



# COMMITTEE ON AGRICULTURE

## Twenty-seventh Session

28 September - 2 October 2020

### Agricultural Transformation and the Urban Food Agenda

#### Executive Summary

Today, 55 percent of the world's population resides in urban areas and 85 percent live in or within 3 hours of an urban center of at least 50 000 people. By 2050, the urban population is expected to rise to 68 percent, and over 90 percent of this increase will occur in the urban areas of low-income countries. By 2035, the category that will have the largest share of population will still be towns of less than 300 thousand inhabitants, with a total of 2.08 billion people or 37 percent of total urban population in the world. At the same time, close to 75 percent and 85 percent of rural people or between 2.5 billion and 2.8 billion people will live near urban areas. Therefore, the rural-small city continuum/interface will account for around 4.9 billion people, or 57 percent of the world's total population with a large part of them being poor and food insecure. Development of sustainable food systems in those "functional territories" holds the potential for sustainably reducing poverty and food insecurity. This paper proposes to assess this new rural-urban reality and the role of small and medium size cities in shaping agriculture and food systems from a "functional territories" perspective. It also introduces FAO's Framework for the Urban Food Agenda as an entry point for FAO to support and scale-up policy, planning, governance and food system actions in those functional territories.

#### Suggested action by the Committee

The Committee is invited to:

- Acknowledge that FAO's Urban Food Agenda should focus more on small and medium sized cities, given their predominant role in catalyzing the functional territorial dynamics in promoting sustainable agricultural transformation.
- Acknowledge the critical role that sub-national and city governments can play in catalyzing a dynamic Urban Food Agenda to meet SDG2 and many other SDGs.
- Promote the inclusion of the (expanded) Urban Food Agenda in FAO's corporate initiatives such as *Hand-in-Hand*, "FAO Green Cities" and in the process towards the 2021 UN Food Systems Summit.
- Request FAO to support governments in adopting the Urban Food Agenda and to strengthen the multi-stakeholder coordination between national and local/urban authorities to improve efficiency in the food systems and accelerate their transformation.
- Encourage FAO to further increase inter-agency collaboration and partnerships with various stakeholders in supporting the Urban Food Agenda.

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## I. Introduction: Structural Transformation and Urbanization

1. Today, 55 percent of the world's population resides in urban areas and 85 percent live in or within 3 hours of an urban centre of at least 50 000 people. By 2050 the urban population is expected to rise to 68 percent, and over 90 percent of this increase will occur in the urban areas of low-income countries, especially in Africa and Asia. Urbanisation and the increasing role of cities in national economies is part of a broader process of structural transformation, which has been key in shaping societies and economies.

2. Structural transformation can be understood as a process of re-allocation of economic activities across the broad sectors of agriculture, manufacturing, and services<sup>1</sup> and is one of the main features of modern economic growth<sup>2,3</sup>. A key component of structural transformation is agricultural transformation, which has been associated with shifts from subsistence farming towards commercial, highly specialized production systems. Increases in agricultural productivity through innovations in technologies and management practices have allowed for declines in food prices but also a release of labour from the agricultural sector towards urban-based manufacturing and services jobs<sup>4,5</sup>. Structural changes shape the organization of food systems which ensure processing, transport and distribution of food to urban and rural consumers.

3. Historically successful transformations were driven by agricultural productivity growth and have been associated with substantial increases in per capita income, and reductions in poverty and hunger. However in many countries in sub-Saharan Africa and South Asia (but not only), lack of successful productivity growth in agriculture and in manufacturing, rapid urbanisation (in those countries) has been associated with poor people being “pushed” out of low-productivity agriculture and rural activities to low productivity informal services in the urban areas. The process results in transfers of rural to urban poverty without reductions in overall poverty<sup>6</sup>.

4. Today, cities already consume 70 percent of the global food supply. Urban diets tend to rely on an increasingly narrow base of staple grains, as well as an increased consumption of animal sourced foods, oils, salt, sugar and processed foods. Obesity and overweight are prevalent among both the richer and the poorer urban dwellers as the latter consume inexpensive processed foods high in calories and low on nutritional value. Urban expansion is often happening at the expense of natural resources and green spaces (e.g. deforestation) and the ecosystems services they provide (e.g. biodiversity).

