Urbanisation, rural transformations and food systems

the role of small towns

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Working Paper
January 2017

Urban environments

Keywords:
Food, Urbanisation, Rural-urban linkages, Rural change

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Produced by IIED's Human Settlements Group

The Human Settlements Group works to reduce poverty and improve health and housing conditions in the urban centres of Africa, Asia and Latin America. It seeks to combine this with promoting good governance and more ecologically sustainable patterns of urban development and rural-urban linkages.

Partner organisations

This research was funded by UK aid from the UK government and the International Fund for Agricultural Development (IFAD). The views expressed do not necessarily reflect those of the donors. IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, IFAD has provided about US$16.6 billion in grants and low-interest loans to projects that have reached some 445 million people. IFAD is an international financial institution and a specialised United Nations agency based in Rome – the UN's food and agriculture hub.

Acknowledgements

The authors are grateful to partners and participants in workshops held in London, Copenhagen, Nairobi, Dakar and Arusha between 2014 and 2016 for their help in sharpening our thinking, and to Holly Ashley for editorial support and help in sharpening our writing.

Published by IIED, January 2017

Tacoli, C and Agergaard, J (2017) *Urbanisation, rural transformations and food systems: the role of small towns*. IIED, London.

http://pubs.iied.org/10806IIED

ISBN 978-1-78431-418-7

Printed on recycled paper with vegetable-based inks.

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Small towns are an essential but often-neglected element of rural landscapes and food systems. They perform a number of essential functions, from market nodes to providers of services and goods and non-farm employment to their own population as well as that of the wider surrounding region. In demographic terms, they represent about half of the world's urban population, and are projected to absorb much of its growth in the next decades. But the multiple and complex interconnections between rural and urban spaces, people and enterprises – and how these affect poverty and food insecurity – remain overlooked. Drawing on lessons from a set of case studies from Tanzania and other examples, this paper aims to contribute to this debate by uniting a food systems approach with an explicit focus on small towns and large villages that play a key role in food systems.

Contents

Summary

Small towns are a central element of food systems as market nodes, centres for processing and storage, and access to inputs and services. This paper reviews evidence of the role of these smaller urban centres in the 'virtuous circle' of rural-urban linkages, and distils the key lessons for equitable food security policy that is spatially and context specific.

The way we frame food security has changed in the past decades, reflecting major transformations in the distribution of the world's population and its economic activities. The majority of the world's population now lives in urban centres, and farming accounts for a declining proportion of rural households' incomes. Effectively there are now more consumers than producers of food.

At the same time, the linkages between rural and urban areas, people and enterprises have become more intensive. Spatial interactions that include the physical movement of goods, people, money, information and waste, and the social networks that underpin these flows, have visibly grown in volume and scope. And sectoral interactions between agriculture, industry and services have also intensified.

These transformations have important implications for food systems, which include all processes involved in food-chain activities from the manufacturing and distribution of inputs, agricultural production, storage and processing to transport, distribution and utilisation.

Supporting low-income producers and consumers in both rural and urban areas is likely to be much more effective if it is grounded in the understanding of local economies and the livelihood strategies through which these groups seek to respond and adapt to socioeconomic, demographic and climatic change.

While large cities play an important role in national and regional economies, smaller urban centres have the potential to play a more direct role in the development of their surrounding rural region. They are in many ways a crucial connection in rural-urban linkages and reflect the 'bottom-up' urbanisation of rural regions that combine a diversified economic base with access and links to wider markets.

Small towns can contribute to regional and rural development in five main ways:

- As centres of demand/markets for agricultural produce from their rural regions,
- As centres for the production and distribution of goods and services to their rural regions,
- As centres for the growth and consolidation of rural non-farm activities and employment,
- By attracting rural migrants from the surrounding region, and
- By managing natural resources.

There are, however, great variations in the extent to which small towns can fulfil these roles. Much of this relates to the specific context in which small towns develop, including land-owning structures, the quality of transport and communications links, and the structural conditions at the international, national and local levels. In many cases there is also evidence that demographic and economic growth of small towns entails increasing levels of social differentiation and persistent poverty as well as environmental degradation.

The case studies presented in this paper emphasise the critical role of governance to support equitable urbanisation and rural transformations.[1] Local authorities in small towns have a potentially key role to play, but this can be negatively affected by limited and inadequate information, insufficient revenue and lack of collaboration with regional and national government. What is needed is a better understanding of the spatial impacts of macro policies and sectoral priorities, an improved recognition of context-specific factors and an appropriate fiscal and financial architecture that supports local governance.

But while small towns can play an important role in supporting food systems, ultimately food security depends largely on addressing fundamental issues underpinning inequality both between and within urban and rural locations.

1. The Tanzanian case studies were developed as part of the research project Rural-Urban Complementarities for the Reduction of Poverty by researchers from Sokoine Agricultural University and University of Copenhagen. It was funded by the Consultative Research Committee for Development Research (FFU), DANIDA (2010–15). The project has been funded for a second period (2015–18) under the title Rural-Urban Transformation: Governance, Mobility, and Economic Dynamics in Emerging Urban Centres for Poverty Reduction. See: http://ign.ku.dk/rut.

1 Introduction

The ways we frame food security have shifted in the past decades, and so have policy debates. On the one hand, it is suggested that concerted efforts are needed to substantially increase food production to face the combined pressures of growing populations and environmental degradation, including the impacts of climate change (Foresight, 2011; Godfray *et al.,* 2010). On the other hand, it is pointed out that while the absolute number of hungry people has declined in recent years, we are now facing a crisis of malnutrition with growing numbers of overweight and obese individuals and – often within the same household – a high proportion of malnourished children (GPAFSN, 2016).

The shift from a predominant concern with quantity and the supply of food, to a growing concern with quality and the access to and utilisation of food reflects the fact that the world's population is now predominantly one of food consumers rather than producers. In part, this is the consequence of the ever-increasing proportion of the world's population living in urban centres: it is estimated that, for the first time in 2008 it exceeded the rural population. Projections suggest there will be close to three urban dwellers for every two rural dwellers by 2025 (Satterthwaite *et al.,* 2010).

Urbanisation goes hand in hand with the increase in the proportion of the workforce employed in industry and services, as well as with the weight of these sectors' share of GDPs. Urban dwellers typically purchase their food and urban markets offer a variety that is often lacking in rural areas, including imported foodstuffs and produce from more distant regions. At the same time, however, urban consumers are exposed to price hikes and price volatility, as was the case in 2007–2008 when urban hunger increased. Indeed, while food is generally more readily available in urban centres, it is not necessarily affordable for large proportions of the urban poor (Cohen and Garrett, 2010; Tacoli *et al.,* 2013).

Hunger and food insecurity are important indicators of poverty, and while it is often assumed that rural residents are able to rely on subsistence production and so less likely to go hungry than urban low-income groups, the growing proportion of rural net-food buyers, especially among the rural poor, suggests that this is less and less the case (FAO, 2011). How rural residents were severely affected by price hikes in 2008 has been documented for countries with very different agricultural production systems such as Guatemala (de Janvry and Sadoulet, 2010) and Vietnam (Hoang *et al.,* 2013), highlighting income poverty as the root cause of hunger.

There seems to be a growing consensus that food consumption needs to be given as much attention as food production. There are, however, still major gaps in the knowledge needed to inform policies, although recent attempts to provide policy-relevant frameworks are promising (for example, OECD *et al.*, 2016; GPAFSN, 2016). Yet overall, the multiple and complex interconnections between rural and urban spaces, people and enterprises – and how these affect poverty and therefore food insecurity – remain overlooked in most discussions of food security.

1.1 Structure of the working paper

This paper aims to contribute to this debate by bringing together a food systems approach and an explicit focus on small towns and large villages that play a key role in food systems as market nodes, centres for processing and storage and access to inputs and services. These emerging urban centres are also an integral part of rural transformation, including the diversification of the local economic base, a fundamental driver of non-farm income-generating activities; increased mobility, with both in- and out-migration; and the development of local institutions and governance systems.

