# The Urban Transition and Agricultural Development: Implications for International Assistance Policy[1]

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**Over the next two decades** many developing countries will undergo important demographic and economic transitions, but neither the governments of less developed countries nor international assistance organizations seem prepared to cope adequately with the consequences.

Although rapid population growth and stagnating agriculture now offer the greatest challenges to development, in many countries rapid and highly concentrated urbanization also pose serious problems. By the end of the 1990s, not only will a majority of people in Northern and Southern Africa, Latin America, the Caribbean and South Asia be living in urban places, but many will be living in very large cities. The number of people living in urban places in Africa and South Asia is projected to triple, and in Latin America and East Asia to double, between 1975 and the year 2000. According to United Nations projections, many of these urban dwellers will be found in large metropolitan centres by the end of this century. In both Latin America and East Asia, nearly half of the urban population will live in cities of two million or more. Similarly, more than one-third of Africa's and two-thirds of South Asia's urban population will be living in cities of more than a million. Not only will developing countries have 66 per cent of the world's urban population by the end of the century, but twenty-one of the world's thirty largest metropolises will be in poor countries (United Nations 1980).

Moreover, developing nations will see a dramatic shift in the incidence of poverty. Although about two thirds of the poorest groups are now living in rural areas, the World Bank predicts that by the end of the 1990s, more than half of the destitute will be living in urban places (World Bank 1980).

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contemporary developing countries, on the other hand, the pattern of urbanization is far more concentrated. Large percentages of the urban population are found in one or two very large metropolises that have industrial bases too small to provide sufficient employment for either their residents or the migrants attracted to them (see Cornelius & Kemper (eds) 1978; Lubell 1974; Shaefer and Spindel 1976; Papenak 1975).

More importantly, the 'middle level' settlements of the urban hierarchy — market towns, small cities and secondary urban centres — tend to be few in number, economically weak and unevenly distributed geographically. These towns also tend to be weakly linked to each other, to larger or smaller urban settlements or to their rural hinterlands. In most developing countries, they have little capacity to absorb large numbers of rural-to-urban migrants, who for lack of viable alternatives move from small rural villages directly to the country's largest metropolis (Rondinelli & Ruddle 1978). This results in high concentrations of poverty in the big cities, seriously straining urban services, facilities and infrastructure. Moreover, this rapid urbanization often drains the more educated, productive, ambitious and entrepreneurial elements of the rural population, leaving nonmetropolitan regions in still worse condition. Insufficient investment in market owns, small cities and intermediate urban centres restricts their capacity to support agriculture, provide markets for increased farm production, or offer sufficient numbers of jobs to attract rural migrants. In many of these countries, both the settlement system and the national economy tend to become more polarized and more dualistic.

Over the next fifteen years, international assistance organizations and governments in developing countries will be facing substantially different problems arising from this urban transition than have confronted them in the past. This article attempts to make explicit the relationships among urbanization, agricultural development and employment generation in developing countries and their implications for international assistance to Third World governments seeking to cope with migration, food production and employment problems. The underlying contention is that rural and urban development are inextricably related and that an understanding of those relationships must inform development policy and international assistance strategies.

## AGRICULTURAL AND URBAN DEVELOPMENT: THE NATURE OF THE RELATIONSHIP

International assistance agencies such as the World Bank, the United Nations Development Program and the US Agency for International Development have viewed rural-agricultural development and urban-industrial development as conflicting sources of economic and social change. During the 1950s and 1960s, bilateral and multilateral assistance organizations emphasized investment in export oriented industries in large cities. Rapid industrialization was expected to produce 'trickle down' and spread effects from cities to surrounding rural areas, thereby incorporating the rural population into the national economy and stimulating agricultural production (see Hirschman 1959).

This view of urban and rural relationships was reinforced by classical economic growth theory. Sir Arthur Lewis' theory of labour transfer, for example, was based on a two-sector economy consisting of a low productivity, labour surplus subsistence *rural* sector and a high productivity, modern industrial *urban* sector (Lewis 1954; 1955). Lewis argued that the impetus for labour transfer from the rural to the urban sector in developing countries was the expansion of urban employment opportunities through growth of the modern sector. The pace of the transfer was determined by the rate of capital accumulation in industry. Increases in industrial investment would expand production and, in turn, increase the demand for labour. With expanded investment and production, both the demand for and the wages of labour would increase, as would profits, thereby generating still more capital to be reinvested in industrial expansion. Modern sector growth and employment expansion would continue until all surplus labour was absorbed in the urban industrial sector, at which time wages would rise, increasing workers' disposable income and creating greater internal demand for manufactured goods. With continued industrial growth and the transfer of surplus labour from the rural sector, developing countries would be transformed from rural-agricultural to urban-industrial economies.

The agricultural sector was viewed as a source of food and natural resource exports, cheap staples for urban workers and capital for industrialization, which in conventional economic development theory was the 'engine of growth'. Many economists saw agriculture as a sector to be 'squeezed' to obtain the resources needed for urban industrial development, and thus agriculture received a relatively small share of national investment (Staatz & Eicher 1984). Many governments kept agricultural prices artificially low in order to reduce the costs of food for urban workers and alleviate political discontent among the large numbers of the poor who come to cities hoping to find jobs.

However, policies promoting industrialization in large metropolitan areas did not lead to rapid and widespread economic growth in most developing countries. Nor did the benefits of those investments in the largest cities trickle down and spread to rural regions. Instead, in many poor countries the modern manufacturing sector in metropolitan areas enriched a small group of capital investors, while the urban 'informal sector' and much of the rural economy remained impoverished. As a result, agriculture stagnated in some countries and in others failed to grow fast enough to meet the food needs of a rapidly increasing population. Food deficits, malnutrition among the urban poor and widespread rural poverty now characterize much of the developing world (World Bank 1975).

The underdevelopment of agriculture and the slow pace of industrialization reinforced each other in preventing strong internal markets from emerging in many developing countries (Myint 1970: quote on p. 130). Industrialization simply cannot take hold in countries where the vast majority of people live in poverty, and where cities do not have strong or diversified enough economies to absorb the growing numbers of people migrating to them in search of jobs (Streeten 1972; Myrdal 1970).