5. The large share of urban consumption in total food consumption means that shifts in urban diets and demand for food, can bring about positive change throughout the food system. Cities, particularly small and medium cities, can be key in facilitating an inclusive, sustainable agricultural transformation through linkages with the surrounding rural space (functional territory) and in addressing key social, economic, and environmental challenges. In this context, policy action can have a major role in supporting such functional territories to improve livelihoods and strengthen the resilience of people and agrifood systems.

6. This paper proposes to assess these new rural-urban realities and the role of small and medium size cities in shaping agriculture and food systems from a “functional territories” perspective. It also

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<sup>1</sup> Herrendorf, B., Rogerson, R. & Valentinyi, A. 2013. Growth and Structural Transformation. Working Paper 18996. National Bureau of Economic Research

<sup>2</sup> Kuznets, S. 1973. Modern Economic Growth: Findings and Reflections. *American Economic Review*, 63, issue 3, pp. 247-58.

<sup>3</sup> Gollin, D., Jedwab, R. & Vollrath, D. 2016. Urbanization with and without industrialization. *Journal Economic Growth* 21, pp. 35–70. [online]. <https://doi.org/10.1007/s10887-015-9121-4>

<sup>4</sup> C. Timmer, Peter. 2014. *Managing Structural Transformation: A Political Economy Approach*. WIDER Annual Lecture 018 Helsinki: UNU-WIDER.

<sup>5</sup> Christiaensen, L. & Martin, W. 2018. *Agriculture, structural transformation and poverty reduction: Eight new insights*. World Development 109, pp. 413–416. Special Section: Agricultural Growth and Poverty Reduction. [online] <https://doi.org/10.1016/j.worlddev.2018.05.027>

<sup>6</sup> Ravallion, C. & Sangraula. 2007. New evidence on the urbanization of global poverty. *Population and Development Review*, 33(4), pp. 667–701.

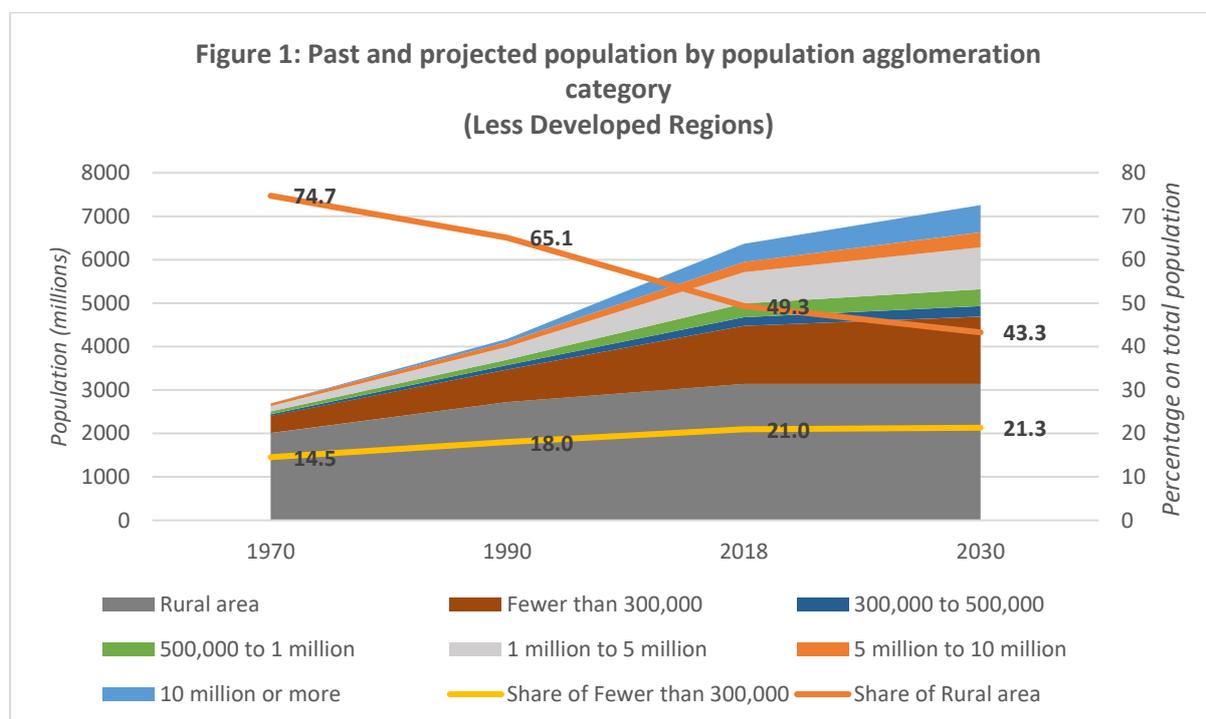
introduces FAO's Framework for the Urban Food Agenda as an entry point for FAO to support and scale-up policy, planning, governance and food systems actions in functional territories.

