

8 Balancing Rural and Urban Development through Improved Linkages

As part of its monitoring, research, and knowledge-management mandate, the ROAP-Fukuoka has designed and implemented three projects over the past ten years to demonstrate that urbanization provides a significant positive stimulus to rural economic development that alleviates rural poverty. The projects also explored how reducing rural poverty reduces the migration of poor and often landless villagers to big towns and cities to become urban poor.

The three projects undertaken were:

- *Partnerships for Local Economic Development* (KPEL), Indonesia
- *Rural-Urban Linkages*, Laos
- *Rural-Urban Partnerships Programme*, Nepal



Rural poverty inevitably causes social division and rampant rural-to-urban migration.

The core insight underpinning these projects was that urban and rural areas are inextricably linked together, as urban areas are both the market place for rural produce, as well as the source of key inputs, including ideas, finance, materials, and technologies for both economic and social development in rural areas.

Early project lessons revealed that development practitioners needed to study and strengthen those linkages through a variety of steps and innovations to overcome *access poverty*, including:

- Improving urban-rural transport infrastructure to provide timely, damage-free access to produce markets to enable farmers to respond effectively to price fluctuations. Farmers also need better access to agricultural inputs (such

as machinery, fertilisers, etc.) to improve rural economic productivity.

- Increasing access to agricultural extension services and micro-finance sources to support farmers' efforts to diversify their agricultural production in ways suited to local soil and climatic conditions. This helps farmers cope better with national and international market price fluctuations. Critical to this happening is improved transportation access, as well as greater decentralisation of services, optimally through satellite or "rural service centres".

Later, through project mid-term reviews four far more significant "governance" findings emerged that addressed *power poverty*:

- Decision-making at multiple levels district, provincial, and national to increase rural access must include all critical players.
- Forming an alliance between urban product buyers and rural producers required substantive lateral thinking and imaginative partnership building through a variety of catalytic demonstration projects.

Rural producers needed direct, unfiltered access to national and international market information, especially prices, to make better decisions and deals by knowing the best time to buy inputs and sell outputs. To help meet this need, the three projects included ITC infrastructure and training for their rural clients.

The mindset of "supporting officials" needed to change totally from their traditionally bureaucratic "control" style to one of innovative "learning-by-doing" in order to develop more supportive

approaches to enable rural producers to negotiate their way out of traditional *poverty traps*.

These projects did not focus just on the technical aspects of improving transport and communication linkages. They focused also on engaging a diverse group of actors both cross-sectorally from the rural farm and fisher families to the urban product buyer, wholesaler, and "inputs" provider, as well as to those at the national-level Chamber of Commerce and the international commodity market traders. This process was essentially a governance issue requiring the building of sensitive, fair, and transparent linkages between complex layers of people and parties involved at the local settlement, provincial, national, and international levels.

Partnerships for local economic development in Indonesia

The Partnership for Local Economic Development project (KPEL) was designed in response to the economic crisis of 1997 and the socio-political changes that followed. It is a joint initiative by BAPPENAS (National Development Planning Board), UNDP's Office for Indonesia, and UN-HABITAT's ROAP-Fukuoka.

KPEL applies a strategy that promotes: facilitation of partnership forums at each tier of government; development of economic clusters as a means to promote income-generating opportunities; and empowerment of producers and their organisations to participate in local economic development (LED) planning and policy formulation.

KPEL is being implemented in 51 districts and cities in 15 provinces in Indonesia and has assisted the formation of 63 partnerships, 13 at provincial level and 50 at district/city level. The main role of these partnerships is to promote regional economic development through the development of selected commodity clusters at district/city levels. Promoted commodities and products include coffee, vegetables, fish, lobster and shrimps, and handicrafts among others. KPEL also promotes diversification of products and the development of derivatives as a measure to protect farmers against price fluctuations.

Most of the partnerships are actively promoting market linkages and networks for the sale of products and coordinating training and capacity building activities for its members, especially for producers and farmers. Actions and activities for cluster development are guided by a strategy and an annual plan formulated by stakeholders. The main components of the plans include: establishment or expansion of the market networks between producers, processors, and buyers (traders, consumers); empowerment of producers through the strengthening of their organisations; improvement of production capacity, of tools and techniques; and diversification and development of derivatives.

Fishing licenses in Sorong

The Partnership in Sorong identified the existing system of fishing licenses as a serious constraint to local economic development. Local fisher folk were being robbed of their income as large fishing trawlers, who had obtained licenses from central government, invaded their waters. The partnership agreed this had to change and collectively lobbied the central government. As a result, the authority to issue fishing licenses was transferred from central government to the Sorong District. Since then, the District has used its new regulatory power to assist local fisher folk by restricting fishing within 10 kilometres of the coastline to small-scale local residents.



Fishing in Teminabuan, Irian Jaya, Indonesia.

New jobs for cashew nut producers in South Sulawesi



A village unit for processing cashew nuts established in Pangkep district, South Sulawesi, Indonesia.

Cashew nut trees, initially planted in South Sulawesi as part of a soil conservation programme, have

become an important economic crop in the region. Farmers in the area have sold the raw nuts to largely urbanite entrepreneurs who then shell, process, package, and export the nuts. KPEL-assisted farmers have identified ways to add more value to the cashews before selling them, thus, increasing their income and creating additional jobs.

One such strategy was training people to remove the outer shell using a simple, inexpensive, locally-made tool. With KPEL support, there are now approximately 20 processing groups of 20 people each, most of them women. These women earn between Rp1 000 and Rp3 000 per kilogram of shelled nuts and work for up to four months

of the year during the cashew harvesting season. They are able to augment their incomes by as much as Rp 1 million per annum. In addition, the Maros district hires up to 300 women to shell, almost all year round. While the income earned may not seem very high, it is welcomed and there is no shortage of women willing to participate.

The processing units run as small businesses with an annual turnover of over Rp 20 million and create opportunities for other low-income folk to earn extra income. A survey of farmers in four districts suggests that the average net income in the areas of KPEL involvement has increased by 100% with the introduction of processing activities.

Rural Urban Partnerships Programme (RUPP) in Nepal

In the context of Nepal's rapid urbanisation, the principal objective of RUPP is "to enhance the involvement of both rural and urban poor... [and]...to improve livelihoods and strengthen local economies ... by enhanced rural-urban linkages." With other donors not yet active in urban planning or management, RUPP has become the singularly most important programme in Nepal in addressing ways to strengthen rural-urban linkages to reduce rural poverty, while, at the same time, enhancing participatory urban governance. The RUPP programme has gained recognition in the 12 municipalities and 28 market centres where it has a presence for both poverty alleviation and urban governance. It has already had an influence on policy



Along with becoming a source of much-needed credit, savings groups help to bring poor rural women out of social isolation.

at the national level.

RUPP has demonstrated that poor communities and small rural and urban enterprises in Nepal can compete in bigger markets with such products as vegetables, fruit, fish, bee keeping, buffalo selling, renting telephone services, tin and copper pot making, metal working, shoe making, stationery, and envelop-making from paper produced in Nepal. These are but of few of the successful examples that RUPP has supported through training and credit. These activities have been able to significantly increase incomes and improve the welfare of participating poor communities, households, and entrepreneurs.



Small village-based enterprises can produce for city markets, if they are supported with training and credit.