CHAPTER 4

Rural-Urban Linkages and Poverty Analysis

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Most developing countries today are undergoing a process of rapid urbanisation and are seeing a dramatic movement of people to towns and cities. Concurrently, circular migration between the rural and urban spheres has increased, as has the number households and families — many of whom are poor — who operate in both spheres. In Africa it is estimated that half of the poor will live in cities within 10 years from now, up from 35 per cent in 1996. The trends are similar in Asia, whereas in Latin America the situation appears to be more stable. The biggest wave of urbanisation in this region has already taken place and currently, about 75 per cent of Latin Americans live in cities. Nevertheless, rural forms of poverty are not declining in importance. While there are incidences of disenfranchised, poor, rural families filling urban slums, there is also evidence that support from the rural base constitutes an important element of the livelihood of the urban poor.

Most national planners and politicians are cognisant of the different challenges posed by rural and urban development. It is generally acknowledged that what happens in one sector influences the other, but there is no consensus on how these dynamics work. As a result, countries invariably have developed distinct policies for what are often considered as two separate sectors.

There is also a common understanding that the problem of poverty manifests itself in rather different ways in rural and urban environments, but poverty studies vary a great deal on how they analyse these differences. While the rural-urban dichotomy appears in most poverty statistics, the analytical significance of this distinction is less apparent. There is seldom a focus on how rural and urban poverty may be interlinked, and this may have consequences for the understanding of processes of impoverishment, as well as the formulation of policies to address them. Many researchers even go as far as questioning whether it is meaningful to treat rural and urban as two distinct forms of poverty. There is a danger that a dichotomisation of poverty may draw the attention away from the dynamics of the rural-urban interface, blurring important interdependencies between the two.[1]

It is our contention that the dynamics of poverty in the rapidly urbanising countries of the developing world have to be understood in the interplay between the rural and the urban spheres. A better understanding of the rural-urban interface is critical to the formulation of national poverty reduction strategies, particularly in countries experiencing rapid urbanisation or escalating rural-urban disparities. We need to comprehend such issues as:

- The patterns of migration between rural and urban areas;
- How intra-family resources flow across the rural-urban divide;
- The role of rural-urban links in strengthening poor people's capabilities for collective action;
- Whether our definitions of households as economic units grasp the realities of rural-*cum*-urban livelihood strategies, and therefore correctly depict incidences of poverty;
- The potential for achieving broad-based economic growth through an improvement of linkages between rural and urban spheres.

In this chapter we shall examine a sample of reports sponsored by the Poverty Strategies Initiative (PSI) of the United Nations Development Programme (UNDP) in nine countries: Angola, Lesotho, South Africa and Zambia in sub-Saharan Africa; Maldives, Nepal, Palestine and Papua New Guinea in Asia; and Latvia in Eastern Europe. The reports generally contain an analysis of rural and urban poverty, and present policy recommendations related to urban and rural development. The chapter is based mainly on a review of documents sponsored by the PSI programme and does not claim to be representative of the full range of poverty research in the countries selected.

We start by briefly discussing how rural and urban issues have been treated in the development literature, including more specifically in the analysis of the determinants of poverty. We then present some of the empirical findings contained in the PSI studies, which confirm that there is no emerging consensus on how rural-urban dynamics work. We first look at how the prevalence of poverty is presented and the explanations of rural-urban discrepancies. Then we proceed to show how this is translated into policy prescriptions. Throughout, our main objective is to distil particular insights on the rural-urban interface in these countries and identify critical lacunas in the analyses, in order to draw lessons that may be of general relevance for analysing poverty.

Why the rural-urban interface matters

The rural and urban in development theory

Many of the central debates in development literature have centred on the relationship between the rural and the urban spheres. These debates demonstrate how theoretical and methodological biases in development research may produce findings that overlook important aspects of social dynamics.

The hegemony of certain biases has indeed had a direct bearing upon development policies and aid priorities. During the immediate post-war period, most governments encouraged urban development. This was, in fact, a core element of the post-colonial nation-building project. Until the 1960s, the mainstream development theory of modernisation emphasised industrialisation — which was closely associated with urban growth — as the engine of economic and social development. The rural population was mainly perceived as a labour reservoir for industry and commercial farms. Rural development was promoted only to the extent needed to reproduce labour, and later to stem the exodus of rural poor to the cities. This notion of a dual economy came to dominate development strategies in many regions of the world. In its most extreme form, it served as the economic rationale for the mining industry and the *apartheid* state of South Africa. The less extreme interpretation was the 'trickle down' perspective, according to which the modern and mostly urban sector eventually would penetrate and transform backward rural areas.

The development assumptions of this two-sector growth model were severely critiqued by the dependency school of the 1960s and 1970s. The dependency theorists argued that the growth of urban centres was based on the exploitation of rural areas, which prevented them from taking advantage of their own development potential. This would eventually lead to underdevelopment rather than growth. The 'urban bias' thesis, presented by Michael Lipton (1977), showed that the tariff, trade, taxation and sector investment policies pursued by most governments had deprived rural areas of resources and infrastructure. This thesis became mainstream development thinking in the 1970s and 1980s.

In response to this radical critique, development agencies began to redirect their priorities towards rural development well into the 1980s. These attempts to make up for decades of rural neglect were accompanied by two important shifts in development paradigms opposing the post-war modernisation and trickle-down economic theories. First, across the East-West divide, the international community formulated a rights-based approach to human welfare, as reflected in the UN Covenant on Economic, Social and Cultural Rights. This was supported by the doctrine of 'basic needs', which held that the international community was responsible for ensuring universal coverage of primary social services. This implied that the needs of a rural person no longer had less priority than those of an urban person.

As a concurrent trend, development researchers advocated the role of the agricultural sector as the engine of growth in developing countries. The success of the Japanese and later the South Korean economy was believed to rest in a large measure on the modernisation and surplus production in agriculture. The land reforms that took place in those countries ensured a more equitable distribution of land, which served as a major catalyst for the impressive economic performance that followed. The improvements in wellbeing gained through land reforms initiated by revolutionary governments in China and Cuba also strongly influenced this view. Agricultural surplus production, it was argued, is not merely a means to feed a growing urban population. It also generates demand for industrial products and know-how, which stimulates economic growth and urban development. In this perspective, the picture is reversed: urban development is seen as contingent on rural development.

It is interesting that both the old dual-economy paradigm and the agricultural growth model represent theories of rural-urban links. The biases are definitely different, but both theories bring the rural-urban dynamics centre stage. It is the very nature of this relationship that represents the prime developmental force. This has led researchers to focus more directly on the interdependence and symbiosis of the rural *and* urban spheres.[2] These shifts in paradigms and perspectives have had important consequences for the study of poverty.

The rural and urban in poverty research

The analysis of poverty has been running in tandem with this broader development debate. But contrary to the development theories outlined above, the poverty discourse has to a much lesser extent focussed on the rural-urban link. Studies have tended to present a static picture of two categories of poverty, urban and rural. Surveys have recorded household-related socio-economic data, classified according to the place of residence of the household (notably the dwelling where the interview takes place) in a manner that distinguishes between rural and urban domicile. Survey designs have been ill-equipped to capture the fact that family units in societies under stress or rapid change may adopt a wide range of strategies, including that of having one foot in a rural economy and the other in an urban, or foreign, economy.

The statistical unit — a household, defined as a group of people sharing the same roof or pot at a specific point in time — may not represent a significant unit of analysis for social and economic decision-making. It may well be that the unit surveyed is only one branch of a larger household or family concern. Surplus in one branch may subsidise others. For example, low per capita consumption in one branch, such as a rural village, may in fact be a deliberate decision to funnel resources to another branch (for instance, family members pursuing education or work opportunities in an urban area). Such relationships, as well as the transient nature of many households, are critical factors for understanding poverty. A certain statistical pattern of rural and urban poverty can therefore disguise substantial dynamics embedded in rural-urban links. Where attempts have been made to incorporate these dimensions in surveys, it has been difficult to get reliable information on intra-family transfers.

The need for different poverty lines has long been recognised in poverty measurements. At the same time, there is also a strong case for treating the rural-urban divide as a continuum, rather than a sharp divide.[3] One would expect rural-urban linkages to be particularly prevalent in countries with rapid urbanisation. These linkages would normally involve seasonal labour migration, remittances, divided households, market exchange, flow of critical information and education opportunities, among others. New economic hardships have also resulted in the strengthening of rural-urban linkages among the poor in many transition economies.[4] In spite of this, measurements of poverty based on conventional definitions of household income or consumption tell little about how people manage under such circumstances, a perspective that is necessary to develop well-targeted public policy.

Rural-urban issues in poverty measurement and analysis

Research on poverty has typically treated the rural and urban spheres as two distinct categories of analysis, presenting a somewhat static picture of each and neglecting important interdependencies between them. This pattern, which has important implications for policy design, is also found in the analytical work carried out in our nine countries with support from UNDP.

