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Water Supply and Urban Development Research Material - Africa - General - Urban from with the Bank - December 1985 - May 1987

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OFFICE MEMORANDUM

DATE May 14, 1987

TO Distribution List

FROM Jean Mazurelle, EDIUT *JM*
 THROUGH A. Van Nimmen, Chief, EDIUT
 EXTENSION 75417

SUBJECT Round Table on Training for Municipal and Urban Management in West Africa.

1. Please find attached the Summary of the Round Table held in Abidjan, Côte d'Ivoire, March 16-19, 1987. This meeting which took place after completion of the four-week course on Urban and Financial Management, was moderated by A. Van Nimmen, Chief, EDIUT and Tomasz Sudra, Training Unit Chief, UNCHS.
2. This Roundtable focused on strengthening the ability of a network of training institutions and units to identify and satisfy the training needs in municipal and urban development in West Africa. Because several participants were trainers, the Round Table was both a Training of Trainers and an Institution Building activity.
3. EDIUT (Urban team) has planned to organize a larger Round Table next year, that would emphasize the coordination between donor agencies and the link between West African training institutions network and these donors. Your comments and recommendations will be very helpful to design a relevant agenda.

JMazurelle:mng

Messrs. Willoughby, de Lusignan, Jacquemotte, Chernick (EDIDR)
 Makhirita, Nkodo, Oubouzar, Roberts, EDICD
 Jones (WUDDR)
 de Ferranti (WUDOD)
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 de Paez (EDITITS)
 Tovo, Consultant (EDICD)
 Koslovski (WUDOS)
 Foster (USAID - Washington)

DRAFT
Menckhoff/Boyle:ls
December 10, 1985

Mr. Hassan Raza Pasha
Secretary of Housing, Physical and
Environmental Planning
Government of Punjab
Lahore, Pakistan

Dear Mr. Pasha:

As discussed with our urban and water supply mission that visited Lahore in September 1985, we are sending you draft terms of reference for a possible regional development study on rural-urban linkages for the Punjab. Such a study could serve to identify and prepare a regional development project that would integrate requirements for both urban and rural development.

The overall approach would consist of three phases. The first phase would be an identification/reconnaissance mission by two senior regional economists who would identify the scope, location, components and institutional arrangements of the project; they would also draft detailed terms of reference and a Project Document for the second phase. The second phase would be a preparation mission of about 5 to 6 months duration by senior professionals (foreign and national), who would prepare an investment project for appraisal. The third phase would be a series of specific investments that might be funded through a loan by an international lending organization such as the World Bank. (This would be a separate operation from the proposed Punjab Urban and Water Supply Project which you discussed with our September mission).

The first two phases would consist of technical assistance, and it has been suggested that this might be financed under the UNDP sponsored umbrella

project executed by the World Bank. At this stage, we estimate that about \$60,000 would be required for the first phase of the study, and about \$300,000 for the second phase. The proposed study and project could become, in our view, an innovative approach to improve the interaction of urban and rural activities, addressing in an integrated way two parts of the economy that are usually treated separately.

We would be most interested in your comments on the enclosed terms of reference. If the Government of Punjab is interested in further pursuing such a project, we would be pleased to assist you in modifying the terms of reference as needed. It would then also be appropriate to further discuss this novel approach with the Government of Pakistan and to begin arranging for the funding of the studies and the subsequent project.

Looking forward to hearing from you,

Sincerely yours,

Sven Sandstrom, Chief
Urban and Water Supply Division
South Asia Projects Department

Enclosure

cc: Mr. Khalid Jawed
Chairman, Planning and Development Board
Government of Punjab
Lahore, Pakistan

Mr. Himalaya Rana
Resident Representative
UNDP
Islamabad, Pakistan

To be cleared with and cc: Miss G. Kaplan (ASAPA), Mr. L. Miller (ASPED)
cc: Messrs. Boyle, Menckhoff (ASPUW); Malik (RMP)

DRAFT
December 10, 1985

DRAFT TERMS OF REFERENCE

REGIONAL DEVELOPMENT AND URBAN-RURAL INTEGRATION IN PAKISTAN

A Government of Punjab Initiative

A. Background

1. During recent months interest was expressed in Bank/UNDP support for regional development projects, especially to strengthen rural-urban linkages, and to provide a basis for a decentralized, multi-sectoral strategy to achieve a more balanced population distribution and spatial articulation. A major National Human Settlement Policy Study is now completed, with projections of different scenarios for the next two decades.

2. The Bank has been actively assisting the GOP in evolving a national settlement strategy and is now moving into projects for intermediate city development. Until now, virtually all of the GOP investments and developmental activities have operated on a sectoral basis, as has Bank financial and technical assistance. This proposal therefore presents a novel approach which will attempt to provide a regional basis for a set of investments and will strengthen institutional and planning capacity at various levels in the GOP for spatial integration.

3. Regional science in developing countries has traditionally dealt with large urban systems and with physical planning of national or sub-national territories. But in recent years regional planners have increasingly

focussed on the role of intermediate and smaller towns and on the relationship between these towns and the countryside. This recent trend of looking at the middle and lower reaches of the urban hierarchy as well as at rural-urban linkages is consistent with the general idea of deriving benefits from a more diffuse and integrated settlement pattern and also with notions of reducing urban-rural disparities and hence to promote growth with equity. But beyond these general objectives, recent work has highlighted the following issues, which are relevant to the Pakistan case:

- the potential of urban areas to effectively support agricultural/rural development (especially in input supply technology, processing and marketing);
- the potential to generate employment in non-metropolitan locations, at lower investment costs and savings in metropolitan services and absorption costs;
- to provide the rural population better access to essential services through economies of scale and better networks and outreach programs;
- to retain and recirculate value added (or "surplus") generated in the region; and
- to look at small and intermediate urban centers not only as accumulators of rural economic and population surplus, but as political, cultural and service centers for the inhabitants of the villages and dispersed rural households in the surrounding

Overlap



regions. Inherent in this last issue is the idea of decentralized decision making, local participation and empowerment.

B. Some Lessons from Experience

4. Many countries lack a sufficient number of lower-order central places. In such cases the rural population is too scattered and too isolated to support basic services and to perform the variety of functions that larger and more accessible places can and do perform. In other cases, there is a gap in the urban hierarchy at intermediate levels. According to one theory, the relative income disparity within rural areas and the existence of a bi-modal agrarian structure is associated with a poorly articulated network of rural service centers. It appears that in Pakistan this may not be a major problem, but it remains to be tested.

5. There is generally an inadequate distribution of services and facilities among small towns and cities in rural regions. This is due not so much to the lack of strategic urban places within rural regions, but simply a lack of facilities and a limited range of their outreach. Rural backwardness and low agricultural productivity is associated with a lack of these services. But reciprocally, low agricultural productivity and lack of dependable marketable surplus also restrict the growth of rural centers and low rural purchasing power limits the expansion of a service network. In most cases (ironically, under both capitalist and socialist forms of governments) developing countries exploit the agricultural sector (and especially the peasantry) for urban industrial development. This, in practice, has meant

favoring metropolitan, rather than middle or small town development (significant exceptions are China and South Korea).

6. The relatively small number of settlements with central functions and the highly skewed distribution of services and facilities would not in themselves necessarily be a serious problem if those settlements that do perform central functions were easily accessible to their rural populations and were linked to each other and to larger cities and towns. But the large opportunity costs that are incurred by the inadequate number and distribution of small urban centers are exacerbated by weak linkages among key settlements. In such systems there is little "functional hierarchy" and therefore a failure to provide incentives for increased applications of labor, capital and human skills in an "intermeshed system of exchange". Therefore, these weak linkages must be strengthened.

7. There is controversy over the positive or negative nature of town-country linkages. One argument is that small towns are predominantly "parasitic" - they allow town-based trading and administrative elites to exploit the rural population and to drain rural areas of their resources, which are not reinvested locally, but passed on to metropolitan centers. This line of reasoning is consistent with Michael Lipton's thesis of "urban bias". A counter-argument is that there is (or can be) a symbiotic mutually beneficial relationship between town and countryside. A number of case studies report positive effects on rural incomes of trade, market linkages, technological innovations offered by the town, and conversely, of enhanced

rural demand stimulating locally produced labor-intensive non-farm production and commercial activity in the towns. This order is associated with the agriculture first strategy advocated by John Mellor. Richardson may be closer to the truth in pointing out that neither the diffusion pole nor the parasitic views of the role of small cities in rural areas are correct as a general rule. Much depends on how the functions of these cities have evolved with respect to their hinterlands, on the institutional and cultural features of the country in question and, significantly, on how policies for strengthening the small towns are formulated and implemented. This suggests that the spread effects and beneficial linkages do not happen automatically, but must be structured and developed.

8. Another important lesson from experience is the crucial role of a decentralized integrative institutional structure. One of the universal institutional problems is the separation of sectoral agencies, especially urban/industrial from agricultural/rural. Another is the general weakness of provincial and municipal governments and their limited role in regional development (usually restricted to minor physical infrastructure). In practice it does not seem necessary to have full-fledged cross-sectoral development agencies in order to successfully implement a regional program. What is needed is an effective central planning system which has budgetary control over sectoral programs and some local coordinating mechanism in which the interests of the major groups in the area are represented. Another key institutional issue is how the public sector can be effectively combined with

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July 4

see pg 16 on notes

private sector incentives (e.g. in the development and operation of municipal markets, operation of solid waste collection and disposal).

9. Complex, multi-sectoral projects which have often resulted from regional or spatial planning efforts are often difficult to implement and duplicate and have shown meager results. This is not much so because they are merely multi-sectoral, but because there are no clear benefits from packaging different lines of work under the same project and because the lack of strong cross-sectoral implementation capacity is often lacking. This points to either separate sectoral projects under a regional planning framework, or minimum packages in which the optimum sequence and mutual reinforcement between components must be demonstrated and specified. It is also useful sometimes to have a lead sector or a central theme, around which the other aspects can be organized. The conceptual framework and the ultimate goals can be broad but any given project may be more effective with a narrower focus. This idea may give rise to a design, almost organic in nature, in which there is a central core, organized around planning, research and institutional development functions, with separate sectoral investment projects designed to enhance a central theme. Several successful rural/urban initiatives have had an employment generation focus.

10. There is increasing evidence that the urban/rural dichotomy and rigid sectoral separation is an artifact. As development progresses the lines become blurred. Town dwellers farm and farm family members work in town. Some urban places are mostly agriculturally-oriented. The term "rural" does

and should include urban settlements, defying statistical and census definitions. Hence the usefulness of conceptualizing "rural regions". Within these, the conventional programmatic lines of work make little sense - urban development without rural linkages or rural development concentrating only on farm improvements, ignoring the towns on which rural welfare ultimately depends bears little relationship to reality.

C. Recommended Strategy

11. In view of the lessons learned from previous experience, and taking into account the circumstances prevailing in Pakistan, it is recommended that an action/research project hereafter referred to as "pilot project" with a carefully phased approach be adopted. Instead of launching a very comprehensive study for one or more regions, this approach would initially aim at (a) identification of principal issues and definition of work scope for more detailed study, (b) study and preparation of an innovative investment pilot project, and (c) action pilot project accompanied by a number of well focussed studies, which would be carried out simultaneously with the aim to assure that the experience gained could be extended and developed further in the same location or at some other project site. The sequence might look like this:

12. Phase 1: Reconnaissance. A two person mission would visit Pakistan for 6 to 8 weeks to clarify GOP and Gopunjab's interest and collaborating options, identify data availability, research needs and explore action possibilities. This mission would recommend the scope, site location, component

enough. The language is innovative

concepts, institutional arrangements, and preliminary implementation schedule of a combined investment/institution-strengthening/action-research project. The end products of this phase would be (a) a report on the mission's findings, (b) terms of reference for Phase 2 of the study, and (c) a Draft Project Document as might be requested for the processing of the Phase 2 request.