Many of the two sector model's assumptions about migration and industrialization were seriously questioned during the late 1960s and early 1970s. Migration from rural areas to cities continued at a rapid pace despite the relatively slow growth of industry and despite high levels of urban unemployment. Moreover, since the early 1970s, studies of migration in developing countries have confirmed that the decision of rural people to move to cities, while influenced predominantly by economic factors, is quite complex. It involves social, psychological and other factors as well. Todaro's studies have shown that much of the migration from rural areas is the result of perceived or expected, rather than actual, employment opportunities. Migrants compare the possibilities of obtaining jobs or higher wages in cities with the advantages of remaining in rural areas (Todaro 1969).

In addition, it was found that these economic, social and psychological factors influencing people's expectations of finding better opportunities in cities are perceived differently by different social and age groups in rural areas (Byerlee 1974). For younger, better educated, single males — the more mobile migrants who are open to change and innovation — migration is primarily motivated by the 'pull' of the cities' opportunities. Older, less educated, married and less mobile migrants tend to move because of the 'push factors' of rural poverty and unemployment (Findley n.d.). In either case, however, strong relationships exist between economic conditions in urban and rural areas that influence rural migrants' decisions.

During the 1970s, the priorities of international assistance organizations and governments in many developing countries changed. The World Bank pointed out that despite what seemed to be high levels of economic growth, the distribution of the benefits of development was highly skewed. It found that in 1970, more than 85 per cent of the 750 million poor people in developing countries lived at or below subsistence levels, in 'absolute poverty'. More than four-fifths of the absolute poor lived in rural areas and were primarily engaged in agriculture (World Bank 1975).

The US Foreign Assistance Act of 1973 required the Agency for International Development (AID) to re-focus American aid on improving the living conditions of the 'poor majority' in developing countries and to concentrate its efforts especially on increasing the incomes of the rural poor. AID and other donor organizations recognized that the food deficits could be reduced, the incomes of the rural poor increased, and the economies of rural regions strengthened only by raising agricultural productivity and creating new sources of off-farm employment.

Underlying this new mandate was a strong conviction that agriculture, rather than urban industrialization, was the key to both economic growth and the reduction of poverty in the vast majority of developing countries. John Mellor, AID's chief economist during the mid-1970s, perhaps expressed that conviction most clearly. He argued that agricultural development played two key roles in promoting economic growth with social equity:

> First, because food grains make up the bulk of marginal expenditures among the poorer classes, agriculture provides the physical goods to support increased employment and higher wage earnings. In other words, the agricultural sector is a crucial source of wage goods — goods purchased with wages. And, it provides much

of the increase in employment — directly through raising agricultural production, indirectly through the stimulus of increased income to the cultivator class and the demand effects of the consequent expenditure. (Mellor 1976: 14)

Development in predominantly rural economies would depend not on squeezing agriculture for capital to be reinvested in export oriented manufacturing in large cities, but on increasing agricultural productivity and rural household incomes, a substantial portion of which would be spent on nonagricultural commodities. Mellor concluded that agriculture could provide a 'demand drive' for development in poor countries similar to that claimed for export led growth in industrial societies.

Although development economists recognized that the expansion of agricultural productivity would depend on the application of appropriate technology, the provision of a wide range of supporting services, infrastructure and inputs — much of it produced in urban centres — and the ability of farmers to market their goods in both rural areas and cities, few explored the relationships between the urban and rural sectors in great detail. The perception that urban and rural development were 'zero sum' games, or that they were antithetical, had been deeply ingrained in development theory since the early 1950s.

This belief was reinforced during the late 1970s by theorists who argued that the heavy allocation of investments in cities was an obstacle to rural development and that widespread rural poverty in the Third World was due in large part to the 'urban bias' of national and international development policies and to the exploitation of rural areas by urban elites. Lipton concluded that the 'concentration on urban development and neglect of agriculture have pushed resources away from activities where they can help growth *and* benefit the poor, and towards activities where they do either of these, if at all, at the expense of the other' (Lipton 1977: 16).

During the 1970s, most international assistance agencies refocused their efforts on increasing agricultural productivity and the incomes of the rural poor by deliberately attempting to shift the bias of aid activities from urban to rural areas.

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**THE IMPORTANCE OF URBAN CENTRES FOR AGRICULTURAL DEVELOPMENT**

Analyses of development problems based on the 'urban–rural dichotomy' or on urban or rural bias, however, often lead to development policies and aid programmes that not only misrepresent the relations between urban growth and agricultural development but also overlook or ignore the mutually beneficial linkages between them. As a result, agricultural and urban development policies have been planned and implemented separately. Indeed, the US Senate Appropriations Committee, in its 1978 report on the American foreign assistance bill, noted that 'much of the discussion to date on development efforts to help the rural poor has shown an inadequate appreciation of the relationship between rural dwellers and urban centers located in rural areas' (cited in USAID 1984: Appendix 3). By ignoring the mutually beneficial linkages between urban and rural development or emphasizing the conflicts between them, development planners and policy makers often lost the opportunity to strengthen both sectors in ways that might promote regional development more effectively.

However, some development theorists and practitioners began to argue that even in countries that are predominantly rural and where agriculture employs the majority of the labour force, urban centres in the form of market towns and small cities are important sources of agricultural services and market outlets for farm products. In the early 1970s, Owens & Shaw (1972: 25) pointed out that more equitable and widespread economic development required the organization of space in such a way as to reinforce the mutually beneficial interactions between cities and countryside, and between agriculture and industrial development. They also said that governments in developing countries should invest in services, facilities and productive activities that would stimulate the growth of towns. Weitz and his associates pointed out that 'agriculture does not develop by itself. It requires a complete institutional system to support it, market its products and provide inputs, credit and professional advice'. They noted that the 'efficiency and location of both producer and consumer services exert a strong influence on the success of agricultural development' (Weitz et al. 1976: 6).

Agricultural economists began to take a stronger interest in food marketing systems that linked rural areas, towns and cities. A number of studies of food marketing systems in developing countries were done in the 1970s that concentrated primarily on organizational structure and arrangements for farm product distribution, but implicitly revealed a strong, underlying, spatial dimension. While the spatial aspects were not examined in detail, the organizational studies showed clearly that rural areas were strongly linked to the urban settlement hierarchy by a complex network of food marketing interactions. Lele's study (1971) of food grain marketing in India in the late 1960s and early 1970s was representative of the genre. Lele found that in low income agricultural areas in India, large amounts of the food produced never left the farm. Much of it was retained for family consumption, seed, feed and payments in kind to agricultural labourers. However, marketed food surpluses moved through a complex organizational structure that was based in several levels of the settlement hierarchy. Wheat and rice, for example, were marketed by farmers in small amounts at periodic markets through village retainers, who resold them in small amounts to other consumers or to agents in the villages. The agents resold the surpluses to commission agents in district towns or larger cities. In some places, farmers sold directly to commission agents, who assembled food grains in larger market towns. Some of the grains were sold to itinerant village agents who, in turn, sold them to wholesalers and millers in district towns. Commission agents distributed some of the surpluses through secondary markets in larger villages and towns or sold them to millers and wholesalers in 'terminal markets' in big cities. The wholesalers would break bulk and resell smaller lots to numerous urban retailers and consumers.