The first part of this working paper (Sections 1 to 7) outlines the concepts and definitions of rural

urban linkages and food systems, urbanisation and rural transformations, the nature and diversity of small towns, and issues relating to governance and territorial development. This is followed by case studies from Tanzania, which illustrate the transformation of two villages into emerging urban centres following liberalisation in agricultural production: Ilula (tomatoes) and Madizini (sugar). Whereas Ilula's development is spurred by trade, the growth of Madizini is driven by the local processing of tea and sugar. Both emerging urban centres have shown considerable spatial and demographic growth from the 1990s onwards and the case studies illustrate some of the similarities and differences in the dynamics of change between the two. The final section presents conclusions and recommendations for policy makers and future research.

2

Rural-urban linkages: concepts and definitions

The linkages and interactions between rural and urban settlements, people and enterprises have become increasingly intensive. They are an important component of livelihoods and production systems in most regions of the world. They are also, however, extremely diverse. This is largely because they reflect local and national sociocultural and economic transformations, including the systems and institutions for the management of natural resources, the nature of agricultural production systems, the nature and location of manufacturing and services, as well as the shape of urban systems. At the micro level, they are also closely interrelated to differences in access to opportunities and assets based on gender, age and wealth. Indeed, complexity is the one characteristic that rural-urban linkages in different locations share. This should not be surprising, as rural-urban linkages are better defined as a complex web of connections between 'rural' and 'urban' dimensions, rather than a linear relationship. To be a useful concept for policy, however, rural-urban linkages need to be defined as clearly as possible.

A spatial definition of rural-urban linkages refers to the tangible and intangible exchanges between rural and urban areas, people and enterprises. These links are spatial in that they involve the physical movement of goods, people, money, information and waste; and the social networks and relations that span rural and urban locations. This definition is useful to describe the density and directions of linkages; however, it does little to capture the dynamics that underlie these exchanges.

A sectoral definition of rural-urban linkages focuses more narrowly on the interactions between different economic sectors – agriculture, industry and services. These can include agricultural production's backward linkages (the manufacturing of inputs) and its forward linkages (processing, transport and distribution). This definition goes into more depth in analysing the functional links between people, activities and enterprises in different locations. However, this too has limitations: to understand and support positive rural-urban linkages what is needed is a combination of functional and spatial dimensions. As discussed in the next section, examples of positive linkages typically share one key factor: the added value produced through functional linkages is retained and reinvested locally, where with appropriate institutional support it serves as the engine of local economic development.

Rural-urban linkages are also central to structural transformation, intended as the transition from largely agrarian economies with most of the population engaged in farming, to a concentration of employment in manufacturing and services which provide the majority of national GDPs. This process is already well under way: globally, since about 1980 the economically active population employed in manufacturing and services exceeds that employed in agriculture (Satterthwaite, 2007). Currently, around one third of the world's labour force is engaged in agriculture, and the sector generates 2–3 per cent of global value added, although this does not take into account subsistence production and the added value produced by the manufacturing and distribution of food and other agricultural raw materials (Satterthwaite *et al.,* 2010). Structural transformation typically involves people moving from rural to urban areas where non-farm jobs tend to be

located, and is thus closely linked to migration McMillan and Headey, 2014; Losch *et al.,* 2012). However, not all rural migrants move to large urban centres, nor do they move permanently. Temporary migration between rural areas and to local small towns is just as important, and in some contexts even more so than permanent rural-urban migration.

3

Food systems and rural-urban linkages

Food systems include all processes involved in food-chain activities, from the manufacturing and distribution of inputs (seed, animal feed, fertilisers, pest control); agricultural production (crops, livestock, fisheries, wild foods); primary and secondary processing, packaging, storage, transport and distribution; marketing and retail; catering; domestic food management; and waste disposal. Importantly, food systems encompass not only food-chain activities but also the outcomes of these activities and their governance (Vermeulen *et al.,* 2012). The shift in concern about the quality of diets rather than just the quantity of food produced is reflected in the growing interest in food systems (GPAFSN, 2016).

There is also a growing interest in the urban-rural interface – the 'grey' area where farming co-exists, often uneasily, with the expansion of built-up areas, and in the role of urban and peri-urban agriculture in providing incomes and improving the diets and nutrition of low-income residents, while at the same time potentially contributing to ecosystems balance. This should not be underestimated. It should also, however, not be overestimated. Short food-supply chains are often understood from a spatial perspective, with a short distance between producers and consumers. We suggest that the non-spatial dimensions of short food-chains are equally important: in contrast to the 'long, anonymous supply chains characteristic of the industrial mode of food production' (Renting *et al*., 2003), food-chains that link rural producers and urban consumers through trade networks and market nodes located in small towns are often the engine of rural development.

There are several reasons why it is helpful to consider rural-urban linkages beyond the immediate proximity of urban centres, and to locate farming in the broader context of highly dynamic demographic, social and economic transformations in both rural and urban spaces which often transcend regional and national boundaries. A first reason is that although it is estimated that globally up to 95 per cent of food is from domestic supply (Reardon and Timmer, 2012), there is a substantial proportion of countries that are net food importers, and this has important consequences for food security. Hence, the concentration of low-income nations that are also net food importers in Africa, compared to the prevalence of low-income net food-exporting countries in Asia, helps explain why between 2007 and 2008, at the peak of the food price crisis, undernourishment increased by 8 per cent in Africa against 0.1 per cent in Asia (FAO, 2011). This also means that food security is increasingly affected by climate-related disruptions in food systems that are not only local but take place in other locations and indeed globally (Battersby, 2012).

A second reason is that transformations in food systems and the consolidation of supply and distribution mean that in many cases food, especially staples and especially when imported, can be cheaper in urban markets than in remote rural areas, resulting in reverse flows from urban centres to rural areas. It is important to understand the underlying factors that shape food systems and not assume that food goes only from the countryside to the local urban centres. While this is certainly true, it is not the only direction. Understanding the spatial mapping of food systems makes it easier to identify the weaknesses that need to be taken into account to ensure food security, and especially their exposure to the impacts of climate change. Disruptions in production, transport and storage can take place in a number of rural and urban locations, regardless of where food is consumed.

A third reason is that support to small-scale farmers and other low-income groups is likely to be much

more effective if it is grounded in the understanding of local economies and the livelihood strategies through which these groups seek to respond and adapt to socioeconomic, demographic and climatic change.

Rural-urban linkages are central to the production and consumption of food, as urban demand for agricultural produce has great importance for rural incomes. A key issue is whether the growing and changing demand for food and other agricultural products linked to urbanisation, which reflects dietary changes as well as the higher number of net food consumers, can underpin rural prosperity. This is especially important in the light of global declines in agricultural land per person, soil degradation and water constraints – all of which are likely to be exacerbated by the impacts of climate change, which also have the potential to disrupt production, processing and distribution of food (Satterthwaite *et al.,* 2010; Vermeulen *et al.,* 2012). It is also important because of the changes in supply chains. Globalisation, trade liberalisation and the growing role of modern retail and agrifood business concentration can make access to markets difficult for smallholders, who are still the majority of food producers throughout the world and especially in low-income nations (Berdegué *et al.,* 2014; Vorley *et al.,* 2012).

However, while net food buyers – individuals and households who consume more food than they produce – are the overwhelming majority of the urban population, they are also an often high if overlooked proportion of rural residents. In East and Southern Africa, more than half the regions' emerging middle class (defined as people with incomes of US$2–20 dollars per person per day) is rural, and purchases 60–80 per cent of its food, especially processed and perishable goods produced within the region (Tschirley *et al.,* 2015). But rural net food buyers also include very small-scale and marginal farmers and landless and land-poor rural households who suffer the most from increases in food prices (de Janvry and Sadoulet, 2010; FAO, 2011; Hoang *et al.,* 2013). For these groups, access to non-farm income -generating activities, often linked to mobility, is an important strategy of adaptation to socioeconomic transformations as well as environmental change.

