the women.<sup>4</sup>

**WOBULENZI (Uganda):** The town's population was estimated at 12,000 in 2000. Around 70 percent of households have latrines. There are also three public latrines – but the number of users is low because of a high charge (100 Ugandan shillings per use). A piped water network covers most of the town and feeds 31 kiosks, 64 private connections and six institutions.<sup>5</sup>

**KABALE (Uganda):** This is a market town in an extremely fertile and high-density rural area, with a population of 27,905 inhabitants in 1991. There were just 217 connections to the piped water system and, on average, water was supplied for four hours in the morning and two hours in the

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<sup>1</sup> Information sheet in Water and Sanitation Programme (2000) *Independent Water and Sanitation Providers in Africa; Beyond Facts and Figures*, WSP Africa Regional Office, World Bank, Nairobi

<sup>2</sup> Livingstone, AJ (1994) Community management of small urban water supplies in Sudan and Ghana, in WHO and WSSCC Working Group on Operation and Maintenance, *Operations and Maintenance of Water Supply and Sanitation Systems: Case Studies*, World Health Organization, Geneva, pages 44–56

<sup>3</sup> Zaba, Basia and Ndalawa Madulu (1998) A drop to drink; population and water resources; illustrations from Northern Tanzania, in Alex de Sherbinin and Victoria Dompka (eds) *Water and Population Dynamics: Case Studies and Policy Implications*, American Association for the Advancement of Science (AAAS), Washington DC, pages 49–86

<sup>4</sup> Colin, Jeremy and Joy Morgan (2000) *Provision of Water and Sanitation Services to Small Towns; Part B: Case Studies in Uganda and India*, Well Studies in Water, Sanitation and Environmental Health Task 323, WELL, Loughborough and London, 53 pages

<sup>5</sup> Colin and Morgan (2000) op. cit.

evening. Estimates suggest that less than 16 percent of the population had access to water from this system. Provision for sanitation was also very deficient.<sup>1</sup>

**MATAM DEPARTMENT, NORTHEAST SENEGAL:** Among 47 small towns with between 2,000–15,000 inhabitants that are part of a water management support programme, the typical water supply system is a borehole with a motorised pump and a piped network with between 5–20 standposts and one or two cattle troughs. For larger settlements, the number of private connections is significant (e.g. up to 200 connections in towns of 10,000 inhabitants).<sup>2</sup>

**NORTHERN DARFUR (Sudan):** 25 urban centres in two districts of northern Darfur were included in a water, sanitation and hygiene education project between 1987 and 1990. They ranged in size from 3,000 to 10,000 inhabitants. Fifteen had mechanised water systems (that the project sought to rehabilitate) while ten were to have new water suppliers. In all cases, deep boreholes equipped with diesel-powered pumps supplying water to elevated storage tanks were used. A limited distribution system of standpipes, troughs for watering livestock and a tank-filling outlet were provided in each town.<sup>3</sup>

**MBANDJOCK (Cameroon):** Only about 20 percent of the population (estimated at 20,000 in 1996) have access to piped water; the rest rely on wells and springs for their water supply, but tests found that all spring and well waters presented evidence of faecal contamination from human and/or animal origin. The city has no sewer system and the only method of sewage disposal is by pit latrines or septic tanks.<sup>4</sup>

**MWANZA PROVINCE (Tanzania):** Apart from Mwanza town, where over 90 percent of households use a piped water supply for drinking, only 20–30 percent of households living in the other two towns on the lakeshore had piped drinking water and, in the inland towns, the figure was only 1–5 percent. Even though two of the smaller towns had a network of pipes in place and functioning piping stations, water was rarely delivered to the network because the fuel allocation could only meet the requirements of a few weeks operation per year. In the smaller towns, virtually all households that report using piped water supplies are dependent on public standpipes.<sup>5</sup>

**ALIADE, IGUGH AND UGBA (Nigeria):** Each of these urban centres had a population estimated at between 6,000 and 8,000 in 1980. Two of them have no piped water system and in the third, only a small number of households have access to treated water (from the state rural water supply scheme). Most households obtain water from compound wells that are the responsibility of the compound owner; the next most common source of water is streams, ponds and rivers. There is no public provision for sanitation; most households use pit latrines, although some households have no access to a latrine. About half of the households using such latrines share them.<sup>6</sup>

**SMALL CITIES IN BENIN:** A study of three secondary cities in Benin found that in two, the vast majority of the population lacked running water and latrines, so most people defecated in the bush.<sup>7</sup>

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<sup>1</sup> Amis, Philip (1992) *Urban Management in Uganda: Survival under Stress*, The Institutional Framework of Urban Government: Case Study No 5, Development Administration Group, INLOGOV, University of Birmingham, April, Birmingham, 110 pages

<sup>2</sup> Estienne, C (2000) *The PAGE Water Supply Management Support Programme*, case study submitted to the Small Towns Water and Sanitation: Third Electronic Conference

<sup>3</sup> Livingstone (1994) op. cit.

<sup>4</sup> Tchounwou, PB, DM Lantum, A Monkiedje, I Takougang and PH Barbazan (1997) The urgent need for environmental sanitation and safe drinking water in Mbandjock, Cameroon, in *Archives of Environmental Contamination and Toxicology* 33:1, pages 17–22

<sup>5</sup> Zaba and Madulu (1998) op. cit.

<sup>6</sup> Meekyaa, Ude James and Carole Rakodi (1990) The neglected small towns of Nigeria, in *Third World Planning Review* 12:1, February, pages 21–40

<sup>7</sup> Yacoub, May and Margo Kelly (1999) *Secondary Cities in West Africa: The Challenge of Environmental Health and Prevention*, Occasional Paper Series: Comparative Urban Studies No 21, Woodrow Wilson International Center for Scholars, Washington DC, 27 pages

Given that some of the studies reported in Box 4.3 were undertaken ten or more years ago, conditions may have improved since then. But they may also have got worse. Box 4.4 presents an example of this from a small urban centre in Uganda, drawn from a wide-ranging study of provision for water and sanitation in rural and urban areas in East Africa which found that, in most urban centres, conditions were worse than they had been 30 years previously.

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**Box 4.4 The deterioration in the quality of municipal water supplies in Iganga (Uganda)**

A study of domestic water supplies in Iganga in 1967 found that all sample households received adequate supplies of water 24 hours a day. A study in 1997, which returned to the same sites, found that for the households interviewed, the municipal water system had deteriorated to the point that only 13 percent of them received piped water and even for these, water only trickled out of pipes a few hours each day. Some households reported being without piped water for up to three years.

One respondent explained: *'During the 1960s and early 1970s, the situation was good, but from the late 1970s, the supply of water began to deteriorate.'* The situation worsened in the 1980s when water pumps and most of the distribution lines broke down. Of the four pumps operating in the 1960s, only one was still working by 1980. The water storage tanks and the distribution lines were also rusty and leaking. One urban water officer reported that *'...most of the revenue collected from water bills is spent on repairing the pipes and pumps. Moreover, since the water pumps run off electricity and are subject to frequent power cuts, water supply is unreliable. It is really beyond our control.'*

By the late 1980s, in an attempt to compensate for these problems, alternative sources were developed. Private individuals began to drill boreholes and establish their own water kiosks. In 1998, these private sources were supplemented with kiosks built by the Iganga Town Council.

Per capita water use had increased for unpiped households – although not very much – from an average of 15 litres per person per day in 1967 to 24 litres in 1997.

Source: Thompson, John, Ina T Porras, Elisabeth Wood, James K Tumwine, Mark R Mujwahuzi, Munguti Katui-Katua and Nick Johnstone (2000) *Waiting at the tap: changes in urban water use in East Africa over three decades*, in *Environment and Urbanization* 12:2, October; White, Gilbert F, David J Bradley and Anne U White (1972), *Drawers of Water*, University of Chicago Press, Chicago and London

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In Asia, there is far more documentation on the problems of water and sanitation in large cities than on those in small urban centres. In part, this is because census data about the extent of provision for water, sanitation and drainage are never published (or made available) for individual urban centres. It is usually independent research studies that provide evidence of the inadequacies in provision, as in Box 4.5, which gives examples from smaller cities in India. These examples also illustrate a problem which appears to be particularly common in smaller urban centres in Africa and Asia, namely the high proportion of low-income households that have no provision for sanitation and so defecate in open spaces.