Studies of rice marketing systems in Ghana indicated a similar, although less complex, organizational structure (Okoso-Amaa 1975). Paddy farmers sold whatever surpluses remained after retaining crops for family use to traditional rice traders in nearby villages, illegal trader-smugglers, itinerant traders who resold the rice in larger market towns or state sales agents. The surpluses gathered in village markets were assembled by traders in 'feeder markets' located in district towns and resold to millers and wholesalers in larger cities. Some of the rice was sold in the feeder markets to state sales agents who resold it to private stores in the cities. Private wholesalers distributed the rice through urban markets to retailers and institutions.

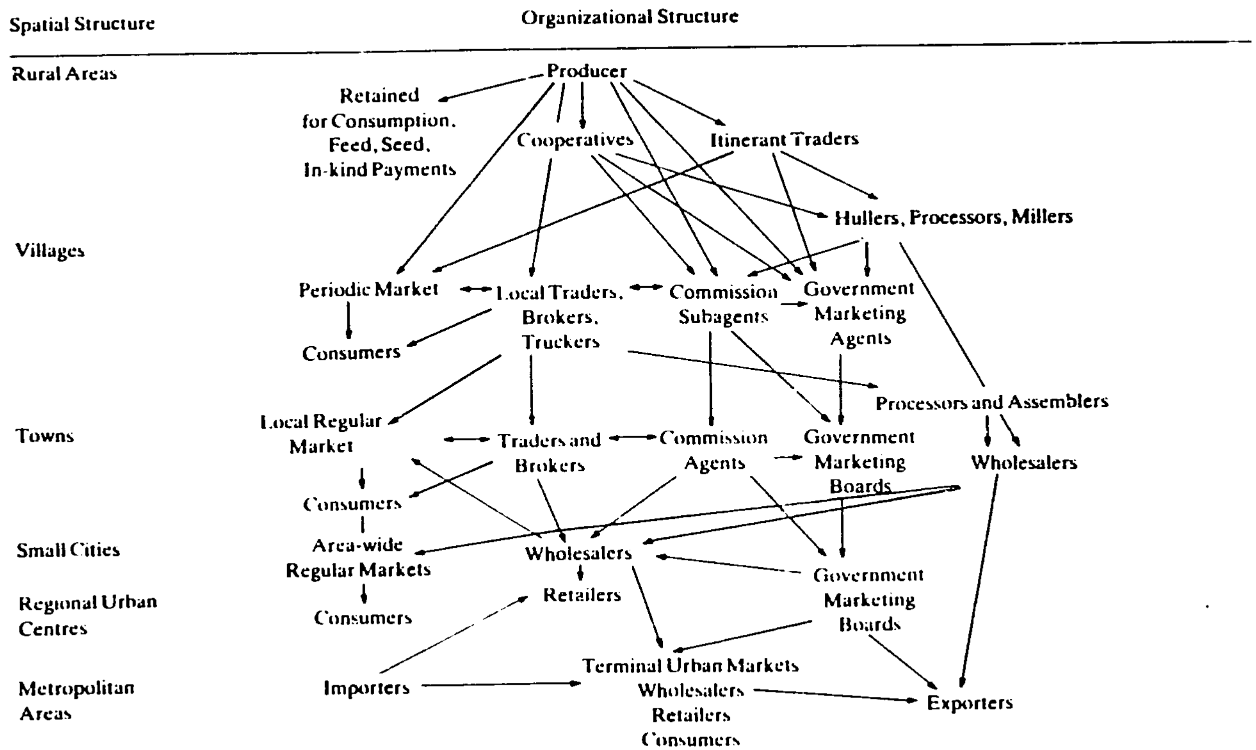
Although these studies focused on organizational aspects of food marketing, the spatial dimension was evident. Lele noted that village markets provided the primary outlets for farmers with small amounts to sell or trade for basic consumer goods. Market towns formed a network through which itinerant traders assembled food grains for resale to larger urban markets, urban wholesalers and city consumers. District towns provided the locations for millers, processors and regional wholesalers. Larger cities served as processing, packaging and distribution centres, while the metropolitan areas served as terminal markets for large wholesalers and hundreds of urban retailers. The studies showed that once agricultural surpluses left the farmgate or village, distribution depended almost entirely on networks of urban based intermediaries — brokers, traders, millers, wholesalers and retailers.

Later studies began to make more explicit the importance of urban centres and of the physical and economic linkages among rural areas, market towns, small cities, regional centres and large metropolitan areas in the food marketing chain (see Figure 1). They also noted the need for adequate market services and infrastructure to facilitate food distribution (see Riley & Weber 1979). Moreover, they pointed out that 'the build up of urban population and rising levels of consumer income place great pressures on the marketing system to expand and undertake an increasingly complex set of activities which link the rural and urban sectors of the economy' (1979: 8).

Other studies found that locating services and facilities in market towns and small cities could have important impacts on the pattern of regional production and exchange. Rather than urbanization being detrimental to rural development, the growth of urban centres could provide economies of scale that increased the efficiency of agricultural support services, essential commercial and financial services and physical infrastructure (Rondinelli & Ruddle 1978: Chapters 3 and 7). These and other studies found that market towns and small cities in rural regions could also accommodate a wide range of agro-processing, small scale manufacturing and commercial enterprises that could provide off-farm employment for rural workers displaced from farming or for household members not engaged in cultivation. They stressed that historically, increasing agricultural productivity has freed from cultivation large numbers of surplus workers who must find their livelihoods in towns and cities. If employment opportunities are not available in their region, people migrate to large metropolitan centres (Rondinelli 1984a).