4

Urbanisation and rural transformations

Urbanisation is widely recognised as one of the major trends of this century, and one that offers great opportunities as well as significant challenges for poverty reduction in both urban and rural areas (UNFPA, 2007). It will also transform rural-urban linkages, as well as having profound implications for farming and food production. This is because as nations become more urbanised, the proportion of the population employed in producing food will decline, and at the same time growing incomes will increase demand for resource-intensive foodstuffs.

In demographic terms, urbanisation refers to the share of people living in areas classed as urban. Since 2009, more than half the world's population live in such settlements. Between 2009 and 2050, urban areas are projected to absorb the entire world's population growth while the world's rural population is expected to start decreasing in about a decade. Perhaps more significant is that virtually all population growth will be in cities and towns of Africa and Asia. This will substantially change the population distribution of these two regions, which are currently the least urbanised with on average 40–48 per cent of their populations living in urban centres, against 70–80 per cent in the rest of the world (UNDESA, 2015).

These figures, however, should be treated as indicative rather than actual, as in many cases, especially in low-income and crisis-ridden nations, they are estimates based on census data that can be decades old. Perhaps unsurprisingly, there is a relatively high degree of uncertainty on the actual levels of urbanisation in several sub-Saharan African countries, including whether economic and political crises have resulted in urban-rural migration and de-urbanisation (Potts, 2012).

As the global, regional and national structures of the economy undergo major shifts, access to non-farm employment becomes increasingly important for the livelihoods of rural residents. Figures on the proportion of rural incomes derived from non-agricultural sources vary, and should be taken with some caution as part-time and seasonal occupations are usually under-counted, especially if they take place in the informal sector. Even then, they are high and growing: in China, it is estimated that the non-agricultural part of rural incomes went from 17 per cent in the early 1980s to 40 per cent in the late 1990s (Haggblade *et al.,* 2007). While this reflects the extraordinary growth of manufacturing in the country, rural non-farm incomes are also high in countries where agriculture is the main economic base, such as Tanzania, where they went from 11 per cent in 1991 to 46 per cent in 2000. On average, and with variations between countries as well as the caveats mentioned above, it is estimated that in the 1990s and 2000s non-agricultural sources accounted for 37 per cent of African rural incomes, and for 51 per cent in Asia and 47 per cent in Latin America (Haggblade *et al.,* 2007). This proportion is likely to have increased, as in the case of Bhutan where in 2012 non-farm activities accounted for over 60 per cent of rural households' incomes (Rahut *et al.,* 2016).

At least in part, the growing importance of non-farm incomes for rural households is related to increased mobility. Rural-urban migration is a crucial component of urbanisation; however, it is not the only one: natural population growth – the excess number of births over deaths, which is heavily affected by fertility rates and improvements in health systems – and the reclassification of rural settlements into urban centres often accounts for 60 per cent of urbanisation, although

there are exceptions, especially in nations undergoing rapid urbanisation. So while rural migrants are often seen as the main reason for 'over-urbanisation', this is not supported by evidence. Policies that aim to curb rural-urban migration often by excluding migrants from basic services and housing to discourage them from moving to the cities, are hardly justified and mostly ineffective in slowing urbanisation and urban growth (Tacoli *et al.,* 2015).

Moreover, migrating to cities and towns can be costly, and in both Asia and Africa, much mobility is temporary: currently, the numbers of seasonal migrants moving to urban centres is estimated to be high and growing, as is movement between rural areas. In addition, not all rural-urban movement is to large cities, and small urban centres are an important destination for rural residents.

5

Small urban centres: definitions and diversity

There seems to be a growing interest in urban centres other than large cities, although such an interest was also evident during the late 1970s and 1980s (see Satterthwaite and Tacoli, 2003 for a review). In part, this growing interest comes from a recognition that a significant and usually growing proportion of national and urban populations live in urban centres other than the largest cities. In part, it is fuelled by a concern for the weakness of local governments in most such centres.

Despite their high visibility, megacities (agglomerations with more than 10 million inhabitants) account for only about 9 per cent of the world's urban population. Cities with between 1 and 5 million inhabitants account for about 20 per cent and smaller cities with between 500,000 and 1 million inhabitants account for 10 per cent of the overall urban population. About half the world's urban population lives in smaller urban centres with less than 500,000 and in many cases just a few thousand inhabitants, with large variations across regions: in Africa, more than half of urban dwellers live in such settlements, compared to close to two thirds in Europe but just one third in North America (UNDESA, 2015). But clearly, such broad categories are unlikely to provide detailed information.

A recent report by UCLG (2016) shows the proportion of the world's population estimated to live in three categories of urban centres – metropolitan areas, intermediary cities and small towns with up to 50,000 inhabitants. The demographic significance of the latter category is especially interesting for its diversity: while overall over one fifth of the world's urban population lives in such centres, there are significant variations between and within regions. For example, the average figure for Africa – 26.4 per cent – hides major differences between East and West Africa, both with more than 30 per cent of their urban population living in small towns, and Central Africa, where this proportion is only 12.7 per cent. Among high-income regions, Europe has a higher than average proportion of its urban population living in small towns, whereas North America has a much lower than average proportion at only 10.9 per cent. All urban-based Polynesians, on the other hand, seem to reside in small towns. Such diversity highlights the importance of the wider socioeconomic context, including the nature and shape of national urban systems of which small towns are part.

International comparisons are difficult, however, as definitions of what constitutes an urban centre vary between nations and, in many cases, even national definitions can change over time, and this affects smaller towns. Definition criteria typically include one or more of the following: population size (which can vary between 200 and 20,000), economic base (the proportion of residents employed in non-farm activities), infrastructure (roads and public services such as hospitals) and administrative status. The economic and social functions of small urban centres also vary depending on the national urban hierarchy and economic base.

Almost all small towns depend on some economic stimulus to support a concentration of population – for instance as a centre for administration or public services (post, public transport), usually in the larger centres, or where demand from the town population

and enterprises supports a market and shops and stalls, which is often the case for smaller centres. But there are important differences in context. Whereas most small towns in low- and most middle-income nations are linked to farming, this is no longer the case for small towns in wealthier economies, where agriculture accounts for a very small proportion of GDP and employment. This is reflected in the spatial distribution of the population: while in most high- and middle-income countries and regions – that is, North America, Europe, Latin America and the Caribbean and parts of Asia – projections suggest that between 2014 and 2050 urban population growth will be accompanied by a decline in rural populations; this will not be the case for the majority of countries in Africa and Oceania, where there is likely to be an increase in both urban and rural populations (UNDESA, 2015).

In much of sub-Saharan Africa, therefore, the development of small towns remains largely linked to the nature of agricultural production systems, and in some cases to the growth of mining. In Zambia's Southern Province, for example, the town of Mazabuka, with a population of just less than 50,000 in 2000, developed largely around sugar plantations in the surrounding region and the town-based sugar refinery, whereas the much smaller town of Kalomo, (11,000 inhabitants in 2000) has a cotton ginnery but is located in an area where low soil quality limits the development of cash crops (Nchito, 2010). In contrast, export-oriented economic strategies since the 1990s in Mexico have stimulated the growth of small (and intermediate) urban centres along the border with the United States based mainly on manufacturing. However, the rapid growth of these northern urban centres has not stimulated much development in the rest of the country since their main functional linkages are with urban centres in the United States (Garza, 2002). In other words, small towns are best understood as part of urban change dynamics in different nations and regions, which in turn are shaped by economic shifts and institutional arrangements.

Small towns often become urban centres by being reclassified as 'urban', either because their population has increased or because criteria for the definition of urban centres have changed. This can bring some potential advantages if it means that there is a local government there with capacity to contribute to the provision of basic services. In China, for example, since the mid-1980s small towns have been an important element of national industrialisation and urbanisation strategies, and having an 'urban' status has increased their ability to attract funding from central government (Li and An, 2010).