In a study that focused on 'slums' within four smaller urban centres in India, most slum households in two of them, Bhilwara and Sambalpur, had no water source within their home and no toilet. In the study of Chertala, which covered the whole population, 25 percent of households had no toilets.<sup>1</sup>

<sup>1</sup> Ghosh, A, SS Ahmad and Shipra Maitra (1994) *Basic Services for Urban Poor: A Study of Baroda, Bhilwara, Sambalpur and Siliguri*, Urban Studies Series No 3, Institute of Social Sciences and Concept Publishing Company, New Delhi, 305 pages

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#### Box 4.5 Examples of water and sanitation provision in smaller urban centres in India

CHERTALA: Had around 43,000 inhabitants in 2000; there is an abundance of water and a high incidence of mosquito-related disease, especially malaria and filariasis. The main water supply is from tube wells, and is distributed untreated to 437 standposts (around 1 per 100 people) and 238 house connections. The piped supply is both inadequate and commonly regarded as unfit to drink. Estimates suggest that 70–80 percent of households have latrines. There are three pay-and-use toilets and two more are planned, but these are regarded by officials as facilities for busy public places, not for residential areas.<sup>1</sup>

PONANI (Kerala): Had a population of 51,770 in 2000; the piped water system has 845 house connections (serving roughly 12 percent of all households), 75 non-household connections and 488 standpipes. Most taps deliver water for 8–12 hours a day. Officials estimated that all houses would have latrines by 2001.<sup>2</sup>

BHARATPUR (Rajasthan): Had around 200,000 inhabitants in 2000; 61 percent of households have legal household connections to the piped water supplies. The rest rely on standposts or other water sources. Water supply from the piped system is intermittent and at risk of contamination. There are no sewers; 52 percent of the population rely on toilets connected to septic tanks; 15 percent use twin-pit pour-flush latrines; and 33 percent have no latrine or use a 'service latrine' (a simple dry latrine in which faeces are deposited on the ground beneath a squatting hole and removed each day by a 'sweeper'). There are also problems with flooding, especially for poorer groups who live in the most flood-prone areas.<sup>3</sup>

The 1999 *State of India's Environment* report produced by the Centre for Science and Environment<sup>4</sup> reports on environmental problems in smaller cities and urban centres. It looked at studies in four industrial towns (Ludhiana, Jetpur, Tiruppur and Rourkela) and four non-industrial urban centres (Aligarh, Bhagalpur, Kottayam and Jaisalmet). These highlighted the very poor state of these urban centres' environments, ranging from the inadequacies in provision for water, sanitation, drainage and garbage collection to failures to control industrial pollution. They also highlighted the absence of any organised civic effort to address this.

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Box 4.6 reports on findings in three small urban centres in China.<sup>5</sup> The study from which these descriptions are drawn looked at small towns from different areas, and here we have one from the poor northwestern province, one from a traditional (far from affluent) province and one from a more prosperous coastal province. In each urban centre, 133 household interviews took place. The absence of any public provision for sanitation, other than a few public latrines, and the absence of households with piped supplies to their homes are particularly notable in Neiguan and Yantan. Of course, general conclusions cannot be drawn from these three cases, as there are 20,000 small urban centres (*zhen*) in China. But the study from which they are drawn does highlight how a significant proportion of China's urban population live in small urban centres, so the quality and extent of provision

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<sup>1</sup> Colin and Morgan (2000) op. cit.

<sup>2</sup> Colin and Morgan (2000) op.cit.

<sup>3</sup> WSP (2000) *Urban Environmental Sanitation Planning; Lessons from Bharatpur, Rajasthan, India*, Field Note, Water and Sanitation Programme, South Asia Region, New Delhi, 8 pages

<sup>4</sup> Agarwal, Anil, Sunita Narain and Srabani Sen (eds) (1999) *State of India's Environment: The Citizens' Fifth Report*, Centre for Science and Environment, New Delhi, 440 pages

<sup>5</sup> Kirkby, Richard, Ian Bradbury and Guanbao Shen (2000) *Small Town China: Governance, Economy, Environment and Lifestyle in Three Zhen*, Ashgate Publishing Ltd, Aldershot, 168 pages

for water and sanitation in urban areas of China is much influenced by the quality and extent of provision in these small urban centres.

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**Box 4.6 Provision for water and sanitation in three small urban centres in China**

NEIGUAN: The town had 10,500 inhabitants in 1993. A piped water supply became available in 1992 for the first time; prior to this, residents relied on wells and river water. The town faces a serious water shortage, in part due to progressive reductions in river flow and to over-exploitation of groundwater, in part because of a series of low rainfall years. In a survey, only 20 percent of households had access to tap water – in part because installation costs were very high. Half of the households relied on wells for their water. The town government has set up a dozen or so water stations and it is estimated that around 2,000 people use these. Among surveyed households, there was no wastewater plumbing. Over 90 percent of surveyed households possessed their own latrines; members of other households used public toilets. *‘The public toilets in factories and government offices were poorly maintained and usually extremely dirty due to the shortage of water for flushing’* (page 53).

YANTAN: This had 31,000 inhabitants in 1992 and around 50,000 by the mid-1990s if the floating population is included. Ninety percent of surveyed households used earth closet latrines while the rest used public toilets; none were connected to sewers. Close to 75 percent of households surveyed obtained water from wells while most of the rest used pond or stream water. Only one household in the survey had piped water.

SHENGZE: By the mid-1990s, there were 32,000 urban residents – but, if unregistered and temporarily allowed migrants were included, the figure would be much higher. Over 60 percent of households in a survey had connections to sewers and 94 percent had tap water – although many complained about the quality (and there were worries about increasing numbers of typhoid cases).

Source: Kirkby, Richard, Ian Bradbury and Guanbao Shen (2000) *Small Town China; Governance, Economy, Environment and Lifestyle in Three Zhen*, Ashgate, Basingstoke

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Vaclav Smil suggests that the problems with water quality found in most urban areas of China are especially serious in rural towns and medium-size cities.<sup>1</sup>

In Latin America, there are also some case studies of particular smaller cities. Most highlight the inadequacies in provision for water and sanitation. Box 4.2, on Brazil, shows that by 2000, only 46 percent of households in municipalities with fewer than 20,000 inhabitants had access to a general water network system – and close to half of all municipalities had no sewer system (with the smaller municipalities and the ones in poorer regions least likely to have sewers).<sup>2</sup>

Table 4.2 shows coverage for potable water and sewers in five ‘secondary cities’ in Nicaragua. The four smaller urban centres were below the average for the nation’s urban population with regard to the proportion having potable water and sewerage.

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<sup>1</sup> Smil, Vaclav (1995) *Environmental Problems in China: Estimates of Economic Costs*, East–West Center Special Report No 5, East–West Center, Honolulu

<sup>2</sup> Jacobi, Pedro (2002) *Management of Urban Water and Sanitation in Brazil*, Background Paper prepared for UN–Habitat

**Table 4.2 Coverage of basic services in five 'secondary cities' in Nicaragua, 1995**

% average coverage of basic services per city						
City	Urban population	Potable water	Sewerage	Streets	Electricity	Garbage collection
León	123,865	90	60	70	85	75
Chinandega	97,387	74	38	75	75	51
Estelí	71,550	78	35	15	75	55
Somoto	14,218	72	43	60	85	30
Ocotal	25,264	80	10	45	78	65
Average coverage in all urban areas		90	44	37	93	78

Source: PRODEL (1997) *Proyecto de la Segunda Fase* and reports from the municipalities served by PRODEL; the Social Action Ministry (1995) *Medición de la Pobreza en Nicaragua* [Measurement of Poverty in Nicaragua], MAS/UNDP, Managua reproduced in Stein, Alfredo (2001) *Participation and sustainability in social projects: the experience of the Local Development Programme (PRODEL) in Nicaragua*, IIED Working Paper 3 on Poverty Reduction in Urban Areas, IIED, London

The 2000 assessment of provision for water and sanitation in Latin America included some data on some smaller cities – and this showed that the quality and extent of provision for water and sanitation can be high, as in three cities from Chile. The proportion of the population served with piped connections is also very high in Santa Clara (Cuba) and high in other Cuban cities and cities in Venezuela. However, in general, apart from the cities in Chile, provision for sanitation in these smaller cities is much less extensive.<sup>1</sup>

Other case studies of smaller cities mention the serious inadequacies in provision. For instance, a case study of Chimbote in Peru, while describing the innovative Local Agenda 21 developed by a coalition of groups, also noted that two-fifths of the population lacked piped water and connection to sewers, that there was no regular garbage collection system in most residential areas and that many informal settlements were at high risk from floods.<sup>2</sup>