As development occurs, the relationships between urban and

Figure 1. *Model of a Simplified Food Marketing System in Developing Countries*

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rural areas become stronger (Rondinelli 1981a; 1983b). The economies of many secondary and intermediate sized cities are inextricably linked to the productivity of agriculture in their regions, and towns and cities provide increasing stimuli for agricultural development (Rondinelli 1983c). These mutually beneficial relationships between urban growth and agricultural productivity were seen in socialist as well as in capitalist economies (see Feijian 1983; Barkin 1980).

## APPROACHES TO URBAN DEVELOPMENT IN RURAL REGIONS

The few countries that have recognized the importance of cities and towns for increasing agricultural production and off-farm employment often are still more concerned with ways of limiting or slowing the growth of their largest cities than with regional development *per se*. Even in these countries, however, governments have not gone far beyond outlining broad goals in national development plans. The formulation and implementation of policies has been sporadic, discontinuous and sometimes inconsistent. Needless to say, the results of such policies have been limited. The sporadic attempts by governments in developing countries to implement programmes and projects to strengthen the marketing and employment capacity of cities and towns in rural regions have met a variety of problems and obstacles.

Attempts to strengthen cities and towns in support of agricultural development and employment generation almost always have been nationally conceived regional development strategies. Most countries have used industrial and infrastructural investment as the primary instruments for expanding the production and employment base of selected towns and cities. Some used multi-sectoral programmes in which investments from a number of sectors are coordinated in settlements with potential for growth.

### *Experiences in Four Developing Countries*

A number of governments in developing countries now emphasize in their national plans and policies the importance of regional development for economic growth. Kenya, Mexico and South Korea, for example, have policies for rural and regional development that give attention to secondary and small cities as instruments for promoting agricultural production and off-farm employment. Kenya has used a multi-sectoral approach, whereas Mexico has concentrated on industrial deconcentration polices. South Korea has given attention to both rural community development and industrial deconcentration, and it has supplemented those programmes with land use regulations and controls, wider distribution of investments in social services and physical infrastructure and economic incentives for rural investment. Panama has tried to implement a more narrowly defined set of projects that build up the capacity of a few secondary cities to serve as agro-processing and agro-industrial centres.

The results, however, have been mixed. The disappointing results in Kenya and Panama were due largely to problems of implementation and insufficient political commitment to the strategies, rather than to the soundness of the concepts underlying them. Mexico's strategy relied too heavily on industrial deconcentration and not sufficiently on agricultural development. Korea's more comprehensive approach is slowly beginning to achieve some of the desired goals, but implementation has not always been consistent or coherent.

*Kenya*

For the past decade, the government of Kenya has made rural development the focus of its national economic growth plans and has sought to promote the development of intermediate sized cities and market towns in order to relieve population pressures on Nairobi and Mombasa. It attempted to increase the capacity of smaller towns and cities to offer off-farm employment in rural areas and to provide social services and marketing facilities in regions with agricultural development potential (see USAID 1980; McNulty 1984; Obudho 1983). Beginning with the Second Development Plan for 1970 to 1974, the government sought to create an integrated settlement hierarchy with four levels: (1) urban centres serving a population of 150,000 or more; (2) rural centres with service areas of 50,000 or more people; (3) market centres with at least 15,000 population; and (4) local centres with 5,000 or more residents. Seven 'growth centres' — Nakuru, Kisumu, Thika, Eldoret, Kakamega, Nyeri and Embu — were given high priority in the allocation of investments for public works and infrastructure. Four of the larger towns — Nakuru, Kisumu, Thika and Eldoret —

were designated as centres of industrial development. In the Third Development Plan for 1974–8, the number of growth centres was increased to nine: Kitale and Meru were added to the original seven.

Although both plans identified a large number of towns that might function as growth, service and market centres, and the types of investments that were needed in them, the government was unable to shift the allocation of investments sufficiently during the 1970s to change the pattern of urban development. Much of the public investment in physical infrastructure, services and productive activities continued to be concentrated in Nairobi. Migration to Nairobi and Mombasa continued unabated, and disparities in regional development continued to grow. The government was unable to forge effective programmes for containing the growth of the two largest metropolitan areas. Richardson concluded that although 'Kenya has professed to have a growth center strategy, it has been more nominal than real', he argued that 'the growth center policies adopted in Kenya during the 1970s hardly merit the name since the designations were insufficiently selective, the centers were not integrated into an overall strategy for the country as a whole, and implementation was ineffective' (1977: 150).

The difficulties in implementing the policies stemmed from a number of sources: problems of coordinating, even in a highly centralized government, the actions of the large number of ministries and agencies making investments affecting urban and rural development; restrictions placed by international assistance organizations on the use of their grants and loans for rural development; strains on the managerial capacity of government agencies to carry out the plans in a relatively large number of places; and political conflicts over changes in the allocation of resources (Richardson 1977: 140; McNulty 1984).

However, the government of Kenya is persisting with its strategy of urban development from the 'bottom up' and with dispersing infrastructure and services to market towns and small urban centres, despite initial problems in implementing its plans. Even critics recognize that the shortcomings of the strategy lie primarily in implementation rather than in the appropriateness of the policies. Richardson, for example, points out that plans to promote a dispersed settlement pattern as a strategy for rural development 'are fully consistent with Kenya's comparative advantage in agriculture and resource based industries' (Government of Kenya 1979: 15–16).

The Development Plan for 1979 to 1983 extended the theme of alleviating rural poverty by creating new sources of employment and providing basic services needed to increase rural productivity. It emphasized that:

> in the past the concentration of development in a few urban areas has attracted large numbers of people to move to them in the hope of sharing in the benefits of that development. The fact that many migrants could not be productively occupied in the urban areas has created problems for the municipalities and attempts to provide essential services for the poor in cities has often increased the influx of people. By increasing development in the rural areas and by increasing incentives for industrial dispersal, the government expects to enhance the attractiveness of living in rural and semi-urban areas. (Government of Kenya 1979: 45)

Beyond its impact on the growth of Nairobi and Mombasa, however, the Plan stressed the importance of dispersed urbanization for rural development. It pointed out that 'rural development cannot be a self-contained process. The rural areas must be knit closely to urban markets for both supplies of farm inputs and consumer goods and outlets for farm produce if they are to become an integral part of the monetary economy'. The planners argued that 'self-sufficient rural communities are settings for subsistence living; their scope for development is limited until links with urban areas are established'. The plan identified 1,681 local, market, rural and urban centres, of which sixty-eight with more than 2,000 residents were designated as places that would receive priority investments in services, facilities and infrastructure that would help them better serve their surrounding rural areas. Three new cities were added to the set of growth centres, and two additional cities, Machakos and Malindi, were given priority for industrial development. They would act as 'countermagnets' to reduce the growth of Nairobi and Mombasa.