Approaches that combine census and remote-sensing data will make it easier to apply standard demographic definitions, allowing for international comparisons and a more accurate analysis of urbanisation processes. One example of this is the Africapolis database covering the West African region from 1950 to 2010. Using a cut-off point of 10,000 inhabitants, it traces the evolution of more than 2,500 settlements in the region. Perhaps the most important finding is that while primate cities maintain their role of interface with global dynamics, there is a proliferation of new, smaller settlements that cross the 10,000 urban inhabitants thresholds each year (Africapolis, 2009). The analysis suggests that this process of in situ urbanisation is the result of natural population growth and the limited number of existing towns that can attract rural migrants. Small towns (or, indeed, large villages) tend to develop in three broad categories of locations: densely populated areas, along major roads, and in relative proximity to large cities. This suggests that the functions of small towns are best understood within the broader picture of urban (and rural) networks. It also raises important questions of governance and institutional set-up, since these settlements often develop outside of any legal or social framework appropriate to dense population concentrations, including the provision of basic infrastructure and services (Africapolis, 2009).

6

Small towns, rural-urban linkages and regional development

While large cities play an important role in national and regional economies, smaller urban centres have the potential to play a more direct role in the development of their rural region. They are in many ways a crucial connection in rural-urban linkages, and reflect the urbanisation of rural regions, with a more diversified local economic base and links to wider markets (Losch *et al.,* 2013; Satterthwaite and Tacoli, 2003; Berdegué *et al.,* 2014).

The economic interdependence between urban-based enterprises, rural producers and urban markets, and the reliance of many households on both rural- and urban-based resources, are often stronger in and around smaller urban centres, which can provide access to markets for small-scale producers who may find it otherwise difficult to attract the interest of large supply chains that usually require consistent quality and relatively large quantities of produce. As incomes grow, domestic demand increases for locally produced perishable foodstuffs, supporting related processing activities in small towns (Tschirley *et al.,* 2015). Value-adding processing of food is thus also, and increasingly, an important function of enterprises based in small towns and in many cases the basis of successful diversification of the local economic base. Small towns can also act as providers of manufactured goods and services to the surrounding rural areas. These services include health and education as well as banking, agricultural extension, services of professionals such as lawyers and accountants, and wholesale and retail sales of manufactured goods from within and outside the region.

Hence small urban centres often are where the growth and consolidation of non-farm activities and employment is located within the rural region, either through the development of small and medium-sized enterprises or through the relocation of branches of private and public enterprises. In so doing, small urban centres attract migrants looking for non-farm employment or to work as seasonal waged agricultural labourers in local family farms (Satterthwaite and Tacoli, 2003; Fold and Tacoli, 2010; Sall *et al.,* 2011). Research in Tanzania suggests that migration to small towns is more likely to lead to poverty reduction than moving to large cities (Christiaensen *et al.,* 2013). Box 1 summarises the five main roles of small towns in regional and rural development.

The empirical evidence available, however, 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.

Many successful small towns develop in close symbiosis with their surrounding rural areas, and their fortunes are interlinked to those of specific commodities. While the majority of their residents usually engage in non-farm activities, these are closely related to agricultural

BOX 1. THE FIVE MAIN ROLES OF SMALL TOWNS IN REGIONAL AND RURAL DEVELOPMENT

For most regional planning policies, small towns can contribute to regional and rural development in five main ways:

By acting as centres of demand/markets for agricultural produce from the rural region, either for local consumers or as links to national and export markets. Access to markets is a prerequisite to increase rural agricultural incomes, and the proximity of local small and intermediate centres to production areas is assumed to be a key factor.

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, lower-order services such as bars and restaurants, and wholesale and retail sales of manufactured goods from within and outside the region.

By becoming centres for the growth and consolidation of rural non-farm activities and employment, through the development of small- and medium-sized 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 thereby decreasing pressure on larger urban centres.

By managing natural resources in ways that respond to the needs of growing rural and urban populations with special attention to protecting resources in the face of local and global environmental change.

production, or are related to increasing demand from farmers whose incomes are growing as a result of successful agriculture. Box 2 describes an example of such positive rural-urban interactions in Vietnam.

There are, however, great variations in the extent to which small urban centres and large urbanising villages can fulfil their developmental role. This is often reflected in their demographic transformations: while many small

BOX 2. RURAL-URBAN INTERACTIONS AND LOCAL ECONOMIC GROWTH IN VIETNAM'S MEKONG DELTA

In Vietnam's Mekong Delta, the production of fresh speciality fruit has increased in response to growing demand from urban and rural households. Large villages have become market nodes where traders play a critical role. Unlike large-scale supply-chain operators, these well-connected traders are able to absorb all qualities and quantities of fruit, as they can then distribute them to different consumers through their wide-ranging networks. This is extremely important for small-scale producers. Indeed, supermarkets which, in the early 2000s, seemed on the verge of transforming Vietnam's domestic food markets, have been far less influential than expected. In part, this is because they cannot offer the advantages of local traders.

Trade-related activities, including grading, processing, packaging and transport, employ growing numbers of local residents who can thus diversify their income sources and increase their financial resilience. With higher incomes, there is also increased demand from local residents and rural residents alike for services such as hairdressing, restaurants and cafes, and access to goods such as cooking gas. Income diversification has increased, with a sharp decline in the proportion of households for whom farming is the sole income source. Over time, the availability of non-farm employment within the settlements and in larger regional towns has reduced migration to Vietnam's main cities, Ho Chi Minh City and Hanoi, as well as international labour migration and marriage-related international migration, which were earlier seen as a way out of poverty for the poorest groups.

These large urbanising villages effectively fulfil the functions of small towns. Critical factors that enable this include relatively equitable access to land and water, good roads connecting the villages to larger urban centres and to the surrounding rural settlements, and electricity and communication infrastructure. In addition, employment opportunities in manufacturing mean that a large proportion of farming households can rely on remittances from migrant members to finance agricultural innovation to respond to demand.

But the transformation of large villages into small towns is not without its own challenges: water pollution and waste management, both residential and agricultural, are increasingly problematic and reflect local governments' limited capacity. This includes increasing resilience to the impacts of climate change, which in the Mekong Delta is projected to be particularly severe.

Source: Hoang *et al.* (2008); Hoang *et al.* (2015).

towns have high annual population growth rates, many of them stagnate or their populations decrease. The close relationship between agricultural production and small-town development is illustrated by the decline of the urban population in Ghana's Central Region between 1970 and 1984, when it went from 28.5 per cent to 26.5 per cent, whereas national levels of urbanisation continued to grow. This was due to the collapse of international prices for cocoa, a commodity central to the economy of the Central Region. As people moved away in search of alternative income-generating activities, small towns whose populations shrank to below the urban threshold were reclassified as rural settlements (Songsore, 2000).

A key difference between growing and declining settlements seems to be the relative diversity of their economic base. The specific context is important here, including the nature of the crops produced in the surrounding rural areas and whether they provide opportunities to generate added value through local processing – and whether they are perishable products that cannot be transported in bulk and require local grading, processing and packaging and rapid transport to final markets, as is the case for horticulture. It is only when the added value thus generated is retained and invested locally in both farm and non-farm activities that small towns grow, and stimulate the development of the surrounding rural regions.

The example of Vietnam in Box 2 also highlights the important role of traders. In policy debates on food security, there is a growing interest in short food-supply chains. This, however, is often with an emphasis on the spatial dimension of short chains, such as the role of urban and peri-urban agricultural production in providing incomes and improving the diets and nutritional levels of urban residents and its potential contribution to ecosystems balance. This tends to overlook the crucial non-spatial dimensions of short food-chains, which link rural and urban areas through networks of producers, traders and consumers and whose nodes are based in small urban centres, in contrast to the 'long, anonymous supply chains characteristic of the industrial mode of food production' (Renting *et al.,* 2003).

In agricultural regions where production is dominated by large commercial farms, local small towns may not play a significant role as market nodes. As large volumes of cash crops bypass local centres, the low wages of agricultural workers do not stimulate demand for goods and services. Even where production is mainly by small-scale farmers but integrated in global export value chains, rapid changes in requirements can deeply affect local economies. In southern Ghana, pineapple production for export markets has driven local agricultural growth from the 1990s up to 2005. But buyers' switch from large to smaller, sweeter types of fruit better grown in Central America than in West Africa decimated local production, resulting in the stagnation and often the economic and demographic decline of small towns (Gough and Fold, 2010). Similar dynamics are increasingly taking place in other regions, including Europe.