Virtually all the examples of provision for water and sanitation so far in this section come from well-established urban centres. A study of the new urban centres that have grown up in the agricultural/forest frontier in Brazil<sup>3</sup> highlighted the lack of provision for water and sanitation in these too:

- a survey of 419 households in Rolim de Moura (with a population of around 30,000 in 1990) found that 44 percent had an informal water supply (either from a private well without a pump or hand-carried water from the local river) and 67 percent had informal sanitation (lack of septic tank or connection to a sewer and reliance on outhouses or defecation outside);
- a survey of 208 households in Santa Luiza d'Oeste (with a population estimated at 6,000 in 1990) found that 52 percent relied on informal water supply and 80 percent on informal sanitation;
- a survey of 410 households in Xinguara found that 72 percent relied on informal water supplies and 86 percent on informal sanitation;
- a survey of 320 households in Tucumã found that 69 percent relied on informal water supplies and 86 percent on informal sanitation;

<sup>1</sup> Centro Panamericano de Ingeniería Sanitaria y Ciencias del Ambiente (2002), *Evaluación de los Servicios de Agua Potable y Saneamiento 2000 en las Américas*, <http://www.cepis.ops-oms.org/>

<sup>2</sup> Foronda F, Maria Elena (1998) Chimbote's Local Agenda 21: initiatives to support its development and implementation, in *Environment and Urbanization* 10:2, October, pages 129–147

<sup>3</sup> Browder, John D and Brian J Godfrey (1997) *Rainforest Cities: Urbanization, Development and Globalization of the Brazilian Amazon*, Columbia University Press, New York and Chichester, 429 pages

- a survey of 173 households in Ourilândia do Norte (with a population of 10,893 in 1991) found that 95 percent relied on informal water supplies and informal sanitation (typically an outhouse or defecating outdoors).

In conclusion, we are faced with remarkably little detailed information on provision for water and sanitation in urban centres other than the larger and more politically important cities. Yet there are tens of thousands of these urban centres, and they include a large proportion of the world's urban (and total) population. This section has drawn information from case studies of around 50 urban centres – which vary from small market towns to cities with several hundred thousand inhabitants. Most of these show the large inadequacies in provision for water and sanitation, especially in low-income nations in Africa and Asia. There is no reason to suspect that the case studies of smaller African urban centres or smaller urban centres in India in earlier boxes are 'untypical' – or that the studies of these urban centres deliberately chose urban centres where provision for water and sanitation was particularly inadequate.

### ***Water and sanitation; rural versus urban***

The debate about the relative priority that should be accorded to rural populations versus urban populations has been one of the central debates in development policy for the last 30 years. Certainly, one of the most important changes in development policy that arose in the late 1960s and early 1970s was the recognition that most poor rural dwellers were being by-passed by most development programmes – although there is not much evidence that poor urban dwellers were doing much better, especially those who lived outside capital cities (which is the majority of urban dwellers). Most international agencies gave a higher priority to reaching rural populations and supporting smallholder farmers and pastoralists. However, since the mid-1970s, many international agencies have been reluctant to support urban investments. Since this recognition that most of the rural poor were being by-passed by development assistance, many agencies have continually emphasised the fact that rural needs are much greater than urban needs. For instance, in the 1996 Human Development Report, the figures for the provision of 'safe' water and sanitation to rural and urban areas were presented in a way that emphasised that rural problems were much more serious than urban problems.<sup>1</sup>

But this and most other assessments of provision for water and sanitation fail to recognise differences between rural and urban contexts. One limitation of all national statistics (and thus of global statistics on which these are based) is their failure to recognise differences in context between (most) rural and (most) urban areas. The same criteria for 'improved' provision cannot be used in all settings. A water source within 100 metres of all households is not the same in a village of 200 persons with, say, 50 persons per tap as in a squatter settlement with 100,000 persons with, say, 500 persons per tap. Protecting a well from human excreta and wastewater is not the same in a village of 200 persons as in a squatter settlement of 100,000 persons (with 500 times more human excreta and household wastewater to dispose of). Defecation in the open is obviously less hazardous in most rural areas because there is more open space and care can be taken that the areas where open defecation takes place are not close to water sources or homes (although problems with hand-washing and harassment of women may be comparable). The 2000 UNICEF/WHO assessment suggests that 'reasonable access' to water should be defined broadly as '*... the availability of at least 20 litres per person per day from a source within one kilometre of the user's dwelling.*'<sup>2</sup> For most urban settings, this is an inappropriate standard. In large, dense urban settlements, the availability of a water source within one kilometre will mean long queues, and the persons responsible for fetching and carrying water may spend many hours a day doing this. The appropriateness of the

<sup>1</sup> UNDP (1996) *Human Development Report 1996*, Oxford University Press, Oxford, 228 pages

<sup>2</sup> WHO and UNICEF (2000), *Global Water Supply and Sanitation Assessment, 2000 Report*, World Health Organization, UNICEF and Water Supply and Sanitation Collaborative Council, pages 77–78

standard may also be questioned for both rural and urban contexts, since having to carry water for a distance of one kilometre (or even only 100 metres) is an arduous task – and usually households with distant water sources will not collect enough to ensure plentiful water supplies for washing (including washing children after defecation), laundry, food preparation and keeping the house and household utensils clean. Having a water tap within one kilometre does not mean that there is a regular supply from the tap – and problems of access and time spent queuing are often much increased as water is only available for a few hours a day (as illustrated in many of the examples given earlier). The water from the tap may not be safe, especially if the supply is intermittent. Having a tap within one kilometre does not mean that the supply is free nor reasonably priced. It may be that this water supply is managed or controlled by a company or individuals who charge high prices for it.

Virtually all government policies have some effect on the form and the spatial distribution of economic activities and/or incomes – and thus on what urban development takes place and where it is located. The growth, or the stagnation and decline, of small and intermediate urban centres, and the nature of their economic relations with their rural regions, are often strongly influenced by macro-economic strategies, pricing policies or sectoral priorities that make no explicit reference to spatial dimensions. Neglecting the powerful influences of such policies has often been – and potentially still is – a major factor in the failure of spatial development policies. Indeed, governments who may be claiming to want to slow migration flows to large cities and to support regional development in lower-income regions often have macro-economic policies and sectoral priorities that work against these. Perhaps more to the point, issues such as the concentration of government revenues in the hands of central government (or, in larger nations, state or provincial government) and the limited role permitted to local governments in terms of revenue-raising and investment often limit improvements in infrastructure and services in small and intermediate urban centres, and the capacity of their governments to compete with larger cities for investment. The distribution of urban population (and of industrial and service employment) within the urban system from the largest to the smallest urban centre is obviously influenced by the distribution of power, resources and capacities within the local government structure. In general, the smaller a nation's industrial or service base that is independent of demand generated by government, the greater the influence of the government structure on the distribution of population within urban centres. Thus, policies intended to support more successful 'local economic development' outside the larger cities, including those to support small and intermediate urban centres, need to ensure that they are not being undermined by the structure of government and the 'non-spatial' policies and priorities of higher levels of government.<sup>1</sup>

Much has been written about the nature and the shortcomings of the various policies that, since the early 1960s, have been implemented to promote the role of small and intermediate urban centres and regional development.<sup>2</sup> This section summarises the main elements of this relatively large body of work, with a special interest in the ways in which such policies have (or in many cases have not) incorporated an explicit attention to poverty reduction and an understanding of the micro-level implications of rural–urban linkages described in Sections 3 and 4. It then describes the emerging views underpinning current initiatives, which take place in the evolving context of liberalisation and market-driven development combined with the decentralisation of roles and functions from central to local governments.