In this section, we examine the main findings from these analyses, both with respect to the measurement of poverty and the identification of its causes. We focus first on the four countries in our sample that, according to the Human Development Index (UNDP 1997), are classified as having a low level of human development: Angola, Lesotho, Nepal and Zambia. Then we present two special cases: the archipelago of the Maldives and the archetypical dual economy of Papua New Guinea. These six countries have a sizable proportion of their population living in rural areas. Finally, we look at the three cases characterised by a relatively higher level of urbanisation: the Palestine territory entirely dependent on the Israeli economy, the transition economy of Latvia, which has experienced a major collapse of rural enterprises and the post-*apartheid* state of South Africa.

Angola, Lesotho, Nepal and Zambia

Angola

Poverty analysis becomes particularly difficult in Angola, a country ridden by 30 years of liberation and civil wars. The economy consists of four 'sectors', with widely different ramifications and rules of operation. The offshore oil exploration controlled by government is an enclave operation, an almost closed economic system with few direct linkages to the remaining economy. The largely informal urban sector supplies the bulk of goods and services in the cities and, foremost in Luanda, is fuelled indirectly by oil revenues and international aid. Due to the war and damaged infrastructure, the third sector, the rural hinterland, has for most practical purposes ceased to function as a regular economy. Commercial linkages with the urban economy are weak or completely cut off. The remaining 'sector' is the war economy of the areas controlled by UNITA, financed through the export of diamonds. The four 'sectors' are politically constituted by the logic of the war, which leaves very little room for a functional integration of rural and urban development.

Poverty measurements in a situation of war will have wide margins of error.

Families are artificially split and markets are highly distorted. Large rural populations have fled or been forcibly evicted from their homes, and migration to the capital city has been formidable. In spite of this, urban poverty is measured at half the rate of rural areas: 37 and 78 per cent respectively. Had it not been for the large number of refugees fleeing to the Luanda region, the contrasts would have been even greater. This reflects enormous differences in resource flows as well as the impact of war. Many rural areas and secondary towns in Angola largely correspond to the war zone, while Luanda, and to a lesser extent other cities, are safe havens.

The study financed by UNDP provides only indirect evidence of rural-urban linkages (Wold and Grave 1999). The data presented in the study are based on surveys from urban areas. They depict a vibrant urban economy in Luanda, where 40 per cent of the work force is involved in the informal sector. Two-thirds of those engaged in informal activities are women. The level of education of female heads of household is presented as the single most significant contributor to poverty reduction. This underscores women's important role as breadwinners in the urban economy. Analysis of rural household data does not reveal any similar role of women, probably because production for the market is very low in rural areas.

Little is said about the extent of rural to urban migration, although it would have been interesting to know how many in Luanda are regular labour migrants and how many are refugees uprooted from their rural homeland. One could expect, for instance, that labour migrants and displaced people will have different coping strategies once they arrive in the capital city. It would also be useful to have information about the extent to which urban dwellers and immigrants are able to send remittances to their home villages, especially in the war zone. Since there are few reliable surveys on rural livelihoods in Angola, we cannot determine how important is the contribution made by remittances from urban areas.

An important question for post-war development policies in Angola would be whether women in rural areas could play roles in the rural informal sector similar to those they are playing in the cities. This will be partly determined by the extent to which women today engage in the trade of rural produce. Evidence from several countries in Africa shows that that women are particularly active in rural-urban trade. They bring rural produce to urban markets and take consumer articles like second-hand clothing back to their villages and hamlets. It would thus be important to examine further any such role of female entrepreneurs in urban Angola.

Lesotho

Lesotho is a country with a low level of urbanisation. Only 20 per cent of its population of about two million people live in towns. At six per cent per annum, however, the current rate of urban growth is high and exceeds that of its neighbouring countries.

The rapid influx of people to the capital city of Maseru and other towns stems more from a deterioration of rural agriculture and the mining industry in South Africa than from a growing urban economy that offers new employment opportunities. Agriculture's share of GDP is steadily declining. The rural poor typically rely on agriculture as the primary source of income, while the better-off derive much of their income from labour migration and remittances. Any downturns in the South African economy may severely affect the over 140,000 Basotho males working in the mines, causing a further push towards rural-to-urban migration. Retrenched mine workers will first seek their fortune in urban Lesotho and, depending on circumstances, other family members may follow. As a result, Lesotho must expect a rapid increase in urban poverty, already estimated at 27 per cent of the urban population.

It is against this background that UNDP commissioned an *Urban Poverty Assessment* in 1997. The study starts with the problem of drawing clear boundaries between urban and rural areas. Many of the country's officially gazetted urban areas resemble large villages. As everywhere, there is a continuum in terms of population density from scattered hamlets to city centres, and setting the dividing line between rural and urban tends to become a political rather than a technical decision.

For this reason, distinguishing urban poverty as a category separate from rural poverty is problematic. Linkages between rural and urban areas mean 'that the problems of the urban and rural sectors are bound up with one another and cannot be considered in isolation from each other' (Lesotho 1997). This notwithstanding, poverty in urban environments, such as the capital Maseru, has certain attributes that are less evident in the countryside. The urban poor are typically more dependent on money to fulfil basic needs. Their income generation is more susceptible to the vagaries of the market. Social cohesion is weaker, meaning that poverty is more 'individualised' in urban settings. One example of this is the ticking social time bomb of increasing numbers of 'free-floating', retrenched mineworkers with problems adapting to the economic realities at home. The urban poor also have greater exposure to environmental risks, as well as a relative lack of personal safety as a result of crime, which constrains economic activity.

Urban poverty has been underestimated in earlier statistics that used conventional money-metric measures based on income or consumption. If non-income indicators reflecting entitlements and vulnerability are used, the number of the urban poor, and of poor people in general, definitely increases. Moreover, the application of a uniform poverty line across the country does not account for the fact that 'an urban household would need a higher cash income than rural households to avoid poverty' (Lesotho 1997). All household surveys concur that urban poverty is less severe than rural poverty, but interviews with urban poor indicate more mixed perceptions. People are almost evenly divided about whether life is better in urban or rural areas. As a rule, the urban poor appear to be more vulnerable, although on average they do better economically than their rural counterparts.

Registering household members can be difficult and, if not done correctly, may introduce severe distortions in per capita-based poverty measurements. The average size of the households surveyed by UNDP was 4.2 members, which included absentee members working in South Africa.[5] Two-thirds of the household heads have their roots in the rural area, and half of the households report that their relatives live in the countryside. This indicates fairly recent urban settlement.

The urban poor rely heavily on petty trade and casual labour for their cash income, but remittances also play a role. It is likely that receipts in kind are underreported in the UNDP study, since only 13 per cent mention this as a source of income. Surprisingly, there is no mention of the economic importance of prostitution, which appears to constitute a valuable source of income for many single women in urban Southern Africa. It is also difficult to draw any firm conclusions regarding the size of inter-household transfers. About 40 per cent report that they never or rarely give or receive economic assistance to and from relatives. If this is the true pattern, it corresponds to similar findings from studies of urban poverty in Namibia, where a core of urban poor (generally the poorest) has lost ties with their rural home area (Tvedten and Nangulah 1999). This underscores the fact that the vulnerability of poor urban residents increases when they no longer are in a position to maintain relations with the home village.

The incidence of female-headed households is high, at 28 per cent, according to a survey conducted in 1987. The share among poor households is even higher. The UNDP assessment puts this figure at 35 per cent, of which half are widowed and the rest divorced or unmarried. Per capita income of female-headed households is less than two-thirds of households headed by men. The main differentiating factor is that men have access to better paid jobs, especially in South Africa.

Failing to get such employment, a man often becomes more of a liability than a resource for the household. This is especially the case in an urban context, where the man cannot assume his traditional role in agriculture and livestock farming. There is ample evidence that many women break off relations with men who no longer function as breadwinners, and that the general picture of female-headed households as a social malady has to be qualified. From the point of view of the woman and her dependants, she may in many circumstances stand a better chance of coping with poverty by staying free of conjugal obligations to a man and his family.

Low-cost housing areas in Lesotho towns conceal great variation in household incomes, which indicates that city life is regarded by most as temporary. Obtaining a plot of suburban land has been relatively easy through allocation of communal land controlled by the chiefs. Even the poorest households hold land and own homes almost as frequently as wealthier households do.

People seem reluctant, however, to invest in improving their urban house, and also to engage in urban community affairs. For the many first generation urban residents, 'life in the city is regarded only as a temporary necessity, and not as a permanent departure from the rural village' (Lesotho 1997). This attitude is further exacerbated by the widespread disillusionment with local municipal authorities. In the peri-urban areas of Maseru, allegiance to the local chiefs is apparently strong. These popular resentments, and the continued existence of links back to the village, may be a vital resource in stemming urban migration, but only if and when policies for sustainable rural livelihoods can be developed.