Access to decent road and transport infrastructure is another critical factor enabling small towns to fulfil a developmental role. In addition, connections to a network of rural and urban settlements provide wider scope for social and economic interactions than dependence on only one urban centre (Douglass, 1998).

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 (Kamete, 1998).

While links with agricultural production are often the key to the economic success of small towns, there are other drivers that can be just as important in different contexts. The economic development of the town of Gutao in China's Shanxi province relies mainly on tourism after it gained world heritage status under the command of China's central government and despite initial resistance from town and county authorities (Li and An, 2010). Mining is another important driver of the development of small towns, especially but not only in sub-Saharan Africa. However, mining can be highly unpredictable, especially when it is dominated by small-scale, informal operators. Mining's ability to attract workers, especially migrants, depends on how mineral-rich the mining site is, how fast the extractable minerals are depleted and how many alternative sites there are (Bryceson and Yankson, 2010).

In high-income nations where agriculture is a minor component of GDP and employment, industrial clustering has attracted more attention since the 1980s. Clusters are defined as sectoral and spatial concentrations of firms which benefit from a range of localised external economies that lower the 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. Much of the literature on industrial clusters draws from European, Asian and Latin American experiences, and the consequences of clustering for sustained economic growth are mixed, with successful examples in Europe and less successful examples in low-middle-income countries, suggesting that institutional systems and infrastructure are key factors (Satterthwaite and Tacoli, 2003).

With regard to environmental protection, small towns are sometimes assumed to be able to ensure that natural resource management responds to the needs of all economic sectors in different locations. In many instances, however, 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 productive activities. Especially for small towns 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 towns (Benjamin, 2003).

Non-farm enterprises located in small towns can also have a negative impact on the local environment, as access to industrial areas with adequate infrastructure and environmental protection such as water treatment plants may not be affordable for small-scale enterprises. But in many cases, local governments are more interested in local economic growth; for example in China, where GDP growth remains the most important factor in assessing local government officials' performance, the effectiveness of environmental policies is limited by a lack of local participation, especially of residents and small-scale businesses. The consequence is that there is little appreciation of the complexity of adaptation and its multiple characteristics (Li, 2013).

In the context of disaster risk reduction, the growing interest in the vulnerability of urban centres to climate change and other hazards focuses largely on cities of more than one million inhabitants. Small towns – especially in low-income nations – are often overlooked despite their exposure to environmental hazards and their demographic significance. In many cases, the absence of functioning local governments is a key factor increasing the risks faced by small towns (Manda, 2014).

Finally, as mentioned earlier, migration and remittances are important elements of the development of small towns. In many cases, different migrant flows overlap: for example, in Senegal, Bolivia and Tanzania remittances from migrants to cities and international destinations are used to pay seasonal wage labourers coming from poorer rural areas, thus filling in labour shortages on family farms (Tacoli, 2013). In Vietnam's Mekong Delta, employment in manufacturing within the region has provided capital to invest in high-value fruit production (Hoang *et al.,* 2008 and 2015), and similar links between remittances and agricultural production have been documented in Africa (Tiffen, 2003) and in Pakistan (Hasan, 2010).

Often, remittances from both internal and international migrants have a positive impact on their relatives' well-being and on local economies. But such impact is also complex and contradictory, especially at the local level, and can transform governance systems as well as affect the management of natural resources. In the Senegal River Valley's small towns, international remittances have long been a key element of local economies and have enabled communities to withstand recurrent economic and ecological crises. Migrants have become powerful interest groups as decentralisation has opened up opportunities to participate in local politics. While this helps foster local democracy, it can also result in social polarisation as migrants gain control over the management of land, a preferred investment of remittances (Sall, 2010). In El Salvador and Guatemala, remittances from international migrants in small and intermediate urban centres have triggered a construction boom of luxury gated communities and the extension of urban areas has almost doubled, while the state has retreated from housing provision. This has resulted in house price inflation as well as environmental degradation, as weak municipal planning agencies are unable to protect hydrogeological systems (Klaufus, 2010).

In summary, the potential role of small urban centres in regional and rural development is not an intrinsic characteristic, and is largely determined by the wider economic, social and political context. For example, in the case of Vietnam's Mekong Delta (Box 2), a crucial factor has been the growing demand for higher-value fresh fruit throughout the country, as both rural and urban incomes have grown substantially in the past two decades (Hoang *et al*., 2008 and 2015). Indeed, as long as issues of social and spatial polarisation are not addressed, it is unlikely that small towns and regional development policies can contribute to sustainable development and poverty reduction.

7

Small town governance and territorial development policies

What are the most appropriate policy tools to support small towns, given their central role in regional and sustainable development? In the past, there has been a renewed interest among international agencies in regional development and, by implication, in the role of small and intermediate urban centres (for example, World Bank, 2009; OECD, 2015). But this is not new: much has been written about the nature and shortcomings of various policies that, since the 1960s, have been implemented to promote the role of such centres in territorial and regional development, and a relatively large body of literature has identified the key reasons for the high rate of failure (for a review, see Satterthwaite and Tacoli, 2003).

The first and perhaps most important is the underestimation of macroeconomic policies, pricing policies and sectoral priorities, including policies related to agrifood systems, that do not make explicit reference to spatial dimensions. Equally important are issues of land tenure and security: evidence from successful small town development shows that equal access to land and secure tenure is a crucial factor. Neglecting the powerful influence of such policies has often been, and potentially still is, a major reason for the failure of local and territorial development policies, as sectoral investments can increase poverty and exacerbate social polarisation. This can severely undermine the ability of small towns to act as engines of local economic growth and poverty reduction, which require a relatively broad base of producers and consumers alike. Examples presented in earlier sections, including cases of growing as well as shrinking small towns, show that what happens at the local level reflects policies and strategic choices made at the macro level. The implications for governance are clear: local and regional governments cannot support local sustainable development if there is no synergy with national and supra-national levels through regular and systematic dialogues.

A second but equally important reason is that in many cases policies are not grounded in the recognition of context-specific factors that shape opportunities and constraints for local development. As the examples presented in this paper show, there is a huge diversity in the demographic trends, socioeconomic base and functions of small towns, both between and within regions and national territories. This calls for adequate information and reliable data, both about local needs, priorities and resources, and of the impacts of narrowly defined sectoral policies, to support the design and implementation of effective local initiatives. In most low- and middle-income nations, the general lack of subnational data undermines local government action. This includes economic activities, especially the large proportion of informal sector enterprises and wage labour, demographic changes due to migration and mobility, especially seasonal and temporary

movement, poverty and vulnerability characteristics (including non-income dimensions such as access to housing and basic infrastructure). Lack of relevant and reliable data is especially important to enable local governments to respond to the substantial challenges they face. These include the provision of basic services and essential infrastructure that serves the needs of all groups, especially low-income ones, in rapidly growing small towns as well as in shrinking ones with ageing populations. Also crucial is building resilience to environmental hazards and the impacts of climate change.

A third reason is that while local institutions and local governments are increasingly recognised as central to regional development, this has not been accompanied by an appropriate fiscal and financial architecture that enables local governments to perform their growing role (UCLG, 2016). Decentralisation processes have taken place since the late 1980s and 1990s in many low- and middle-income nations, and have the potential to stimulate and support local development while addressing issues of inequality and social and economic polarisation. But in many cases, this is severely hindered by the limited powers and financial autonomy of local governments. This is especially the case in low- and middle-income nations: while in Europe the proportion of local government revenue is above 35 per cent of total government revenue, and in Japan 40 per cent, in African countries, on average, it is only 7 per cent (OECD, 2015). This makes local governments heavily dependent on central government transfers and limits their ability to invest according to local priorities and needs. An additional issue facing local governments' finances is the global economic downturn and persistent insecurity.