### ***The main reasons for the high rates of failure of past policies***

Government policies for small and intermediate urban centres often have a multiplicity of economic, social and political objectives, either explicit or inherent to the wider national strategy. But if we limit our discussion to regional or national policies for small and intermediate urban centres, these policies can be divided into five broad categories:

- policies for the development of small and intermediate urban centres in more 'backward' and generally more rural regions;

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<sup>1</sup> Hardoy, JE and D Satterthwaite (1986) Government policies and small and intermediate urban centres, in JE Hardoy and D Satterthwaite (eds) *Small and Intermediate Urban Centres: Their Role in National and Regional Development in the Third World*, Hodder and Stoughton, London and Westview Press (USA)

<sup>2</sup> See, for example, Hardoy and Satterthwaite (1986) op. cit; UNCHS (Habitat) (1997) *Proceedings of the Expert Group Meeting on Assessing Regional Development Planning in the Management of Urbanization*, UNCHS, Nairobi

- policies for small and intermediate urban centres specifically aimed at supporting rural and agricultural development;
- policies to develop small and intermediate urban centres in more urbanised and generally more industrialised regions, to reduce concentrations of population and investment in the larger cities in these regions;
- policies to slow migration flows or to address the major cause of such migration, such as the concentration of resources in larger urban centres; and
- policies to strengthen local or regional government, including improving public service provision there.<sup>1</sup>

Policies to strengthen the role of small and intermediate urban centres have often gone under the name of 'growth centre' or 'growth pole' policies. There is a general agreement that such policies were overall a (often costly) failure. There is also a general agreement on the reasons for such failure.<sup>2</sup> Growth centres usually provided much less stimulus to their surrounding regions than expected: this was due the inadequate recognition of factors specific to each centre and to the imprecise diagnosis of existing circumstances in the centres and their regions, resulting in the top-down, 'blanket' implementation of policies formulated at the central level. The simplistic and piecemeal understanding of the reasons behind the development of a region and its small and intermediate urban centres, and especially the lack of recognition of the spatial influences of macro-policies, led to a lack of integration of the proposed policies with macro-development policies and sectoral priorities.

In the 1960s and 1970s, regional development planning and management policies were often trying to address what was the result of macro-economic policies and centralized government structures. Regional imbalances were often related to large-city biases in tariff structures that favoured import-substitution industrialisation and other manufacturing development strategies.<sup>3</sup> In many nations, central control over agricultural production through marketing boards meant that local trade and processing (often located in small and intermediate urban centres) was discouraged while, at the same time, producer prices were kept low to ensure low-cost food provisioning for urban consumers and high national taxation levels on agricultural exports. With the exception of a few nations such as Kenya, where commercial farmers have always had more political clout to demand higher prices, most southern and eastern African producers suffered from large gaps between producer prices and purchase prices, encouraging small farmers to turn to subsistence production. In addition, an often overlooked consequence of centralised processing is that it makes it too expensive to bring back to rural areas by-products which could be used for animal feed. This has stimulated the development of livestock-rearing in peri-urban areas but severely limited the development of this sector, and its potential to trigger economic diversification, in rural areas.<sup>4</sup>

While low levels of demand from rural residents certainly acted as a major obstacle to the 'growth pole' policies, in many cases local firms based in small and intermediate urban centres did not benefit from policies aiming to support industrial development in such centres because these policies were not specifically intended for small and medium-size enterprises. In Zimbabwe, medium-size clothing firms in a rural growth centre were excluded from the local market, which was dominated by large retail chains, because

<sup>1</sup> Hardoy and Satterthwaite (1986) op. cit.

<sup>2</sup> The description that follows draws on Hardoy and Satterthwaite (1986) op. cit; Douglass, M (1998) A regional network strategy for rural-urban linkages, in *Third World Planning Review* 20:1; Baker, J and PO Pedersen (1992) Introduction, in J Baker and PO Pedersen (eds) *The Rural-Urban Interface in Africa*, Nordiska Afrikainstitutet, Uppsala

<sup>3</sup> Lathrop, G (1997) Regional development planning and management in Latin America: a retrospective and prospective view, in UNCHS (Habitat) op. cit.

<sup>4</sup> Pedersen, PO (2003) *The implications of national level policies on the development of small and intermediate urban centres*, IIED, London

these chains' local branch stores were not allowed to buy goods locally but were supplied directly from headquarters in the large cities. The local firms could not enter the chain as they were too small to supply the large orders required by the chain as a whole. Similarly, the local building industry was kept out of the growing public sector building market (including the construction of offices) because ministries tendered out contracts so large that local enterprises could not raise the capital needed to guarantee the contract.<sup>1</sup>

Policies with the more explicit aim of supporting rural and agricultural development through small and intermediate urban centres were also riddled with failure. The Urban Functions in Rural Development programme,<sup>2</sup> which aimed to create a hierarchy of urban places, did not necessarily have the hoped-for impact. The assumption that the location of services in a variety of 'central places' would benefit farming was often not confirmed in reality – and, in many cases, was shown to be counterproductive. For example, in situations of unequal distribution of land, subsidised credit institutions set up in small towns for agricultural development have been found to be biased towards rural élites and large farmers, and have enabled them to purchase more land and further marginalise smallholders.<sup>3</sup> What these policies neglected yet again was the macro-policy level and the need to address more fundamental issues of land tenure and security. The case of the region of Tejupilco in the State of Mexico, described in Section 3, shows that poverty, rather than physical distance from markets, is a much bigger constraint on demand for services and manufactured goods from rural consumers.

Policies directly related to small and intermediate urban centres rarely incorporated specific attention to poverty reduction, focusing instead on economic growth that was then expected to trickle down to smaller settlements and poorer groups. However, the types of investment made can be counterproductive and increase poverty and social polarisation. The case of Huetar Norte, described in Section 3, shows the importance of the sector targeted for investment: in the case of cattle-ranching, very few benefits trickle down to poor rural groups, as little labour is required. On the other hand, ranching needs large extensions of land, and supporting ranchers only means that smallholders and tenant farmers are expelled from agricultural areas, increasing rural out-migration. A similar and largely unintended impact has been described for citrus production in Brazil,<sup>4</sup> where such production was promoted to increase rural incomes but, because of the low labour requirement per hectare and the high capital cost of developing such production, the net result was an increased concentration of land among fewer households and higher levels of out-migration. It is a reminder of how government policies to support increased agricultural production, which are often justified by their contribution to increasing rural incomes and reducing rural to urban migration, can actually reduce incomes and destroy livelihoods for large sections of the rural population, and promote more rapid rural to urban migration.

Policies aiming to develop small and intermediate urban centres in more urbanised and generally more industrialised regions are likely to focus along transport corridors. Their effect is sometimes described as 'polarisation reversal', as population growth in smaller cities exceeds that in a nearby large city or metropolitan areas – although polarisation reversal may have little to do with government policies. One important element of such policies is the offer to large firms of incentives to relocate; however, research in São Paulo State in Brazil suggests that improving local conditions and supporting local firms can be a

<sup>1</sup> Pedersen (2003) op. cit; Pedersen, PO (1997) *Small African Towns: Between Rural Networks and Urban Hierarchies*, Avebury, Aldershot

<sup>2</sup> Rondinelli, D (1985) *Applied Methods of Regional Analysis: the Spatial Dimensions of Development Policy*, Westview Press, Boulder, Colorado

<sup>3</sup> Khan (1979) in Douglass (1998) op. cit.

<sup>4</sup> Saint, W and W Goldsmith (1980) Cropping systems, structural change and rural-urban migration in Brazil, in *World Development* 8

far more effective and less costly option.<sup>1</sup> A counter-magnet policy was adopted in Bandung (Indonesia) to counteract traffic congestion, water and air pollution, insufficient infrastructure and other 'urban problems' by decentralising urban economic activities to surrounding small urban centres. However, this did not work for three main reasons: first, the absence of a metropolitan or provincial authority hampered any coordination in sectoral planning in the Bandung Metropolitan Region, of which the small urban centres are part; second, the proximity of the targeted small towns to Bandung's centre (15 to 40 kilometres) inhibited their independent economic development, making them instead satellite towns of Bandung; finally, inconsistency in the implementation of the strategy has allowed the metropolitan area to grow physically and to encroach on the targeted peripheral areas.<sup>2</sup> Synergy and collaboration between an accountable local government and national ministries are perhaps even more important in the implementation of such policies, as private interests can be a powerful obstacle to plans for the spatial redistribution of economic activities, especially in highly dynamic areas. For example, location decisions in the Extended Bangkok Metropolitan Region are increasingly controlled by large transnational firms in alliance with local business, while government policy is not very effective.<sup>3</sup>

Policies attempting to slow down migration to larger urban centres by retaining – or attracting – migrants in small and intermediate urban centres also have mixed results. As Section 3 describes, the reasons behind the choice of destination are primarily, but not only, economic: they include issues of migrants' social acceptability and, to some extent, of access to affordable accommodation. So, while migration flows inevitably reflect the changing spatial distribution of economic opportunities, with migrants attracted to the more dynamic areas, an attention to poverty and vulnerability suggests that it is essential to look at other, non-economic factors. This is especially important as rural migrants who move within the region and to local urban centres are, in many cases, the poorest ones, who lack the resources to move to more distant destinations. Providing them with education and skills-training to allow them to earn higher incomes in non-farm activities, and removing constraints on the production of adequate housing (that responds to multiple needs), including possibilities of self-developed housing, are key elements of a poverty reduction strategy for migrants in small and intermediate urban centres.