## II. Where urban growth meets rural challenges

7. Great diversity exists as to how structural and spatial transformation processes interact. In some countries, structural transformation is accompanied by a rapid increase of mega cities (for example, in South Korea and the Philippines), while in others, by the growth of secondary cities and rural towns (e.g. Thailand)<sup>7,8</sup>.

8. Close to half of the world's urban dwellers reside in settlements with fewer than 500 000 inhabitants while 41 percent reside in settlements with fewer than 300 000 inhabitants. One in eight (12.5 percent) live in 33 megacities with more than 10 million people. While some of the rural people in developing regions live in the rural hinterland (remote, sparsely populated areas) the bulk of them live close to an urban center. This is close to 75 percent and 85 percent of the world's rural people or between 2.5 billion and 2.8 billion people. In 2030, the category that will have the largest share of population will still be towns of less than 300 thousand inhabitants, with a total of 2.08 billion people or 37 percent of total urban population in the world. If we consider where the rural and small urban settlements interact, the rural-small city continuum/interface will account for around 4.9 billion people, or 57 percent of the world's total population<sup>9</sup>. See for example, Box 1 and figures 1 and 2.

9. Today, rural populations account for 45.3 percent of the world's total population, yet make up almost 70 percent of the poor in the world. Of the 588 million rural poor, the majority live close to an urban center. World Bank research shows that smaller cities have higher rates of poverty compared to large cities. In Brazil, 56 percent of all the poor are in towns and small and medium cities, compared to 15 percent in larger cities; in Kenya, 10 percent vs 8 percent; in Thailand, 15 percent vs 1 percent; in Kazakhstan, 41 percent vs 1 percent. In India, the poverty rate of small towns of less than 50 000 people is twice as large as that of the cities of 1 million or more.