Local governments also need to be accountable to their citizens and achieve legitimacy, often in a context where competing institutions – overlapping with national sectoral policies and institutions, traditional authorities, and powerful private-sector actors – can make this difficult. At the same time, transparency on expenditure and collaboration with civil society, for example in collecting locally relevant information, are crucial ways to increase legitimacy.

Emerging approaches to rural-urban partnerships emphasise the opportunities that exist in places outside the large urban centres – including small and intermediate urban centres – for economic growth and development, and call for development strategies that mobilise assets and harness complementarities at the regional level (OECD, 2013; EU, 2014). Such partnerships are shaped by external factors, by the institutional environment and by the potentially disruptive role of regulatory and political barriers, lack of trust between different institutions and stakeholders, and policy fragmentation. Positive factors, on the other hand, include clearly defined objectives, a context-specific understanding of rural-urban linkages and interactions, and, perhaps most importantly, democratic participation and leadership (OECD, 2013). Examples of initiatives that aim to integrate rural and urban areas though institutional partnerships include the Asturian Integrated Maritime Policy (Marea: La Mar, una Estrategia para Asturies), which combines environmental, economic and sociocultural objectives through an integrated strategy that builds on good governance, research and innovation and a greater role for public institutions at all levels, from local to regional, national and European (Paris, 2011).

In many cases, involving the private-sector proves to be challenging, despite its crucial role in connecting different elements of the regional economy (OECD, 2013). In low- and middle-income countries, this often overlaps with local governments' lack of knowledge and suspicion of the informal sector. However, as the example of Vietnam described in Box 2 shows, traders and other private-sector actors play a central role in supporting economic growth. A study of small towns in New Zealand shows that while local government action is increasingly constrained by shrinking available technical and financial support, local entrepreneurs and community leaders who support them are instrumental in driving change. Such change includes new economic activities and diversification as important components of local economic resilience (Nel and Stevenson, 2014). What this tells us is that civil society and local, often small-scale, private-sector actors are both key stakeholders that are as central as public institutions to the success of territorial development initiatives.

But perhaps the key message is that while local governments in small towns can and should have a major role in ensuring the provision of services and supporting local economic development, they cannot solve fundamental issues behind rural and urban inequalities. These, as mentioned above, depend largely on national and regional policies. Successful decentralisation thus requires a better fit between national macro-economic and sectoral policies and local/regional development strategies, while synergy and collaboration between local and regional governments and national ministries are essential to the implementation of territorial development policies.

8

Case studies: lessons from emerging small urban centres in rural Tanzania

The following two case studies from Tanzania examine some of the issues relating to urbanisation, rural transformation and food systems and the role of small towns and emerging urban centres. First, we describe the context and background, which is followed by two case studies. The first focuses on the village of Ilula and its growing cultivation of and trade in tomatoes. It demonstrates how a rural economy based on a domestically consumed perishable, through diversification and the creation of non-farm employment, can stimulate a process towards endogenous economic growth and sustainable small town development. The second looks at Madizini, a sugarcane centre. Madizini exemplifies the emergence of urban centres in relation to a plantation and out-grower crop and its related local agro-processing. Finally, using lessons from the case studies, we examine the importance – and complexities – of governance for emerging small urban centres in the Tanzanian context.

Tanzania continues to be among the least urbanised countries of sub-Saharan Africa with an urbanisation of 29 per cent (2012). Since the 1980s, annual urban growth rates have stayed at the same level, between 2.5 and 3 per cent. These data cover huge regional variations, which means that in some districts urbanisation rates have been considerable while others have experienced negative urbanisation (Wenban-Smith, 2015). The 2012 Population and Housing Census (PHC) reported approximately 600 urban centres compared to 150 in 2002 and 170 in 1988. This shows that Tanzania has experienced considerable growth in small urban centres, although the comparison is challenging because what counts as 'urban' has changed between censuses, and because Tanzania's regions have not applied the same criteria.[2] Tanzania, however, is a predominantly rural country with agriculture making up 80 per cent of employment, 45 per cent of GDP and 26 per cent of export earnings (Lazaro *et al.* 2016). To understand the emergence of small urban centres, it is important to consider how their growth interacts with economic and social transformation in rural regions and, related to this, how planning and governance systems respond to the transformation.

The dynamic change of small urban centres varies considerably in their respective trajectories of demographic and economic growth. Trading centres develop as local centres and secure the availability and continuity of market structures for rural producers. Through this, these centres generate employment

2. 'For the purpose of the 2012 PHC (census), urban population consists of people living in areas legally recognized (gazetted) as urban and all areas recognized by Local Government Authorities as urban' (Wenban-Smith 2015: 4).

directly and indirectly. Perishable goods provide many more direct farm and non-farm employment opportunities than non-perishable goods within these centres. For plantations/out-grower schemes, there are also opportunities for local employment beyond agricultural production to develop, such as agro-processing, which provides non-farm employment in factories and farm employment on plantations and/or out-grower schemes. However, compared to locally marketed produce, producers and local economies are much more dependent on decisions taken by the agro-processing companies. If the crop is mainly for export, farmers and the local economy could be very susceptible to changes in world market prices. Thus, the role of dominating agricultural crops in driving rural transformation, including diverse urbanisation dynamics, varies considerably.

To assess the robustness of small urban centres emerging within rural regions, other economic activities, including trading in other crops, external investments in businesses and self-employment related to provision of local services (and for the rural region more broadly) also need to be considered – developments that are further stimulated if centres are connected to important transport routes. An expanding service economy not only adds to economic diversity for the inhabitants of growing centres. It also benefits the households of their wider rural families. Likewise, diversification into more crops, including local food-crop cultivation for sale locally, can contribute to making some small urban centres dynamic, attractive and relatively robust. In Tanzania, the particularities of rural transformation and growth of small urban centres depend on regional differences and overall societal changes.

In the past 20 to 30 years, Tanzania has experienced considerable changes in its rural dynamics, not least related to liberalisation and associated economic reforms. This has among other things resulted in the withdrawal of the state from agricultural markets and changing roles of agriculture in relation to global market dynamics. Rural livelihoods have become more commercialised and households have changed their ways of managing economic activities. Taking a closer look at rural transformations in some of the country's dynamic rural areas, where agricultural commodity production has increased during recent decades, shows how the formation of rural small towns or 'emerging urban centres' has been affected by these transformations (Lazaro and Birch-Thomsen 2013; Lazaro *et al.*, in press). These centres are defined as densely populated areas in and around commercial and service centres that have grown in close symbiosis with the expansion of a dominating agricultural crop. When new townships are created in rural districts, several existing villages are merged and their borders are retained. Thus, new townships most often not only include densely populated areas but also vast areas clearly characterised by rural living. Accordingly, emerging urban centres are not synonymous with townships, the lowest urban category in Tanzania.

The central premise for studying the emergence of urban centres is to seek an understanding of how the dynamics of the crop economy impact on economic activities, employment, service provision and the broader social environment in forming these centres – and how this interacts with the livelihoods of villages and people in the rural hinterland. Likewise, how the centre attracts people from close and afar for work and settlement adds to the understanding of the dynamic transformation.

The two case studies included here illustrate the transformation of villages into emerging urban centres following liberalisation in agricultural production: Ilula (tomatoes) and Madizini (sugar). Whereas Ilula's development is spurred by trade, the growth of Madizini is driven by the local processing of sugar. Sugar needs immediate treating in order to keep its quality and value. The sugar plantation and processing plant were established long before Tanzania's independence in 1961. The trading centre Ilula is centrally located along a major transport corridor which largely explains its economic success, while Madizini is located less prominently but close to the sugarcane processing facilities. Tanzania's villagisation policy (late 1960s to mid-1970s) is also a factor. Before then, most rural people lived in scattered settlements. But in 1973–76, more than 5 million people (over half the rural population) were forcibly moved to villages (Ponte, 2002).[3] Many of the established villages were later dissolved or their size shrunk considerably, and the 'urban' structures established during the villagisation process are nowadays hardly visible. But this early demographic concentration of people has had positive impacts on the later growth of the emerging centres of Ilula and Madizini. Villagisation in Ilula also brought an early upgrading of the road system that has supported its subsequent role as a market centre.