Nepal

Despite the fact that Nepal is a stable country, its rural-urban contrasts are no less striking than in Angola. Nepal's population of about 20 million is overwhelmingly rural, with only 12 per cent living in cities and towns. More than half of the urban population is concentrated in Kathmandu, whose population has tripled between 1971 and 1991.

Nepal's level of per capita income is among the lowest in the world. Urban income is more than double the rural income levels and, for Kathmandu, average household income is four times the rural average. The country depends heavily on agriculture, but the growth in agricultural production is outpaced by population growth. As a result, the services sector today, which is mainly urban-based, equals the share of agriculture in GDP. Public as well as private investments are highly urban-biased.

Ample evidence of the rural-urban dichotomy is presented in the *Nepal Human Development Report* (HDR), published in 1998. Unfortunately, the report does not contain a definition of what is understood as urban areas. Presumably statistics are based on the distinction between administratively defined urban and rural local government units.

There is great variation in measurements of the *income* poverty headcount, depending on the definition of the cut-off point. It ranges from about 30 per cent based on minimum subsistence consumption levels, to 70 per cent based on US$150 per capita per year. Common to all measurements, however, is that the headcount is much lower (from half to one-third) for urban than rural areas. In other words, the incidence of rural poverty is about 2.5 times higher than in urban areas, although income disparities are significantly greater in the latter.

Furthermore, the Human Development Index for rural areas is two-thirds that of urban areas. Rural households rely mostly on agriculture for their income (65 per cent), much of which is retained for domestic use. In fact, only 40 per cent of total income is in the form of cash. Still, studies have shown that wage income accounts for almost 30 per cent of total rural income. This indicates that many rural households depend heavily on agricultural wage work or other manual jobs to supplement their own cultivation, and reflects a situation of extreme scarcity of cultivable land, unequal land distribution and a large number of marginal farmers. As many as 40 per cent of farming households own less than 0.5 ha of land, which accounts for the strong correlation found between size of landholding and household income (Nepal 1998).

Measurements of poverty using indicators of human *capability* (child nutritional status, female literacy, and quality of reproductive health care) reveal an even bleaker picture. People are much more capability-poor than income-poor, and contrary to expectations, relatively more so as one ascends the income scale. Access to economic resources alone has obviously not enhanced wellbeing significantly. Urbanisation may improve income-earning opportunities, but this is not automatically translated into improved livelihoods.

The relatively better status of urban areas does not reflect itself in the status of women. In fact, female participation in the labour force is higher in rural areas, and shows even a declining trend in urban areas. It thus seems plausible that urbanisation has impacted adversely on women's income earning opportunities. On the other hand, surveys do not corroborate the generally held belief that female-headed households are worse-off. The reason appears to be that households headed by women receive remittances from migrant male household members. If this is the case, it is an important effect of migration.

The Nepal HDR strongly argues that the worsening poverty trends, both in absolute numbers and relative terms, are linked to failed agricultural development. The marginal growth per capita in the 1980s and 1990s was highly skewed in favour of the non-agricultural sector and urban areas. The market-oriented economic policies put in place from about 1990 did not make a dent in poverty, as was projected. Rather, 'the withdrawal of subsidies, mass retrenchment of civil servants, wage freeze, deregulation of administered prices and upward revision in the prices of the goods and services delivered by public enterprises have had an adverse effect on the situation of poverty' (Nepal 1998). These factors overshadowed any benefits that may have accrued from macroeconomic stability and reduced inflation, particularly in the agricultural sector.

There are several causes for low agricultural productivity and its weak effect in reducing poverty. The single most important factor seems to be the highly unequal distribution of land and the failure of successive governments to effectively embrace agrarian reform and maximise the number of viable landholdings. Other factors relate to inadequate investments in physical infrastructure, especially in irrigation. Access to credit for rural farmers is a third major problem, which has only been aggravated following the deregulation of the banking sector in the 1990s.

Zambia

Post-independence Zambia has continued the urban-led development path established under British colonial rule. Its economy is highly dependent on the extraction and export of copper, which generate revenues that are largely funnelled to urban areas. Even today, Zambia's copper mining sector accounts for over 80 per cent of the nation's foreign currency receipts. The downturn in the copper market paved the way for a structural adjustment package, negotiated with the International Monetary Fund (IMF) in the early 1990s. Although the economy has seen some recent signs of recovery, poverty has been steadily increasing, reaching a level of almost 80 per cent by the end of the decade. Income distribution is extremely skewed, with 5 per cent of the population accounting for almost half of the national income.

The country's history has been one of rural neglect. The urban population, especially the mineworkers, have been a dominant political force, pressing governments to retain subsidies to vital consumption goods. Besides draining the public coffers, this policy worsened the rural terms of trade. These problems have continued even after the liberalisation of the economy. With the removal of input subsides and escalating marketing costs, many rural smallholders in recent years have returned to mainly subsistence farming, as they are no longer able to make a profit on cash crops (especially maize).

Given this situation, the government of Zambia decided to formulate a national strategy for poverty reduction. A framework document was developed in 1998 on the basis of a thoroughly consultative process, which was assisted by UNDP. Although the document presents no in-depth analysis of poverty, it does emphasise the existence of a vast rural-urban gap and the gravity of massive deprivation in the countryside, where poverty rates double those of urban areas (Zambia 1998).

Regrettably, there is no analysis of possible inter-linkages between rural and urban areas. With a continuous decline in the rural economy, it is likely that a growing number of Zambians will be forced to seek opportunities in the urban economy. For policy-makers, therefore, it would be of interest to know what role remittances from the urban economy play in the form of a safety net in rural areas. It is equally important to know whether support to the informal urban economy could provide a mechanism for harnessing urban-rural transfers for reinvestment in agriculture.

Maldives and Papua New Guinea

Maldives

The geography of the Maldives archipelago represents a unique case where nature itself sets absolute limitations on urban expansion. The country consists of twenty-six natural coral atolls comprising a total of 1,190 islands, of which only 200 are inhabited. The total landmass is very small, and a population of only 250,000 people creates a density as high as 480 persons per square kilometre. There are islands with more than 500 persons per hectare, but it is only in the capital city of Male' that a typical urban environment has developed. Male' is the centre of an economy that has experienced sustained growth over the past two decades, averaging almost 8 per cent per year, based on a rapid increase in tourism and the doubling of the total fish catch due to the introduction of new technologies. This development spurred rapid urbanisation and one fourth of the population now lives in Male'.

Although living conditions have improved considerably over the past decade, poverty — characterised by wide urban-rural disparities — is still found throughout the archipelago. It is in connection with this situation that in 1998, the Ministry of Planning and National Development decided to undertake a *Vulnerability and Poverty Assessment* (VPA) in cooperation with UNDP. The terms 'urban' and 'rural' are not used explicitly in the report, but the statistics presented generally distinguish between Male' and the atolls, which is the only urban-rural distinction that matters in Maldives. Male' is reported to have average incomes twice as large as the rest of the country, and four times the level of public services. It appears nonetheless that income inequality has stabilised in recent years.

Given the extreme variability present across the islands and atolls that comprise the archipelago, defining a single poverty line applicable to the entire country proved to be impossible.[6] Instead, the VPA tests the robustness of poverty rates for three different poverty lines. The lowest one is defined as half of the median household per capital income, which corresponds to approximately US$ 0.65 per person per day and can be used to identify the level of extreme poverty. Fifteen per cent of the national population is extremely poor. Of these, 15 per cent live in Male', which has a headcount ratio of only 7 per cent (Maldives 1998).

Extreme poverty is most prevalent in five atolls (Meemu, Lhaviyani, Baa, Faafu and Thaa) located in the middle north and the middle south of the archipelago. This finding is unexpected, since it implies that there is less poverty in the atolls situated furthest away from the capital. From a regional development perspective, the obvious question would be whether this is simply a reflection of natural variation in resource endowments, or whether there is some causal relationship between proximity to Male' and poverty. The VPA, however, does not probe into these questions.

Beyond identifying the geographical distribution of income poverty, the VPA makes little use of the survey data collected. It seems, however, that potential rural-urban linkages have not been adequately covered. There is no mention of migration patterns or level of remittances, and no tracing of household members living elsewhere, whether in Male', the tourist resorts or abroad (particularly in Australia and Sri Lanka, which are the preferred destinations for many migrants). This seems an important gap, given that households are dynamic social units, in which regular fusion and fission processes to cope with shortfalls in domestic labour and seasonal labour migration can cause significant errors in the measurement of per capita household income. Tourism and fisheries, the two booming sectors of the local economy, are also sectors that typically have seasonal fluctuations in labour demand.