In the early 1980s, Kenya entered a third phase in its urban decentralization and rural growth strategy. With World Bank, USAID and British assistance, the government identified more than $40 million worth of infrastructure and shelter investments in thirty cities and towns throughout the country.

Although it is too early to determine if the new programmes will be more effective than previous ones, it is clear that a national programme of regional development will require stronger political commitment, new and more serious efforts to coordinate the work of the dozen or more major ministries and agencies responsible for various aspects of the programme and expanded administrative capacity at the local level. If local authorities are to carry out their responsibilities for development effectively, their revenue bases will have to be expanded and their ability to maintain services and facilities improved (see Mbogua 1984: 45).

*Mexico*

Since the early 1970s, Mexico's national development policies have sought to promote economic growth in rural areas to relieve some of the population growth pressures on Mexico City and to reduce the inequities in the distribution of income and wealth between the capital and the rest of the country. The Echeverria Administration (1970–76) first called attention to the growing social adversities of the country's highly concentrated urbanization pattern, and explicit policies were formulated to change it. National policies gave strong emphasis to rural development. Federal government investments in agriculture were increased from a little more than 14 per cent of the total in 1970 to more than 26 per cent in 1976. In 1973, with assistance from the World Bank, Mexico embarked on a massive integrated rural development programme (the PIDER project) covering more than 100 'micro-regions', encompassing 15,000 small communities and 60 per cent of the rural population (Brennan 1983). The programme sought to finance the agricultural credit, infrastructure and social services needed by rural communities for economic development, to provide employment for the rural labour force, to raise the productivity of rural workers and to reduce the inequities in the distribution of services between urban and rural areas (see Hansen 1984).

Special regional development programmes were established for arid zones, Baja California and the Isthmus of Tehuantepec. Financial incentives were used to encourage industrial decentralization from the three largest metropolitan centres; industrial parks and complexes were constructed in some secondary cities; and credit and other assistance was provided to small and medium scale industries in order to generate more urban employment. The government introduced some degree of administrative decentralization and required Federal agencies to re-locate some workers from Mexico City to regional field offices.

These programmes, however, had little visible impact on promoting rural development or on deconcentrating urbanization. PIDER's potential impact was undermined by the difficulties of coordinating the inputs required from various government agencies. The fiscal incentives for industrial deconcentration were considered too small to entice businessmen from Mexico City. Only a small number of the planned industrial estates were completed, and funding for the small and medium sized industries programme was inadequate. Moreover, many Federal officials in Mexico City resisted reassignment to regional offices (Brennan 1983: 27–30).

The strong emphasis on rural development waned during the Lopez Portillo Administration (1977–82). In 1977, the government reverted to an industrial strategy for regional development. The Federal government's substantial oil revenues were used to finance the National Plan for Industrial Development, which sought to reduce Mexico City's share of industrial output and to increase the production capacity of other cities and towns (Hansen 1984: 8–10). Special incentives were made available in industrial ports and for urban industrial estates in interior cities, and regulations were enacted to control industrial growth in the Federal District.

A National Plan for Urban Development was enacted in the late 1970s that sought to slow the growth of Mexico City, Guadalajara and Monterrey, to promote the growth of eleven other cities to a population of a million or more and to generate employment sufficient to develop seventeen additional cities to population levels of 500,000 to one million as well as seventy-four cities to populations of 100,000 to 500,000. Nine relatively large urban areas were given high priority for investment in services, infrastructure and industry, based on their capacity to absorb population and to generate employment.

A Global Development Plan enacted in 1980 called for integration of social, economic and spatial planning at the national level. By the early 1980s, however, with the drastic decrease in oil revenues, Mexico experienced severe economic problems, and many of the programmes for urban and regional development were not adequately funded. Even before the onset of the financial crises, the industrial development programme was weakened by making too many towns and cities eligible for assistance. Similarly, the types of incentives made available were inappropriate for attracting industries from the three largest metropolitan centres. Much of the assistance for small and medium scale industries went to businesses

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in the Mexico City Metropolitan Area. One analyst has concluded that

> the plans were contradictory: incentives were extended to too many areas and thus substantially diluted; and incentives were generally too weak to influence locational decisions . . . Spatial plans and policies have mirrored the preferences of the incumbent President, with little continuity between administrations, and therefore have not been pursued over a sufficient period of time. (Brennan 1983: 36)

In 1983 the de la Madrid Administration proposed a National Development Plan for 1983–88 that seeks, once again, to improve economic and social conditions in rural areas. It argues that the terms of trade between the agricultural and industrial sectors must be changed to retain a larger share of the economic surpluses in rural areas, and that services, infrastructure and jobs must be provided in rural communities to reduce regional inequities. Plans to build the employment capacity of towns and cities are still based primarily on industrialization, however, and the role of agriculture in regional development is left rather vague. The Plan calls for a new emphasis on state level integrated planning that would strengthen the relationships between rural and urban economies.

But the Plan does not really come to grips with the problems of rural areas or of agricultural development. Hansen argues that it fails to reverse the trend towards large scale capital intensive agriculture, which provides rural peasants with little hope for increased income or employment (1984: 13–14). Moreover, the de la Madrid Administration is likely to have fewer financial resources to distribute and faces more serious economic problems than did its predecessor, making it more difficult for the government to change the current trends in urban concentration in Mexico City and to stimulate rural development in other regions of the country.

*Panama*

Since 1968, the government of Panama has sought to promote agricultural development and employment generation in the rural areas beyond the Canal Zone in order to slow rural migration to the Panama City–Colon metropolitan area, to raise incomes of the rural poor and to integrate the now largely dualistic national economy. The government's development strategy has been to balance urban industrial and rural agricultural growth, diversity both agricultural and manufacturing exports from the rural areas and expand public sector investment in order to supplement and guide private sector investment (USAID 1980b; 1982).