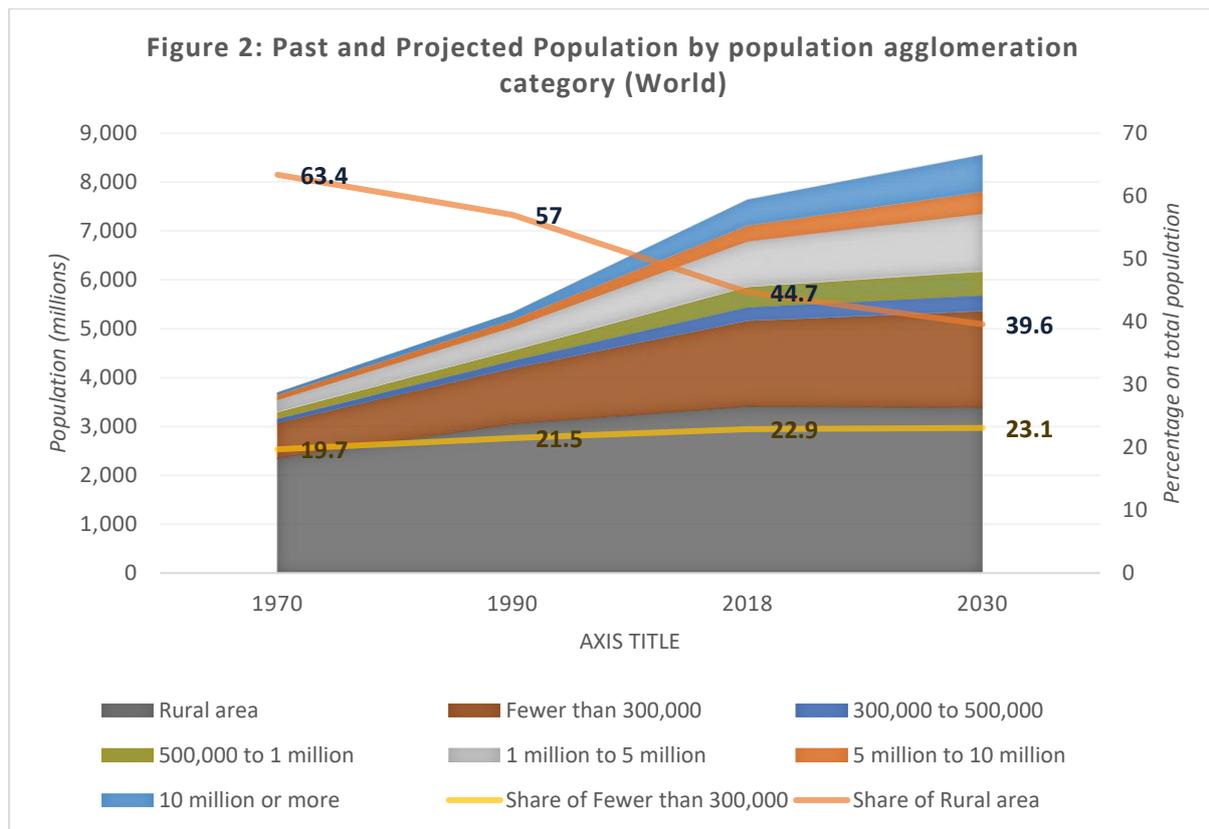


<sup>7</sup> Christiaensen, L. & Todo, Y. 2014. Poverty Reduction During the Rural–Urban Transformation – The Role of the Missing Middle, *World Development*, November 2014, pp. 43-58.

<https://linkinghub.elsevier.com/retrieve/pii/S0305750X13002143>

<sup>8</sup> Otsuka, K. 2007. The rural industrial transition in East Asia: Influences and implications. In S. Haggblade, P. Hazell, & T. Reardon (Eds.), *Transforming the rural nonfarm economy – Opportunities and threats in the developing world*. Baltimore: John Hopkins University Press.

<sup>9</sup> UNDESA World Urbanisation Prospects. 2018. <https://population.un.org/wup/Download/>



**BOX 1: Africa’s Hidden Cities**

There has been a spectacular increase in urban populations in Africa: Africa’s urban population increased to 567 million in 2015 from 27 million in 1950. Africa will continue to have the fastest urban growth in the world. This means that in the next 30 years Africa’s cities will be home to an additional 950 million people.

However, official data may mask important developments in the distribution of urban agglomerations. According to a recent OECD study, ninety-seven percent of Africa’s urban areas have fewer than 300,000 inhabitants. OECD’s “Africapolis” also reveals the existence of hundreds of urban agglomerations that are not recorded in official statistics in areas generally considered to be rural. The extent of this phenomenon is striking, and does not only concern small towns, or the suburbs of big cities, but also agglomerations of all sizes. Some have more than one million inhabitants. In essence, there is an expansion of “in situ” population agglomerations in rural areas. According to OECD “the extent of in-situ urbanization across Africa also challenges the influence still attributed to rural exodus and residential migration in driving urban growth”. In fact, in many current urbanization hotspots, it is the absence (or weakness) of rural migration that drives rural agglomeration. In other words, there is a failure of successful economic transformation which discourages rural migrants to move to cities.

OECD/SWAC. 2020. Africa's Urbanisation Dynamics 2020: Africapolis, Mapping a New Urban Geography. West African Studies. OECD Publishing, Paris. <https://doi.org/10.1787/b6bccb81-en>.

10. Food insecurity data corroborate the poverty numbers: According to the Food Insecurity Experience Scale (FIES) SDG indicator, the prevalence of food insecurity increases as the size of urban agglomerations decreases (Figure 3)<sup>10</sup>.

