



APRA Brief

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Rural Transitions, Economies and Rural–urban Links

Aims of this brief

This brief¹ aims to summarise existing understandings of rural transformation and transitions, focusing on:

- The rural non-farm economy (RNFE);
- Rural–urban links;
- Migration from rural areas; and
- Social protection; because when substantial changes take place in rural economies and societies, some people may lose out or need additional help to adapt.

¹: Wiggins, S., Sabates-Wheeler, R., and Yaro, J (2018) Rural Transitions, Economies and Rural–Urban Links. APRA Working Paper, Brighton: Agricultural Policy Research in Africa

Rural transformations and transitions

The last fifty years have seen great changes across rural areas of the Global South, including reductions in rates of poverty and hunger, and improvements in education and health. However, progress has been uneven.

Before the new century, sub-Saharan Africa saw much less improvement than most other parts of the South. More recently, two decades of economic and agricultural growth, plus public investments in rural roads, schools and health posts across much of Africa, have produced new opportunities in rural areas. This brief considers the broader scene of such rural change.

Agricultural development takes place within the wider context of overall economic development. In the process, changes in agriculture — such as the increased commercialisation of farms in general, and smallholdings in particular — interact with changes in the rest of the rural and urban economies.

In most cases, as economies develop, their structure changes as agriculture declines in importance relative to industry and services. Yet agriculture usually grows absolutely — often ahead of population growth — while labour productivity rises, which allows the release of labour from farming to other activities.

As people move from rural to urban areas, cities grow and economies become urbanised. A demographic transition also takes place, as death and birth rates decline; albeit that the former fall earlier than the latter, which produces a period of rapid population growth.

Development, therefore, usually brings about a structural transformation of the economy, from one dominated by agriculture to one in which manufacturing and services make up the bulk of activity; while the majority of the population become urban rather than rural.

The rural non-farm economy

The rural non-farm economy (RNFE) consists of a highly diverse set of activities, including the extraction of primary materials (mining, quarrying); manufacturing; processing of farm output and production of farm inputs; artisan and craft industries; and services such as trading, transport, personal and public services.

Much debate has centred on the quality of employment in the RNFE and the motivations for working in the sector, given that activities can have very different labour productivity. On the one hand, some RNFE activities are petty, under-capitalised, and generate very low returns to labour: they are undertaken because people on low incomes with few options pursue them for lack of better options. Yet, on the other hand, some other RNFE activities can be more productive, and are undertaken because they are better rewarded than agriculture.

The balance between the former and latter activities in the RNFE depends largely on the dynamism of agriculture and the national economy in general: when these thrive, the RNFE tends also to thrive, which generates more and better options for rural workers.

Linkages to agriculture can be particularly powerful drivers of RNFE growth:

1. When agriculture grows, it generates additional activity in the supply chain both upstream (inputs, services) and downstream (processing, storage, transport) of farms.
2. Moreover, when farmers earn more, some of this money — a large share in the case of smallholders — will be spent on goods and services in the local rural economy.
3. Urbanisation and rising incomes in Africa also mean the domestic market for agricultural production is rapidly expanding.

The close association of the RNFE with agriculture applies to policy as well. Both sectors benefit from an enabling rural investment climate, as well as from public spending on roads, electricity, education, health, water and sanitation.

Rural–urban links

By and large, urbanisation can benefit rural areas. Rural people's access to towns and cities tends to rise with economic growth and transformation. This comes about partly due to investments in roads from villages to towns, and partly because urbanisation means that what were once small, local market centres — barely more than villages — become thriving towns.

Closer links to urban areas can have three potential sets of effects on the economy and the livelihoods of rural people:

1. Closer links should **stimulate existing production** in agriculture and the RNFE. Lower transport costs between towns and villages should result in higher output prices and lower costs for manufactured inputs at the farm gate. Price changes should raise returns to farming, and thereby stimulate more production, especially through the intensified use of fertiliser, agrochemicals, tools and machinery. Better flows of information on technical innovations and market opportunities should reinforce this. Closer links to cities should also make it easier to access public programmes and services, including training schemes and investment grants.

However, not all benefit. In particular, craft and artisan manufacturers in rural areas often face competition in village markets from cheaper, factory-made alternatives; rural manufacturing therefore typically declines with better links between rural and urban areas.