13. Phase 2: Project Preparation. Over a period of 4 to 6 months, a team of foreign and national professionals would further refine the scope of the pilot project, select from possible investment options and begin the preparation of feasibility studies of the pre-selected components. The team would study those regional and sectoral aspects which are most directly relevant to the design and implementation of the pilot project and would select a minimum package of investments designed to embody a "critical mass" and be capable of being implemented. Investments may include inter alia:

- (a) Urban infrastructure;
- (b) Transport and communications;
- (c) Agricultural marketing and agro-processing investments;
- (d) Small non-agricultural industry and micro-enterprise development and strengthening;
- (e) Institutional development at municipal, provincial and district levels, including improved mobilization of revenues and project identification and execution;

we probably don't need the first 7 pages of poetry to be able to get to here

would be programmed to finance the initial investment phase of the pilot project.

D. Draft TOR for Reconnaissance Mission (Phase 1)

15. Two senior persons with complementary backgrounds and field experience in regional analysis involving urban-rural integration. Time: 6-8 weeks. Participation from the Government of the Punjab in the mission highly desirable.

16. Objectives. Review and clarify major parameters of potential Bank/UNDP sequence of assistance in regional development and rural/urban linkages. Specify goals (or mix of goals) to which such assistance is to be diverted. In particular, clarify if approach is to focus on strengthening of sites showing dynamic qualities (Richardson) or on most backward areas (but with some potential). It is assumed that the latter would require considerable basic infrastructure investments as a pre-condition. Agree with GOP on an action-research approach proposal and on possible phasing of assistance.

17. Select with Gopunjab a mutually acceptable action-research pilot project to be financed by UNDP Umbrella II with the Bank serving as executing agency. Identify scope, coverage, specific districts, towns and areas, possible within the Punjab. Perhaps more than one area should be included, i.e. one already more dynamic the other only potentially so, or different

areas within the same region representing major economic/ecological sub-regions. However, in order to serve as an initial pilot type project, the total area and the number of sites should be manageable.

18. Arrive at proper GOP and Gopunjab collaborative arrangements in preparing the study/pilot project. This involves a number of levels:

- a. Policy attention and support at high level (planning);
- b. Support of key sectoral agencies (Water, Power, Local Govt., Agriculture, Industry);
- c. Support of provincial and district authorities;
- d. Specific full-time collaborators in next phase, preferably from a "lead agency";
- e. Private consulting firms and experts.

19. Lodging Gopunjab responsibility in a single interested agency is crucial to the mission's success.

20. Review information needs and availabilities and suggest minimum data requirements for project preparation and also for priority research. Begin to identify "critical" points in system and "mutually reinforcing components", as a basis of selection. Identify promising methodologies for data collection and analysis, using existing information to the maximum.

21. Products. Establish with GOP and Gopunjab detailed terms of reference for project preparation to follow after this reconnaissance, and foreseen as leading to appraisal of the pilot project. The TOR for project preparation will include:

- (a) Expected outputs;
- (b) The possible mix of components, including physical and program investments, institution-building, evaluation, research, training;
- (c) Scope, location, coverage, general magnitude of effort with its expansion/multiplication potential;
- (d) Composition and length of mission, qualification of members;
- (e) GOP and Gopunjab participation and institutional responsibilities;
- (f) Tasks to be performed;

22. The technical TOR should be complemented by a draft Project Document, as would be required for the funding of Phase 2 as a UNDP-financed study. Moreover, a report should be prepared on the reconnaissance mission, including all background information required to appreciate the TOR for Phase 2.

E. Major categories of information

23. The specification categories and needs will depend on the scope, purposes and location of the proposed study/pilot project. What follows is a list of the kinds of information which is normally reviewed in this type of endeavor.

- Basic demographic, economic social, physical characteristics of region.

The basic questions here revolve around understanding the historic evolution, current problem and overall prospects of the region. General descriptive information is less useful than data organized in ways to permit more policy-oriented analysis.

- Dynamics of settlement structure and the urban hierarchy. Network of towns, rural and urban population growth.

The key questions include the level of primacy; articulation of the urban network and the identification of dynamic or lagging centers; also, what is the role (present and potential) of different size and types of urban places in regional/rural development? Which are service centers, market centers, commercial, identical centers by size, locational and other considerations? (The NHSP study has identified 37 rural towns with great growth potential and suggested more analysis on their capabilities.)

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- Migration, both within the region and between the region and other regions and centers.

Of key importance are non-metropolitan migration flows and explanations of reasons for rural to rural and rural to town, also temporary and permanent migration movements specific to the areas to be studied.

- Sources of economic activity and commodity flows

Key questions include patterns of rural to town flows of agricultural products, the degree of intermediate vs final destinations, flows for satisfaction of regional demand vs external demand. Ditto for non-agricultural raw materials and manufacturers. Also reverse flows of imports, metropolitan origin products to small towns and rural areas. (Origin-destination studies are costly and time consuming. Initially, there may be ways of estimating commodity flows without a complete O&D Survey.)

- Financial and capital flows

✓ The key question here is what indicators or proxies could be used to estimate such capital flows which are externally difficult to measure. The combination of labor, commodity and financial flows determines the regional economy and will indicate the major linkages within the system (and also "leakages" to outside). If

judiciously used, these permit identification of possible interventions.

- Rural income levels and composition especially share of non-agricultural and non-farm income in household budgets.

Look for complementarity between agricultural and non-agricultural employment seasonality; also changing demand for food and other commodities at different income levels. (Household surveys are complex and costly. Initial mission should identify existing survey data, judge the importance of undertaking a new survey and work at subsequent phases.)

- Marketing and Agro-industry

This is a continuation of the commodity flow analysis. The stress is on key points in the marketing chain performed at various locations, bulking, storage, sale for local markets, wholesaling, transport, production agro-processing, etc. How much value added is produced regionally? What are marketing margins? (There is usually a lot of information on the marketing of key traded commodities. However, little of this is framed in spatial terms. The mission should judge how much additional work is justified to estimate where spatial and general efficiency considerations coincide or overlap.)

- Non-farm employment generation small enterprise

While deliberate decentralization of industry is difficult, small, labor-intensive enterprise can be successfully promoted in smaller urban centers. A very large share of small enterprise in Pakistan is already in non-metropolitan locations, the question is why this has happened, what were the forces motivating and assisting entrepreneurs and how and where can more non-farm enterprise be generated? How many of these opportunities are in agro-related processing, how many satisfy local demand, what sort of enterprise can also provide for "export" out of the region? What can regional and municipal agencies do to promote local job creation through productive activity? (Review the ILO/ARTEP study. Richardson, based on NHSP Study, urges attention to rural public works especially farm to market roads and water-related infrastructure.)

- Urban services and facilities

The usual concern is the assessment of urban services for the urban population (existing and forecast). Little attention has been paid to the coverage and efficiency of serving the rural population out of different urban centers. Here is where even the smallest centers have a role to play. The key is "accessibility". (With the exception of water, the role of municipalities and other local governments in sectoral service

networks is unclear. Apart from analyzing the existence and coverage of such facilities as health, education, extension, a whole host of other issues are relevant such as salaries, equipment, maintenance, cost recovery, etc. exacerbated by distance.)

- Transport network especially farm to market roads

The focus here is on the transport system which links the urban network and each urban sub-system with its rural hinterland. Upgrading of rural roads to market centers have a high priority in Pakistan. Information is also needed on transport costs of main commodities between key market points. (Review USAID/ADB master plans for rural roads.)

- Institutional map and analysis

- Investments and ongoing programs of public agencies operating in study area

This category is self-explanatory. Important questions include the identification of institutional bottlenecks, local management problems and the revenue base of different territorial entities. Also possibilities of inter-sectoral (or multi-sectoral) coordination and implementation capacity. (The institutional analysis can only be focussed once the scope of a possible project/program is determined. But, the institutional situation

itself may very well influence the options on possible scope and design.)

- National policy framework

Identification of those aspects of national policies which have to do with decentralization and regional and local development. While practically all national policies impinge one way or another on these concerns, as the project advances, it will become clearer which policies favor or hinder the accomplishments of specific elements of the project. (Look at fiscal incentives for dispersal strategies also at energy pricing. Richardson urges policy shift in favor of small-scale industry and rural-related programs.)

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REMARKS:

FROM: <i>A Pellegrin</i>	ROOM NO.: <i>C302</i>	EXTENSION: <i>72661</i>
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OFFICE MEMORANDUM

TO: Those Listed Below
FROM: Anthony J. Pellegrini, Chief, WAPUR
SUBJECT: West Africa Urban Division Sector Strategy Paper

DATE: September 16, 1982

Attached is the final version of the West Africa Urban Strategy paper. This version takes into account comments by Projects and Programs representatives received at the review meeting chaired by Mr. El Darwish.

Attachment

Distribution:

Vice President, Senior Staff, WANVP
Directors, WAP, WA1, WA2
Assistant Directors, WAP
Programs Division Chiefs, WA1, WA2
Projects Division Chiefs, WAP
CPS Advisors, URB
WAPUR Staff
Messrs. Willoughby, Kalbermatten, TWT

APellegrini:mcp

URBAN SECTOR STRATEGY

FOR

WEST AFRICA

September 1982

Western Africa Projects
Urban Division

URBAN SECTOR STRATEGY

FOR

WEST AFRICA

OUTLINE

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Annex: Status of Project Implementation

1. BACKGROUND

Demographic Trends

1.1 Human settlements the world over are becoming increasingly concentrated. By the year 2000 most developing countries will be half urban. Between 1975 and the year 2000 the cities of the developing world will be expected to absorb 70% of the projected population increases - 1.3 billion people.

1.2 The urban population of West Africa (1980) is estimated at about 40 million, or 22%, out of a total population of 180 million. Over 20 million - more than half - is in Nigeria, 4 million in Ghana, 3 million in Ivory Coast and nearly 3 million in Cameroon. There are at least twelve cities in the West Africa Region with a population exceeding 500,000. Among these, Lagos has more than 5 million, Ibadan around 2 million, Abidjan 1.5 million and Kano and Accra at least 1 million.

1.3 While even the largest cities of West Africa are not now very large by world standards, they are growing at very rapid rates. The average urban population growth rate in West Africa is estimated at 5.3% per year. In many urban centers and principally in the region's key cities like Lagos and Abidjan, growth rates are significantly higher and reach as much as 10% per year.

1.4 Surprisingly, the countries with the most rapid urbanization rates are the smaller countries, with populations under 6 million. Benin, Liberia, Mali and Mauritania are illustrative. Urban growth rates for the 1970-75 period ranged from 5.3% in Mali to an explosive 10.4% in Benin and 14.5% in Mauritania. In absolute numbers, Benin's urban population will experience an increase of 400% by the year 2000; Liberia's urban population will grow by over 250% by the end of the century; and Mali's absolute increase in its urban population will approach 300%.

1.5 Two main factors account for this astounding growth: first, a high rate of natural increase, and second, a heavy and continuous influx from both the national hinter-land and the neighboring countries. Migration from rural areas to urban centers is a phenomenon not restricted to West Africa, but found throughout the world. In many African countries, it is accelerated by conditions which are unfavorable to agriculture or cattle farming such as climatic adversity and poorness of soils. In the Sahelian countries, where prospects for an expanding and flourishing agriculture are small, migration is one of the only realistic courses of action available to the rural population to better earning opportunities and living conditions.

1.6 Migration in West Africa is mainly directed toward two countries, Nigeria and Ivory Coast. The rapid economic growth and employment opportunities in these two countries, which in the case of the latter has led to a GNP ten times higher than in some of its surrounding countries,

is the predominant cause for these population movements. Studies of migration in almost all parts of the world confirm that migration is motivated by opportunities for improved employment and is not motivated by the availability of better infrastructure. In West Africa, transnational migration seems to have benefitted not only the host countries -- large sectors of the Ivorian economy are heavily dependent on the supply of foreign manpower -- but also the home countries, where remittances by migrants contribute substantially to improvements in balance of payments. The evidence in Africa has been confirmed by a recent more general study which shows that migration from economically depressed regions to urban areas generally has improved the standard of living of both those who leave and those who stay.^{1/}

1.7 There is no simple and effective way to reduce the pace of urbanization, either in the short or the medium term. Little hope can be placed on a rapid decrease of birth rates or a significant slow down of migration, within the next twenty years. Even under optimistic assumptions about the absorptive capacity of agricultural areas over the next 20 years, some 65% of the total increase in West Africa's population will have to be absorbed in urban areas. If current growth trends continue, the urban population in West Africa will reach about 110 million by the turn of the century, and will represent 35 to 40% of total population. With an average growth rate of 5.3%, the overall urban population will double every 14 years. In the Region's major metropolitan areas, under current growth rates, such a doubling would occur every 7 years. The possibility of Greater Lagos having a population of 16 million and Greater Abidjan more than 6 million by the year 2000 should not be discarded as unrealistic or unthinkable.^{2/}

1.8 Providing services to land will be a major undertaking. By the year 2000, for example, Abidjan alone will need to provide 330 square km of additional land with infrastructure in order to support, industrial, commercial, residential, institutional and other uses. Lagos will have to provide at least 800 square km of additional land with infrastructure.