Figure 3: Prevalence of Severe Food Insecurity by size of population agglomeration and gender (excluding High Income Countries)

<sup>10</sup> Stamoulis K.G. & DiGiuseppe, S. 2020. Economic transformation and food security: spatial and gender perspectives. *Forthcoming paper, FAO Rome*. The country grouping classifications refer to Gallup definitions which do not necessarily fit the definitions of DESA or OECD. For more information on FIES see “FAO, IFAD, UNICEF, WFP, WHO “The State of Food Security and Nutrition in the World” 2019 and 2020 editions for results regarding food insecurity in the urban and rural space.

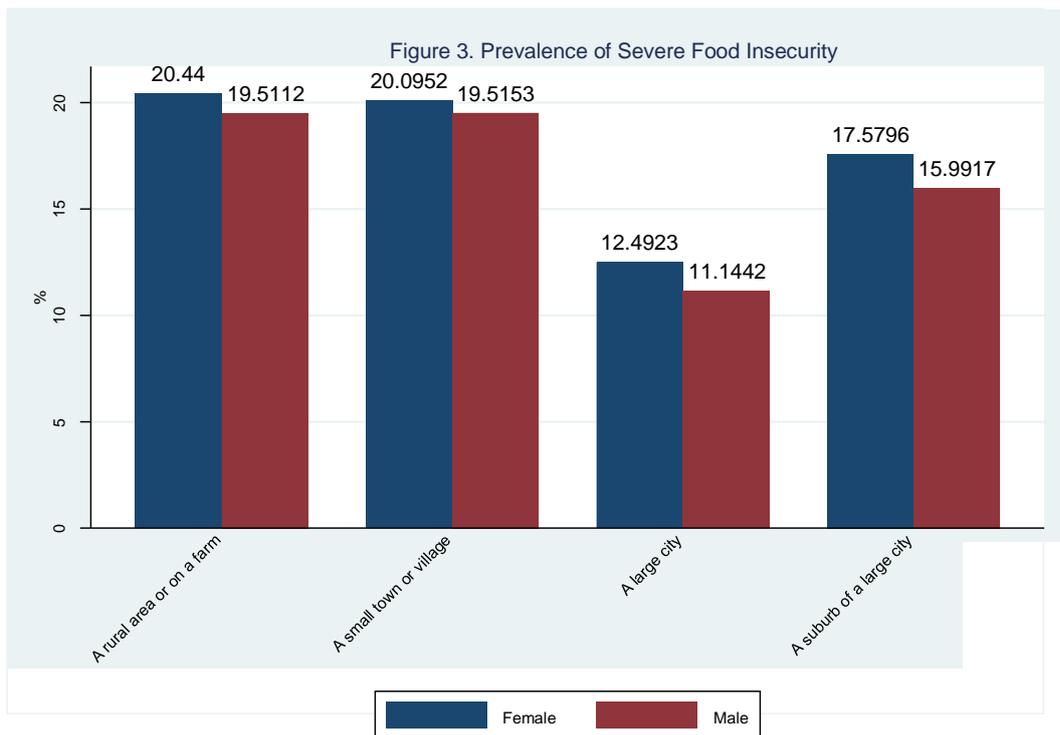
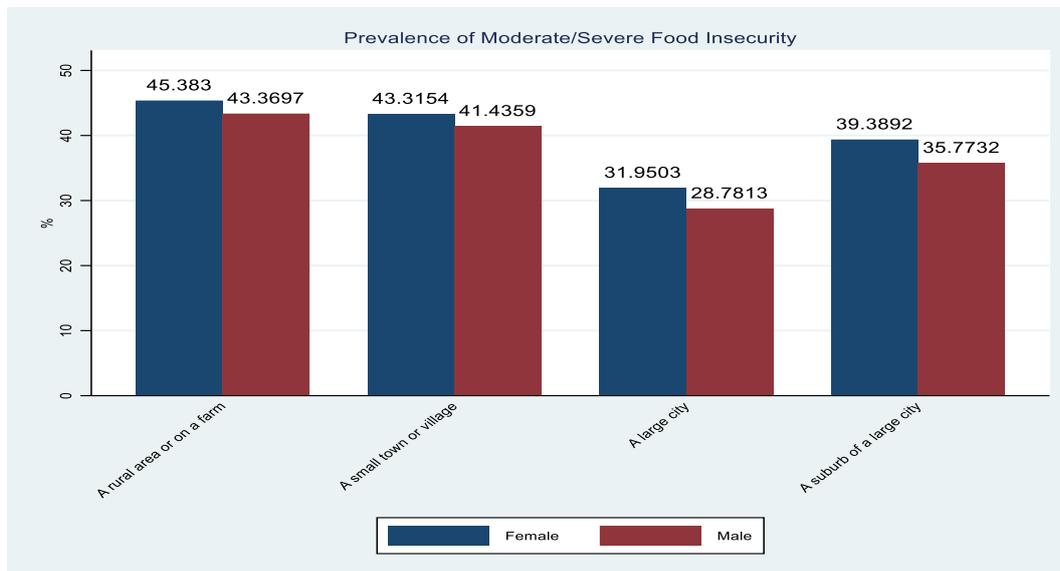