Although policies for small and intermediate urban centres in the 1960s and 1970s often had an element of strengthening local and regional government, this was often more a deconcentration of public employees than real decentralisation. In much of Asia and Africa, building up local governments and public services (schools and health care) after Independence provided an important boost to many small and intermediate urban centres. Some were also boosted by the relocation there of offices of central or state/provincial ministries and administration. The development of local governments and some public services meant, in many cases (and especially in sub-Saharan Africa), that such centres would automatically gain 'urban' status, regardless of their population size and economic base. This also contributed to the growth of the urban population and the related demand for goods and services – for example, in Mali, it was estimated that in the 1960s and 1970s, every civil servant would have 20 to 30 relatives and financial dependants, many of whom would be involved in any relocation.<sup>4</sup> But deconcentration implies little local control over resources and decision-making power. Even policies for small and intermediate urban centres were highly centralised and inevitably fell into the top-down, trickle-down approach

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<sup>1</sup> Hamer, A (1985) *Decentralised urban development and industrial location behaviour in Sao Paulo, Brazil: a synthesis of research issues and conclusions*, World Bank Staff Working Paper No 732

<sup>2</sup> Firman, T (1996) Urban development in Bandung Metropolitan Region: a transformation to a Desa-kota region, in *Third World Planning Review* 18:1

<sup>3</sup> Parnwell, M and L Wongsuphasawat (1997) Between the global and the local: extended metropolisation and industrial location decision-making in Thailand, in *Third World Planning Review* 19:2

<sup>4</sup> Giraut, F (1997) Contemporary dynamics of a small town in West Africa, in J Baker (ed) *Rural–Urban Dynamics in Francophone Africa*, Nordiska Afrikainstitutet, Uppsala

to policy formulation and implementation – which, as described above, in many cases just did not respond to local conditions, let alone to the priorities and needs of poor and vulnerable groups.

By the 1970s, the failure of ‘growth centre’ policies and a major shift in the development paradigm resulted in the view that urbanization was a parasitic process leading to underdevelopment and the neglect of agriculture. In policy terms, Integrated Rural Development Programmes (IRDP) were seen as the ‘appropriate’ strategy. IRDP focused on agricultural change with little, if any, attention to the role of urban centres in the rural economy.<sup>1</sup> The disappointing results of this sectoral strategy, together with major changes in macro-economic policies and in the global socioeconomic context, brought about another shift in planning concerns.

### ***Adjustment and decentralisation: emerging views on the role of small and intermediate urban centres in a globalising context***

In part as a result of the recognition of the failure of many policies for small and intermediate urban centres, in part because of dramatic changes in the national context of many nations (and in the global economic climate) with the implementation of economic reform and adjustment since the 1980s, such policies have undergone major transformations and conceptual shifts – although, to a large extent, the limits and constraints imposed by macro-economic and sectoral policies remain under-recognised and under-estimated.

The first reason for the renewed interest in rural–urban linkages and regional planning is associated with the increasing prevalence of market-based development strategies and their emphasis on export-oriented agricultural production. This relies on efficient economic linkages connecting producers with external markets. Access to such markets is assumed to transform potential demand into effective demand which, in turn, will spur local production. Growing incomes in the agricultural sector will then result in increased demand for services and manufactured goods. From this viewpoint, small and intermediate urban centres have a key role in connecting their rural regions with both domestic and international markets and in providing non-farm employment opportunities, therefore broadening the local economy’s base.<sup>2</sup> The second important reason for the renewed interest in the role of small and intermediate urban centres in regional development is the increased priority given, partly by design and partly as a consequence of funding cuts, to the decentralisation of roles and responsibilities to the local level. Hence, in addition to their traditional role as infrastructure and service providers, many local authorities were also made responsible for supporting economic growth and poverty reduction. The scale and scope of their responsibilities for service provision were also often increased – although not necessarily with increased resources or revenue-raising powers to allow them to do so. While market-based development and decentralisation are closely linked, they are discussed here separately for the purpose of clarity.

### ***Access to external markets***

With economic reform and adjustment, and the abolition of marketing boards and central control on agricultural production and trade in many nations, it was generally hoped that trade in export crops would be taken over by domestic traders. But especially in sub-

<sup>1</sup> Escobar, A (1995) *Encountering Development: The Making and Unmaking of the Third World*, Princeton University Press; Baker, J and PO Pedersen (1992) Introduction, in Baker and Pedersen (eds) op. cit.

<sup>2</sup> Evans, HE (1990) *Rural–urban linkages and structural transformation*, Report INU 71, Infrastructure and Urban Development Department, The World Bank, Washington DC; Gaile, GL (1992) Improving rural–urban linkages through small town market-based development, in *Third World Planning Review* 14:2; UNDP/UNCHS (1995) *Rural–urban linkages: policy guidelines for rural development*, paper prepared for the 23<sup>rd</sup> Meeting of the ACC Sub-committee on Rural Development, UNESCO, Paris, 31 May–2 June 1995

Saharan Africa and in other low-income nations, while local trade, often on a very small scale, has become one of the main non-farm activities among rural residents, in most cases, large international trading companies (with large capital) have taken over most of the international trade. This is due partly to the restructuring of the global commodity markets since the 1990s. Before structural adjustment, the operations of these markets were based on a series of international agreements that regulated the supply of standardised agricultural commodities to processing industries in high-income countries by national suppliers responsible for the production and domestic collection of the crop. Processing industries were not concerned with the commodity production side: they bought the produce if it lived up to expectations, or shifted to another supplier. But in the last 10 to 20 years, the requirements of the processing industries have changed. Their input supplies are increasingly outsourced to multinational trading companies, which must comply with narrow technical specifications, often within very narrow timeframes – of days or even hours – in order to reduce the processor's own stocks. To meet the quality requirements, trading companies often mix produce from different countries; and to meet time requirements, they have an interest in integrating the whole chain, including the rural production areas, in order to control quality, timing and transport. Clearly, this type of operation requires both large capital and a global presence that few domestic traders can live up to.<sup>1</sup>

Market restructuring into such closed 'value chains' was considered to be typical of high-income nations' agricultural systems, but recent work in Latin America shows that the penetration of transnational retail firms is proceeding at a rapid pace. Supermarkets now control 50–60 percent of the food retail sector in the region – a phenomenal increase from 10–20 percent in only 10 years.<sup>2</sup> In Brazil, the new private rules of the supermarkets in the red meat sector have pushed dozens of small slaughterhouses, traders and truckers out of business. The expansion of new retailers, with highly integrated operations and new rules of participation, is literally pushing out of the market thousands of small and medium-size farmers and enterprises, often located in small and intermediate urban centres, and has played a fundamental role in the creation of non-farm employment for the residents of their rural regions.<sup>3</sup> Clearly, these major transformations raise crucial questions on the viability of regional development policies that assume agriculture as the engine of growth; and again, there seems to be a fundamental inconsistency between the proposed policies for small and intermediate urban centres and current macro-economic policies. Indeed, in many low- and middle-income countries, international trade liberalisation has unleashed a flood of imported, and often cheaper than locally produced, agricultural and manufactured goods that have sent large sectors, and especially small and medium-size enterprises, into extinction.<sup>4</sup>

In the current context of liberalisation and globalisation, access to markets has become a more complex issue than that portrayed in many proposed policies for small and intermediate urban centres and regional development. Over-reliance on international markets and their vagaries carries a distinct risk that can increase the vulnerability of low-income households and small enterprises, and recent thinking emphasises the importance instead of increasing the level of diversification of the economic base of small and intermediate urban centres and their regions<sup>5</sup>. Three key multiplier effects are essential in this strategy: first, non-farm employment concentrates in export activities as well as in related processing and input supplier firms; second, processing and manufacturing of

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<sup>1</sup> Pedersen (2003) op. cit.