1.9 This startling expansion will be a source for major and complex development problems, not only within the concerned urban areas, but also at the level of national economies - unless these countries begin preparing themselves financially and institutionally to meet the needs associated with these demographic trends.

1.10 Instead of focusing on policies aimed at a reduction of urban growth -- a utopian endeavor -- efforts should be directed towards policies making feasible the management of such growth. Perhaps one of the few things even more surprising than the rapid rates of urbanization in West Africa are the indications that even in the poorest countries the costs of accommodating this growth in reasonable manner are affordable. (See paras. 2.6 to 2.10)

^{1/} Equity and its Relation to Efficiency in Urbanization, William Alonzo, July 1978.

^{2/} These are median projections which assume substantial reductions in the rate of growth; in the case of Lagos it also assumes that the capitol is moved to Abbuja.

KEY ISSUES

1.11 In West Africa, as elsewhere in the world, the development and growth of towns and cities is an integral part of the development and growth of national economies. Over half of West Africa GDP is produced in the industrial and service sectors which are currently the most rapid growing ones.

1.12 Despite the key role they play within the national economies, most towns or cities in West Africa are ill-prepared to cope with their development problems. In fact, urban areas have become victims of their own relatively successful role in the National Economy. It is not often realized, for example, that the urban economies of West African cities have by and large been relatively successful in employing their growing populations. While good region-wide data on employment trends in urban areas is lacking, it appears that despite very high rates of population growth, urban unemployment levels have not increased sharply and the population is being absorbed into the urban economy. The continued high levels of migration are evidence of this very success. The infrastructure and management needs of the accompanying growth however, are not being realistically faced up to.

1.13 The towns and cities of West Africa act as a kind of market place where the private sector tends to be dominant and relatively dynamic. With few exceptions, however, the towns and cities have been fulfilling their critical economic function as employment centers in spite of rather than because of Government support. For example, it has been estimated that basic infrastructure and municipal services cover on an average only about half of the area of towns and cities of West Africa. The deficient areas lack not one, but most facilities considered essential, i.e. drainage, a water reticulation network, excreta disposal, paving of central and secondary routes (which is necessary for public transport, for solid waste management, and for drainage) solid waste facilities, etc. (The fact that a substantial "package" of infrastructure is lacking has implications for organizational structure. See para. 2.13.)

1.14 To a large extent, the facilities that do exist were built many years ago during the colonial period, for much smaller populations, and have not been extended in any significant way since then. Most towns and cities thus operate with levels of infrastructure so low as to stifle rather than promote efficient materials processing, location choice, industrial and manufacturing development and services. This is especially true in Lagos, Ibadan, Yaoundé and Lomé.

1.15 At the same time, lack of sanitation infrastructure in both large and small towns results in severe costs in human resource terms. For example, average life expectancy at birth in sub-Saharan Africa is 45, which is 8 to 10 years less than the average of all developing countries, infant mortality rates of about 25-30 per thousand live births are more than three times higher. Conditions are particularly severe in the unserved sections of West African towns and cities. Prevention of two of the three major health hazards -- malaria, enteric diseases, and measles -- is directly related to the presence of basic sanitation infrastructure.

1.16 In developing countries, and especially in West Africa, the central urban issue is increasingly being recognized as the lack of metropolitan services and infrastructure. The provision of such infrastructure may be the best way to enhance urban efficiency and to promote the private sector. Given reasonable macro-economic policies, and in some cases despite the absence of such policies, the economic functions of towns tend to take place rather efficiently on their own if this basic support is provided. In fact, urban development in a given country is generally perceived to be either positive or negative depending on the extent to which Governments are able to provide basic infrastructure and services.

1.17 At the same time, the frustration of those who are employed (albeit at low incomes) when their incomes will not buy better living conditions because Government supplied services and facilities are not being provided, can be destabilizing. Recent problems in the Gambia, for example, have been attributed to such discontent, and the contrast in Nigeria between the level of national income and the poor living conditions of the people is sharp and increasing.

1.18 Economic development cannot take place without minimally efficient towns and cities. The proper equipping of these cities with the facilities necessary to serve their economic function and the proper operation and maintenance of these facilities is an essential ingredient of any strategy designed to promote economic growth. Through the provision of basic infrastructure and its efficient maintenance it is possible to improve the living conditions of the urban work pace thereby contributing directly and positively to economic development.

II. SECTORAL BALANCE

Is a Balanced Approach Compatible with the Agricultural Based Strategy Adopted for West Africa?

2.1 In proposing an agriculture-based export oriented strategy for sub-Saharan Africa, the African Strategy Report emphasizes that this strategy is a transitional one and that during the process of transformation, specific actions should be taken "now (emphasis in original) if urban resources are to be effectively marshalled and future urban crises headed off".^{/1} It further cautions that urban based economic activities, which now produce about half of national output, will become less efficient, and labor productivity and economic growth will decline, unless these urban flows are channeled productively.^{/2}

^{/1} Accelerated Development in Sub-Saharan Africa: An Agenda for Action, August 1981, page 6.

^{/2} Op. cit., p. 115.

2.2 The regional response to the ASR makes the point that mistakes in design and project selection by urban authorities can lead to macro-economic financial difficulties and inefficiencies. Some indication of the types of savings possible is shown by an Investment Programming Review undertaken in Abidjan as part of preparation for the second urban project. This review significantly increased the efficiency of urban expenditures in that city. In the transport sector alone traffic engineering measures resulted in savings estimated to be on the order of \$135 million, of which 120 million are deferred infrastructure projects (including a bridge) and 12 million as a result of reduced design standards. Although as a general rule we have difficulty in quantifying potential efficiency gains and cost savings arising out of an appropriate urban development strategy, the difference in efficiency between Abidjan, where the Government has focused on the provision of key infrastructure networks, and Lagos, where the former military government focused on excessively high standard national projects and ignored basic infrastructure in Lagos is striking to the most casual observer. Staff of the IDF Division have used as a working hypothesis, that the lack of infrastructure in Nigeria increases the cost of doing business by 30%. Another study which looked at a number of large cities of the developing world concluded that without adequate traffic engineering and control measures, traffic accident losses alone can account for 1% of GNP. Unfortunately, throughout West Africa, such losses as well as those caused by flooding, very high levels of work absences induced by sickness, travel times of two hours each way to work, and failure of public transport are becoming increasingly common.

2.3 Such conditions discourage outside private investors. They also result in significantly higher unit costs for processing and manufacturing, thereby affecting competitiveness.

2.4 A further point supporting a balanced approach is that the impact of Bank efforts in other sectors, such as those aimed at increasing labor productivity, and at improving education, for example, are much less effective under conditions in which large percentages of the labor force and of school age children suffer from diarrheas caused by lack of sanitation.

2.5 Many cities which at one point had reasonable infrastructure such as Accra, Cotinu are now facing crises of maintenance and will incur high rehabilitation costs if urban streets, drainage and other facilities do not receive routine maintenance. The high cost of rehabilitation can be avoided, and the economic life of most facilities can be lengthened through proper routine and periodic maintenance.

2.6 Is a balanced approach feasible given resource constraints? Can West African countries afford to both begin to ameliorate the worst of the physical inefficiencies in towns and cities and at the same time promote agriculture? Although specific analysis and sector work on a country-by-country basis is needed to answer this question, some observations can be made, based on project experience gained during the past five years.

2.7 First, the analysis of income distribution data in the project areas of countries where we are working (i.e., the Ivory Coast, Cameroon, Nigeria, Mali, Liberia, Senegal and Ghana) indicate that basic infrastructure is affordable by residents in the lowest income neighborhoods when finance for capital investment is available. These analyses show, and the first urban projects demonstrate, that basic infrastructure, at a level which would eliminate the worst inefficiencies and also provide basic sanitation, is affordable at current incomes.

2.8 This suggests that at least for the towns and cities of West Africa, (where 20% soon to be 40% of the population lives) it is not necessary to wait for future economic "growth" to deliver essential services and facilities. This is not to say that incomes are not now too low; incomes are never high enough. What it does suggest is that current incomes can already support significantly improved conditions.

2.9 Secondly, at the city wide level, there are indications that substantial opportunities exist for local resource mobilization through improved administration of taxes, to cover basic development expenditures. In Mali, for example, the first urban project financed maintenance improvement and sanitation schemes in Bamako, the costs of which are being covered by a tax on buildings instituted under the project. The project is also assisting in property registration, and other steps to help initiate a general property tax. Additional municipal revenues attributed to the project were estimated at about 1 billion MF in 1981 (US\$1.7 million) and are projected to grow to 2 billion MF in 1982. This is a considerable achievement for a country like Mali which should serve in a limited way to lessen national budget pressures. The Liberian project also involves innovative support to local resource mobilization efforts through the land adjudication process, which is an essential prerequisite to expanding the tax rolls. Often, the constraints to more effective mobilization appear mundane. But steps such as numbering streets and conducting cadastral surveys can have important impact because they are prerequisites to developing important revenue sources. These projects indicate that even in the poorest countries, it is possible to develop additional revenue sources to finance essential services if the motivation is sufficiently strong and if assistance is provided. Generally people are willing to pay for services if they are convinced that they actually get them.

2.10 The development of opportunities for resource mobilization is important not only for urban projects per se, but also for Bank efforts in many sectors where counterpart funds and funds for operations and maintenance are a clear constraint.

2.11 While the above analyses are partial and incomplete, we believe they deserve fuller development, discussion and thought since they deal with fundamental questions relevant to the overall regional development strategy. They suggest, for example, that a modified growth strategy for the Region may be more appropriate than a strategy that focuses too exclusively on growth.

Why Hasn't More Been Done Already By Countries Themselves?

2.12 The more important reasons for the inadequate response to date of countries in the region have to do with the post-independence framework, inadequate institutional development, and poor access to capital market facilities. First, until relatively recently, post-independence policies were such that with respect to residential infrastructure, for example, slum and squatter neighborhoods were considered to be a temporary phenomenon to be razed by the bulldozer. In their place were constructed higher cost, higher standard units, ultimately benefitting the higher income population. The failure to link standards to affordability resulted in the spread of slums and squatter settlements, the only alternative for low-income groups in the absence of affordable solutions. More recently, countries such as the Ivory Coast, Nigeria, Mali, Liberia and others, including Senegal, have recognized that with limited resources the earlier approaches are futile. They have begun to adopt more realistic views towards standards, affordability and cost recovery. There has not been a wholesale change in view, but there is in most countries, an active, open interest, based on a better understanding of resource constraints. This is reflected by an openness in dialogue with Bank staff on appropriate approaches that is more pronounced in West Africa than, say, in countries of the East Asia and Pacific Region at a comparable stage in program development.

2.13 Secondly, institutions with responsibility for urban development, as in other sectors, often have been weak, unsuitably organized, and provided with an uncertain mandate. The staff of institutions have lacked experience, training and exposure to methods being adopted in other countries. Institutional development of a fairly straightforward kind has thus proven to be critical. This inexperience is accompanied in most cases by patterns of organization molded after those in developed countries which are inappropriate to the needs of large scale area development that exists in most West African cities. The organizational structures of West African cities, inherited from the British and French, in which one municipal department or separate agency is responsible for street works, a second is responsible for drainage, a third for water, etc., are not appropriate for extending infrastructure networks under conditions where an entire package of facilities is lacking. Under these conditions an area development approach is more appropriate than a functional approach. While the adjustments in organization required to effect a change in approach are often not substantial, they are important.