Figure 4: Prevalence of Moderate and Severe Food Insecurity combined by size of population agglomeration and gender (excluding High Income Countries)



### III. Facing the challenges through a functional territory lens: A new way of doing business

11. From a food systems perspective, we can think of the rural-small urban territory as a functional area where most of the food system action occurs.

- First, the majority of the food consumers live in this space.
- Second, it includes the bulk of the world's poor and food insecure.
- Third, it is here that most food is produced while a large part of the food consumed will most likely be provided by smallholder farmers.

- Fourth, the small urban centers house important components of the food systems (local governments, SMEs for inputs and implements, extension services, veterinary inputs, machinery sales and repair, logistics, traders and transporters which link the farm to the regional or national wholesale markets, and a large proportion of the food processing industries).
- Fifth, it provides a broader base for the poor populations to become physically, economically and socially mobile and as a “first step towards migration”<sup>11</sup>

12. The proximity of rural and urban spaces in the rural-small city interface means that actions in the “agrifood system” to support the wellbeing of rural and urban populations will have spillover effects: urban policy actions (e.g. to support nutrition) will affect agriculture and rural wellbeing and vice versa. Agricultural development in rural areas can tap on agglomeration economies and services provided in small towns and cities while resulting in lower prices and improve access to food and nutrition. Moreover, the territory also houses opportunities for non-agricultural work, including tourism, energy, and natural resource management.

13. There are however a few important caveats. Naturally, the world’s food system activities go far beyond the rural-small city interface. Urban growth in big cities are strategic market expansion points for agriculture. However, functional territories are the frontline of the world’s food system and constitute hotspots for the world’s poverty and food insecurity. The interactions in this “functional territory” are dynamic and change with the rate of urbanization and so does agriculture and the food system. Proximity and interaction in the functional territory points to the direction of an integrated set of policies and investments which can promote inclusive growth in both the rural and urban parts of the food system, exploit synergies and “win-win” solutions but also address potential tradeoffs such as those related to the environment and sustainable resource use. Finally, rural-urban functional territories are well integrated in an economic and social sense, but not in their governance systems. For example, three, four or six different districts or municipalities can be part of the same functional territory. Notably, an important challenge is that of appropriate platforms or mechanisms for overcoming silos and competition for resources.

#### **IV. Transforming the food systems and agriculture in functional territories: Implications for FAO’s Urban Food Agenda**

14. In 2019, FAO launched the FAO Framework for the Urban Food Agenda (UFA)<sup>12</sup> in Rome and New York. The “Framework” serves as an FAO corporate strategy for responding to the demands for implementing the New Urban Agenda by ensuring resilient food systems and good nutrition. UFA leverages primarily sub-national and local government actions, building and adding value to existing national actions and initiatives. The UFA guides integrated actions across sectors, actors and level of government, breaking silos and promoting a systemic approach through place-based solution strategies.