<sup>2</sup> Reardon, T and J Berdegue (2002) The rapid rise of supermarkets in Latin America: challenges and opportunities for development, in *Development Policy Review*, September

<sup>3</sup> IIED (2003) *Pro-poor markets: a background paper*, IIED Sustainable Markets Group, IIED, London

<sup>4</sup> Haggblade, S, P Hazell and T Reardon (2002) *Strategies for stimulating poverty-alleviating growth in the rural non-farm economy in developing countries*, EPTD Discussion Paper 92, IFPRI, Washington DC

<sup>5</sup> Douglass (1998) op. cit.

basic products are carried out within the region; and third, inputs are purchased locally.<sup>1</sup> The careful synergy between local and 'global' markets can certainly stimulate local economies. However, some evidence suggests that this is more likely to occur in countries with large domestic markets (for example, South Korea) and much less in small nations with undiversified production of relatively low quality and political patronage that protects entrepreneurs through systems of tariffs and quotas (for example, the Dominican Republic).<sup>2</sup> Furthermore, an essential pre-condition for such a strategy is that international conditions are favourable, meaning that commodities' prices are relatively stable and imports (especially subsidised agricultural commodities) do not compete with local production. The national context is also essential – for instance, measures to ensure or protect poorer groups' access to land and growth strategies, including the provision of infrastructure, credit facilities for small and medium-size producers and firms, and basic services that do not concentrate only in the wealthier regions. National governments are also responsible for revenue support to local governments to formulate and implement policies that respond to local needs and opportunities.

### ***Decentralisation and the role of local governments and institutions***

Decentralisation processes have taken place since the late 1980s and 1990s in many low- and middle-income nations, but it is difficult to make generalisations on their characteristics and on their outcomes, given the vast differences both between and within nations. Nevertheless, local governments are expected to have an important role in helping small producers and enterprises in both the farm and non-farm sectors adapt and compete in the new liberalised economic environment.

In many cases, this relates to 'new generation' initiatives within a Local Economic Development (LED) framework. This is broadly defined as '*...a process in which partnerships between local governments, community-based organisations and the private sector are established to manage existing resources, create jobs and stimulate the economy of a well-defined territory, including developing new institutions and local systems through dialogue and strategic action.*'<sup>3</sup> The best-documented initiatives are located mainly in Latin American nations, and are inspired by the industrial clusters experiences (see Section 3) but with, in addition, a specific attention to poverty reduction, gender issues and environmental protection, and an interest in decentralised (municipality to municipality) international cooperation.<sup>4</sup> In contrast to top-down models of regional development planning, this approach relies on flexible coalition-building between different stakeholders, which is expected to change according to locations and to changing priorities over time. In part, this is also a response to the variations in the capacity and accountability of local governments.

While there are no doubts about the potential of decentralisation to stimulate and support more local development, current experience suggests that there are three main sets of constraints that need to be addressed. First, the relationship with central governments (and in some cases with regional governments) needs to be more clearly defined. This includes decision-making power: local governments (and other local actors) are best placed to identify local needs and priorities and provide adequate responses to them – including supporting forward and backward linkages between agricultural and non-agricultural sectors and negotiating and regulating the use of natural resources by urban and rural residents and enterprises, which can otherwise become a major cause for

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<sup>1</sup> Douglass (1998) op. cit.

<sup>2</sup> Pedersen (2003) op. cit.

<sup>3</sup> Helmsing, AHJ (2001) *Partnerships, meso-institutions and learning: new local and regional economic development initiatives in Latin America*, Institute of Social Studies, The Hague

<sup>4</sup> ILO, UNOPS, EURADA, Italian Cooperation (2000) *Local Economic Development Agencies: International Cooperation for Human Development, Democratic Economies and Poverty Reduction*, UNOPS/Edinfodec, Rome

conflict. Local decision-making power can result in increased efficiency and, with democratic structures in place, be more responsive to local needs and demands.

Second, local governments need to be financially capable of providing the services needed. But budget cuts under structural adjustment and retrenchment in government expenditure have especially affected small and intermediate urban centres, due to the often large and relatively dominant public sector functions in many such towns.<sup>1</sup> Moreover, financial support from central government is especially critical in poor regions where local authorities often fail to generate sufficient revenue at the local level but where economic growth in many instances depends on radically improved infrastructure.<sup>2</sup>

The third set of constraints relates to the capacity of local institutions to carry out their new functions. Especially where decentralisation is relatively recent (such as in many African nations), substantial efforts may be necessary to fill this gap. In many cases, the establishment of a wider coalition between stakeholders and different levels of government, often under Local Economic Development initiatives, is a response to these three sets of constraints. In Latin America, so-called 'meso-institutions' operating at sectoral or regional levels and involving local, regional and state governments have been crucial in initiating public-private dialogue and in providing essential infrastructural and development and training support to small and medium-size enterprises.<sup>3</sup>

### ***Small and intermediate urban centres and Local Agenda 21s***

One of the most significant innovations in addressing urban environmental problems in recent years has been the emergence of a new kind of city-wide initiative to address environmental problems – the Local Agenda 21. Although more common in Europe and North America, there are growing numbers of cities with Local Agenda 21s (LA 21s) in Africa, Asia and Latin America – including some relatively small urban centres.

LA21s came out of the 1992 UN Conference on Environment and Development. They were seen as the means by which local action plans could be developed within each city and town to implement the many recommendations that were within Agenda 21, the 'action plan' that government representatives endorsed at the Conference. The LA21s implemented since 1992 have particular importance for three reasons:

- they represent concrete experiences that have sought to address the many environmental problems associated with urban development;
- most are locally developed and driven, not developed or imposed from outside, and they rely generally more on locally generated resources than on external resources; and
- they support (and reinforce) 'good local governance' for environment and development – the more successful cases have been associated with politicians and civil servants with strong commitments to democratic practices, greater accountability to citizens and partnerships with community organisations and NGOs.

**Their strengths: combining good governance with action.** At their best, LA21s provide a means by which environmental issues become more integrated within the planning and management of an urban area. They usually involve the development of a particular document – the Local Agenda 21 – but this should be agreed through a broad, inclusive consultation process that draws in all key interests ('stakeholders') and provides an efficient and equitable means of reconciling conflicting or competing interests. The

<sup>1</sup> Titus, M (1998) The small town reconsidered, in M Titus and J Hinderink (eds) *Town and Hinterland in Developing Countries*, Thela Thesis, Amsterdam

<sup>2</sup> Lerise, F, A Kibadu, E Mbutolwe and N Mushi (2001) *The case of Lindi and its region, southern Tanzania*, Rural-Urban Working Paper 2, IIED, London

<sup>3</sup> Helmsing (2001) op. cit. 24

consultation process, with its potential to secure more cooperation between the different government agencies, NGOs and community organisations is as important as any documents produced.

A critical outcome of this process should be agreement on priorities, and actions and partnerships to implement them. For instance, in Manizales, a Colombian city with around 400,000 inhabitants, it led to the development of a local environmental action plan (Bioplan–Manizales) which became integrated within the municipal development plan and budget.<sup>1</sup> It included measures to improve waste management (including recycling) and to combine reducing the risk of landslides (the city is in a mountainous region) with the development of eco-parks throughout the city. The city has also developed an innovative indicators programme – the environmental traffic lights – and a decentralised system of observatories to monitor progress.

In Ilo, a Peruvian city with around 60,000 inhabitants in 2000, the quality of the environment has been transformed through some 300 projects financed and implemented through partnerships between the municipal government and community-level management committees. Despite the fact that the city's population has expanded more than six-fold since 1961, there have been major improvements in the quality of the urban environment, including housing, provision for water and sanitation, green areas, sewage treatment and land management.<sup>2</sup>

LA21s can also integrate what is often termed the 'brown' environmental health agenda with broader 'green' ecological concerns. This integration has generally proved difficult within conventional, local government-directed environmental plans.

Perhaps the main worry for LA21s is the relatively few instances of success. Virtually all national governments formally endorsed Agenda 21 and so committed themselves to supporting the development of LA21s in each settlement. This means that by 1996, most local authorities in each country should have undertaken a consultative process with their populations and achieved consensus on an LA21. There should be tens of thousands of LA21s, put in place six years ago and now being implemented, but there is little evidence of LA21s being developed in most low- and middle-income nations.

Another worry is that most examples of good practice in LA21s come from cities where there have been major improvements in the quality and accountability of local governments. LA21s were the means by which improvements were achieved but it was the change in local government that was the critical reason for their success. LA21s can assist local political reform but they cannot replace it. LA21s can ensure better use of limited resources – as in Ilo – but they do not, of themselves, increase investment capacity. Most urban governments in low- and middle-income nations remain weak and ineffective; many have little accountability to their citizens. This provides little scope for LA21s to become the vehicle for real consultative processes (as outlined in Agenda 21).