Both emerging urban centres show considerable spatial and demographic growth from the 1990s onwards. This is reflected in their announcements as townships in the early 2000s. However, the actual administrative transition from rural village to township is a lengthy process. So far, there has not been a full devolution of governance responsibilities, including finances, from the district government. The delay on the government side to fully implement decentralisation is one of the major challenges these centres face in consolidating

3. Villagisation was part of a broader national policy of 'socialism through self-reliance' (*Ujamaa*) that was formalised with the Arusha Declaration in 1967. The *Ujamaa* and villagisation and their mixed impacts on rural development and agricultural production have been widely studied and summarised in Ponte (2002), Chapter 3.

their roles (Lazaro *et al.,* 2016). The following sections illustrate some of the similarities and differences in the dynamics of change between the two case studies.

8.1 Ilula, a tomato centre

The growth of Ilula is closely intertwined with the cultivation of and trade in tomatoes. Ilula was originally a trading centre for maize. Local traders' increasing incomes in relation to the liberalisation of Tanzania's agricultural economy have played an important role in the transformation from maize to tomato cultivation and trade. The land close to the centre is highly suitable for tomato cultivation, and Ilula appears as a mix of densely built residential and commercial areas along roads, streets and paths with tomato cultivation in between. The settlement's location on the highway to the larger towns of Iringa and Morogoro has been favourable. Trade includes the provision of fresh tomatoes to Dar es Salaam located 6–8 hours' drive from Ilula. Trade has been further supported by a new centralised market place that was established in Ilula in 2006.

Family labour plays an important role in tomato production, but gradually a market for hired labour has developed. This includes seasonal work such as digging, weeding and harvesting, which has attracted temporary young migrant workers. However, young people have also started to settle in Ilula so they can participate in various forms of farm and non-farm casual labour (Mshote, 2015). For some, Ilula has also become the base from which to engage as casual workers on tomato farms outside the centre.

Along with the growth of the market, off-farm employment related to tomato production has increased and diversified into activities such as sorting, grading and packaging. The weaving of baskets, which are rented out to traders to protect the tomatoes during transport to the market of Dar es Salaam, has created a small industry of its own. This has also created non-farm employment for women (Mshote, 2015).

The nature of the tomato crop drives Ilula's blooming economy and the growth of its urban centre. Firstly, non-farm employment adds to the income and welfare of the growing population. Related to this, the careful handling and grading adds value to the trade in the crop that has allowed expansion into different markets, such as for the growing middle class in Dar es Salaam, direct sales from the centre, and selling wholesale to traders elsewhere. While the diversification of employment and income opportunities has added much value, it also has its seasonality which is evident in the seasonal ebb and flow of the 'buzz' in Ilula's centre.

Importantly though, Ilula has also developed into a local service centre. It has a broad range of services such as sales of manufactured goods, education, financial and health services. Some of these services are provided by long-term residents, but since the mid-2000s Ilula has attracted more migrant investors. Growing demand for consumer goods has resulted in a number of general stores, wholesale and clothing and footwear (Larsen and Birch-Thomsen, 2014). This extends to investments in smaller amenities shops in outlying rural villages. The diverse centre economy has spread into the rural hinterland where incomes are also positively impacted by the tomato economy. Some of the new business investors are successful tomato farmers from the rural hinterland, but increasingly investors from outside the region are attracted to Ilula. This resembles what has also been observed in other cases of successful crop economies in Africa, where urban-based investors find the successful crop economies attractive for investments and some even consider settling in the small urban centres (see eg Sitko and Jayne, 2014).

Ilula is a good example of how a rural economy based on a domestically consumed perishable, through diversification and the creation of non-farm employment, can stimulate a process towards endogenous economic growth and sustainable small town development. This connects with the growing domestic demand for tomatoes related to the rise of a growing urban middle class and changes in diets. On the social side of the centre's sustainability, tomato production importantly provides opportunities across generations and genders. Although men dominate production, women also venture into the sector. Women, however, are not as successful as their male counterparts, possibly due to their marginalisation from formal savings and credit schemes. This provides an important reminder that urban centre growth does not benefit all residents equally. Any governance support in production, trading or employment creation needs to consider also the social aspects of growth.

8.2 Madizini, a sugarcane centre

While the Ilula case study has illustrated urban formation in relation to the marketisation of a primary agricultural crop, Madizini exemplifies the emergence of urban centres in relation to a plantation and out-grower crop and its related local agro-processing. Processing facilities are located close to the production area as sugarcane needs immediate processing in order to preserve quality. This has had a significant impact on the economic and demographic characteristics of the settlement, not least due to the seasonal demand for labour. Accordingly, seasonal and permanent migration are important drivers of population growth. Likewise, the close relationship between production and processing has also determined the location of the centre in the midst of agricultural regions rather than adjacent to the earlier-established road grid.

For Madizini, the connection between the emerging urban centre and the outside world has depended on factory-led infrastructure that has only subsequently been supported by the government's infrastructural investments.

The processing factory and out-grower scheme was established in the late 1950s and further developed with the establishment of a new factory in the mid-1970s. In the past 15–20 years, the settlement has grown considerably, both spatially and demographically. Exact figures for the population are not available. However, the local estimate is 20–25,000 permanent residents plus 5–7,000 temporary residents who live in Madizini from between 5 to 12 months while working seasonally in sugarcane cultivation and processing. Some are employed by the factory, while others are employed by companies hired by the smallholders for different tasks. Temporary residents are also engaged in different service jobs, such as in restaurants, bars, guesthouses and hostels.

Following economic reform in Tanzania in the 1990s, the state-owned plantation and factory was privatised and sugarcane production was re-energised, which in turn further stimulated the development of the out-grower scheme. Initially, the scheme included farmers in surrounding villages. However, many immigrants who arrived as temporary workers and then remained between seasons have become members of the out-grower scheme. A few settled in nearby villages where they bought or rented fields. But the old village of Madizini located north of the original plantation gate gradually became their preferred location for settlement. These immigrant labourers – now farmers – have contributed greatly to Madizini's demographic growth. Accordingly, interregional migration networks have been established and continue to play an important role in the demographic growth and economic development of the settlement.

Recent survey data (unpublished analysis of a household survey February 2016) shows that around 60 per cent of households located within the emerging urban centre are engaged in some sort of farming (although not within the urban area). But farming is the main occupation for only 50 per cent of them. Likewise, only 20 per cent of households reported that they cultivate sugarcane. Farmers explained that it had become increasingly difficult to earn enough from sugarcane unless you are a big producer with proper access to credit and enough labour to harvest the crop. Many have therefore shifted to the production of rice and maize, for subsistence and sale. Making way for the crop transition has been the relatively good soil quality and, for some plots, good rain-fed conditions, both of which impacted on the location of the sugarcane plantation in the first place. Rice and maize collection centres have started to flourish in the area, which also impacts positively on farmers living in nearby villages. Sugarcane production has played an important role in making Madizini into a dynamic urban centre. But the transformation from a dominant crop to a diversified crop system and a local base for trading in rice and maize has contributed to the diversification of agricultural production.

Adding to the transformation of Madizini's economy has been the delinking from the factory of harvesting and transport of sugarcane for processing since the late 2000s. This development has paved the way for several companies, including one formed by the local out-grower cooperative. It specialises in farming implements and sugarcane harvesting services, including the allocation of a qualified labour force.

The many seasonal jobs in relation to sugarcane production nurture a lively hostel/bar/food stall sector, including several labour camps. Together with the renting out of rooms in private homes, these have provided important sources of income. Today, the urban centre is characterised by a broad array of businesses including a vital daily market, and shops for clothing, stationery, and farm implements, two banks, two petrol stations, and several centres for mobile phones. There are a primary and secondary school, a dispensary and at least five well-established churches (including a catholic monastery), a mosque and many more less-formal church communities (the latter being of great importance to the many immigrant households).