2.14 Finally, access to credit facilities for capital expansion has been lacking. The mathematics of high rates of growth are such that borrowing is necessary to finance the infrastructure required for new growth. When the annual growth rate of population is high, the tax base that exists at any one time cannot, in general, support new capital investments for infrastructure to handle the increased population (since this might amount to 5-10% of the value of the existing stock) without borrowing. Limited access to credit facilities by local governments means that even under ideal circumstances, a backlog is building up.

III. EXPERIENCE TO DATE

3.1 Urban projects in the past have focused on the provision of basic infrastructure and services to the urban poor. Special attention has been given to cost recovery, affordability, replicability and to the need to spread low cost services as widely as possible.

3.2 Projects have generally included one or more of the following types of components:

- (i) Area Upgrading: the provision of basic sanitation infrastructure including drainage, water reticulation, excreta disposal, streets to selected areas, and community facilities including schools and clinics emphasizing affordable costs and standards. Upgrading can encompass considerable variety in approach between intensive upgrading of a relatively small area with infrastructure plus tenure, and extensive upgrading covering a wider area with less attention to tenure and perhaps less infrastructure;
- (ii) New Land Development (Sites and Services): the provision of new building plots through the extension of infrastructure to vacant land. This implies a shift by Government away from house construction to service provision with a concomitant reliance on the private sector to construct the buildings themselves. In addition, where the spread of illegal settlements in fast growing communities is a problem, the sites and services approach is one of the only financially feasible ways for governments to provide for orderly development of new land;
- (iii) Urban Transport: the provision of traffic engineering measures (which are low cost and have high benefits in comparison with new road construction);
- (iv) Municipal Services: the provision of equipment, vehicles and facilities for improved maintenance and operations focusing on solid waste, drainage and streets, as well as support for property registration and administrative systems; and
- (v) Other Institutional Support: the provision of technical assistance, training and studies to assist institutional development.

3.3 Six of our projects are at an advanced stage of implementation/ completion. Annex I summarizes the main project elements completed or in progress as well as the policy changes achieved for each project

3.4 Area upgrading and sites and services have received the most attention in early projects, and these have been shown to be correct approaches for the problems they have addressed ^{1/}. The concepts underlying these efforts are fundamentally quite simple. However, they have represented for a number of governments, substantial changes in policy and standards from those that had been attempted in the 1960s.

3.5 After a slow start (see para. 8.3 for discussion of lessons learned) the status of our relationship with key borrowers in the Region is quite good. Our country dialogues go back at least five years in Nigeria, Senegal, Ivory Coast, Upper Volta, Mali, Ghana and Cameroon, and we have considerable, but more recent, experience in Liberia. These countries are now familiar with the kinds of standards and policies embodied in our projects and through the experience of the first projects are now beginning to incorporate such policies into other programs.

3.6 The achievements of the first round of urban projects are, in retrospect, not inconsiderable. This is especially so since these projects tended to tackle the most difficult urban problems in each country first.

- (a) Relative to amounts of money lent, the policy impact has been large. Most countries have now incorporated in their housing policy a focus on infrastructure for low-cost building plots (sites and services) as a means of dealing with housing. Slum demolition programs which were common in the early 1970s have been significantly reduced in favor of upgrading;
- (b) Cost recovery is an important element of all urban projects and exists at a higher level than in other sectors. This has been a major change for most governments. As a result of involvement with first urban projects, cost recovery and affordability is becoming an explicit objective in national housing and urban development policies; as a consequence, in places as disparate as Mali, Nigeria and the Ivory Coast, lower, more affordable standards for infrastructure are under active discussion;
- (c) Considerable adjustments in the understanding of the relative roles of the private sector and public sectors have been achieved with a recognition that the private sector has the major role to play in housing construction, while the Government can best stimulate the private sector through extension of infrastructure; and

^{1/} See monitoring reports.

- (d) Urban institutions have been considerably strengthened in countries where there has been a project. The type of impact varies considerably from project to project and has to date, been most advanced in the Ivory Coast. In Mali, support to municipal services and the development of local capacity to register and value buildings and property is having significant payoffs; in Senegal the Government has declared its intention to use the Project Unit to implement its new national policy of sites and services. In Upper Volta, where there have been considerable delays in project implementation, the municipal assistance component comprising vehicles, equipment and training for garbage collection and for road maintenance is 100% complete.

IV. STRATEGY FOR THE FUTURE

4.1 Urban projects are evolving. Broadly speaking, the chief areas of focus of the Division will be:

- (a) assisting local governments in their wider responsibilities for extending and maintaining urban infrastructure; and
- (b) initiating (with the help of Programs divisions) efforts to increase local revenues, not only for investment but equally important, for operations and for maintenance.

4.2 Local Authority Focus - Our "counterpart" institution is local government. In those countries where local governments are not well established we would also work with those ministries responsible for providing local government functions. However, the latter would generally be transitional arrangements and the strengthening of local government will remain a key objective.

4.3 In the future, as part of a balanced strategy in support of country-wide development objectives, we plan to address the broader infrastructure needs of towns and cities rather than focus exclusively only on those services provided to the poor. This should enhance our institutional development objectives, by establishing a wider range of common interest with local authorities. It would also enhance our ability to assist governments in improving urban efficiency by removing bottlenecks and thereby contributing to macroeconomic goals. Urban projects will continue to have a high impact on the urban poor--this is natural since the poor live in the areas most deficient in infrastructure--but our concern will be broader.

4.4 Fewer Components - As a general rule, our future projects will be more focused and have fewer components; this should permit doing them better, and improving the capacity to replicate important programs in the area of focus. In countries where institutions and policies are weak,

the first step should be to have one thing done well at a time. Urban development is not a one-project process; it needs to evolve. The best way is to start modestly and to tackle the mechanism over time. Upgrading and sites and services efforts have traditionally included additional elements involving construction of community facilities such as primary schools, health clinics and also provision of credit for small scale business. We have not to date developed useful experience in employment promotion through small scale business components and we propose to let IDF handle credit and technical assistance to small business in the future. While the experience in provision of community facilities has been reasonably positive, we propose to have fewer such components in the future except under special circumstances, in the interest of reducing coefficients and improving our ability to be more effective in those areas where we concentrate our attention. Of course, urban development is by its nature complex; it is not a single "sector" as other sectors, but is an area focus and therefore multifaceted. Where complexity has been a difficulty in the past, this has been associated more with multiple implementing agencies, or with policy complexity than with multiple types of works. 1/ We will seek to work primarily with one key agency in future projects and to deal with policies in a more incremental manner.

Broader Institutional Impact

4.5 The first project in each country tended out of necessity to focus on technical aspects of the development of particular project sites as demonstrations of what could be achieved. Because of this, they could give only limited attention to the broader context within which the projects were found. We are now in a position to deal more explicitly with long-term institutional impact and program needs. For example, when we choose to do upgrading in countries where we already have an on-going upgrading scheme, subsequent projects will take a more programmatic approach to upgrading, i.e., will move towards support to a "time slice" of a long-term program. Countries will be encouraged to plan their long-term needs for such infrastructure, and to work out a feasible financing plan. Similarly, if we do a project involving support to housing finance rather than have a project focus on a single site, we will look more broadly at the nature of the housing sector and attempt to fit our project better into overall housing policy (as is beginning to happen with the FMBN in Nigeria).

4.6 In summary, our traditional sub-sectoral emphasis will evolve in a manner designed to better institutionalize the concepts developed in the first projects. The following adjustments would be made in our traditional areas of interest:

- (a) Municipal Development - More attention to the broader needs of local government with the aim of improving urban efficiency:

1/ The first Nigeria project is a good example: the project unit has been able to act as a general developer and is able to construct schools and clinics along with the more basic water supply, drainage and street facilities under the auspices of the Bauchi State Development Board.

- (i) special attention to maintenance and rehabilitation (as in Ghana, Lagos and Mali);
- (ii) greater attention to municipal finance and local resource mobilization (as in Liberia, Mali);
- (iii) more overall investment programming and budget planning (as in Abidjan); and
- (iv) projects that finance broader packages of basic infrastructure in conjunction with the above to promote efficiency and reduce bottlenecks.

(b) Land Development

- (i) In upgrading we will move from a project-specific focus to a program approach in assisting local governments to deliver basic services. This will involve identification of total city needs; preparation of a financing plan and establishing institutional arrangements; and
- (ii) We will try to put sites and services in the overall context of land development needs. In the past, we tended to discuss sites and services only with housing agencies. Since sites and services is land development rather than housing per se, this has often led to confusion and questions of responsibilities of various units of Government.

(c) Housing - We will continue to finance infrastructure for housing, while de-emphasizing the construction of buildings by the public sector. When circumstances arise, we will deal more with broader housing policies, housing finance and institutions. Such an effort would focus on institutional development. The role of the private sector will be further emphasized in our policy and program dialogue.

(d) Urban Transport - Continued emphasis on those measures that have high payoff and relatively low capital expenditure to foster efficiency in goods and passenger movement in the larger towns and cities.

New Lending Tools

4.7 There are a number of new approaches to lending which will be explored in the course of our project work:

- (a) Development of Intermediaries - With a limited number of project interventions in each country, the role of intermediaries will be increasingly important:
- (i) in the field of housing, for example, there may be circumstances where we might focus directly on housing finance institutions rather than focus on specific projects, e.g., BHS in Senegal, CFC in Cameroon and FNMB in Nigeria; and
 - (ii) another type of intermediary with which we might become involved is a municipal development bank. In Cameroon, Senegal and other francophone countries such institutions exist at least notionally. Working through such institutions may be the most efficient way of dealing with smaller, widely dispersed secondary centers.
- (b) Making Use of Cofinancing - The Ivory Coast and Cameroon projects involve cofinancing with bilateral institutions. Technical assistance and certain forms of municipal assistance (e.g., solid waste) are often attractive to bilateral institutions. Cofinancing with private sector banks, while less likely, should not be ruled out.
- (c) Support to SALs and Technical Assistance Projects - A new but potentially interesting avenue to explore would be to incorporate local government financial performance objectives as part of SALs in countries where counterpart funding is a constraint. Togo and Senegal may be examples for the future. Similarly, our experience with urban transport and housing parastatals might also be incorporated into SAL type lending. Investment programming studies could also be part of an SAL or technical assistance operation. Such studies have had an important impact in Abidjan and are about to start in Mali, Cameroon and Benin. These could have spill-over benefits to improving aid coordination.
- (d) Maintenance Projects - Given the importance of maintenance, there may be some countries, e.g., Ghana and other small countries where a focus on rebuilding a capacity to maintain existing infrastructure and/or rehabilitate obsolete facilities may warrant separate project focus. The first Lagos project will likely focus on maintenance in the solid waste and drainage sub-sectors as a way of providing a fairly straight forward entrée into Lagos and of assuring that the foundation exists for a substantial infrastructure program.
- (e) Technical Assistance and Engineering Projects - Another means of assisting governments to take the first steps in developing more comprehensive programs is through technical

assistance and engineering credits. Much of our project preparation and supervision in the past has in fact been technical assistance. We have not done separate technical assistance projects in the past because of constraints on the number of lending operations, but could consider doing so in Nigeria and perhaps in certain smaller countries such as Niger if we were to have an involvement there.

- (f) Reconstruction Projects - Staff of the Division have developed experience in the few reconstruction projects that the Bank has financed in other regions (earthquake and war reconstruction) and remain available for this type of work which requires careful planning.

V. COUNTRIES OF FOCUS

5.1 The countries on which we will focus are generally the larger, more urbanized countries along with only a selected few smaller countries where a positive dialogue has been established. The seven countries that will receive priority attention by the Division are Nigeria, Ivory Coast, Cameroon, Senegal, Liberia, Ghana and Mali. These are countries in which a positive dialogue has already been established and where our future program involves mostly repeater projects. Given the size, the backlog of investment needs, and the positive relationship we have established in Nigeria, it is the most important country for our program.