In addition to the household survey, the report presents analyses of island specific information on public services, employment, nutrition and health. The purpose

Table 1. Living standards and poverty in the five poorest atolls of the Maldives

Living standard dimension	National average	Meemu	Lhaviyani	Baa	Faafu	Thaa	Correlation with poverty
Electricity[(a)]	9	4	4	4	10	15	No correlation
Transport[(b)]	26	3	47	0	0	4	No correlation, but generally better than average
Ownership of radio[(c)]	55	77	71	68	36	65	Correlation is fairly high
Education[(d)]	38	0	0	11	32	31	Educational services are better than average
Health[(e)]	10	28	0	0	8	7	Only one atoll is below the average standard
Drinking water[(f)]	-	-	-	-	-	-	None of the five atolls is ranked as having severe problems
Population density[(g)]	25	29	95	51	20	51	Some correlation: three of the atolls are significantly above average
Mal-nutrition[(h)]	49	28	49	37	76	33	Only one atoll with a severe problem
Employment in agriculture[(i)]	99	1	0	0	0	0	Strong correlation: no agricultural employment in four of the atolls
Vulnerability ranking[(j)]	-	6	12	11	2	9	Poverty is only partly covariant with vulnerability

(a) Percentage of atoll population on islands with no access at all. The highest possible score is 24.

(b) Percentage of atoll population on islands with more than 100 persons per boat. The highest score is 100.

(c) Percentage of atoll population with no radio. The highest score is 77.

(d) Percentage of atoll population on islands with more than 50 students per teacher. The highest score is 82.

(e) Percentage of atoll population on islands with no access to health worker. The highest score is 41.

(f) Reports on 'insufficient' and 'unsafe' drinking water.

(g) Percentage of atoll population on islands with more than 50 persons per hectare. The highest score is 95.

(h) Percentage of girls (1-5 years) with stunted growth.

(i) Percentage of national agricultural work force.

(j) Based on the Human Vulnerability Index across 21 atolls. A score of 1 denotes highest vulnerability.

is to calculate development indices to help locate the most vulnerable islands. A new composite index of poverty and vulnerability, the Human Vulnerability Index (HVI), especially tailored to an island state like Maldives, is presented. The index includes a measure of relative poverty, but only as one of 11 other living standard dimensions. According to the HVI, the highest vulnerability is found in the smallest islands. Interestingly, the islands with the highest incidence of extreme poverty are not necessarily among the most vulnerable.

Regrettably, the VPA does not examine correlations between poverty incidence and the other dimensions that comprise the HVI with a view to identifying possible causes of poverty. To do this, we have looked at the data that correspond to the five most poverty-dominant atolls (Table 1).

The emerging picture is far from conclusive. Income poverty is correlated with private ownership of a radio, which is quite plausible. The strongest correlation appears to be in relation to agriculture. There is no or insignificant agriculture in the five atolls. But surprisingly, we do not find a similar pattern for malnutrition. It may well be that the poor in these atolls survive reasonably well on subsistence fishing but, for unexplained reasons, are not able to generate much cash income. One can only speculate what role intra-household transfers and remittances might play. Given the fact that these atolls are closer to Male', is it possible that family members working there are the main breadwinners, but their level of remittances is just enough to keep other family members in the home village above the subsistence minimum? It seems appropriate to address these and related questions before the formulation of poverty reduction policies.

Papua New Guinea

Papua New Guinea represents another extreme case of rural-urban inequality. As much as 90 per cent of the population of about 4.7 million live under rural conditions. The remaining 10 per cent are mainly concentrated in three urban areas, of which the national capital, Port Moresby, is by far the biggest. There is significant migration between regions, with the capital experiencing the highest positive influx of migrants. Yet, in spite of a highly mobile population, the urban enclaves are poorly integrated with the rest of the economy.

Most large and medium-sized companies in the country are foreign-owned and cater mainly for the limited market of the small urban enclaves. Oil and mineral exploration, which constitutes the largest source of government revenue, generates little in terms of regional development effects. The industry is highly capital-intensive and depends on imported inputs, including foreign skilled labour. Public investment, in turn, is extremely urban-biased. More than half of the total national electricity is consumed in Port Moresby alone.

The rural economy, by contrast, still relies overwhelmingly on subsistence activities. It is estimated that three quarters of Papua New Guineans continue to rely on traditional farming and fishing as their main means of livelihood. Cash crop production has been increasing, but the main source of cash in the rural economy comes as remittances from relatives employed in the formal urban sector. It is this duality of 'Western' lifestyles in the urban centres, coexisting side by side with ancient tribal cultures, which constitutes the core development challenge of Papua New Guinea.

The *Papua New Guinea Human Development Report* of 1998 states that the average per capita income level of Port Moresby is ten times higher than in most rural areas. Through a series of participatory rural appraisals, the report documents 'the factors that support and undermine the sustainability of rural livelihoods' (Papua New Guinea 1999). It shows that while rural poverty is not rampant, due in large part to the widespread reliance on traditional fishing, hunting and gathering activities, most villagers nonetheless have experienced a decline in wellbeing. Many are pessimistic about the future, due to the growing pressure on their traditional way of life stemming from population growth, degradation of the natural environment, and urban cultural influence.

The present pattern of rural livelihoods is supported by a number of factors, which paradoxically also constitute an important source of vulnerability. The traditional land tenure systems are probably the single most important factor. The strength of these systems is that they are based on a flexible system of ownership, user rights and allocation rights, which has prevented both the concentration of land in the hands of few, and the emergence of a class of landless. The problem, however, is that pressure toward more effective land use and cash crop production, combined with population growth, is currently undermining traditional tenure.

Many of the young generation are not properly inculcated in traditional livelihood skills. In a quest for reaping short term benefits, the qualities of old techniques inherited over generations, for instance for maintaining soil fertility, are being lost to more extractive forms of land use. Uncontrolled logging and mining, for example, are causing major environmental degradation.

A strong feature of the traditional culture is that family and clan members are required to support each other in times of need. This works through broad networks, called *wantok*, involving virtually the entire population. This redistributive system links rural and urban areas through cash remittances from urban wage earners. Villagers also make use of their urban *wantoks* to market their produce and get information on work opportunities. There is considerable evidence that the *wantok* system is now under stress. Many urban kinfolk, in particular, are unable to meet all of their *wantok* obligations, causing major social insecurity. Although rural life is still held by most people as the 'good way of life', symptoms of a breakdown of traditional social cohesion are found in many rural communities, which for the first time are witnessing rising crime and violence.

Palestine, Latvia and South Africa

Palestine

Poverty in Palestine cannot be understood without reference to the extreme volatility of the political situation. The faltering peace process, border closures, security problems and unresolved territorial disputes have made coherent and long-term national development planning virtually impossible. The political need of the Palestine Authority (PA) to accommodate various factions and interest groups among the Palestinians within the emerging state has, more often than not, been overriding development concerns. The single most important factor causing a deterioration of living conditions is the restrictions on Palestinians seeking employment in Israel and on Palestinian businesses dependent on the Israeli economy.

In 1998, the National Commission on Poverty Eradication carried out the first comprehensive analysis of poverty in the Palestinian territories, with support from UNDP. Using household expenditure data as the basis for measuring poverty, the study shows that about 25 per cent of households in the West Bank (excluding Jerusalem, where the situation is more favourable) and Gaza Strip fall below the poverty line. Although living conditions appear to be deteriorating, extreme poverty and destitution are not a major problem.

Box 1. Wellbeing in Papua New Guinea

According to qualitative information collected in a series of participatory rural appraisals in 16 districts in the country, people describe the lack of wellbeing (*sindaun i nogut*) as involving:

- Land shortage;
- Land disputes;
- Tribal fights;
- Environmental degradation;
- Poor or destroyed gardens;
- Absence of water;
- Lack of transport;
- Poor nutrition;
- Absence of health care and shortage of drugs;
- Complications at childbirth;
- Lack of money;
- Early marriages;
- Abuse against women, polygamy, adultery, violence, and divorce;
- Hard work, especially for overburdened women;
- Disobedient children;
- Absence of children in family;
- No traditional ‘men’s house’.

Since most households depend on some form of salaried work, income poverty is closely associated with unemployment. Surprisingly, *capability* poverty, measured in terms of access to basic social services, is not congruent with income poverty. This is different from the situation found in most developing countries, where capability poverty generally reinforces income poverty. The discrepancy is also probably a reflection of the substantial influx, in per capita terms, of various forms of humanitarian support to the PA. Furthermore, *life cycle* poverty, caused by factors changing through a lifetime, characterises many of the permanent poor, who are the main beneficiaries of social assistance programmes. Those factors typically relate to age, illness and marital status (Palestine 1998).

Despite its small size, there are widening regional disparities within Palestine. There is no distinct urban-rural divide, however. In terms of population density, the refugee camps are the most 'urban'. The highest poverty rate is found in 'urban' Gaza. Its refugee camps have the highest proportion of poor people, while in the West Bank, poverty is essentially a rural phenomenon. Agricultural plots are generally small, the land is marginal and water for irrigation, which is controlled by Israel, is a major constraint. Access to land, therefore, is a critical determinant of poverty rates. Nevertheless, few families rely on the rural economy alone, as the vast majority of the heads of poor households are labour force participants.