Importantly, Madizini also act as centre for providing access to daily necessities, consumer goods and health/education services for households living in adjacent rural villages. While the majority of rural households rely on their own production of cereals, most also buy additional food items such as dark green leafy vegetables, vitamin A-rich and other vegetables, legumes, oils and fats at the open market in Madizini (Lumole, 2013). Interestingly, Madizini has established itself as centre of attraction although the original local service centre in relation to the villagisation was planned to be 5km to the west of the current centre. This parallel development of centres of attraction contributes to the complex politics of how to demarcate and devolve governance to a new township. Currently, changes are in favour of Madizini, which also has another potential growth area: the recent establishment of a teak timber factory, processing mature logs from around the Madizini area.

Although it shares similarities with Ilula, Madizini's rural transformation dynamics are rather different. Sugar is one of Tanzania's primary export products and even though sugar is also produced for the domestic market, world market prices impact more directly on the sugarcane economy. Any boom or bust in sugar prices will not only impact on producer income but also on the sugar company's interest in continuing its

engagement in Madizini. In recent years, the company has considered if and under what circumstances it will conduct a much-needed renovation of the factory. Possible outcomes are a closure of the out-grower scheme and/or relocation of the factory – or ceasing sugar production all together. This would obviously have huge implications for the urban dynamics of Madizini and put into question the viability of the current diversification into food crops. Although rice, just like tomatoes, has come into increasing demand related to changing diets, it does not generate much off-farm employment. If sugar production were to cease, Madizini's sustainability would rest on the success of timber production (and employment) and its important role as a local centre for trading and household services for a relatively affluent rural economy.

The sustainability of Madizini also depends on a successful transition into urban governance. In spite of the obvious transformation of Madizini into an urban area, it continues to be governed as a rural one. Local stakeholders assess this as a problem, not only because systems of social and environmental services (such as water, sanitation and demarcation) are neglected and underfinanced, but also because there is no legal body (except for the regional government having a meagre presence in the emerging urban centres) to coordinate and steer Madizini's expansion and progress. Related to this, local taxes collected from the thriving businesses are transferred to the region's development budget rather than being used to support Madizini's development.

8.3 The importance of emerging urban centre governance in Tanzania

In recent decades, Tanzania has experienced a rise in its number of urban centres. This challenges a governance system that has been predominantly geared to rural living. Governance of rural-urban transformations is complex. This is part of the mandate of the recently established National Land Use Planning Commission, and the National Land Use Framework Plan 2013–2033 (Nindi, in Lazaro *et al.*, 2016). The aim is to coordinate and streamline policies related to planning for agriculture, poverty reduction, and urban development and includes the announcement of eight agglomeration centres (regions) distributed across the country (ibid). The commission shall also coordinate a number of existing legislations such as the Land Act of 1999, the Village Land Act of 1999, the Land Use Planning Act of 2007, and the Urban Planning Act of 2007. These are currently based in different ministries and embedded in dual rural and urban policy, planning and governance systems.

Although taking form in different ways, governance transition – or lack of it – appears as one of the major challenges for the further consolidation of emerging urban centres. This connects to the two very different planning systems consolidated in the legislative division between rural and urban districts. Neither Ilula nor Madizini have experienced a de facto instalment of township institutions. Thus, the township area is not fully considered and planned for as a whole but through separate village councils reporting back to the district council and waiting for different departments to take action. Importantly, this also implies a continued economic dependency on the district council. During a field visit conducted in August 2015, local stakeholders described the immensity of governance problems and non-coordinated planning. These include a lack of understanding and experience of urban planning, a lack of transparency in the use of local funds (such as tax revenues from centre economies), and the overall insecurity of when and through which processes of spatial planning this will take place. Water and waste management are obvious areas of concerns. For instance, local people also said they were concerned about the lack of inclusive planning for the distribution of water, not least drinking water, to the increasing number of households and businesses. They were also concerned about the overall protection of water resources when there are no existing plans for waste water management or to tackle the combined needs of crop cultivation and habitation in some of the centres.

For many households, there is another huge challenge. Falling between rural and urban land-use planning, their land registration and the issuing of land certificates are often not completed (or even started) while they are simultaneously seeking urban housing permits. Without formal economic security in the form of land certificates, they can have no access to credit facilities. Other problems relate to the lack of planning of public spaces, such as roads and other infrastructure between plots and houses. These concerns were also expressed by government representatives and local politicians who deal with people's complaints and disagreements over these issues on a daily basis (Lazaro and Birch-Thomsen 2013). They emphasised how the incomplete transition to township status means that they do not have the authority or capacity (in the form of support staff) to deal with the many cases.

9 Conclusions

As this working paper and the examples from Tanzania demonstrate, there are several reasons why the role of rural-urban linkages in food production and consumption deserves more attention than is currently the case. Urbanisation is usually seen as a threat to food security, rather than an opportunity to contribute to rural prosperity. Dietary changes and the growing proportion of net food consumers reflect higher incomes in both rural and urban areas which, in turn, are related to urbanisation.

Policy prescriptions on food security generally focus on increasing production, but with growing numbers of net buyers – who are the majority of the rapidly rising numbers of urban residents, as well as a large proportion of rural dwellers – non-farm incomes are an increasingly essential element of access to food. Small urban centres have the potential to fulfil the role of market nodes and to provide opportunities for income diversification. Their ability to do so, however, depends on a wide range of factors that are context specific. Among these, the prevailing agricultural production systems in the surrounding rural area, equitable access to land and water for small-scale producers, good infrastructure and trade links to a network of urban markets are perhaps the most important. They help ensure that added value is retained and reinvested locally, spurring local development.

There is growing interest in territorial approaches to local development and food security (for example, OECD, 2015; OECD *et al*., 2016; UCLG, 2016). And as the case studies from Tanzania and the other examples in this paper help to illustrate, local governments in small towns have a key role to play. But it is a role that can be negatively affected by limited and inadequate information, insufficient revenue and lack of collaboration with regional and national government. A better understanding of the spatial impacts of macro-economic policies and sectoral priorities, an improved recognition of context-specific factors and an appropriate fiscal and financial architecture that supports local governance are all essential elements of territorial approaches. As mentioned earlier, however, local territorial development is unlikely if fundamental issues behind both inter- and intra-rural and urban inequalities are not addressed.

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Related reading

Urbanisation, rural-urban transformations and food systems

This working paper is part of the IFAD-funded project Rural-Urban Transformations and Food Systems: Re-Framing Food Security Narratives and Identifying Policy Options That Foster Sustainable Transitions. Global food security and rural development are often framed in terms of inadequate agricultural production. But urbanisation is driving profound transformations in food systems in rural, peri-urban and urban areas – from food consumption to food processing, transport, markets and all related activities. Local, national, regional and global policies are critical to shaping rural-urban linkages and the political economy of food systems. Policies must support food security and livelihoods of low-income groups in all locations – while fostering sustainable rural-urban transitions.

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IIED is convening and supporting a global network of researchers and practitioners in sub-Saharan Africa, Asia and China. These include local government officials, civil society organisations and regional research institutions, both urban and rural. Network members are also engaging with international agencies such as the International Fund for Agricultural Development (IFAD), UN Habitat, the Food and Agriculture Organization of the United Nations (FAO) and the Organisation for Economic Co-operation and Development (OECD).

For a full list of project policy briefs and working papers, see: www.iied.org/urbanisation-rural-urban-transformations-food-systems

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Small towns are an essential but often-neglected element of rural landscapes and food systems. They perform a number of essential functions, from market nodes to providers of services and goods and non-farm employment to their own population as well as that of the wider surrounding region. In demographic terms, they represent about half of the world's urban population, and are projected to absorb much of its growth in the next decades. But the multiple and complex interconnections between rural and urban spaces, people and enterprises – and how these affect poverty and food insecurity – remain overlooked. Drawing on lessons from a set of case studies from Tanzania and other examples, this paper aims to contribute to this debate by uniting a food systems approach with an explicit focus on small towns and large villages that play a key role in food systems.

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Funded by:

UKaid from the British people

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This research was funded by UK aid from the UK Government, and IFAD. The views expressed do not necessarily reflect the views of the UK Government or IFAD.

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