5.2 We would like to emphasize however, that even small countries have serious infrastructure deficiencies and the Bank can play a role in meeting these deficiencies just as it can in other sectors. Sometimes the problems are easier to deal with in smaller countries where they are not yet out of control, and where there is less institutional complexity. In fact, experience suggests that the Bank is likely to be more effective with basic infrastructure projects in these countries than with certain softer sector projects such as health, or even education, where operational issues are more difficult to deal with, or with inefficient public enterprises, where reforms will be difficult to achieve. Nevertheless, the frequency of repeater projects (in any sector) in the smaller countries will be low. Recognizing this, urban projects would only be proposed in such countries when it can be shown that the long-term institutional impact of the project would justify our involvement. The selection of a smaller country for inclusion in the program and the nature of our involvement would depend on the outcome of country CPP and other sector work.

5.3 In the larger countries, it is perhaps more true for urban than for other sectors that smaller, more frequent projects are more appropriate than larger, less frequent projects. Institutional development and a dialogue on policy issues can be best achieved by dealing with such issues sequentially, in small steps, rather than tackling several at a time in a single project.

5.4 Annex 2 presents our proposed lending program. It is based on our estimate of an appropriate sequencing of projects in key countries. This program is in line with the number of projects per year indicated for the urban sector in the West Africa Regional response to the ASR.

VI. SECTOR WORK

6.1 We have proposed an increase in urban sector work for the next two years since:

- (a) Only limited urban sector work has been done in West Africa to date and the base on which we are building is very small;
- (b) As part of the regionalization of the Urban Division it is essential that basic analyses of urban issues in the region, our past role, and the potential Bank role, be thoroughly discussed in the context of individual country and regional strategy; and
- (c) Urban sector work has (or should have) relevance to projects in other sectors especially water, power and industry.

6.2 We expect to make the sector work program as operationally oriented as possible. Among the issues that will receive particular attention are:

- (a) Resource Mobilization Opportunities - Our work will focus on enhancing our understanding of existing systems and developing in particular countries, plans for improved mobilization of resources through better administrative and fiscal measures. These efforts, while focused on urban areas could have macro-economic consequences because of the concentration of highly valued resources in urban areas.
- (b) Maintenance - Our work will review organizational and financial questions related to maintenance and identify lessons learned from those West African countries that perform relatively better, which can be applied to those that are performing poorly.
- (c) Increasing Urban Efficiency - Our work would focus on identifying those cities and sub-sectors where inefficiencies are particularly costly. Developing a better understanding of the linkages between urban infrastructure and cost reduction in business and industry will be explored.
- (d) Coordination of Bank Activities in Urban Areas - The Urban Division has special responsibilities for coordinating a balanced approach to investments in urban areas. One way to achieve this is by undertaking a review of overall investment priorities in selected urban areas where projects in several sectors are envisaged. Work will be done in conjunction with staff from other divisions as necessary. Identifying the infrastructure constraints to industrial development and identifying the infrastructure constraints in secondary cities to rural development is a particular interest.

VII. RELATIONSHIPS WITH OTHER DIVISIONS

7.1 Through a series of discussions with various related divisions and with the support of the Assistant Director, a set of working relationships has been established with these divisions as follows:

IDF

7.2 In West Africa, the primary responsibility for developing projects and programs involving credit mechanisms lies with IDF. While the Urban Division in the past has included components involving small-scale business promotion in urban projects, in the future we will generally not do so. We will continue to provide serviced plots for business activities in low-income areas, and to look at urban efficiency in support of productive activities, but will expect the IDF Division to deal with credit and technical assistance.

Water Supply

7.3 The differences in responsibilities between the water supply and the urban division arise primarily out of the differences in our respective counterpart institutions. The following division of responsibilities reflect both what has been happening in projects and the experience of staff:

- (i) The Urban Division generally focuses on projects and sub-sectoral activities which are the responsibility of municipal governments, or in some cases national institutions carrying out municipal functions and housing authorities. The WS Division generally focuses on activities which are the responsibility of independent water and sewer public utilities.
- (ii) The Water Supply Division has more experience in heavy engineering for the provision of bulk supply and trunk distribution of water and sewer networks. The Urban Division has more experience in area development works (mainly carried out by local governments or land development agencies) and has generally concentrated on low-income poorly serviced neighborhoods by providing minimum package of water reticulation, human waste disposal, drainage, minor roads and sometimes community facilities. The Urban Division Projects have generally focused on 'tertiary' levels of infrastructure, i.e., supply to final users and on sanitation through upgrading, while the Water Supply Division generally has focused on primary and secondary levels of networks where 'heavier' engineering skills are required. The Urban division is also concerned with overall urban planning and investment programming. In addition, the Urban division is responsible for housing policy, housing institutions and infrastructure for new housing areas.
- (iii) With respect to financial issues, the Water Supply Division focuses on questions of tariffs for commercially oriented utilities while the Urban Division focuses on the substantially different institutional and policy issues associated with municipal finance including property taxation and other means of increasing revenues at the state and local levels, and housing finance.

7.4 An alternative approach to having separate Urban and Water Divisions is to merge Water Supply with Urban and to create two new divisions which would have responsibilities divided by country rather than divided by function as at present. There are advantages and disadvantages in combining water supply and urban operations and some of the main ones are discussed below:

Advantages:

- (a) would increase country specialization among project staff and make broader range of skills available for urban work;

- (b) would provide our clients with a single contact point in the Bank for the Urban Sector. This would facilitate a broader assessment of options for addressing basic planning and financial issues in the urban sector, and would facilitate setting priorities; and
- (c) would simplify the formulation of the regional lending program.

Disadvantages:

- (a) would concentrate multiple policy interests in one division, and risks losing newly won momentum in institution building in urban and water sectors;
- (b) rural water projects, on which considerable emphasis is currently being given, may suffer from a merger;
- (c) since water utilities are independent of local governments, and since they operate under different accounting and management systems, and respond to different political environments, each division would have to retain sub-specialists, focusing respectively on utility and on local government questions. The combined Urban/Water Supply division of the EAP region has discovered this despite initial attempts at internal consolidation. Under these conditions it is questionable in the West Africa Department, whether a critical mass of sub-specialists could be retained in each combined division. The specialist experience and relationships with counterpart institutions which has been built up may be lost. Also, there would be pressure to combine in some projects, components involving important water utility efforts with important local government or housing efforts. This could lead to doing each job less well. Our experience with combined power and water public utility divisions, as well as that of the EAP region, demonstrates that inevitably one side or the other will be favored to the detriment of the other; and
- (d) would initially disrupt present organization and work program; since this settling down may take a year or so, the adverse effect on staff morale, on the work program or on efficiency of the newly created division should not be overlooked; the staff of both the Water and the Urban divisions believe that considerable efficiency gains could be achieved by developing a better understanding of the relative functions of the divisions among our Regional colleagues.

7.5 Based on the above, we recommend that both the divisions continue as at present for about a year, at which time the question could be reconsidered. At the same time intersectoral coordination and cooperation would be increased through the efforts of the Assistant Director, Country Programs, CPS and the Division Chiefs. In the case of both Urban and Water Supply, the development of an understanding of counterpart institutions by staff and the development of a close professional relationship is the key to success.

PHN and Education

7.6 There have been no free-standing health or education components in urban projects in West Africa. However, many projects have included the construction of schools and health clinics as part of community facilities in upgrading and sites and services projects. In the future, as noted earlier, we will do this only on a case-by-case basis, although we will continue to provide serviced sites for such facilities. There would be no attempt to reform health or education policy as part of an urban project. On the other hand, our upgrading and sanitation projects have an important impact on public health and in principle could benefit from an early involvement by public health specialists from PHN.

VIII. OPERATIONAL PERFORMANCE

Performance Measures

8.1 While there are no established standards that are used to evaluate and compare sectoral and/or regional performance (efficiency), some indicators are available. For example, the Operations Evaluation Department has reported ^{1/} that in the course of reviewing 250 projects certain common performance results emerge. These results are compared with data for the five West Africa urban projects in the Table below.

<u>Indicator</u>	<u>Operational Indicators</u>	
	<u>Bank-Wide</u>	<u>West Africa Urban</u>
1. Start-up Period: Percent of estimated appraisal implementation time to disburse 25% of loan	40-60%	30%
2. Completion Time: Percent of estimated appraisal implementation time to complete	142%	All but one projected to be within this range.
3. Land Acquisition: Percent of projects in which this was a major factor in delays	33%	One (20%)
4. Cost Overruns: Percent of projects with cost overruns of 25% or more	49%	20% ^{1/}
Percent with cost overruns exceeding 50%	25%	20% ^{1/}
5. Disbursements		Pattern is similar to Agriculture.

^{1/} One project has been restructured to adjust to originally estimated costs.

8.2 The above table indicates that the operational performance of urban projects has been in line with Bank-wide experience.

8.3 The Fall FY80 implementation review discussed the experience of urban in some detail. Among the more important observations and lessons learned were the following:

- (a) Delays in implementation reflected in part, predictable start-up problems faced by first projects in a country;
- (b) The projects involved reaching a consensus with governments on new and innovative policies, such as standards. The Senegal project was, furthermore, the first urban project ever appraised by the Bank, and staff did not have a base of experience to draw on;
- (c) Projects such as Upper Volta and Senegal have tended to be too large in scale and scope and attempted too much in the way of policy changes for starter projects.

8.4 Several lessons immediately emerge from the above:

- (a) Project preparation missions, especially with new borrowers in the urban sector, should be more realistic in their policy positions, adopting an incremental approach. Government acceptance and understanding of policy changes and standards should be given time and experience to evolve. However, already five West African countries are familiar with the kinds of policies and standards embodied in our projects, and first projects are expected to start in two additional countries within the year, this problem should be much less of an issue in the future.
- (b) As a means of ensuring real agreement on standards, and to avoid delays in start of construction, as a matter of routine, we will have detailed engineering designs for at least the first year's works available by Board presentation.
- (c) Problems with projects that are too large in scale as well as scope will be tackled by having more focussed projects with fewer components.
- (d) More general problems of implementation, such as counterpart funding and staffing, are endemic to all projects in the Region and are, therefore, more difficult to deal with. Progress is being made, however, in insisting that key staff be hired as a condition of negotiations (Nigeria) or Board presentation (Liberia) and in requiring that counterpart funds for the initial tranche of work be deposited in project accounts as a condition of either Board presentation or effectiveness (Mali and Nigeria II).

COEFFICIENTS

8.5 Our past experience and proposed new directions provide the basis for estimating the cost of future operations. A number of factors exist which will permit considerable improvements in our historical budget coefficients. Some of these factors are:

- (a) the existence of a good dialogue in most countries in which we are working;
- (b) the building up of a sector work program which will directly support our operations program;
- (c) an agreement to have fewer, but higher impact components in our projects; and
- (d) our success in the recruitment of experienced and specialist staff.

8.6 Accordingly, we have submitted a budget for FY83 that incorporates a supervision coefficient of 16.1 SW per project, down from over 20 in FY81; and a preparation-through-Board coefficient of 125 down from about 162. These efficiencies assume, in part, economies associated with scale, i.e., conducting more than one operation in a country. While events may prove us wrong in our estimates of the efficiencies that we can achieve, these figures are our current best estimate.

8.7 Our first year operations program which has been reviewed separately with the Assistant Director is based on a further reduction. By FY86, urban preparation coefficients should be down to 120 SW.

8.8 It is important to keep in mind that there has been a learn-by-doing process for all urban projects and that the current West Africa urban projects portfolio is comprised exclusively of first-generation projects which have higher preparation and supervision requirements and are more prone to implementation delays, than repeater projects. It should also be noted that when the urban divisions were formed within CPS they were given a mandate to address complex issues on which there was little background and experience to draw from. This situation no longer applies. More importantly, these projects, while requiring comparatively greater resources, have set the stage for second - and third - generation projects that will build on the institutions and policy directions they have developed. Our experience with repeater projects in Nigeria and Ivory Coast indicates that repeater projects have preparation coefficients that are significantly lower than those of first projects.