A third worry is that by being 'local', they may not deal with the transfer of environmental burdens across each locality's boundaries. Cities can develop very high quality environments by transferring their environmental costs to other people and other ecosystems.<sup>3</sup> For instance, many wealthy cities import from distant places all the goods

<sup>1</sup> Velasquez, Luz Stella (1998) Agenda 21; a form of joint environmental management in Manizales, Colombia, in *Environment and Urbanization* 10:2, pages 9–36

<sup>2</sup> López Follegatti, Jose Luis (1999) Ilo: a city in transformation, in *Environment and Urbanization* 11:2, October, pages 181–202

<sup>3</sup> Hardoy, Jorge E, Diana Mitlin and David Satterthwaite (2001) *Environmental Problems in an Urbanizing World: Finding Solutions for Cities in Africa, Asia and Latin America*, Earthscan Publications, London, 470 pages; McGranahan, Gordon, Pedro Jacobi, Jacob Songsore, Charles Surjadi and Marianne Kjellén (2001)

whose fabrication involves high inputs of energy and water and high levels of pollution and hazardous wastes. The environmental costs of their consumption are concentrated elsewhere. This is a greater worry for LA21s in high-income nations, since these generally have a much larger transfer of environmental burdens. LA21s need regional and national frameworks to support the action needed to address regional and global environmental goals.

### **Conclusions**

Current initiatives for regional economic development attempt to address many of the major problems behind the many failures of previous policies. Attention to local conditions and the involvement of local actors are key elements of this new generation of policies, as is the creation of flexible coalitions to support the process. However, some questions remain unanswered. First is whether local initiatives can be effective and sustainable in the current macro-economic context. There is a dearth of systematic empirical research on the impacts and costs of such initiatives, but the limited evidence available suggests that reliance on heavy public subsidies might be far more significant than usually thought.<sup>1</sup> Second is the extent to which such initiatives can be realistically implemented in the poorest regions and where accountability at both local and national levels is limited or lacking. The political dimension has long been neglected in previous regional development policies but the current emphasis on decentralisation makes it central.<sup>2</sup>

Finally, the effectiveness of current policies for poverty reduction remains to be assessed. For instance, how are small and intermediate urban centres incorporated into poverty reduction strategies? Current case studies do not usually show whether such policies result in a better distribution of economic opportunities and basic services among different groups. It is also important to understand whether policy-related initiatives effectively broaden the local economic base or whether dynamism (or its absence) are due to other factors.<sup>3</sup> Many economic activities in both large cities and in small and intermediate urban centres are now part of national, regional or global value chains, and are often controlled by large enterprises or organisations in the capital or in overseas cities. Current policies for regional development (and for small and intermediate urban centres) must take into account this emerging pattern of global economic and urban system.

At the same time, policies for small and intermediate centres are increasingly important. As agriculture remains, in many nations, an essential part of rural economies and of the livelihoods of residents of both rural settlements and small and intermediate urban centres, there is a real risk that the process of globalisation may lead to the justification of a new concentration of activities in the large cities, increasing the already significant regional

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*The Citizens at Risk: From Urban Sanitation to Sustainable Cities*, Earthscan Publications, London, 200 pages

<sup>1</sup> Berdegué, J (2001) Cooperating to compete: associative peasant business in Chile, PhD dissertation, Department of Social Sciences, Communication and Innovation Studies Group, Wageningen University and Research Centre, cited in Haggblade et al (2002) op. cit.

<sup>2</sup> See also Lathrop (1997) op. cit.

<sup>3</sup> See also Helmsing (2001) op. cit.

differences in living conditions and productivity. Policies to support regional development, poverty reduction and small and intermediate urban centres by linking peripheral regions to global networks are thus as important as ever, but may also be more difficult to realise.<sup>1</sup>

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<sup>1</sup> Pedersen (2003) op. cit.

Too little attention has been given to the role of local governments in achieving the two central components of sustainable development: meeting needs and not depleting or degrading the natural resources and ecological processes which are essential to meeting needs.<sup>1</sup> 'Big' global or national issues such as greater equity and justice, including the protection of human rights, protecting key natural resources, achieving greater democracy and reducing poverty are discussed at the macro level (international and national) but often with little attention to the local institutions needed to ensure progress in these areas. Yet the explicit goals and targets set by international agencies for poverty reduction (or most of the other 'big' issues mentioned above) will not be met without more effective local governance.

Only 'good' government at the local level can ensure:

- the 'rule of law' through which the rights and entitlements of all groups (including low-income groups, women, young people, ethnic minorities and migrants) and the 'public good' are protected;
- everyone's needs for water, sanitation, drainage, health care, schools, transport, emergency services, etc. are met – even if private firms, NGOs or community groups are important providers of some of these. Local government institutions must provide the framework within which provision is guaranteed, standards ensured and, for services that are natural monopolies, prices controlled;
- robust, effective democratic processes exist, including the values this implies such as accountability to citizens and transparency in the generation, allocation and use of public resources; and
- enterprises do not contravene environmental regulations and occupational health and safety standards.

As such, effective government institutions in each locality are more important in the lives of most people than good national or global governance, although achieving effective government institutions in each locality often requires changes in governance at provincial/state, national and global levels.

The term 'governance' has replaced the term 'government', as the key role of civil society in 'government' is increasingly recognised and as development goals have come to include not only efficiency and competence but also the accountability of governments to citizens and communities. Governance includes not only the political and administrative institutions of government (and their organisation and inter-relationships) but also the relations between government and civil society.<sup>2</sup> The ineffectiveness of local government in most low- and middle-income countries is also a failure of governance, since the inadequacies of government relate to its lack of accountability to its citizens in terms of its policies and expenditures (including a lack of transparency in the ways that decisions are made and resources allocated), the lack of democratic structures and the failure of the judiciary to allow citizens to hold it to account. For many countries, the multiple failures or limitations of local government are also partly explained by the national economy's weakness; in most, these are also related to the limited powers and resources allowed to local governments by higher levels of government.

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<sup>1</sup> These were specified as the two central components when sustainable development was first defined in the late 1970s, and then reinforced by the Brundtland Commission's definition from World Commission on Environment and Development (1987), *Our Common Future*, Oxford University Press, 383 pages

<sup>2</sup> McCarney, PL (ed) (1996) *Cities and Governance: New Directions in Latin America, Africa and Asia*, Centre for Urban and Community Studies, University of Toronto, Toronto

### ***Governance in small and intermediate urban centres***

The phenomenal diversity of small and intermediate urban centres in terms of size, economic base, functions and administrative boundaries affects both the role of local governments and the nature of governance. With regard to size, such centres range from just a few thousand to tens of thousands – or even larger in some national contexts.<sup>1</sup> This affects the functions they perform for both urban residents and the residents of villages and other settlements in the surrounding rural region. For example, larger centres are more likely to contain higher-order urban functions such as specialised hospitals, tertiary education and formal manufacturing firms, while smaller centres often act mainly as service centres and market towns for rural agricultural production, and provide lower-order urban functions such as secondary schools and general hospitals. This also means that the population of smaller centres is usually less differentiated in terms of occupations, qualifications and income levels. Size is likely to affect the incomes of the population and, to a large extent, that of its local government. Often, although of course not always, smaller centres are located in poorer regions with a predominantly agricultural base, thus limiting local revenue collection. And, in many instances, poorer regions lack the political clout to ensure sufficient allocations of funds from central governments – and are likely to suffer more from central budgetary restrictions.