One part of the development strategy has been to encourage the growth of agro-processing industries and other employment generating activities in rural growth and service centres, i.e. in secondary cities and towns in regions outside of the Panama City – Colon metropolitan area. An extensive $30 million multi-sectoral development programme (URBE), initiated in 1978 with a loan from USAID, sought to provide the services, facilities and infrastructure needed to improve production and processing of agricultural products and to help create a network of large and small scale enterprises that would generate employment and income through private investment. It was projected that an improved hierarchy of urban centres with strong administrative and marketing functions would provide the efficient rural locations for public investment in social services and infrastructure and feasible sites for private investment in agro-processing and related enterprises (for a detailed description of this case see Hackenberg & Hackenberg 1984).

The programme was to focus on Herrera and Chiriqui Provinces in the Western and Central Regions, where a large majority of the rural poor are located and where the potential for increased agricultural production is high. In the Western Region, the city of David (about 40,000 population), and in the Central Region, the city of Chitre-Los Santos (about 22,000 residents), were selected to serve as regional growth centres. Six other communities ranging in population size from about 3,000 to 14,000 were chosen as service centres on the basis of the number of economic and business activities already located in them. The target region contains about 700,000 people, contributes much of the economy's value added in agriculture but also has a high concentration of subsistence farmers and a highly skewed land ownership structure. Much of the production comes from large agricultural estates on which labourers earn low wages.

The programme was designed to provide about $11 million of investment in productive and supporting enterprises in the form of loans to small businesses and agro-processing industries, for the construction of industrial sites and for training workers and small businessmen. Nearly $15 million was intended for housing and infrastructure development in the growth and service centres. Housing, transport terminals, sewerage systems and recreational facilities would be constructed to make the cities and towns more attractive for private investment and provide amenities that would slow the rate of out migration. More than $1.4 million was to be spent for institutional development and training of local government officials.

Two industrial parks, one intended for each of the two regional cities, would provide water, power, prepared sites, factories, sewerage and transportation access. Municipal corporations composed of local government officials and businessmen would manage them. New agro-industries would be promoted through low interest loans. Preference would be given to industries producing farm inputs and processing local agricultural products. The programme would also supply research funds to identify feasible new agro-industrial activities. Small business loans would be made available for firms locating in or near the growth and service centres that would provide new services and commercial and manufactured goods. Passenger and freight terminals would be constructed in David, Chitre-Los Santos and Santiago (a town located midway between the two cities) to relieve congestion and link the service centres to the growth centres, and the region with the Panama City–Colon metropolitan area.

Although some aspects of the programme were successful, the intended impact on building the capability of the towns and cities to increase agricultural production and generate employment was weak. As in Kenya, the problems of implementation arose not so much from the concept underlying this approach to regional development as from the complexity of the projects and the inability or unwillingness of national ministries and agencies to coordinate their activities. Some agencies spent the project money as they wished, rarely referring to the overall strategy or conferring with each other or with local officials and private investors. Moreover, project planners scheduled too many programmes at the same time. The fragmentation of responsibility for implementation not only created delays but also weakened the spatial focus of the project. Placing implementation authority exclusively with central government ministries also led to problems (Hackenberg & Hackenberg 1984: 87–99).

Those aspects of the programme that were uncomplicated in administration and that were responsive to market forces — such as the business loans and some of the housing and agro-industry loans — were much more successful than those for the industrial parks and transport terminals that depended on bureaucratic management and intervention.

*South Korea*

Unlike Kenya, Mexico and Panama, South Korea has used a wider variety and stronger combination of interventions over a longer period of time to build up the employment generating capacity and to diversify the economies of intermediate cities. A fairly consistent set of spatial development objectives has been reflected in Korean land development plans since the late 1960s. The goals have been to slow the pace of rural-to-urban migration generally; to slow the rate of urban population growth in Seoul and to a lesser extent in Pusan and Taegu, the country's second and third largest metropolitan areas; and to overcome the most serious and visible disparities in development among regions. The Korean government, through its ten year Comprehensive National Land Development Plan for 1972, pursued a number of development policies to distribute the benefits of economic growth more equitably, to stem the rising tide of migration to Seoul and to generate employment for people living in regions outside of the Seoul metropolitan area. It sought to decentralize its industrial structure and strengthen the role of intermediate cities in order to attain these objectives. A combination of incentives and regulations were employed to control population growth and disperse industries from the core of Seoul City. At the same time, the government used its own investments in overhead capital, social services, physical facilities and directly productive activities to make secondary cities more attractive for both large and small scale industries. A complex package of agricultural and rural development policies, price and wage controls, land use regulations, industrial estate programmes and infrastructure investment and location policies were used to build the capacity of rural towns and intermediate cities to absorb larger numbers of people and to support more productive activities (Rondinelli 1984b).

The primary means of reducing the rate of migration was through agricultural and rural development policies that aimed to narrow urban–rural income gaps and provide amenities in rural villages. Agricultural programmes included price supports, grain subsidy programmes, credit for fertilizer, the introduction of high yielding seed varieties, expansion of irrigation, land reclamation, promotion of farm mechanization and wider distribution of fertilizers and insecticides (Narn & Ro 1981: quote at p. 652).

The land reforms of the late 1940s and early 1950s ensured a wide distribution of land ownership and virtually eliminated tenancy. This allowed the agricultural development policies — and other economic growth programmes — to benefit a large majority of people.

Substantial investments were made in development of land and water resources. Double cropping methods were introduced and used on a large amount of cultivated land, and price controls were established to keep production at pace with increases in demand. As a result, between 1966 and 1976 food grain production increased from 6.7 to 7.9 million tons a year at a time when both the amount of cultivated land and the percentage of the labour force in agriculture were declining. Value added in agriculture grew by an average of 4 per cent a year from the mid-1960s to the mid-1970s (Harris 1979). The village improvement and rural motivation campaigns conducted through the *Saemaul Undong* programme were even more important to achieving the government's goal of slowing rural-to-urban migration (see Kim & Kim 1977: 1–15; Whang 1981).

To reduce regional disparities and promote widespread economic development, the government divided the country into four development regions, based primarily on natural and water resource characteristics. The four regions encompassed the Seoul metropolitan area, and Pusan metropolitan area, a Southern Industrial Development Area around the city of Gwangju and the middle and northeastern sections of the country. These four regions were further subdivided into eight intermediate development regions based on their degree of social and economic homogeneity. These eight sub-regions were again divided into seventeen growth areas each containing a large or intermediate sized city and a rural hinterland or periphery (Republic of Korea 1972). The government earmarked special investments for each type of urban centre. Transportation corridors were created to link metropolitan regional centres with each other and with Seoul by highway, rail, sea and air, and by energy and fuel pipeline networks.