Attachments

AP:lp/me

STATUS OF PROJECT IMPLEMENTATION

1. In the Senegal Project (FY72) 11,000 serviced plots (for a population of 100,000 people) have been provided in Dakar, and 1,600 lots in Thiès. In Dakar the following community facilities have been built: one health center, one retail market, three schools and one police station.
2. The project was too large in scale for a first operation in Senegal and implementation was very slow. With the site development works now complete however, major complementary development has been stimulated. The Government is highlighting sites and services as a key element of its new national housing policy and intends to use the Project Unit (which has performed relatively well) to implement this policy. Broader institutional development within the OHLM has yet to be addressed.
3. In the first Ivory Coast Project (FY77) in Abidjan 8.6 km of urban express roads with bus lanes and connecting feeder streets have been built; 57 streets intersection have been equipped with traffic lights and 3 km of reserved bus lanes constructed in the city center. The upgrading of 215 ha (where about 100,000 people live) is 40% completed, 10 km of the main trunk sewer in the city constructed; 240 class rooms, 1 health center and 1 community center have been built; 1930 low cost dwelling units have been built with USAID co-financing and about 25 staff/year of technical assistance provided for project execution and for studies.
4. With the provision of the construction loans, which have not yet started, the project will be fully completed. Policy changes have been important with this project. On the transport side the Government has fully accepted a traffic management (restraint) policy including parking policy, one-way street system, and introduced the first reserved bus lanes in sub-Saharan Africa. On the shelter side the Government passed a law recognizing the importance of upgrading and defining mechanism for its implementation through all the country. The Abidjan investment programming study has developed a much greater awareness to coordination and restraint of urban investment and better use of existing infrastructure which has resulted in substantial savings.
5. In the Upper Volta Project (FY78) the municipal service department (garbage collection and street maintenance) has been reorganized and provided with new vehicle/equipment/tools (and training) both in Ouagadougou and Bobo-Dioulasso. Ten schools and three health centers have been rehabilitated and about nine staff/year of technical assistance has been provided for project execution. Upgrading of about 400 ha (50,000 people) and development of 50 ha (1,200 plots) of serviced sites has just started with plot demarcation and should be completed within two years. All project elements will be completed with delivery of construction loan and the remaining technical assistance. The main achievement of this project so far has been the improvement of the sanitary conditions of Ouagadougou and Bobo-Dioulasso due to the shaping up of their municipal services department.

6. In the Mali Project (FY79) 200 ha land development (sites and services and upgrading) for 50,000 people is 50% completed, 80 km of main drainage ditches have been cleared and repaired, 15 vehicles and 150 containers for garbage collection have been received and have started operating in Bamako and Mopti. Repair and construction of the water supply production and distribution system is 80% completed in Kayes. The regional directorate of land registry and taxes has been reorganized and a new property tax system is being set up. Thirteen staff years of technical assistance have been provided for project preparation and execution and about the same remains to be provided for carrying out project execution/preparation of an investment program for Bamako and preparation of a second project. The construction of the community facilities: two primary schools, one health center and three markets will start this summer. The sanitary conditions of the city will be further improved with the construction of about 120 public standpipes, and ten public toilets.

7. The main policy impact of the project so far has been the improvement of the sanitary conditions of Bamako, Mopti and Kayes, the mobilization of local resources for financing the recurrent cost of these programs and the strengthening of the District of Bamako both technically and financially.

8. In the Nigeria I Project (FY80) construction of about 2,000 serviced lots and upgrading of about 100 ha is 50% completed. The construction of six health clinics and five primary schools is 75% completed and about 35 staff/year of technical assistance provided for project preparation and execution to the local and federal level.

9. The project will be completed with provision of some more technical assistance and processing of construction loans. The main impacts of the project have been the demonstration that upgrading can be accomplished in an affordable way, the development of a new national housing policy statement, and long term institutional support to the Federal Mortgage Bank.

ROUTING SLIP		DATE: 3/14
NAME		ROOM NO.
① Mike Murray		
② K.S. Lee - last		
③ Cookie Tager		Even under OPTIMISTIC assumption
④ Dave def.		There will be 32 million
		Loan is deducted by year 2000
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
<p>Please let me know if you see any applicability to our work. And no mention is made.</p>		
FROM: Dave	ROOM NO.:	EXTENSION:

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OFFICE MEMORANDUM

Mike C.

DATE September 13, 1985
TO Messrs. Aklilu, Churchill, de Azcarate, Golan, Schuh
FROM Herman G. van der Tak
EXTENSION 73622
SUBJECT Poverty Alleviation and Employment

The attached papers report on interesting efforts to come to grips with poverty and employment problems in Bangladesh. (The Project Brief and the Summary of the feasibility report provide an overview). I believe the approach is of wider relevance, and would welcome your reactions. In particular, I would like to hear your views on trying out these ideas elsewhere.

Attachments:

cc: Mr. Husain w/o attachments
Mr. Nijhawan

*1) Dave:
These may be interesting to Munnay or KSC, or
Cookie.
Mike*

OFFICE MEMORANDUM

DATE : July 18, 1985

TO : Mr. S. Shahid Husain, Vice President, Operations Policy

FROM : Om P. Nijhawan, ASABA *ofn*

SUBJECT: Poverty Alleviation in Bank Work

1. Having seen several references to your emphasizing the continuing importance of poverty alleviation in Bank work, I thought you may wish to see some of the recently completed work on Bangladesh in this area - a sector report "Selected Issues in Rural Employment" (1983), a follow-up feasibility report "Employment Opportunities for the Rural Poor" (1985), and the project brief on Rural Employment and Training project. This project is now included in our FY87 lending program.

2. May I add that this work was well received by GOB and the Bangladesh Aid Group and strongly supported by a group of 'likeminded' bilateral donors - SIDA, NORAD, DANIDA, the Swiss and the Dutch, and UNDP. The Rural Employment and Training project will be co-financed by SIDA and NORAD, and UNDP will finance pre-project activities including training course development and training of initial project staff.

3. I would like to discuss with you the possible wider applicability of such work in the Bank after you had the chance to review the attached documents.

Enclosures

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Report No.

BANGLADESH
EMPLOYMENT OPPORTUNITIES
FOR
THE RURAL POOR
- A FEASIBILITY REPORT

February 11, 1985

CURRENCY EQUIVALENT

The external value of the Bangladesh Taka (Tk) is fixed in relation to a basket of reference currencies, with the US dollar serving as intervention currency. On December 1, 1984 the official exchange rate was set at Tk 25.97 buying and Tk 26.03 selling per US dollar. Unless noted otherwise, the rates shown below have been used throughout this report:

Tk 26.20	-	US\$1
Tk 1	-	US\$0.03
Tk 1 million	-	US\$38,168

WEIGHTS AND MEASURES

1 acre (ac)	-	0.405 hectares
1 maund (md)	-	37.3261 kg
1 seer (Sr)	-	0.933 kg
1 (long) ton	-	27.22 maunds

FISCAL YEAR

The Bangladesh Fiscal year runs from July 1 to June 30.

This report is based on the findings of an IDA/SIDA/DANIDA Mission which visited Bangladesh in January/February 1984. The Mission's members were: Messrs/Mesdames Om Nijhawan, ASABA (Mission Leader), Gloria Scott (PPDPR), Severino Santos (ASPED), Jan-Ingvar Lofstedt, Aresnio Espinoza-Bravo, Henry Jackelen (SIDA Consultant), Kirsten Ewers Andersen (DANIDA Consultant), Katrina Larsson and Marilyn Carr (Consultants). Mr. M. Faizullah, Joint Secretary, Cabinet Division Assisted the Mission in the field and contributed to conceptualization of UERCs. Mr. Andrew Elek (ASABA) provided advice throughout the preparation of this report.

List of Abbreviations and Acronyms Used

BADC	- Bangladesh Agricultural Development Corporation
BANSDOC	- Bangladesh National Scientific and Technical Documentation Center
BASWAP	- Bangladesh-Swiss Agricultural Project
BARD	- Bangladesh Academy for Rural Development
BARI	- Bangladesh Agricultural Research Institute
BAU	- Bangladesh Agricultural University
BCC	- Bangladesh Cooperative College
BCSIR	- Bangladesh Council for Scientific and Industrial Research
BIDS	- Bangladesh Institute of Development Studies
BIBM	- Bangladesh Institute for Bank Management
BJRI	- Bangladesh Jute Research Institute
BRAC	- Bangladesh Rural Advancement Committee
BRDB	- Bangladesh Rural Development Board
BSBL	- Bangladesh Samabaya Bank, Ltd. (apex bank for traditional cooperative credit system)
BSCIC	- Bangladesh Small and Cottage Industries Corporation
BSS	- Bittaheen Samabaya Samity (Cooperative for resourceless people)
BRRI	- Bangladesh Rice Research Institute
BUET	- Bangladesh University of Engineering and Technology
CIDA	- Canadian International Development Agency
CCK	- Comilla Cooperative Karkhana
CPR	- Contraceptive Prevalence Rate
DANIDA	- Danish International Development Agency
DPEC	- Departmental Project Evaluation Committee
ECNEC	- Executive Committee of National Economic Council
FEC	- Functional Education Course
FFWP	- Food For Work Program
FY	- Fiscal Year
GDP	- Gross Domestic Product
GB	- Grameen Bank
GBP	- Grameen Bank Project
GOB	- Government of Bangladesh
HBRI	- Housing and Building Research Institute
HYV	- High-Yielding Variety
IAT	- Institute of Appropriate Technology
IDA	- International Development Association
IFAD	- International Fund for Agricultural Development
ILO	- International Labor Organization
IRDP	- Integrated Rural Development Program
IRWP	- Intensive Rural Works Program
KSS	- Krishak Samabaya Samity (Farmers Cooperative Society)
LGRDG	- Local Government Rural Development and Cooperatives
MAWTS	- Mirpur Agricultural Workshop and Training School
MCC	- Mennonite Central Committee
MSS	- Mahala Samabaya Samity (Cooperative for women)
NCST	- National Council for Science and Technology
NCB	- Nationalized Commercial Banks
NEC	- National Economic Council

List of Abbreviations and Acronyms Used (continued)

NGOs	- Non-Government Organizations
NILG	- National Institute of Local Government
NOVIB	- Nederlandse Organisatie Voor Internationale Ontwikkelingssamenwerking (a Dutch NGO for International Development Cooperation)
NPR	- Net Reproduction Rate
PEC	- Project Evaluation Committee
PO	- Program Organizer
RCIP	- Rural Credit and Training Project
RD I	- Rural Development Project - I
RD II	- Rural Development Project - II
R & D	- Research and Development
RDA	- Rural Development Academy
RDTI	- Rural Development Training Institute
RDRS	- Rangpur-Dinajpur Rehabilitation Services
REP	- Rural Economic Program
RFEP	- Rural Finance Experimental Project
RWP	- Rural Works Program
RSS	- Rural Social Services Program
SIDA	- Swedish International Development Agency
S & T	- Science and Technology
SWANIRVAR	- Self-reliance
TARC	- Training and Resource Center
Thana	- Now renamed Upazila (Sub-district)
TRUGA	- Training for Rural Gainful Activities
TTC	- Technical Training Centers
UERC	- Upazila Employment Resource Center
UCCA	- Upazila Central Cooperative Association
UNDP	- United Nations Development Program
Upazila	- Sub-district
Upazila Parishad	- Upazila Council
USAID	- United States Agency for International Development
UTDC	- Upazila Training and Development Center
VO	- Village Organizer
VTI	- Vocational Training Institute
VTTI	- Vocational Teachers Training Institute

BANGLADESH
EMPLOYMENT OPPORTUNITIES
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SUMMARY AND CONCLUSIONS

Introduction

i. This report is a follow up to the 1983 Bank's report "Bangladesh: Selected Issues in Rural Employment".^{1/} The 1983 report concluded that given limited capital and skills relative to the needs of employment generation in Bangladesh, much of the work force would inevitably need to be absorbed in small scale informal or self-employment activities. In order to create productive employment opportunities in the informal sector, it was considered important to select, motivate and organize the target population into small productive groups, and equip them with necessary skills and technology for identified vocations, credit, market information and guidance to solve problems as they arise. This report seeks to develop a mechanism for undertaking such efforts to address rural poverty and employment issues. The mechanism is built around the key elements of success of some of the non-government organizations (NGOs) efforts in reaching the rural poor in Bangladesh. The approach is non-traditional in that it advocates minimum continued Government involvement and relies heavily on autonomous organizations of the target groups as a 'receiving mechanism' which would complement existing systems rather than competing with them.

ii. Available data show that despite significant development efforts since independence, poverty and employment situation in Bangladesh continue to deteriorate. The average real wage rate of agricultural workers in FY84 was only 67% of the FY64 level. Daily average wages of an agricultural worker in FY84 could hardly support a family of two for a day at the poverty threshold income level of living.^{2/} As agricultural workers are generally employed for only 185 days per year, and given the lack of non-farm employment opportunities, more than two-thirds of Bangladesh's population do not have sufficient incomes to ensure basic nutrition and necessities of life; nearly one-third of the population or about 30 million people are able to obtain only 1500 calories per capita/day (barely 75% of the daily minimum recommended).

iii. The problem of pervasive poverty is primarily due to the unprecedented growth of population -- 77% during the past two decades -- which has led to a gradually more adverse high man/land ratio and increasing

^{1/} Bangladesh: Selected Issues in Rural Employment, March 11, 1983; World Bank Report No. 4292-BD.

