

Prologue: Building synergies in rural and urban poverty reduction strategies

Why have separate chapters on rural and urban poverty?¹

The poor have much in common with each other wherever they live, and there are many interactions between rural and urban societies and economies. At the same time there are important reasons to examine rural and urban poverty separately:

- First, the characteristics of urban and rural poverty have some important distinctions that are important to identify and understand so that the poverty problems can be correctly assessed and appropriate interventions can be designed for the respective context.
- Second, certain institutions have particular responsibility for rural and urban outcomes, and the respective chapters aim to assist them.

Some concepts and observations regarding the rural and urban contexts

The minimum population threshold for defining urban areas varies dramatically among countries, but “urban” is typically characterized by density of settlement in a contiguously built-up area, by the structure of economic activity, and sometimes by administrative attributes.

Urban and rural areas are inextricably linked in the process of development. Over time, all countries experience a transition from a predominantly rural to a more heavily urban character of their economies as development progresses. Throughout this transition, the nature of the inter-linkages impacts upon the relative levels of income in the two areas and on the types of problems faced by the poorer and disadvantaged members of each population in each area.

Urban and rural areas are a continuum, but they are also internally very **heterogeneous**. Village clusters, towns, medium-sized cities, large and “mega” cities present very different problems and institutional capacities. Policy responses to address poverty must take account of these details. Inequalities in income and welfare *within regions of a country* can be at least as important an issue for poverty strategies as generalized urban and rural distinctions

A stylized comparison of key characteristics of rural and urban areas, and of the challenges faced by the poor, is summarized **Tables 1 and 2** below. It should be noted that these are broad generalizations: most urban and rural areas demonstrate some combination of these characteristics.

¹ A Technical Note to the Sourcebook, “Working Paper to Address Spatial Considerations in National Poverty Reduction Strategy Processes” by Alison Evans provides more detailed analysis of how both rural and urban considerations can be integrated in the PRSPs.

The fundamental goals of a poverty reduction strategy are to increase the opportunities available to poor households, reduce their vulnerability to unfavorable external events

Table 1. Characteristics of Rural and Urban Areas.

Characteristic	Rural Areas	Urban Areas
Economic activity	Mainly primary production based on land and other natural resources.	Location of concentrated economic activity, mainly based on manufacturing, trade and services .
Demographics	Population dispersed in small clusters.	Population concentrated and growing.
Physical access	Scattered, low quality transportation infrastructure and services. Time/ travel costs high.	Locus of transportation infra-structure but quality of service variable, e.g. due to congestion.
Environmental risks	Related largely to productive processes and deterioration of natural resources	Related to both production and population density (wastes, air pollution).

Table 2. Challenges for the Poor in Rural and Urban Areas

Topic of challenge	Rural Areas	Urban Areas
Livelihood opportunities	To reduce income risk and diversify income sources, non-farm income often sought elsewhere, through periodic migration. Significant dependence on self-provisioning.	Labor market often dualistic. Incomes mainly from semi-permanent wage labor, informal sector and petty trading. Greater dependence on cash.
Food security	Adverse climatic conditions may cause local food shortages and hunger.	Adequacy of food depends on cash availability.
Physical and social infrastructure	Facilities often remote and disconnected. Services and O & M often of poor quality.	Formal and high quality services expensive and restricted. Regulation makes low cost alternatives scarce.
Housing and land	Few problems with shelter <i>per se</i> , but land tenure may be insecure .	Choice often limited and environmental risks high. May be forced onto illegal sites.
Institutions/Governance	Largely removed from formal structures of power, but traditional structures have local role.	Often limited access to political power, and vulnerable to corruption. Community and social networks important.
Environmental vulnerability.	Adverse climatic conditions impact on livelihoods.	Density and poor urban management worsen effects of environmental disasters and risks.

Source: Based on David Satterthwaite, "Location and deprivation: beyond spatial concepts of poverty". Mimeo, London, IIED, March 2000, and Allison Evans, "Working paper to address spatial considerations in PRSP processes", mimeo, World Bank, Dec. 2000.

and empower them to address their own specific problems. The above tables indicate that the emphasis will have to be different as between urban and rural areas. Thus, in rural areas the key aspects of the strategy to reduce poverty are (i) to increase production, both by increasing productivity of existing activities and developing new ones, resource based or otherwise; and (ii) to improve accessibility of basic services, especially for health, education, and infrastructure. In urban areas, the required emphasis is more on reducing institutional and other barriers to livelihood opportunities, infrastructure and services.

The need for overall coherence.