The report sponsored by UNDP places the main determinants of poverty in the political context and history of the Palestinian struggle for statehood. Besides the psychological and physical effects of war and civil uprising (*Intifada*), the major causes stem from Israeli confiscation of land, strictures imposed on Palestinians seeking employment in Israel, and a sharp drop in remittances from family members working abroad (Palestine 1998).

During the Israeli occupation, the West Bank and Gaza turned increasingly into a labour reserve, with more than one third of the work force employed, legally or illegally, in the Israeli economy by early 1990s. The Gulf War in 1991, which led to the expulsion of thousands of Palestinian workers from Kuwait, combined with the faltering peace process after the Oslo Accords, had dramatic effects. The rapid increase in public investment following the creation of the Palestine Authority has cushioned this effect to some extent. Most of the public investment, however, is funded by donor agencies and the domestic private sector remains underdeveloped and constrained by the prevailing political uncertainty.

Latvia

Latvia is a highly urbanised country in which 70 per cent of the population live in cities and towns. Since gaining independence in 1991, it has undergone dramatic economic and social changes. The GNP nose-dived to half its pre-transition level, and started a process of slow recovery only after 1997. Latvian industries lost both their sources of raw material and their main market with the collapse of the Soviet Union. Farmers on newly privatised land were unable to compete with imported products. As a result, poverty rose spectacularly in the limited span of a few years.

Starting in 1998, UNDP financed a number of studies to inform policy-makers about the extent and characteristics of poverty. One of the studies analyses data from the 1996 household budget survey conducted by the Central Statistical Bureau. The survey collected information on monthly household expenditures and, using different per capita poverty lines, found that about 12 per cent of the population is 'very poor', defined as those who are below 50 per cent of the mean value of expenditures. The figure, however, rises to 40 per cent if the official minimum wage is used as the cut-off point, and to 67 per cent if the benchmark is the official minimum subsistence level calculated by the Ministry of Welfare (Gassmann 1998).

Numerically, there is more poverty in urban areas, which accounts for 67 per cent of all poor people. Nevertheless, poverty is more widespread (higher headcount ratio) and deeper (higher poverty gap ratio) in rural areas. The capital, Riga, has the lowest rates of all regions, but also the highest concentration of poor people. Although the values of expenditure items have been adjusted for regional price differences, the same poverty lines are used for both urban and rural areas.[7] Yet, the consumption patterns of rural and urban households are quite different. Rural poor households get 35 per cent of their food from own production, compared with only 6 per cent for the urban poor. In turn, urban households have substantially higher costs related to housing (house rent, payment for heating, electricity and water), which on the average makes up one third of the expenditure of all poor households.

The analysis also shows that 'the presence of children in a household increases the poverty risk' (Gassmann 1998). Although the average household size is 2.5 members and only three per cent of Latvian families have three or more children, poor households tend to be bigger and to have more children than the rest. This finding deserves to be examined in a broader comparative perspective on the relationship between household size and per capita income levels, given that it contradicts the pattern found in many rural societies where larger households generally are better off than smaller ones.[8] Patterns of household fission and fusion are likely to vary depending on the household's asset bundle, livelihood and work opportunities. Without time series data, there is no basis for ascertaining whether the high proportion of small (one and two-person) households is a legacy from the Soviet era of economic growth and industrialisation, or rather a pattern strengthened by the recent process of pauperisation.

The 1996 household budget survey has no data on inter-household transfers and relations. This precludes an assessment of the extent to which the mobilisation of urban-rural links represents an important coping strategy for the urban unemployed. It seems plausible that relatives in the countryside could provide a safety valve for urban residents, for instance as a source of cheap food or a place to send children and other dependants (pensioners and disabled) for shorter or longer periods. But the data, unfortunately, do not allow for an analysis of possible linkages between urban and rural households.

In a second study supported by UNDP, a total of 400 poor households were interviewed using a qualitative approach. The study confirmed that 'old' and 'new' poverty coexist side by side in today's Latvia. Whereas poverty during the Soviet period was associated with personal failure and outright shame, the new poverty of the transition economy can be explained more accurately as resulting from structural conditions: declining real wages, high costs of public utilities, loss of lifelong savings due to collapse of state banks, and lack of public resources capable of maintaining previous standards of social benefits and pensions (Trapenciere et al. 2000).

The study reports certain commonly held stereotypes regarding conditions in rural and urban areas. Many urban residents see the situation in the villages as a poverty trap with no improvement in sight, characterised by widespread unemployment and alcoholism. Rural respondents, however, tend to perceive their situation as less vulnerable, given the availability of cheaper food and lower utility costs. The picture with respect to inter-household dependency seems to be mixed. Many Latvians report having received 'considerable help from family members and relatives living apart', but the effect of poverty on household and family relations is more complex, and can have varied effects. 'Either it brings family members together (in some case, even couples on the verge of divorce) as they realise that solidarity is the only way to cope with their economic [situation], or the daily stress of financial problems splits families apart' (Trapenciere et al. 2000).

The qualitative assessment confirms the previous finding that large families are more vulnerable. This appears to be an urban problem, in particular associated with the higher housing and utility costs faced by city dwellers. The costs of medical treatment and education have also gone up dramatically, especially with the proliferation of bribes and unofficial contributions at better-quality hospitals and

Box 2. Collapse in the rural economy

In Viesite, a rural district in Latvia, a number of enterprises have closed over the last years. These include a large agricultural factory, whose former employees now have a markedly high rate of alcoholism; a diesel factory that collapsed along with its Soviet markets; a sewing factory which employed fifty women, and an industrial firm. There are only a few remaining enterprises, which operate with a very reduced labour force. The majority of the rural population survives on private or leased land and some forestry work, both of which frequently rely on manual labour.

schools. As a result, the health and education systems are becoming divided into two tiers, depending on people's ability to pay for adequate services. In the rural areas particularly, people complained of deteriorating services.

The study reports several forms of rural-urban linkages, including the move from city to country to take up farming. Often only the parents move away, leaving children in town with relatives to finish school. Many town and city people, even from Riga, do farming on a weekend basis if they have access to land. Two issues impacting urban employment are of note. First, discrimination in the labour market against non-Latvians, who make up half of the country's population, is mainly an urban problem. Second, there was also a general opinion that personal connections are needed to find well-remunerated jobs. The latter would work to the disadvantage of people from rural areas, unless family networks can be mobilised.

The upshot in Latvia reveals that processes of social differentiation have been deeply entrenched during the period following the collapse of the Soviet Union. Former systems of redistribution based on employment guarantees, universal coverage of social services and social security systems have been abolished or no longer function properly. The trauma of impoverishment has led to a dramatic increase in alcohol-related health and social problems. Latvia is becoming a divided country, which is witnessing 'the emergence of patterns of discrimination that may carry the danger of excluding certain portions of the population from the economic mainstream' (Trapenciere et al. 2000).

South Africa

Post-*apartheid* South Africa still retains most of its former socio-economic features. Inequality remains high, with the richest 10 per cent receiving over 40 per cent of national income. The racial bias is still considerable. Sixty-one per cent of Africans and 38 per cent of coloureds are poor, compared with 5 per cent for Indians and 1 per cent for white South Africans. Inequality within race groups is also substantial.

The *Poverty and Inequality Report*, published in 1998 with partial funding from UNDP, highlights a strong correlation between income poverty, unemployment, and human welfare indicators, such as low education and poor health. The severity of the country's poverty problem is illustrated by the fact that 'three children of every five in South Africa live in poor households and many children are exposed to public and domestic violence, malnutrition, and inconsistent parenting and schooling' (May 1998).

Poverty is overwhelmingly a rural problem. Whereas only 45 per cent of the population live in rural areas, they contain as much as 72 per cent of the total number of poor people. With the lifting of the *apartheid* restrictions on the movement of black people, urban poverty is also on the rise. Nevertheless, the main challenge for poverty reduction in South Africa unquestionably lies in the former Bantustans.

The former 'homeland' areas evolved under the three-pronged strategy of *apartheid*. This strategy was guided by the need to secure the best agricultural land for white-owned commercial farms and ensure the reproduction of cheap labour for the modern sector, while creating a political 'solution' for race-based separation of ethnic groups. This resulted in unsustainable farming, oscillating labour migration, poor quality of social service provision, and virtually no productive investment by the private sector. Only one quarter of rural African households owns land, and the same figure applies to the ownership of livestock. This makes agriculture less important than remittances and wage work as a source of rural livelihood. The dominant picture is one in which people in rural areas suffer from a 'poverty of opportunity', which is very difficult to escape.

Yet, given the dependence of rural families on remittances and wage work, the solution to the poverty problem cannot be found in the rural economy alone. As the report stresses, 'any attempt to spatially demarcate the South African poverty challenge would be a crude analysis, because the impact of the migrant labour system has been to link the rural and urban economies through the movement of people' (May 1998). This has generated a number of policy initiatives to improve rural-urban linkages, which we shall review in the next section.