^{2/} The poverty threshold income level is defined as per capita income which permits a recommended daily calorie intake of 2,122 calories and related necessities of life.

landlessness. In addition, the ability of the landless to take initiatives towards diversifying the rural economy is severely limited by their illiteracy, lack of skills, inadequate financial resources, and the absence of opportunities for human resource development. As the landless have no assets, they depend on the rich for access to resources for making a subsistence living. Like the tenants and agricultural labor, non-farm rural workers also enter into a patron-client relationship of dependency with the landlords and moneylenders, and continue to eke out a sub-subsistence living in marginal activities.

iv. Unfortunately, the number of assetless families is continually growing. Even if fertility rates decline from now on, the labor force, will increase by about 15 million over the next 15 years. The absorption of this magnitude of new entrants to the labor force in addition to existing under-employment (measured as equivalent to open unemployment of about 7 million) in the context of increasing landlessness in a predominantly agricultural economy, is a formidable task. A particular difficulty in Bangladesh is that the land area which can be brought under cultivation has already reached its ecological limits and the majority of the poor have no assets and very few skills necessary for engaging in productive activities. Resource constraints further limit the options available to increase employment in Bangladesh. However, unless immediate innovative and bold measures are taken, the situation can only grow worse.

v. The Government is aware of the complexities of the issues involved in creating viable productive employment opportunities. In addition to implementing appropriate macro and sectoral strategies, the Government recognizes the need to organize, train and facilitate access to services by the poor. Thus, both the Government and several NGOs are now involved in the target group approach with varying degrees of success. These programs, however, have so far reached only a fraction of the target population. This report recommends an institutional mechanism, which includes efficient delivery of the coordinated package of services required by the poor as well as receiving systems, for undertaking additional efforts to create rural non-farm employment opportunities.

Employment Opportunities

vi. Although the extent to which new land can be brought under cultivation seems to have reached its ecological limits, the new seed/fertilizer/irrigation technology provides tremendous potential to increase crop yields and production. Fortunately, since this new technology is more labor intensive than the traditional techniques, a substantial increase in employment can also be expected to result from increase in output. However, the rate at which crop production can increase is contingent upon the rate at which new technology can spread which, in turn, depends upon a number of institutional factors such as the capacity of development agencies to implement appropriate policies and projects as well as bring about changes in the agrarian structure.

vii. While appropriate pricing policies and efficient implementation of water and flood control projects are extremely necessary and urgent, several other measures also need to be taken. As 50% of the cultivable land, which is either owned by large farmers or is under unfavorable tenancy arrangements, still have relatively low cropping intensity and low productivity, it is necessary to take appropriate measures to bring such lands under intensive cultivation over the next few years. The implementation of the moderate land reform package already accepted by the Government could certainly help, but it is likely to be hindered and delayed by political and administrative constraints. In the meantime, the Government should seriously look into the possibility of an effectively enforced land tax designed to encourage the better utilization of land on large farms, and at the same time mobilize much needed government revenues. Within the agrarian structure that is likely to prevail for some time, it is also extremely urgent to focus on strengthening institutional credit and other programs for existing small and medium sized farmers who have already shown a high level of responsiveness to new technology, and on some tenurial reforms, particularly those relating to security of tenure and more equitable rent/crop sharing arrangements. While efforts to accelerate the rate of spread of new technology in crop production are made, the medium-term prospects indicate that output can be increased at an annual rate of 3.5-4% for the next 7-8 years; if this happens, crop production could absorb not more than 20% of the increase in labor force during this period.

viii. The constraints implicit in the initial demographic and socio-economic structure of Bangladesh indicate that on the basis of present trends, about one-third of the increase in labor force over the next decade or so could be absorbed in directly productive activities, about 20% in crop production, 4-6% in industry and 4-5% in infrastructure development. Another one-third of the labor force may find work in the service sector to support that productive activity. The rest would join the existing pool of unemployed/underemployed and engage in marginal activities, worsening the magnitude and intensity of poverty unless direct action is taken to further stimulate the diversification of the rural economy.

ix. There is a need to focus on non-crop employment generation in rural areas by diversification of agriculture, including fisheries, livestock and poultry, and in rural infrastructure and rural industries. However, at the present time, the rural non-farm sector appears to be locked into a circle of low incomes leading to inadequate demand and a lack of income earning opportunities. Furthermore, the present pattern of production of rural industries can neither cater to urban demand and the demand pattern of the small affluent rural population nor contribute to production of modern agricultural inputs. The dynamic growth of rural industry, or even of crop production will require a sustained increase in the purchasing power of much larger sectors of the rural population. This will not happen if a substantial proportion of the rural population remains without productive work and hence without adequate incomes. If the incomes of the poor could be

increased, they are likely to demand goods and services produced by each other, thus expanding employment opportunities and boosting incomes.

x. An analysis of the expenditure pattern of the landless households below the poverty line showed that the marginal propensity to consume food was about 0.57, of which 0.20 was for non-cereal foods. Nearly 43% of the increase in income was spent on non-farm goods of which 6% was on rural industry products. The demand for non-food products was highly elastic: the elasticity for cottage industry products was 1.04, for clothing and household effects 1.40, and for capital goods such as agricultural tools and implements and equipment for cottage industries was 1.50. This indicates that there is considerable scope for expansion of rural markets if income of the target groups can be increased. Although the average share of the poor in household budget for non-food items is about 25-30%, nearly 43% of the incremental income of the target groups who constitute about two-thirds of the population can provide stimulus to production.

xi. Provision of credit at reasonable rates and training and improved technology can increase productivity and improve the quality of many of the products of the rural economy, thus lowering prices which can lead to the expansion of markets. Furthermore, increased production of traditional commodities can induce viable backward and forward linkages. Such activities along with the construction of rural infrastructure can be expected to create a multiplier effect, increasing overall incomes and expanding markets. If the quality of production of some of the rural activities can be improved, it may also find international markets.

Lessons of Experience

xii. Experience in Bangladesh shows that the promotion of productive non-farm employment opportunities among the rural poor requires that they be motivated and organized into productive groups and that they are provided with a coordinated package of skills training, technology, market information and credit. This requires appropriate institutional arrangements which can effectively reach the target population. Though most institutions involved in non-farm employment generation have not yet directed their efforts specifically to the delivery of a coordinated package of services and information to the rural poor, the experiences of the Grameen Bank Project (GBP) and of Bangladesh Rural Advancement Committee (BRAC) are instructive in regard to motivation, functional literacy, group formation and extension of credit without collateral to the poor.

(a) Group Formation

xiii. The poor need assistance to form groups based on common interests and social status as a mechanism for receiving training, credit and other needed inputs for promotion of productive employment. As the poor have either rather limited access to available services, or services appropriate to their needs do not exist, they also need an intermediary which would facilitate the

development and availability of services suited to their needs. Experience in Bangladesh shows that when people have formed groups with similarity of interest such as farmers, the landless, women, youth, and vocational groups such as blacksmiths, potters, carpenters, etc., they have achieved considerable success in mobilizing resources and in improving production and distribution, and have been able to safeguard group interests and generate remarkable effective group leadership. Such groups have proved to be successful in eliciting understanding and assistance from Government officials. However, experience also shows that to be successful these groups must be formed by their own voluntary effort rather than structured from above. While the role of the Government in providing services is clear, its role in group formation is not so clear. The Government bureaucracies are not well suited for assisting voluntary group formation for productive purposes. This is so for three reasons. First, it is not possible for the Government to get around the village power structure which tends to impede the formation of groups with similar socio-economic background and interests. Second, the Government's attempts at group formation through the cooperative structure has led to cooperatives being treated as adjuncts of the bureaucracy rather than private associations or enterprises. Third, as for effective group formation, it is necessary that group organizers/facilitators must remain answerable to the groups, by virtue of their responsibilities and accountabilities civil servants are not suited to undertake this task effectively.

xiv. The Government, through the Bangladesh Rural Development Board (BRDB), is now expanding its program to organize special cooperatives of the landless and women, and the complementary services for assisting production in non-crop sectors. However, given the magnitude of the poverty and employment problem and the limited capacity within the Government, it is necessary to make additional efforts and experiment with other innovative approaches to reach the poor. The proposal in this report does not rely solely either on the Government or the NGOs, but is a combination of both, and is designed to complement rather than compete with or supersede existing systems.

xv. An analysis of two successful models in Bangladesh -- the Bangladesh Rural Advancement Committee (BRAC) and the Grameen Bank Project provide sufficient insight for the mobilization of rural people's energies for productive purposes. Both the GBP and BRAC models spend considerable effort in the process of group formation, but they do not advocate cooperatives in the sense of legal entities. This is because, both do not see legal cooperatives as conducive to cohesive group formation, unless they are formed by the initiative of the groups themselves over time based on the success of the groups in terms of motivation and participation. While the Government needs to create an overall appropriate policy environment, and facilitate the provision of necessary services, other initiatives must be encouraged and built to develop efficient receiving mechanisms.

xvi. Group formation must be the basis for building an efficient and sustainable receiving mechanism for inputs of credit and technology. Experience has also shown that before credit and other inputs are provided

the groups should be well prepared in the sense of having developed group cohesion and having agreed upon group functions and activities as well as the nature of inputs required before they are provided with those inputs. Furthermore, the size of the group must depend on the functions chosen. Experience shows that the formation and consolidation of cohesive groups is perhaps the most difficult task as most of the target groups are not only non-schooled and illiterate, but continued oppression by the elite and poverty have made them superstitious, ignorant of their possibilities, resulting in lack of self-confidence. Group formation is, thus, considered a long and continuous process, covering several interlinked stages and steps such as establishing group functions, consciousness raising, leadership development, functional literacy, local socio-economic analysis, identification of potential employment opportunities and skills training needs, articulation of demand for different services and action to create productive activity and remove constraints. The group members must take part in all the stages, and the organizations set up to promote group formation must play a vital role both inside the groups and between the groups and sources of services that would be provided.