2. Lower transport costs not only help to stimulate agricultural production, but also serve to **increase rural welfare**.

This happens indirectly through increased production and incomes, but also by bringing down the cost of consumer goods in rural areas, allowing greater consumption at the same cost. In addition, better transport cuts travel time and fares, giving rural people better access to services, such as secondary schools and hospitals, which are predominantly located in urban areas.

However, agriculture may have to adapt to higher wages when off-farm opportunities exist. Hence farms that are more closely connected to urban areas are likely to adopt technologies that save on labour, as more of the local labour force works in non-farm activity.



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3. Closer proximity to urban areas can also create **new opportunities (and threats) for rural livelihoods**, especially when urban economies grow and residents see their incomes rise.

As cities grow, rural residents increasingly demand better services in rural areas, and look to urban areas to provide leisure and business opportunities. To avoid congestion and high rents, people also look for land and services in peri-urban areas, which results in new opportunities for rural households and businesses, including renting out land, construction (homes, factories), providing leisure facilities (hotels, restaurants), and protecting environmental assets. Nevertheless, demand for land in peri-urban areas can be fierce, pushing up prices; while land rights can be confused when rural land governed by traditional authorities comes within an expanded municipal boundary so that town councils believe that they also have jurisdiction. Rural resources, such as forests, may also be appropriated for the benefit of city dwellers with inadequate compensation for existing rural dwellers.

Migration

Linkages between rural and urban spaces become consolidated as rural families diversify their livelihoods and employment possibilities, sometimes uprooting and migrating *en masse* to small towns; but more often than not, taking a stepwise approach whereby one or two family members try their luck in small towns, whilst keeping a foot in the farm economy.

If the rural farm is located close to a growing small town or city, it can be common for workers to commute daily for work in the RNFE as well as working on the farm at weekends, or at specific times such as planting or harvesting. Alternatively, others may relocate their families to towns and cities, but retain a home farm plot that they maintain at weekends to meet subsistence needs.

Migration in the context of urbanisation can be a major source of capital for investment in rural activities, as remittances flow to bolster the mix of commercial agriculture and the RNFE. Remittances enable rural dwellers to overcome capital limits, allow more on-farm investment, improve the social and economic wellbeing of households, curb intergenerational poverty through youth education and health, and transmit valuable skills through returning migrants and diaspora.

Social protection

Social protection can support structural transformation, as rural households embark on a range of livelihood choices and pathways.

Some poor smallholders might be able to harness opportunities for 'stepping up' into commercially sustainable agriculture, while others will 'step out' of agriculture altogether into productive non-farm work. Both types of households will likely benefit from graduated programmes comprising cash and asset transfers with microcredit and training that first protect households and then allow them to improve their livelihoods.

Other households, however, may have no choice but to 'hang in' the rural sector, as agriculture commercialises around them. Safety nets and cash transfers can play a vital role in protecting them against poverty and destitution. Such transfers can also encourage multiplier effects and local food consumption in the rural economy.



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Research agenda

The significance and range of changes that can take place with rural development set a rich agenda of research questions (for APRA and others), beyond those surrounding agricultural development [see Box 1].

APRA research will address this rich gamut of questions, drawing primarily on data collected from surveys of households in the APRA research sites, and from additional qualitative studies of the RNFE, rural market centres and agricultural supply chains at those research sites.

Box 1: Research questions

Concerning rural transformations and transitions:

What drives rural transformation?

What are the consequences of rural transformation for the livelihoods of rural people? What factors limit some households and groups from productively participating in rural transformation?

Regarding the rural non-farm economy:

What kind of growth of agriculture and its supply chains tend most to stimulate the RNFE? How does the RNFE interact with agriculture?

What are the prospects for creating local jobs that can be taken up by farm household members who lack formal skills?

What policies, public investments, collective actions, etc. best assist the development of the RNFE?

Concerning rural–urban linkages and migration:

How do different agricultural commercialisation pathways affect the growth and development of small towns? How does proximity to towns influence agricultural commercialisation?

What role does migration play in household decisions on commercialisation? How is this influenced by gender and age?

For social protection:

Which safety nets should be in place for those who do not benefit from commercialisation? How can persons vulnerable to rural transformations be best protected?

What forms and sequences of social protection help those persons first to avoid poverty and destitution and then to enhance their livelihoods?

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