However, this does not mean that there should be two fundamentally separate approaches. Development of a society and economy is a dynamic process. The resulting population settlement is ongoing, not static, so the actual boundaries of rural and urban areas are constantly shifting. Urban poverty issues are particularly apparent in zones where population growth is high and administrative capacities are not adequate or prepared to respond to the pressing needs (e.g., in new settlements falling outside existing municipal boundaries). Spatial mobility allows individuals to respond to economic opportunity and helps to manage risks. Migration—not only rural to urban, but among rural and urban settlements—follows many patterns: circular (with age and lifestyle), seasonal, and permanent.

Spatial agglomeration is good for both rural and urban populations. The increased concentration of population and economic activity through the process of urbanization reduces costs of production and service delivery, enlarges markets for goods and services, and creates a wider labor pool. Urban areas account for the major share of income growth in most countries and of fiscal revenues. Rural areas can often be more prosperous and productive when they are close to urban centers which provide major markets, financial resources, and employment options. Healthy and buoyant urban economies are essential not only to eliminate poverty within their own boundaries but also to create prospects for eliminating rural poverty altogether.

At the urban periphery and in small towns, "rural" and "urban" distinctions can be blurred. Non-farm employment (small manufacturing and services) is important in rural areas, and urban agriculture is a significant source of food and incomes in many cities. The poor in both settings often rely on such multiple livelihoods and on social safety nets based in both locations.

Towards an integrated rural-urban perspective: Identifying policies of mutual benefit for the urban and rural poor

For households to escape from poverty and enjoy all the other benefits of development, they need to be able to participate increasingly in higher value-added activities, for which demand is growing as incomes grow. For the rural poor, this means expanding and diversifying both agricultural production and into more non-farm activities in rural areas when the needed skills, technologies, and other inputs can be made available so as to compete with producers in other locations ; as this happens the rural area becomes

more inter-linked in new ways with the urban centers and eventually takes on urban characteristics itself. To escape poverty some, or all members of some rural households, especially from areas that are particularly resource-poor or with high transport costs, may have to move to where economic prospects are greater. How the country manages the shifts of economic structure and demographics, will affect the growth, nature, and persistence of poverty in both rural and urban locations.

Poverty reduction strategies can, to a considerable extent, be synergistic (win-win) for rural and urban areas. The temporal dimension is important in this sense. A short-term view takes current population distribution and productive activities as given and looks at interventions separately for rural and urban contexts. The long-term view should focus on **growth**, factoring in mobility, changes in productive structure, sources of growth, and investment variables. Targeted actions remain necessary even in the long-term (e.g., for rural extremes of isolated/low-density/ poorly resourced communities, and for urban extremes such as slums).

Actions with potential for fostering rural-urban synergy include:

- Promoting **spatially integrated labor markets**—reducing artificial barriers (e.g. regulations) and costs to mobility, removing locational subsidies and other distortions on locational choice, improving information flows, and providing wide access to education and training.
- **Enabling the free flow of goods, services, and finance**—removing barriers to trading, encouraging pro-competitive producer/trader associations, improving local area market information, removing unnecessary regulation, improving access to technology, communications, and transport, nurturing the informal sector, promoting entrepreneurship and small business development, providing banking services, easing of foreign exchange transfers (including remittances), and removing barriers to reinvestment
- Promoting **land tenure security**, and facilitating the functioning and transparency of **land transactions**.
- Investments in **interregional transport** (farm-to-market roads and inter-city networks).
- Developing **food security strategies**, especially for poor people, based on realistic assessment of both rural and urban needs and capacities.
- Creating policy frameworks and institutional mechanisms to **provide local governments** of all sizes and rural/urban constituencies, **with appropriate financial resources and capacities** to carry out necessary functions including local economic development. Local governments should be reformed to become more accountable to their constituencies and active partners with their communities.

Trade-offs and potential **conflicts** may remain. Issues of land conversion at the urban periphery, competition for water and energy resources, and waste disposal often dominate debates on rural and urban interactions. Poverty reduction strategies must rise above conflicts between rural and urban areas and focus upon ensuring rights and access for the poor in both locations.

The biggest obstacle to addressing the rural-urban interface tends to be the existing institutional, political, and bureaucratic structures, which often impede cooperation across sectoral and administrative boundaries. Planning for the development of local areas (subregions) on the basis of natural economic and social relations may require

new institutional approaches, such as public-private partnerships. People-based poverty strategies that give greater voice and control to the individual and household are necessary to identify integrated and flexible solutions that recognize the multiple sources of livelihood.