During the 1970s, the Korean government also experimented with a number of programmes for restricting the flow of migrants to the capital and redirecting people, and educational, industrial and commercial activities to secondary urban centres. Among other things, it restricted the expansion of higher education institutions in Seoul and required branches of major universities to be located in cities outside of the capital. It restricted the construction of new high schools in Seoul, provided funds to increase educational services in regional centres and made the transfer of high school students to Seoul more difficult. All of this was based on the observation that much of the migration to Seoul was motivated by the strong commitment of Korean parents to provide their children with the best possible education. The deconcentration of educational facilities from the capital would thus slow its rate of population growth (see Kim & Donaldson 1977).

The government also attempted through zoning regulations, as well as by requiring construction permits for factory building or expansion and by providing financial incentives for industrial relocation, to raise the costs of or make it more difficult for large industries to continue locating in Seoul (Hwang 1979).

Coupled with guidelines and regulations was an extensive set of financial incentives for established industries to relocate from Seoul and for new industries — or new branches — to locate outside of the metropolitan area. A combination of incentives and controls was used to encourage the location of export industries in smaller port cities. Heavy chemical, fertilizer, cement and petroleum refining industries were encouraged or required to build plants in government created industrial estates in coastal cities such as Pohang, Changwon, Ulsan and Yeocheon. Small and medium sized processing plants were encouraged to locate in secondary cities such as Daejeon, Chuncheon, Jeonju, Mogpo, Gunsan, Choeongju, Gumi, and Weonju, where heavy investments were made in infrastructure, supporting services and industrial estates.

The government recognized that neither incentives nor regulations would be sufficient to disperse people and economic activities from Seoul or to retain them in other regions, however, unless there were adequate alternative locations for businesses and industries to operate profitably. Moreover, migration to Seoul and the other few large cities would continue as long as large disparities existed between the capital region and the rest of the country in standards of living, employment opportunities and educational facilities. Thus during the late 1960s and early 1970s, the government used public investment in social overhead capital and social services and facilities to increase the growth potential and employment generating capacity of intermediate cities outside of the Seoul metropolitan area. It first invested heavily in electrical generating capacity, highway construction and housing in and around selected inland cities. It also improved the cargo handling capacity and transportation access of the coastal cities that were potentially capable of accommodating export industries. It later began to allocate investments in social services and facilities more widely among intermediate and smaller cities.

Over a twenty-year period, both the urban structure in Korea and the occupational composition of intermediate cities changed markedly. Manufacturing became the dominant sector in most of the larger secondary cities that had been designated as growth centres in the first phase of the government's long term land development policy. Services and commerce decreased drastically as a source of employment in nearly all intermediate urban centres, although in absolute terms the tertiary sector remained an important employer in all intermediate cities and especially in those with populations less than 200,000. As the economy grew and industrial activities were deconcentrated, there was a stronger division of labour among intermediate cities. A larger number gained population, and their economies became more diversified (Song 1982; Kim 1978).

As a result, intermediate cities in Korea are now more numerous and more heavily populated than in most other developing countries. While about one-quarter of the urban dwellers in developing nations live in small towns of less than 20,000 people, less than 2 per cent of Korea's urban residents can still be found in comparable places. However, about 82 per cent of Korea's urban dwellers now live in cities with 100,000 or more residents, compared to an average of about 64 per cent in other developing countries (for a more detailed description see Rondinelli 1983d).

The growth and diversification of intermediate cities has helped to decrease the primacy of Seoul and create new employment opportunities for people living outside of the national capital region. The government, through the Second Land Development Plan, seeks now to achieve the third phase goals of its national land development policies: balanced urbanization and equitable participation in the benefits of economic and social progress. To achieve more balanced urbanization and widespread distribution of productive capacity, the country's eight planning regions were divided into twenty-eight 'integrated regional settlement areas' (IRSAs) (Republic of Korea 1982).

Thus, the objective of the first phase of the long term strategy — creating growth poles outside of Seoul — has largely been accomplished. By the beginning of the 1980s, some progress had been made in achieving the second phase goals of improving living conditions and spreading the benefits of growth through area-wide development. Progress had also been made in promoting the growth of regional urban centres, although much still remains to be done both to strengthen the economic and social functions of cities and achieve more balanced regional development.

## LESSONS OF EXPERIENCE FOR NATIONAL AND INTERNATIONAL DEVELOPMENT POLICY

These four cases are a small sample of developing countries, but they represent a cross-section of policies and programmes that others are using to deal with urban transition and rural underdevelopment. They show that developing countries with quite different political, economic, social and cultural traditions and in different geographical regions of the world are facing similar problems of urban growth and of declining or stagnating agriculture, and that these two problems are in many ways reinforcing each other.

In each case, the government has recognized explicitly that urbanization and the increasing concentration of urban population and modern productive activities in one or two large urban centres is both a result of rural underdevelopment and a cause of continued economic and spatial polarization. Their plans are based on the assumption that the economies of rural regions will have to be strengthened if regional disparities are to be reduced and the living conditions of the rural poor are to be improved. They all indicate that the large metropolises have limited labour absorbing capacity and that continued migration to them results in increasing urban poverty, congestion and strains on metropolitan services, facilities and job opportunities. Moreover, they have all proposed as part of the solution building the capacity of towns, market centres and intermediate sized cities to generate new employment and provide the services needed for agricultural production.

Most of the national plans for regional development, however, remain vague. They often describe the problems in more detail than the solutions. Policies often tend to be either sweeping in scope, or so narrowly defined as to address only part of the overall problem. Few provide specific guidelines for implementation. With the exception of Korea, they usually attempt to deal with the problems of the entire country in standard fashion, without tailoring policies and programmes to the needs of specific regions or cities and

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without sequencing projects so that they build one upon the other and are of manageable size. Moreover, they often spread relatively small amounts of investment widely over the country, ignoring the importance of critical mass in improving the economy of a region.

Although Kenya and Korea have followed a fairly consistent set of policies over a long period of time, political commitment and administrative capacity in the former have generally been weak. In Mexico, changes of regime have usually brought policy changes that have redirected regional development programmes every six years. In Panama, the inability or unwillingness of national ministries and agencies to coordinate their activities within regions has weakened or undermined both urban and rural projects, a problem that to some degree seems to have plagued all of the programmes examined here.