Rural-urban issues in policy formation

We have seen that, in a majority of cases, a thorough assessment of urban-rural linkages and their impact on development is conspicuously absent both from the measurement of poverty and the analysis of its determinants. We now turn to a review of the policy prescriptions that have been put forward in the countries covered in this chapter. As will become apparent, there is no overall consensus concerning how to address the problems associated with rapid urbanisation and growing disparities between rural areas and urban centres. More specifically, countries diverge widely with regard to how to develop the agricultural sector and stem the tide of rural poverty.

Both Angola and Zambia are characterised by extraordinarily high rates of rural poverty. The same applies to Lesotho and Nepal, the other two countries in our sample with a low level of human development (UNDP 1997). It is noteworthy, therefore, that a set of radically different policy prescriptions for confronting the problem has been advanced in each case.

In Angola, the low and fluctuating prices for crops indicate that the market in rural areas does not work effectively. A sharp improvement of the crop market is thus seen as a precondition for dealing with rural poverty. Besides rehabilitation of the dilapidated transport infrastructure, it is recommended that the government introduce a minimum guaranteed price for main agricultural products and ensure the buildup of provincial storage centres. This should be accompanied by improvements in the outreach of credit programmes for both farmers and traders. The expectation is that the introduction of subsidies for rural producers will slow down out-migration, thereby lessening the pressure on the urban economy. In turn, the urban poor should benefit from a targeted price subsidy of food items commonly consumed in low-income households, such as maize meal. If this scheme is linked to the buildup of grain depots in rural provinces, it could become a 'win-win' strategy favouring both the urban and the rural poor (Wold and Grave 1999).

Whereas the adoption of redistributive policy instruments, such as government guaranteed purchases and price subsidies, is prescribed for Angola, Zambia's national strategy for poverty reduction endorses a much more orthodox approach to economic policy-making to stimulate smallholder agriculture and reduce poverty rates by half within five years (Zambia 1998). This is probably a reflection of the constraints imposed by the ongoing IMF programme, which does not allow the Zambian government much room to depart from economic orthodoxy.

Zambia's anti-poverty strategy puts agricultural development centre stage. The government recognises that investment in agriculture is essential for poverty reduction, and that 'agriculture and rural development are critical areas for achieving broad-based economic growth and ensuring food security at national and household levels' (Zambia 1998). As a result, the strategy outlines a number of measures to create an enabling environment for the individual farmer: improved land tenure rights, access to credit, appropriate technology and improved seeds, and access to market information. These measures would be supplemented by stepped-up public investments in infrastructure, particularly rural roads and storage facilities.

The key policy objective is to increase the farm gate price on agricultural products relative to the costs of production, so as to bring Zambian smallholders back from subsistence farming into the market. However, it is far from clear whether the policies outlined above will enable individual smallholders to beat structurally determined economic disadvantages. The question of how to tilt the terms of trade in favour of rural smallholders, particularly in the absence of state interventions in the market, remains unanswered. How can investments, productivity and growth in the smallholder sector be promoted without government subsidies and protection against imports and large commercial farms? Furthermore, given the lack of analysis of urban-rural linkages, the possibility that support to the urban informal sector might create ripple effects in the rural economy is not explored. For instance, facilities such as micro-credit could arguably be more effective if targeted to urban informal producers, provided transfers between the urban and rural areas can be harnessed for reinvestment in agriculture.

The Nepal HDR also espouses the view that agricultural development is the engine of growth and poverty reduction. Nevertheless, it calls for policies that stand at the opposite end of the ideological spectrum in comparison with those advocated in Zambia. The report severely criticises the current economic policy regime, questioning its ability to turn the tide of rural impoverishment and create a solid basis for development. Dissociating themselves from the policies of successive governments, which have sought to create a turnaround in the urban economy through market reform, the authors ask rhetorically 'what is to be done with and for the 88 per cent of the population that resides in the rural areas, more or less divorced from the "national" economy, while the rest is presumably integrated with the globalised market and its associated development process' (Nepal 1998).

A key premise of the HDR is that Nepal has 'no institutional foundation to permit the economy to move automatically towards industrialisation and export-led growth'. It therefore advocates the need to rise above the 'trickle-down rhetoric on the relationship amongst the market economy, growth and poverty alleviation' (Nepal 1998), calling instead for a comprehensive reform package aimed at the radical transformation of agriculture. This transformation is preconditioned on a far-reaching land reform, combined with increased public investments in irrigation, rural infrastructure and rural credit. Citing the experiences of China, Japan, South Korea, Cuba and Iraq, the HDR argues that land reform will not only transform agriculture by reducing vast inequalities in land ownership, but also 'help achieve faster industrialisation, enhance growth and alleviate poverty in both rural and urban areas' (Nepal 1998).

Notwithstanding the importance attached to agriculture, the HDR is weak in its analysis of rural-urban linkages. It blames the government for the adoption of a dual-economy approach, which has relegated the rural areas to the role of a labour reserve for the expansion of urban-based industries and services. But in doing so, the report stands to be criticised for an equally strong rural bias. In fact, it is questionable that rural Nepal today is 'more or less divorced' from the urban economy. However weak, the links that exist in terms of flow of goods, money, people and ideas will have to be inputted into any proposed reorientation of agriculture.

Furthermore, the report recommends that the government should promote national agro-industries, rather than the export-oriented textile industry, which utilises imported raw materials and, in some cases, imported labour as well. While the poverty reducing effect of textile manufacturing has been small, the HDR is silent on the question of what farmers should produce and for whom. This, in fact, represents the rural-urban linkage likely be the Achilles' heel of the reform programme outlined for Nepal.

The main development challenge is quite different in another landlocked country, Lesotho, whose economy is hugely dependent on long-distance labour migration to South Africa. With the integration of South Africa in global markets, the future for Lesotho is at best uncertain. Efforts in the past to develop a protected indigenous industry, reduce the dependency on South African imports and promote food self-sufficiency did not succeed. Rather, they contributed to rising budget deficits, foreign debt and inflation, paving the way for a World Bank/IMF structural adjustment programme in 1987. This resulted in a turnaround of the economy, which achieved GDP growth rates as high as 10 to 13 per cent annually during the 1990s. However, a similar effect on poverty reduction is yet to be seen. Reliable data show that poverty has continued to rise in both rural and urban areas.

Considering the many analytical findings of the 1997 poverty assessment financed by UNDP, which explicitly linked urban and rural development, it is somehow disappointing that its policy recommendations take a rather narrow view. Addressing pressing urban problems, the study recommends (1) investing more in urban infrastructure; (2) developing a functioning urban land market by abandoning the traditional system of user rights and allowing for private ownership of land; and (3) improveing urban governance through enhanced local participation and increased revenue collection by a more progressive tax system.

It is unclear, however, why these measures should improve the situation of the poor, and not merely of the better-off. Implementing urban land titling, including in the peri-urban areas where most of the urban poor live, may well benefit those who have a plot today. But it is unlikely that commercialisation of urban land will affect those who are still to come, fleeing from a rural livelihood characterised by declining agricultural productivity and fewer opportunities for migrant workers abroad. There seems in fact to be very little evidence to support the assertion that a liberalised land market will ensure 'greater access for the poor' (Lesotho 1997). On the contrary, despite its undesirable effects in terms of uncontrolled peri-urban sprawl, the traditional system of land allocation has proven to be a great advantage for poor people coming in from the countryside. It certainly played a major role in ensuring that, unlike most cities in other countries, access to land appears not to be a major differentiating factor in Lesotho.

In contrast to the Nepal HDR, the Lesotho study sees no need for a radical policy shift. It acknowledges that 'structural adjustment policies have brought about economic growth, but with very little "trickle down effect" for the poor'. Nevertheless, its main recommendation to the government is to stay on course, that is, to 'continue its commitment to macroeconomic stabilisation policies and disciplined financial management, while at the same time enabling the private sector to flourish and create jobs' (Lesotho 1997). There is no advice on how this is going to be compatible with poverty reduction and the much needed, but not yet observed, redistribution. In particular, the report is silent with respect to the enormous challenge of reintegrating former miners and arresting degradation of agricultural land, both of which influence rural and urban poverty at the same time. The continuation of current economic policies may well represent the only feasible political option for Lesotho today.

But the jury is still out whether the urban as well as rural poor Basotho will stand to benefit from it.