15. The UFA works through seven comprehensive areas of support (CAS) which form the 3E (Enable, Execute, Expand) approach in which FAO, with partners, assists governments to: i) Enable the creation of an evidence-based policy environment conducive to increased and effective investment through laws, regulation, governance and empowerment of institutions (CAS 1 and 2); ii) Execute i.e. actions to promote sustainable context-specific food systems through, inter alia, shorter supply chains, social protection schemes, inclusive public food procurement, a healthy food retail, improved access to green spaces and reduction of food losses and waste (CAS 3, 4, 5 and 6). In such a framework the dynamic role of small cities and towns is considered; and iii) Expand good practices through the exchange of information between cities and support to implementation through South-South, North-South and Triangular cooperation. The aim is to create a domino effect within countries and internationally (CAS 7).

16. The UFA is currently implemented in various cities (including metropolitan, intermediary and small cities and towns) in more than 20 countries and it consists of a vast range of programmes,

<sup>11</sup> Bert I., Christiaensen, L., De Weerd, J. & Kanbur, R. 2017. Why Secondary Towns Can Be Important for Poverty Reduction. A Migrant’s Perspective, World Bank [online]. *Policy Research Working Paper 8193*, <http://documents.worldbank.org/curated/en/788721505317450769/pdf/WPS8193.pdf>

<sup>12</sup> <http://www.fao.org/3/CA3143EN/ca3143en.pdf>

projects and initiatives developed and implemented in partnership with different stakeholders: civil society, academia, UN and International Agencies, city networks and relevant public and private bodies.

17. An essential step in supporting a “functional territory approach” is to get a better understanding of the function and structure of agriculture and food systems. Raising awareness, producing information and knowledge will strengthen the capacities of local governments and other “actors” to take policy action.

18. Small and medium-sized cities can influence local agriculture through stronger connection with the rural hinterlands by promoting local food supply and demand (especially for family farmers and small-holder producers), shorter supply chains, and maintaining (or creating) diversity in the food supply chain and channels of distribution (from farm to fork).

19. An important entry point is to sensitize consumers on the importance of sustainable, nutritious diets, and implementing appropriate tools to ensure they are sustainable and accessible (including pricing, front of the pack labelling, geographic indicators etc.). Public procurement may play an important role (Box 2).

**Box 2: Leveraging Public Food Procurement (PFP) to support agricultural transformation**

A key characteristic of a PFP programme is that it can determine what food will be purchased and how, who will produce it, how it is delivered, stored and prepared and how waste is managed. Concretely, PFP can promote: nutritious, healthy and culturally adequate food; organic or agro-ecological production which reduces greenhouse gas emissions and strengthens agrobiodiversity; the involvement of small farmers, youth, women and indigenous people and supports local economies ifC it is locally processed and distributed. PFP represents therefore a critical tool for strengthening functional territories by favouring local supply and local supply chains thus creating employment and income.

Swensson, L.F.J. & Tartanac, F. 2020. Public food procurement for sustainable diets and food systems: The role of the regulatory framework. *Global Food Security* 25 (2020).

FAO. City Region Food System Program, reinforcing rural-urban linkages for resilient food systems, n.d.  
<http://www.fao.org/in-action/food-for-cities-programme/pilotcities/medellin/en/>

20. Greater recognition and space needs to be given to these rural-small urban territories by leveraging the Urban Food Agenda. These small cities and the even smaller rural municipalities or districts surrounding them need dedicated support to participate in regional and global agenda-setting fora.

21. Links between small cities and towns and their agricultural “catchment areas” are strengthened through infrastructure and policies that connect producers, agro-industrial processors and ancillary services, and other segments of the food value chain. An example of the approach includes agro-corridors, which connect production areas to small urban hubs. The challenge is to attract investments to create employment opportunities within the functional territory.

22. Small cities and their surrounding territories can act as hubs of innovation and, thus, incentivize small and medium-sized agricultural and non-agricultural enterprise creation and promote employment. Public-private partnerships will result in the creation of technological and entrepreneurial ecosystems which will meet *inter alia* increasing demands for including organic and agro-ecological products and services (Box 3).