Although all of the governments attempted to promote development in rural or nonmetropolitan parts of the country, they gave little attention to regional agricultural development strategies or to the importance of strong rural and urban linkages. All of the countries relied to some degree on a modified industrial deconcentration strategy and on investment in physical infrastructure to make cities and towns in rural regions more attractive for manufacturing enterprises. Even South Korea, which has given more attention than most developing countries to agricultural and rural community development, relied primarily on industrial decentralization as the force for regional development. Given its success in export industrialization and its relative advantages in manufacturing, such a policy may be appropriate for Korea. However, the potential for widespread industrialization in most other developing countries is at least questionable. For them, agriculture and agro-business seem to be more feasible bases on which to build their regional economies.

Although investment in both infrastructure and small scale industry is undoubtedly an important component of any strategy for regional development, it is far from sufficient in most developing nations. The economic base of most of the poorest developing countries is agriculture, and policies to promote rural development must address the questions of how agricultural output will be expanded to provide higher incomes for the rural poor and how the economies of cities and towns in rural regions can be strengthened to provide off-farm employment and the services and markets essential to commercial farming. The plans of all of the countries examined here lacked, to one degree or another, a well defined *agricultural strategy* for regional development. The policies fall short of identifying precise and appropriate interventions to locate investments for agricultural development and employment generation in those settlements that can provide economies of scale and the greatest access for rural people.

The strategies for regional development in Kenya, Panama and Mexico cover only some of the actions that must be taken to strengthen the roles of cities and towns in promoting agricultural development and off-farm employment. Implementation of even these limited strategies, however, has usually been the responsibility of a large number of central government technical ministries and agencies that have little knowledge of or interest in the spatial dimensions of regional development and that have little interest or incentive to coordinate their programmes within regions.

All four countries, in relying heavily on national agencies to implement regional programmes, failed to decentralize or delegate management responsibilities to localities and regionally based organizations. The experiences in Kenya, Panama and Mexico suggest that central administration often has been unresponsive to local need, is unduly complex and inordinately slow. Moreover, the programmes and projects that have resulted from these policies have rarely been based on detailed analysis of the economies of rural regions and their cities and towns; often they are merely standard solutions that may not be appropriate and effective in all of the regions in which they are applied.

The cases suggest a number of conclusions that may help to guide future policies and programmes and international assistance strategies:

First, expanding agricultural production, generating off-farm employment and changing the pattern of settlement in a region is a complex and long term process. It requires detailed and careful analysis of the regional economy and the incremental implementation of a coherent set of policies and programmes aimed at strengthening rural and urban production processes. Special attention needs to be given to (a) the roles of individual cities and market towns in facilitating the exchange and distribution of agricultural goods; (b) the relationships between urban marketing structures and rural production patterns; (c) the backward flows of consumer goods and production inputs from urban markets to rural households; (d) linkages between rural periodic markets and urban

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regular markets in the distribution of agricultural surpluses; (e) the roles of urban and rural based marketing intermediaries in food distribution within regions; and (f) ways in which investments in services, facilities and infrastructure in cities and towns can improve regional food marketing systems.

Moreover, the success of long term strategies depends on a recognition of the importance of linkages between cities and their surrounding rural areas in promoting regional development, on sequential and incremental implementation of a series of manageable investment projects and on strong political commitment over a long period of time to a coherent policy for regional economic growth and social change.

Second, a successful policy of regional development requires building the institutional capacity of local governments, subnational administrative units and nongovernment institutions to participate in the implementation of regional development programmes. In Kenya and Panama, the importance of regional and local administration has been recognized, but improvements have been slow to come. In Mexico, some attempt has been made to create regional planning and development organizations, but they remain weak compared to national ministries. Korea has yet to address seriously the question of decentralization. Experience suggests that strengthening the administrative and financial capacity of local governments and organizations to initiate regional development projects, as well as to carry out nationally funded programmes, is vitally important.

If international assistance agencies are to be more effective in helping governments in developing countries to implement their regional development programmes, much more research is needed on the characteristics and processes of 'successful' local and regional development institutions and how those characteristics and processes can be developed in regions where decentralized administration is essential to the implementation of such programmes.

Third, if regional development policies are to be responsive to local needs and to stimulate private investment, arrangements must be made to have local officials, community groups and private investors participate in the identification and design of investment projects. Few of the programmes examined here had organizational mechanisms by which regional interests could be represented in planning the development programmes for their areas. Regional development programmes and projects, in many cases, can be implemented more effectively if national ministries and agencies play supportive and facilitative rather than controlling and executing roles. They may be more effective if they provide technical assistance and expert guidance on analytical and technical matters and transfer resources and authority to local and regional organizations to carry out the projects.

Fourth, the cases examined here show that many aspects of regional development cannot be planned and implemented effectively because governments in developing countries do not have a sufficiently strong base of knowledge about the operation of regional economies to guide their growth and development. International assistance organizations can provide the resources and talent to help local researchers examine important issues about which more must be known. Although it is usually assumed that investments in cities and towns will increase their capacity to absorb labour, for example, little is known about the growth and dynamics of regional labour markets in developing countries. Attention must be given to the processes by which labour transfers from rural to urban occupations; how city and town labour markets attract and absorb surplus rural labour; the ways in which rural migrants and city residents are recruited into urban jobs; the stages or processes through which urban workers improve their occupational status; and the factors that influence the absorptive capacity of urban labour markets in rural regions.

Also, the 'informal sector' is a major source of employment for rural migrants and for the poor in smaller cities and towns in many developing countries, but relatively little is known about how the informal sector in these cities operates, and how it can be strengthened to support larger numbers of the urban poor. Research is required on, for instance: (a) the nature and operation of the linkages between informal sector commercial and processing activities in cities and towns, and on the production, distribution and consumption processes in surrounding rural areas; (b) on mechanisms of entry and exit of labour in the informal sector of the economies of cities and towns; and (c) on the characteristics of various participants — such as women — in informal sector occupations.

Finally, national governments and international agencies can play an important role in assuring that nonspatial economic policies support agricultural development, employment generation and growth of cities outside the major metropolitan areas. Regional strategies are necessary but insufficient instruments for national development. Their success in changing the patterns of urban and rural development depends on broader economic policies concerning terms of trade between the two sectors, export and import practices, wages and prices and the allocation of investment to promote regional redistribution. In the absence of supporting policies, the most carefully conceived and effectively implemented regional development programmes will have little impact on either urbanization or agricultural productivity.

## NOTE

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