The same policy ambiguity characterises the *Human Development Report* of Papua New Guinea, a country with a classic dual economy with small urban enclaves that are poorly integrated with the rest of the economy. Essentially, the HDR refrains from drawing any concrete policy conclusions. It emphasises that 'without adequate and equitable services, the rising sense of grievance in rural areas may see Papua New Guinea fracture into a jigsaw of well-serviced urban areas and under-serviced rural areas' (Papua New Guinea 1999). But it then struggles between a view that acclaims the virtues of the traditional rural life and one that sees the urgent need to modernise the rural economy to bridge the gaping rural-urban divide. The report also recognises that rural out-migration is inevitable, and even desirable, given the growing pressure on natural resources. But it also laments the fact that migration deprives the villages of the most able-bodied persons. And, in a similar vein, it states that reforming the land tenure system by introducing formal titles will lead to more efficient land use, but will also most likely exacerbate rural poverty.

Unfortunately, the Papua New Guinea HDR offers no guidance on how to strike the best possible balance between these contradicting development forces.[9] Clearly, the challenge of stemming the progressive transformation of a traditional rural life, characterised by a high degree of wellbeing and low material wealth, into a situation of 'modern' rural poverty with a strong feeling of deprivation and increasing social differentiation, will not be easy. It is rather likely to be very conflictual, challenging major vested interests in the current urban-biased development model that prevails in the country.

Achieving a more balanced regional development has also been a long lasting concern in the Maldives, owing to the strict limitations that its peculiar geography imposes on urban expansion. Besides the limited physical capacity of the archipelago for further urban growth, the authorities fear that if it continues unabated, the growth of the capital Male' may exacerbate regional disparities that could even threaten the stability of this homogeneous country. Yet the search for appropriate policy tools has been difficult despite sustained economic growth. Since the early 1980s, the government has taken various initiatives to curb the pressure on Male', including atoll-based integrated rural development projects and, more recently, the promotion of regional growth centres under the Selected Islands Development Policy. The results so far have been mixed, and Male' continues to be the focal point for migration from other islands. Most atolls are beset with serious problems relating to lack of productive employment, especially for women, and inadequate services and communications, as well as periodic food shortages.

Against this background, the 1998 *Vulnerability and Poverty Assessment* (VPA) takes the challenge of achieving balanced and equitable regional development centre stage. The report highlights the limited success of the 'regional growth centre' programme in fostering forms of centre-periphery linkages that may compete with the pull towards and dependence on Male'. In fact, the VPA was carried out as a response to the overwhelming need for improved island-specific information for 'finely-tuned development programmes geared to the specific needs, problems and opportunities of individual atolls and islands' (Maldives 1998).

The VPA does meet the objective of compiling detailed development-related information, but is weak in terms of analysing ongoing development processes. Using a broad range of single and composite development indices, it gives a well documented, but static picture of inter-atoll and inter-island differences. Certain assumptions about development causality are made: for instance, that improved distribution of electricity and access to transport will reduce vulnerability and poverty in the most isolated islands. Whether deliberately or not, there are nonetheless few attempts at addressing the causes of urbanisation and regional disparities. The assumptions made in the report with respect to the islands with the highest incidence of poverty and vulnerability are not tested, thereby depriving policy-makers of vital information for redirecting existing initiatives, such as the Special Islands Development Policy. This failure to analyse the reasons behind the pull exerted by Male' makes the VPA appear to underwrite current policy wisdom.

The case of Maldives demonstrates the need to understand better the relationship between development in the capital city (or any regional growth centres) and the outer areas. This issue is taken up in the *Poverty and Inequality Report* of South Africa, which focusses on the role of secondary towns in promoting rural economic growth. South Africa contains a broad spectrum of many small towns and secondary cities within the spatial continuum from remote rural areas to the four large metropolitan areas (Gauteng, Cape Town, Durban and Port Elizabeth). Various surveys show that the smaller the urban settlement, the higher the incidence of poverty. This finding is of great significance, since it highlights the importance of promoting small town development. This is necessary not only to alleviate the poverty that is already concentrated there, but also to absorb more of the rural poor through employment creation.

As long as a major growth of South African agriculture is not likely, the only feasible alternative seems to be to promote smaller-scale industrialisation in secondary towns. Agricultural growth depends largely on the implementation of a major land redistribution scheme, which appears politically and economically unrealistic at the moment. In addition, there are apparently few Africans who perceive themselves as large-scale commercial farmers. There is certainly a high demand for farmland among rural Africans. But according to surveys, most people want smaller plots that can be developed in conjunction with other forms of income generation.

This has led to a focus on peri-urban smallholder farming. The land reform programme has been stumbling, and the pace of tenure reform and land transfers has so far been very slow. Still, the challenge is to avoid the growth of mega-cities, which could attract the bulk of private and public investment capital, as well as the poor rural families' dislodging themselves from the rural slums created by *apartheid*. There are already in place several programmes to stimulate public and private investments in special regions and secondary towns, including tax holiday schemes.

Another development challenge created by the spatial dimension of *apartheid* is the existence of a limited revenue base to support local level service delivery. The low levels of tax collection and service payment, typical of black townships, confound the government's ability to deliver on the commitment to provide universal services on an equitable basis. The consequence, according to the South African report, might be that government policy could 'inadvertently "freeze" in place the spatial structures inherited from *apartheid*... leav[ing] the poor with little choice other than to continue under the harsh commuter and migrancy system established under *apartheid*' (May 1998).

Like South Africa, it is highly unlikely that rural development and growth in agriculture can provide the main thrust for reducing poverty in Palestine. The prospects for promoting other forms of income generation, however, are widely different. While the *Palestine Poverty Report* states that 'poverty eradication requires addressing the roots and reasons behind poverty, not only alleviating its manifestations' (Palestine 1998), it is not able to follow up in terms of concrete recommendations. One fairly obvious reason is that most of the roots of poverty are determined by factors outside the influence of the Palestine Authority. But even within these limitations, there are a number of measures that could be directed toward the numerous vulnerable groups and impoverished areas identified in the report.

The only major recommendations put forward, nonetheless, relate to the creation of a countrywide social security system. This implies mainly an extension and formalisation of existing programmes administered by the Ministry of Social Welfare, which are not geared towards enhancing the income-generating capability of poor households. There is no mention, for instance, of any policy measures that might ease the entry to the labour market of women, especially of female-headed households, which on average are more vulnerable to poverty. Nor are there references to any agricultural or land use policy to improve socio-economic conditions in the poor villages of the West Bank.

The rural-urban interface was not a major development concern as long as the Palestine territory functioned essentially as a labour reserve, but it is likely to become a critical factor with the ascendance to nationhood. The small territory of Palestine will remain dependent on its neighbouring countries for employment opportunities, and probably ought to invest heavily in strengthening its human capital to compete well in those job markets. In so doing, the Palestine Authority would be well advised to avoid the classic pitfalls of a development model biased toward the urban sector.

An equally daunting task awaits the Latvian authorities to arrest a development trajectory from a situation of fairly equal opportunities to public social services, to one where economic status and place of living are giving rise to growing inequalities in term of access. People have lost the social security of guaranteed employment, and new coping strategies have emerged to confront rapidly deteriorating living standards. Some of these strategies include a strengthening of linkages between rural and urban areas. There seems to be much uncertainty, however, on how to stimulate rural economic growth to provide a safety valve for impoverished urban families.

The studies sponsored by UNDP in Latvia provide numerous insights on the characteristics of poor households and how they are responding to the changes around them (Gassmann 1998; Trapenciere et al. 2000). Both studies question the effectiveness of the existing social security system in targeting and reaching the poorest segments of the population, and advocate for policies that will reduce the costs of housing, medical treatment and education, and improve peoples' access to information about work opportunities and social rights. This is important in light of the fact that the employment opportunities being created in the new market economy do not seem adequate for absorbing the rising number of poor people. However, the core issue of ensuring equitable economic growth is not addressed in either one of the studies. The same applies to role of the rural areas, in particular the agriculture and forestry sectors, which could be instrumental in combating rural as well as urban poverty. But this issue is largely unresolved in Latvia's new deregulated economy, which is still struggling to find its course.

Conclusions

In the introduction, we identified five rural-urban issues that have a bearing upon the formulation of poverty reduction policies. Our review has shown that countries exhibit a great variation with respect to the patterns of rural and urban development and poverty. Rural poverty is a major concern in all countries. Without exception, the depth of poverty is more severe in rural than urban areas. The most extreme case is Papua New Guinea, where urban per capita income is ten times higher than the rural level. Papua New Guinea, in fact, represents a classic dual economy with urban enclaves poorly integrated with the rural economy, except through labour migration.

Rural-urban differentiation is also extreme in South Africa, which still retains the features of a post-*apartheid* economy. Seventy-two per cent of the poor live in rural areas, and typically it is not agriculture, but labour migration, that provides their main source of income. Lesotho resembles the former Homelands in South Africa in many respects. Those who receive remittances from work abroad are generally better off than the rest. Dependence on remittances is also high in Palestine, where poverty is closely associated with unemployment. Not surprisingly, the incidence of urban poverty appears to be correlated with rates of urbanisation. Thus, although poverty in Latvia is most severe in the countryside, it is in the cities that it is numerically higher.