Another important aspect of small and intermediate urban centres that affects the functions of local government and the nature of governance is the way in which administrative boundaries are defined. For example, in Tanzania, it is not unusual for rural settlements located at some 15 kilometres from the town's centre to be still within the urban administrative boundaries.<sup>2</sup> In China, small towns (*zhen*) often include within their boundaries the entire surrounding county rural territory.<sup>3</sup> While such extended boundaries allow greater direct control over human and material resources (especially in the case of China's *zhen*), it also increases the costs of infrastructure provision when the population is highly dispersed in predominantly rural settlements (as is the case in Tanzania). Lack of local infrastructure can also constitute a substantial hindrance to good governance, as can the poor remuneration for councillors, which makes it difficult to attract people of calibre. In Tanzania, local government staff face great difficulties in carrying out their jobs effectively and miss many of the most basic office necessities. As a result, recent research shows that of those surveyed, many reckoned they gained only 20 percent of their income from their salary and spent only 10 percent of their day in the workplace.<sup>4</sup>

Other small and intermediate urban centres are located within the sphere of influence of large urban centres. For example, in India's Karnataka State, several *panchayats* and small towns are located sufficiently close to Bangalore to be profoundly affected by any initiatives by the City Corporation. As Bangalore expands, *panchayats* that used to be horticultural production centres geared to urban markets are increasingly under threat as the large city's institutions push for the conversion of productive agricultural land for large businesses. And while the related upgrading of transport infrastructure has had positive impacts (albeit uneven) on the economy of small centres and of the wider region, the autonomy of local bodies is under serious threat.<sup>5</sup>

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<sup>1</sup> See Section 2 for more details

<sup>2</sup> Lerise, F, A Kibadu, E Mbutolwe and N Mushi (2001) *The case of Lindi and its region, southern Tanzania*, Rural–Urban Working Paper 2, IIED, London

<sup>3</sup> Kirkby, R, I Bradbury and Guangbao Shen (2000) *Small Town China*, Ashgate, Aldershot

<sup>4</sup> Sola, N and W McCourt (1999) Using training to promote civil service reform: a Tanzanian local government case study, in *Public Administration and Development* 19

<sup>5</sup> Benjamin, S (2003) *The role of small and intermediate centres around Bangalore: their impact on local economies, rural development, poverty reduction and pro-poor politics*, IIED, London

Especially where the establishment of local elected governments under decentralisation processes is relatively recent, these newly elected bodies often have to establish their legitimacy in a context dominated by central government on the one side and traditional authorities on the other. In many sub-Saharan countries, the power of (mostly non-elected) traditional authorities is vast, and includes control over land under customary tenure systems (which prevail in rural and peri-urban areas). The roles and powers of traditional authorities vary greatly between, and sometimes within, countries and, in some cases, they seem to have lost their social legitimacy – often through their involvement in land speculation. But in other countries, for example in Ghana, they still play an important role, and the legitimacy of new institutions and their ability to exercise power effectively take time to become established: ‘...*traditional ways of doing things cannot be changed overnight*.’<sup>1</sup>

Local participation in governance can also be difficult to ensure where physical distance, different livelihood bases and different priorities between urban and rural residents (for example, over the use of natural resources for ‘rural’ or ‘urban’ purposes) can increase the potential for conflict rather than collaboration. The potential for conflict is much higher in local administrative units with low levels of social and political cohesion among the population. This is often the case in Mali, where the boundaries of the new *communes* established in 1999 in many cases do not reflect social, economic and political realities. Of course, these are also the situations where capable and accountable local government and local actors are most needed. But in general, civil society organisations (and the private sector) are more likely to be based in large cities and in the larger intermediate urban centres – or, at the opposite extreme, in rural areas. Small urban centres most often are ignored although, in many cases, they are where the offices of civil society organisations working in rural areas are based.

### ***Local governance, regional development and poverty reduction***

The explicit goals and targets set by international agencies and donors for poverty reduction will not be met without more effective local governance. Small and intermediate urban centres can have a key role in regional development and poverty reduction in both urban and rural settlements: this is a wider space than that which is usually administered by a single local authority and requires even more capacity from local government staff and local politicians. Moreover, it often demands horizontal collaboration between the local authorities within the same region to address both positive interactions between rural and urban constituencies and potential conflict over competing use of resources – and this clearly requires not only capacity but also legitimacy and accountability. In addition, it requires vertical collaboration between different levels of government: as described in Section 5, policies for small and intermediate urban centres implemented by the most efficient and accountable local governments cannot achieve their aims if macro-economic strategies at the national (and international) level are not consistent with these aims (or, as is often the case, constantly undermine them).

Local governments based in small and intermediate urban centres can and should have a major role in ensuring the provision of services (health, education and emergency services, post and telephones, water, sanitation and drainage) to both their urban residents and to the population of their surrounding region. They can also help improve access to markets for the urban poor. However, they cannot solve the fundamental issues behind rural poverty – issues of land tenure and access to land; of access to credit; and of the changing agricultural sector which, in many countries, is controlled increasingly by large commercial producers directly linked to retailers and exporters. They have limited possibilities of protecting local small and medium-size enterprises, which may provide much-needed non-farm employment, against competition from cheaper exports. What they can do is build the capacity of local populations and enterprises to succeed – for instance,

<sup>1</sup> Toulmin, C (2001) *Keeping an eye on decentralisation*, IIED, London

to improve the education base and skills of rural dwellers and reduce the health burden from easily preventable or curable diseases. This benefits both those who stay in rural areas and those who migrate or commute to urban areas. There are also many measures that local urban governments can take to ensure that the low-income households in their jurisdiction (whether migrants or long-term residents) can buy, rent or build housing that responds to their needs. There are many measures that support the development of small and medium-size enterprises by helping them to gain access to specialised support institutions.<sup>1</sup> They can also apply measures to protect local resources and ensure a more equitable access to them.

The effectiveness and efficiency of local governments in small and intermediate urban centres depends not only on their capacity, revenue base and accountability but also on the nature of their links with higher levels of government. In many cases, provincial or regional governments are best placed to provide support and supervision to local governments, and to establish the vital links between different local authorities within the same region, thereby ensuring whenever possible economies of scale in service provision, infrastructure and other functions that require a broader, regional perspective rather than just the 'local' one. But in many cases, provincial and regional governments are the result of deconcentration of central government rather than decentralisation – most crucially, they are often not accountable to the people to whom they provide services, unlike decentralised local governments that are elected by local residents. These concentrate much of the decision-making and budgetary control that should reside with local governments. Recent research on the role of local governance for poverty reduction in South and East Africa shows that, especially in small urban centres and in rural areas, expectations of real participation in local governance may be unrealistic unless its real objectives are clarified, there is clear political commitment to it – and to the necessary change in power relations – and participation is linked to real local planning rather than the production of 'shopping lists'.<sup>2</sup>

So while 'good' local governance is essential to poverty reduction, it is also important that the actions and institutions this implies are supported by macro-economic national policies and planning. This is also critical at the international level, where international agencies and donors need to ensure coherence between the local processes that are needed to reduce poverty and the development targets, national poverty reduction strategies and the global context of liberalisation of trade and production. As described in Sections 3 and 5, this is not always the case. Finally, it is now widely recognised that better local governance is key not only to poverty reduction but also to a much broader range of developmental goals that include greater equity, greater justice, the protection of human rights, the protection of key resources and achieving greater democracy. What is not so promptly recognised is that these require local processes that in turn need resources, capacity, legitimacy and, especially, time to develop in ways that respond to the specific needs and priorities of groups in each location.

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<sup>1</sup> There is also the issue of local governments not implementing or enforcing inappropriate rules and regulations that inhibit or constrain local enterprise development

<sup>2</sup> Goldman, I (2002) *Local governance for rural development: a case study from South and East Africa*, paper presented at the European Forum on Rural Development Cooperation, September 2002, Montpellier, France

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## c. Other publications on urban poverty. Other publications on urban poverty

Mitlin, Diana and David Satterthwaite (editors), *Reducing Urban Poverty in an Urbanizing World; the Role of Local Government and Civil Society*, Earthscan Publications, London (due out in late 2003).

**Civil Society in Action: transforming opportunities for the urban poor:** The October 2001 issue of *Environment&Urbanization* was prepared with Shack Dwellers International (SDI), a network of community organizations in Africa, Asia and Latin America. It includes articles by members on strategies and approaches that have been found to be of particular importance - for example; the use of savings and credit as a means of building strong local organizations, and an illustration of how the process has taken hold in a number of new countries. It also includes perspectives from a range of development professionals and agencies on the significance of SDI and a description of new relations with local authorities and state agencies that the grassroots organizations have been able to negotiate. Photo-essays on community site development and construction show some of the work of urban poor federations in the Philippines and Cambodia.

**Rethinking Aid to Urban Poverty Reduction: Lessons for Donors:** The April 2001 issue of *Environment&Urbanization* includes evaluations of urban projects or programmes funded by US AID, the World Bank, DFID, Sida, NORAD and UNICEF, along with papers considering the constraints on donor effectiveness. There are also papers on participatory budgeting in Brazil, a fund for community initiatives in Uganda, poverty-mapping in Argentina, mapping infrastructure deficiencies in Salvador, community-based watershed management, and links between poverty and transport.

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infrastructure and services; and the capacity of anti-poor local government policies and practices to harm the livelihoods of many low-income groups within their jurisdiction.

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