**Box 3: Nonthaburi Sustainable Organic Solid Waste Management**

The municipality of Nonthaburi, located 20 km from Bangkok, has a population of over 250 000. Due to its proximity, it is considered as part of the Bangkok Metropolitan Area. In 2001, the city launched its Sustainable Organic Solid Waste Management project, building a composting plant and setting up an integrated waste management plan introducing differentiated collection (wet/dry) from major organic waste producers such as markets, restaurants and hotels. Of the 340 tons of solid waste generated daily in the city, over 40 percent is organic waste, and the plant receives on average 6 cubic meters per day, producing 5 tons of organic fertilizer per month. The fertilizer is sold to nearby farmers at an affordable price. This initiative has contributed to decrease contamination of water sources, namely the Chao Phraya River Delta.

Available online: [http://assets.fsnforum.fao.org.s3-eu-west-1.amazonaws.com/public/discussions/contributions/CityRegionFoodSystems\\_Online%20Final.pdf](http://assets.fsnforum.fao.org.s3-eu-west-1.amazonaws.com/public/discussions/contributions/CityRegionFoodSystems_Online%20Final.pdf)

23. Governance schemes need to support the functioning of food systems across political and administrative boundaries through better coordination among the several local governments in the same functional territory and better coordination between market agents in the rural and the urban segments of the food system (Box 4).

**Box 4: Food governance and in the rural-urban Kisumu county in Kenya**

In 2019, Kisumu County, (including Kisumu city with a population of almost 400 000 inhabitant and the rural areas - Ahero, Muhoroni, Nyakach and Seme- with a population of 715 000) initiated a process of establishing a multi-sectoral, multi-stakeholder food governance mechanism with the aim of strengthening the urban-rural linkage within the county. This secondary city in Kenya is an example of the thin line that exists between the urban, peri-urban and rural spaces where the urban-rural linkages are evident through flow of people heading to work in the city and residing in the rural areas, flow of agricultural inputs from urban to rural areas and the inflow of food produce (such as rice, dairy products, poultry, fruits and vegetables) from the rural areas to the city. The food governance mechanism is in the process of understanding the food systems gaps and developing the food systems strategy aiming at shortening the supply chains, promoting indigenous local food and creating job opportunities.

24. Alliances of local governments can play a key role in identifying and coordinating investments that will contribute to integrated territorial development. It is also critical to ensure that the processes are inclusive and participatory rather than competitive and predatory (Box 5).

**Box 5: COVID-19 and small cities and towns**

The COVID-19 pandemic and its related lockdowns stressed the fragility of our food systems. Lockdowns constrained poor people in earning daily wages, interrupted school feeding programmes, while food prices increased in many locations. Local food production and short supply chains have been seen as a key factor in preventing possible shortages due to their proximity between food production and consumption points.. In April 2020, FAO conducted a questionnaire to better understand how municipalities responded to ensure food systems functioning during the COVID-19 pandemic. Among the 860 respondents (including big, medium, small cities as well as villages), it appears that small towns (fewer than 300 000) experienced the main mobility of urban dwellers to rural areas during lockdowns, underlying the “permeability” within the territory.

However, shortages have also been observed as food supply chains were “oriented” towards large cities. This points to efforts to better link territorial food economies in order to strengthen their resilience to shocks.

25. What can be done to strengthen links between the Urban Food Agenda and other FAO initiatives? The poverty reduction strategies in the *Hand-in-Hand Initiative* through value chain development, inclusion of the poor, resource mobilization and investment development are critical to the UFA. Food systems must respond to the growth of cities and the concurrent transformation of diets which is dependent on rural-urban linkages and influencing consumer behaviour.

26. The FAO Green Cities initiative will improve the livelihoods and well-being of urban and peri-urban populations of 1 000 cities around the world ensuring access to healthy and nutritious food, strengthening the resilience of urban areas to external shocks and contributing to climate change mitigation and adaptation. Local governments and communities will have the capacity to develop and implement context-specific strategies, actions and investment plans for the integrated design and management of resilient and sustainable multifunctional green infrastructure and to ensure that green technologies, innovation and investments are scaled up towards sustainable, resilient, inclusive and green urban food systems that take in consideration the circular economy.