Interestingly, evidence presented for Nepal questions the common assumption that poverty is more prevalent among rural female-headed households. It appears, nonetheless, that urban women do not benefit proportionally from the higher income levels of urban households. A somewhat different picture emerges from Angola, where it is noteworthy that women play an exceptionally important role in the urban informal sector, particularly in Luanda.

To various degrees, most of the country studies touch upon rural-urban issues, but they tend to be weak in prescribing strategies for better integration of rural *and* urban development. Moreover, there appears to be no overall consensus on how to address the problems associated with escalating urbanisation and growing rural-urban disparities. Some authors pin their hopes for a reduction in poverty primarily on further liberalisation, including through the creation of a market for urban land (Lesotho). Others advocate the adoption of 'interventionist' policies, for instance through a radical programme of land redistribution (Nepal).

Most frequently, agricultural development is seen as the primary means for achieving a reduction in poverty. Emphasis is placed, in particular, on stimulating smallholder agriculture. However, while in Angola it is proposed that the government should buy from farmers at guaranteed prices and subsidise the price of maize flour to urban consumers, the main policy thrust in Zambia points in the opposite direction. The main prescription in Zambia is to hold back the state from interfering in the agricultural market, despite the fact that the policies currently in place seem to have contributed to the marginalisation of a growing number of rural smallholders.

The failure of the agricultural policies of the 1990s is also blamed for the persistence of rural poverty in Nepal. This concerns especially the deadlock on all land reform initiatives, which has prevented a more equitable distribution of ownership in a country in which land is heavily concentrated. A similar pessimism concerning the prospects for rural development prevails in Papua New Guinea. In this case, however, the reason does not stem from the lack of modernisation and reform, but rather from the heavy pressure the latter exert on traditional values and skills, land tenure arrangements and social support systems. This pressure, if unabated, could lead to a deepening of rural poverty and a concomitant pressure on the country's modern urban enclaves.

Despite the calls for addressing rural poverty as a matter of priority, it is generally recognised that rural development is entirely dependent on improving the linkages with the urban economy. Only South Africa and Maldives seem to have made some progress in tackling urban *and* rural issues in an integrated manner. Maldives may have no other choice but to pursue a policy of balanced regional development, given its geographical constraints on further urban expansion. The case of South Africa is particularly instructive. In spite of its special history, South Africa's attempts to tackle the spatial dimensions of development by stimulating economic growth in secondary towns can provide valuable lessons for other countries.

In most developing countries, the pendulum typically has swung from one end of the spectrum (development of large urban centres) to the other (a narrow rural perspective). Most integrated rural development programmes of the 1970s and 1980s paid little attention to the promotion of small towns, even though this was supposed to be one of their core objectives. The example of South Africa, where the current pace of land redistribution provides little scope for basing poverty reduction on the growth of smallholder agriculture, demonstrates the potential of promoting secondary trade and industrial centres to create employment for the rural poor. Yet, this case also demonstrates that small town development requires more than investments in transport infrastructure. Equally important is to ensure active state intervention in directing and stimulating private investment. South Africa, in fact, was able to develop an interesting mix of spatial development policies by combining a long tradition of using public incentives and regulations to steer private investments with the need to reduce post-*apartheid* inequalities.

It is important to note that, in most countries, there is a continuum in term of population density from remote hamlets to the large urban centres. It is thus unfortunate that the conventional dichotomy of rural *versus* urban areas still seems to dominate development thinking and poverty research. Only in the Maldives, Latvia and Lesotho is the need to develop separate poverty lines for urban and rural areas raised. It is also worth noting, however, that even in a country as homogeneous as Maldives, constructing regional purchasing power parity indexes turned out to be impossible, as a standard food basket applicable across the country could not be found. This finding suggests that the 'rural' dimension may harbour wide interregional differences in many countries, a point that is frequently overlooked by analysts and policy-makers alike.

Furthermore, migration patterns are seldom reflected adequately in statistics on poverty and living conditions. Static measurements of per capita or household income, consumption or other indicators of wellbeing may conceal important cyclical patterns of movements of people and transfer of resources between households as well as within families. There are references to the importance of labour migration and remittances in many countries, including Lesotho, Maldives, Palestine, Papua New Guinea and South Africa. In Maldives, for instance, seasonal migration may be the primary source of income for many families left behind, explaining the discrepancy between the incidence of poverty and of malnutrition in the five poorest atolls. Angola, in turn, has witnessed a huge influx of refugees to Luanda due to the war, as a result of which Angola is experiencing a vibrant urban trading economy. In spite of these scattered references, we are missing detailed information about the pattern and magnitude of labour migration and rural-urban transfers, and how they may influence poverty statistics.

Because of this gap, we also find a lacuna in terms of policy advice concerning labour migration. In several countries, this is a major element of the coping strategies of poor households. This is the case even in highly urbanised Latvia, where impoverished families are coping with the drastic deterioration in living standards by establishing closer links between the rural and urban spheres. Notwithstanding this, there is a conspicuous ambivalence about how to harness the potential contribution of labour migrants to poverty reduction. Most authors hesitate between supporting households to increase their opportunities in urban labour markets, and developing rural-based alternatives for income generation.

This applies, of course, not only to internal migration, but also to the search for livelihood opportunities abroad. Particularly in Lesotho and Palestine, households are highly dependent on incomes generated in other countries. More generally, though, this relates to the new challenges that are likely to emerge with increasing globalisation, and the associated movement of people and goods across boundaries, which may further constrain the ability of governments to implement effective policies for the benefit of the poor. ■

Notes

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[1] In a much-cited article, Elizabeth Wratten (1995) argues that 'any such classification is intrinsically arbitrary. More importantly, from a structural perspective, the determinants of urban and rural poverty are interlinked and have to be tackled in tandem.'

[2] One entry point, for instance, has been the research on the role of small towns in Africa as a conduit for marketing, capital accumulation, and transfer and dissemination of technology (Baker 1990; Baker and Pedersen 1992).

[3] This does not negate the fact that certain aspects of urban poverty are conditioned on characteristics of the urban environment that cannot be found in similar degree in rural areas. This applies, for example, to some special environmental and health hazards, as well as the degree of social diversity, disintegration, dependency on market exchange, and exposure to government agencies and policies that is typical of urban settings.

[4] Both cases may differ from countries with more stable rural economies, in which the rural poor are less likely to build strong links with urban areas, while the urban poor may not need

to use the rural economy as part of their portfolio of coping strategies.

[5] The study contains no discussion of reporting problems, such as how to deal with the degree and duration of absenteeism of migrant labourers, and how to account for children temporarily living with relatives, which is a common practice in Africa. These factors would not only influence the calculation of per capita income, but information on them would have said something about the dynamics of household development.

[6] Income poverty is measured using household data collected through interviews of a sample of households in all 200 inhabited islands. The survey uses consumption as a proxy for income. The data are based on nominal prices and nominal consumption expenditures, not adjusting for regional differences in purchasing power of the currency. It turned out to be impossible to define a minimum common basket of consumption goods relevant in all islands. Although theoretically well-founded, establishing regional purchasing power parities met with too many problems in practice. Even in a country as homogenous as the Maldives, detailed knowledge about field level conditions revealed so much variation that the statisticians gave up on standardisation. It was not possible, for instance, to find a sufficient number of food items that are homogeneous enough across the country to provide the basis for a common food basket that could be used for determining a poverty line. The authors themselves argue that establishing an official poverty line in the Maldives is highly subjective, as 'efforts to objectively determine a basic minimum needs package for a household always lead to polemic results' (Maldives 1998).

[7] The report does not explain how the value of rural housing, where people do not pay rent, use wood for heating, and have their own water source, as well as own-produced food is computed. Nor does it explain why these factors do not warrant applying different poverty lines for rural and urban areas. It is plausible that a fixed amount in lat, the Latvian currency, can sustain a higher living standard in rural areas. As a consequence, rural poverty would be less widespread than what the official statistics depict. Surprisingly as well, the analysis shows that access to land in rural areas only gives a marginal reduction in the poverty headcount. In a situation of high food prices and massive rural unemployment from the closure of many small rural based industries, this finding does not seem very likely.

[8] The reason behind the relatively larger size of non-poor households is that poverty in agricultural based societies is often linked to marginal land and livestock holdings, which exercise pressure toward the splitting up of households into smaller units. Thus, it is only the better-off households that are able to stay together. Evidence from South Africa, on the other hand, shows that larger households do not have higher per capita incomes than the average household. This lack of covariance between size and income stems from the fact that poverty normally forces people to stay together (May 1998).

[9] The authors, in the end, merely resort to political rhetoric, stating that 'with well-targeted policies developed by policy-makers in broad consultation with all sectors, and agreed courses of action for all people to follow, most of these threats [to rural livelihood] can be countered and rural livelihoods in Papua New Guinea can comfortably sustain people far into the future' (Papua New Guinea 1999).