



INTERNATIONAL FOOD
POLICY RESEARCH INSTITUTE

sustainable solutions for ending hunger and poverty

BRIEF 1

DYNAMIC LIVELIHOODS

Making the Most of Rural-Urban Connections

Economic, political, and social changes have altered the landscape of both urban and rural areas—as well as the interactions between the two—faster than perceptions and policies can keep up.

Policymakers, for instance, often view rural and urban separately. In addition, the conventional policy mindset in low-income countries can perceive rural areas as backward, populated by subsistence farmers who need to be replaced by large-scale, mechanized agribusinesses.

But these stereotypes often do not fit. Most agricultural producers, for example, are connected to markets, earn substantial nonfarm income, and pursue a wide range of livelihood strategies. To make the most of the potential and diversity of current livelihood strategies, rural and agricultural policies need to take today's realities into account.

Recent research provides insights into how rural conditions and livelihood strategies are changing, often in response to ongoing processes of economic transformation and urbanization. The research highlights the importance of close connections with urban areas and suggests how policies and programs can support the positive dynamics of change.



FINDINGS

1 Livelihood strategies are not static. They change constantly, reflecting new opportunities and challenges that emerge as towns and cities grow and as the rural environment becomes more complex. Rural households, even smallholders, can emerge from poverty in a variety of ways.

The Red River Delta in Vietnam has undergone major economic and social transformation over the past decade. Hanoi and other urban population centers have grown; roads and communications in the region have measurably improved. With higher incomes, consumer demand has diversified; rural producers now reach urban and export markets more easily.

A study of Nhat and Ngoc Dong, two villages in the Red River Delta, illustrates two successful—and very different—responses to these changes. Less than 10 percent of residents in both villages live in poverty.

In Nhat, residents have shifted away from subsistence rice farming toward intensive, high-value production of fruits and vegetables. Some households also combine farming and nonfarm activities.* On average, farming and animal production now provide half of household income. Nonfarm activities generate another 27 percent.

With additional income from nonfarm activities, households can invest in improved technologies. Their nonagricultural activities therefore directly increase the productivity of their agricultural ones.

The villagers of Ngoc Dong have pursued a different path. They have moved out of agricultural production almost entirely and now almost exclusively produce rattan handicrafts. (More than 90 percent of rattan is from natural forests, highlighting the need for sustainable management of natural resources.) Handicrafts and other rural occupations today make up nearly 70 percent of average household income. Farming and animal production provide only 6 percent of average household income. Remittances from migration account for only 2 percent.

Further research could extend this type of understanding to other localities, permitting policies to be based on more complete knowledge of the various pathways of transformation, their requirements and potential for sustainability, and the role of smallholders.

*The terms “nonfarm” and “nonagricultural” can be misleading, implying that activities have little to do with farming or agriculture. In fact, they refer only to activities that are not actual agricultural production—even those critically important to farming. For instance, tilling is farm work, but renting someone a plough is considered nonfarm.

2 Links between rural and urban areas—and local authorities who see the value of supporting regional economies—are often essential to success.

While Nhat and Ngoc Dong chose different livelihood strategies, they have both benefited from improved rural-urban links. With better communications and transport, the villages can tap into demand from regional urban centers and Hanoi, which provides a gateway for exports and connections to the global economy. Farmers can also now access information from nearby agricultural research institutes more easily.

Local authorities were critical to this transformation. They encouraged the building of infrastructure, training for handicraft production, and access to inputs for farmers.

But local authorities need to prepare for more radical

change. In Vietnam, with dramatic growth in both population and industry, rural problems have come to resemble traditional urban ones. Authorities face new challenges, such as: How should governments balance investment in both social and physical infrastructure—schools or roads, clinics or communications? How should they deal with household and industrial wastes and pollution, which before could be dumped far away from residences but now may encroach on a farm field or housing plot? New institutions and governing structures may need to be created to face these problems and coordinate responses across levels of government.

3 Rural areas have close economic, social, and political ties with small towns and intermediate cities. Farmers actually sell most of their goods in local market towns. And residents of these smaller urban areas often make their living by selling goods and services to rural producers and consumers.

Rural migrants often move to smaller towns and cities rather than larger urban areas. Such towns and cities are important destinations in their own right, not just way stations between rural and more urban locales.

Policymakers tend to focus on large cities when thinking “urban,” overlooking the importance of small towns and intermediate cities. Yet these smaller towns and cities—which can range from a few thousand to tens of thousands of people—host a huge amount of economic exchange. They form essential links in the market chain between more rural and more urban areas.

A study of 15 villages in rural Ethiopia found that rural households purchase about half their agricultural production inputs in local market towns and cities and sell 25 to 75 percent of their crops and livestock there. Rural women sell most of their crafts and make over half their purchases of basic items like matches and fuel in these localities. Strikingly, these are largely the only urban areas where rural households undertake economic exchange. Aside from remittances, rural dwellers have few direct

links with more distant urban centers, including the capital.

The study found that better access to market towns and cities increases both economic activity and household welfare. The closer that rural residents live to these towns and cities, the more likely they are to purchase inputs or sell a variety of products. Improving the connections with these towns, through better roads for instance, leads to faster growth in household income.

Though often overlooked, local market towns and cities are linchpins in the connection between urban and rural areas. They are in fact where most rural residents experience urban life, and they will continue to be major destinations for rural migrants in many countries in the coming decades, outpacing even the growth of megacities.

POLICY INSIGHTS

To spur development and poverty reduction, governments need to look beyond conventional concepts of “urban” and “rural.” They would do well to recognize and support the variety of connections across rural and urban areas, as well as the diversity of successful development strategies that mix elements of both.

Wise investments and leadership that understands the reality of current rural-urban connections can help:

- smallholders find new production opportunities and transition to new production patterns;
- assist households to diversify livelihood strategies beyond agricultural production;
- support smaller towns and cities in promoting market exchange between urban and rural households; and
- facilitate local authorities’ capacities to manage natural resources and meet the needs of regional economies, including securing support from higher levels of government.

Text written by James Garrett based on the following background papers:

Dercon, Stefan, and John Hoddinott. 2005. *Livelihoods, Growth, and Links to Market Towns in 15 Ethiopian Villages*. FCND Discussion Paper No. 194. Washington, D.C.: IFPRI.

Thanh, Hoang Xuan, Dang Nguyen Anh, and Cecilia Tacoli. 2005. *Livelihood Diversification and Rural-Urban Linkages in Vietnam’s Red River Delta*. Rural-Urban Series Working Paper No. 11. London: IIED, and FCND Discussion Paper No. 193. Washington, D.C.: IFPRI.



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