(b) Credit

xvii. Though there are 3,000 branches of commercial banks in rural areas, the principal problem is the lack of access of the rural poor to the institutional credit system. This is due to lack of assets and the very small credit needs of the rural poor; the former goes against all standards of creditworthiness used by the banks, and the latter makes the overhead costs prohibitive for any institution to lend to the rural poor on an individual basis. However, some of the NGOs have shown that a viable credit system can be established to reach the poor. The evaluations of both the BRAC and GBP models which are based on group guarantees and flexible repayment plans determined by the expected income from credit funded activities show that target groups are able to undertake profitable activities with credit provided at effective rates of 21% (GBP), and up to 30% (BRAC). Both models have shown that target groups are not only acceptable credit risks, but are also able to generate impressive savings; in both cases repayment rates are over 95%, and savings of close to 20% of the loans outstanding have been accumulated by using arrangements which are agreed as part of the condition for lending. Both GBP and BRAC models show that its participants increased their household incomes by over 70% in a two-year period, and that their net earnings from activities financed were between 75-100% of the borrowed funds. The willingness of the rural poor to borrow at rates of 20%-30% p.a. is not surprising as the rural poor generally rely on traditional sources of credit and pay 10% per month or more. That the rural poor can pay a relatively high rate of interest and make a living in traditional activities has also been demonstrated by the USAID Rural Finance Experiment Project (RFEP) which charged interest rates of up to 36% p.a. without adverse effects on the demand for credit or to repayment rates. The RFEP concluded that interest rates of between 24-30% p.a. were the most appropriate to the rural economy

in view of the costs of delivering credit and the ability and willingness to pay of the potential borrowers.

xviii. As close to half of the rural branches of commercial banks are not profitable due to low volume of lending, they would have an incentive to get involved in lending to the target groups, provided that a mechanism can be designed to make that lending profitable and to provide adequate security. In order to limit costs of lending to commercial banks it will be necessary to have a specialized intermediary which collects, disburses and supervises credit to target groups and which sets an interest rate that will cover the cost of funds and operational overheads of both the banks and the intermediary. The GBP has functioned effectively as an intermediary between banks and the landless poor. Although GBP has been able to show that the poor were an excellent credit risk, this has not been a sufficient incentive for commercial banks to become directly involved as income from this lending was not commensurate to their overheads. If the banks are to be involved in lending to the poor, they must have sufficient income to allow them at least a modest profit. The proposal made in this report shows that it should be possible to build a profitable target group business for commercial banks while at the same time facilitating rural productive activity.

xix. In addition to overall institutional commitment, the success of both the GBP and BRAC models is based on a cadre of well trained and committed workers who perform multiple functions of group formation, training, credit, and monitoring and supervising group participation and credit repayment. In order to reach the target groups effectively, through different experiences and approaches, both models have settled on sub-units or branches consisting of 6-8 person teams, each unit covering 15-20 villages with an estimated lending capacity of Tk 2.5 to 3.0 million per year for 1,500-2,000 borrowers. This level of lending is reached in about 3 years, and these branches can become self-financing at this volume with an interest rate of about 27%.

(c) Human Resource Development

xx. Although many rural activities can be undertaken by the rural poor with appropriate financial assistance, credit alone is not enough. In order to make productive use of credit and to build up the capacity of the target groups to absorb more credit productively and sustain self-employment, the poor also need skills training and improved technology for raising productivity of their traditional activities and for entering into non-traditional occupations.

xxi. The low level of literacy (22%) in the country is a serious obstacle to development. The SFYP originally set a minimum target of 80% literacy during the plan period and aimed at turning 40 million illiterates into functionally literate citizens. As the target was unrealistic, it had to be abandoned after a couple of years. Instead, a longer term perspective has now been adopted to eradicate illiteracy through universal primary education, though some adult literacy programs continue. Adult literacy programs,

however, are normally more likely to succeed if they are of a functional and work-oriented type and a part of income generating efforts. The Government human resource development strategy as it relates to the rural poor is well articulated in the SFYP document, but its implementation is far from satisfactory. Inadequate allocation of resources, lack of personnel and institutional infrastructure are perhaps the major impediments to implementation.

xxii. The Government has not yet focussed any of its efforts specifically on the provision of skills training to the poor who have not had access to formal education system. Most of the skills training programs in Bangladesh have a pre-requisite of five to eight years of schooling which excludes most of the rural population from skills training programs. The training capacity of the cooperative system (BRDB, Bangladesh Cooperative College, the rural development academics) is inadequate and not sufficiently geared to the needs and conditions of the landless. The Rural Social Services (RSS) program contains promising components, but is very small and needs considerable improvement and expansion. The Upazila Training and Development Center (UTDC) training seems to have deteriorated; training courses are inadequately planned, efficiency and attendance rates are low and the centers are not geared to the needs of the assetless poor and do not reach them in the villages. The Bangladesh Small and Cottage Industries Corporation (BSCIC) has a potentially promising orientation and infrastructure, but the actual extension capacity is inadequate. The Vocational Training Institutes (VTIs) and Technical Training Institutes (TTIs) are fairly well equipped, but training is neither directed towards the needs of the rural poor nor is systematically related to manpower needs and employment opportunities. The entire system in place lacks proper orientation, dedication, expertise, communication competence and instructions materials. On the other hand, a number of NGOs have developed considerable experience and competence in reaching out to the landless poor. The most promising system has been developed by BRAC, which combines group formation, consciousness raising, literacy and numeracy training, skills training, and employment generation into an integrated process. The BRAC model is theoretically sound, and operationally feasible.

(d) Choice of Technology

xxiii. The success of a development strategy which emphasizes rural off-farm employment is also closely linked to the country's capacity to choose, adapt and adopt technologies appropriate to these objectives. Current policies in Bangladesh do not make the necessary connection with appropriate choice and application of technology. As a result, many technologies used, such as rice milling, have in fact a negative effect on rural employment. In developing backward and forward linkages to traditional rural activities and to increase productivity, it is important to have a more rational approach to the choice of appropriate technologies backed with necessary support to rural enterprises.

xxiv. Not only is there a need to use appropriate technologies in public sector development projects, but appropriate fiscal, credit and import policies are also important in order to encourage appropriate choice of technology favoring labor-intensive production. Though there is a vast network of research and development in Bangladesh, the emphasis so far has been either on crop production or catering to the needs of larger urban enterprises. A few technologies that do relate to the needs of the rural landless have been tested under laboratory conditions, but lack appropriate design modifications and are not adequately disseminated. On the other hand, informal R&D consisting of a few enterprising individuals in a number of NGOs has achieved some success in improving technologies for existing artisan enterprises as well as adapting technologies which can form a basis of rural employment generation in the production of new products such as jute-reinforced roofing sheets, treadle pumps, neem soap, sunflower oil, handmade paper, etc., based on locally available resources. However, NGOs do not have enough technological expertise or resources to carry out such work intensively.

xxv. Since the opportunities for expansion of employment in traditional activities are rather limited compared with the overall need for rural employment generation, it will be necessary to identify and introduce new activities which complement the traditional activities. Such activities could be based on fish, milk and meat preservation; the production of fish smoking ovens, bamboo fish cages and fish nets, leather manufacture, and animal feed preparation. There is also a need to introduce improved technologies to existing artisans and group enterprises in order to assist them to remain viable in competition with modern industries. The development of these second generation activities is crucial to the success of any rural employment strategy. Technology choices make it possible to develop relatively small enterprises in rural areas. In Bangladesh, which is short of managerial skills and lacks opportunities for entrepreneurship outside agriculture and trade sectors, the promotion of carefully selected rural industries can open up opportunities for rural people with talent and drive. These people would subsequently form a dependable future source for skills and industrial leadership.

(e) Programming for Women

xxvi. In Bangladesh the question of how to reach landless women is also very important. Experience shows that to reach women effectively in the socio-cultural environment of Bangladesh would require special efforts to train female workers at all levels, the village worker level as well as those who will provide support to these female agents. Furthermore, in order to minimize the suspicions and problems that women considered to be outsiders face in traditional villages, the village female workers would need to be recruited locally or they must reside in the village in which they would work. In addition to training of female workers, women's concerns should form a component of the training of all those who will be involved with the rural employment programs, whether at the management or village level.

The Proposed Framework

xxvii. The focal point of the proposal is the creation of Upazila Employment Resource Centers (UERC), which would provide or facilitate a series of integrated inputs: group formation, functional literacy, credit, market information, skills training and access to new technologies to the target groups for creating new economic activity. It is envisaged that, after a brief initial transition period, the UERCs would be owned and operated by the target groups themselves.

xxviii. The UERC strategy embraces the two main requirements of rural employment generation; on the one hand, group formation and creation of demand for essential services; and on the other, development and provision of services appropriate to the needs of the target groups, the former will be the responsibility of the UERCs, while the latter will remain the role of the existing Government and financial institutions which would be made more effective by better organized demand for their services.

xxix. The strategy is based on minimum direct Government involvement in developing the receiving mechanism i.e. group formation, consciousness raising and functional literacy training; these will be provided directly by independently operated autonomous UERCs. Acting as a specialized intermediary, the UERCs will identify the needs of target groups and facilitate provision of a range of Government and financial services, particularly skills training, and access to credit through commercial banks by providing necessary guarantees. For the strategy to become viable it aims at making UERCs self-financing. This objective is essential not only to make it possible to replicate the approach once tested, but also for providing necessary incentives for effective performance to UERC functionaries, since they would not be paid as civil servants, but would be employed by the UERC and thus would need to be involved in ensuring the viability of the productive efforts of the target groups who would own and operate the Centers.

xxx. Credit would be provided by commercial banks by assuring adequate security through a guarantee fund and by charging the target groups interest rates that will cover the cost of funds and operational overheads. By making UERCs a guarantor, the commercial banks would be able to consider loans to target groups as part of their normal business instead of requiring a special loan program. Though the guarantee fund will be initially funded under a project, it will be replaced by the funds that UERCs will generate by levying a guarantee fee (5%). This charge will be in addition to interest rate of 12% and a UERC service charge of another 10%. (This will mean cost of funds to target groups of about 28% p.a). If recoveries continue to be good, and funds collected through the guarantee fee exceed what is required for the guarantee fund, the surplus funds would be used as venture capital for projects to be initiated by UERCs. If, on the other hand, rate of default is

such that guarantee fees fail to maintain adequate funds by covering repayments on the original advance and to cover default, then UERC experiment would, and should, be abandoned.

xxxi. The strategy is based on a two phase approach. The first phase would consist of group formation, functional literacy and a credit program designed to increase income of target groups by providing short-term finance for traditional activities such as fish farming and livestock and poultry raising for which there is still considerable scope for expansion. With continued functional literacy programs, this phase is also expected to prepare target groups for starting non-traditional activities such as soap, umbrellas, pencils, paper, jute-reinforced roof sheets and, particularly those having backward and forward links with traditional activities. The second phase will involve surveys to identify potential new activities, appropriate technologies and necessary skills training to enable target groups to carry out such activities.

xxxii. In brief, the UERCs will have the following functions:

- (i) act as a focal point for non-farm employment generation for target groups at the Upazila;
- (ii) participate in conducting surveys, and maintain up-to-date information on developments subsequent to the survey;
- (iii) facilitate the formation of productive groups (formal or informal);
- (iv) facilitate the provision of services to target groups, such as skills training, technology, market information and credit by acting as an intermediary between target groups and sources of necessary services;
- (v) coordinate activities of target groups as well as provide teaching aids needed for initial motivation and training in literacy and numeracy necessary for group formation; and
- (vi) assist in identification of productive activities and linking such local productive activities with a wider network by providing information on raw material procurement, marketing and improved technology.

xxxiii. The UERCs are to be as autonomous units, with a management committee consisting of two representatives of target groups, a representative of locally active NGOs, the local bank manager together with the manager and staff of the UERC; they will elect a chairman from among themselves. The UERCs will develop an informal liaison with the upazila administration by organizing a Consultative Committee with Upazila Nirbahi Officer (UNO) as the Chairman and consisting of a representative of NGOs, local Bank Manager, local officer of BSCIC, and Upazila Statistical Officer. The UERC Manager will act as Member-Secretary. The purpose of the Consultative Committee is

to ensure adequate support services to the target group; it will however have no executive authority over the UERCs or the target groups. The staff of the UERCs will not be government officials; their salaries will be paid out of the service charge to be levied by the UERCs; they will then have a clear incentive for performance as their security of employment will depend on their ability to generate UERC business. During the initial period of operation, however, a part of the salaries of UERC staff would need to be paid from an outside source.

xxxiv. At full functioning, following a transition period of about 2 years, a UERC will be staffed by 3 professionals, a manager/accountant, an animator/credit specialist, and a training/technology specialist. A UERC may also have several financially self-supporting sub-units, each consisting of 4 village workers, in order to reach as much of the target population in an Upazila as possible.

xxxv. Income and expenditure estimates made in this report show that on an average a UERC would require a total operating subsidy of about Tk 550,000 for the initial 3 years of operation. Adding capital cost of about Tk 2 million, a total external injection of resources of about Tk 2.5 million per UERC would be needed; this is equivalent to less than 2 years' estimated net income of the UERC following the initial transition phase. A UERC would also need to be backed with guarantee funds of Tk 100,000 for the first 2 years and Tk 400,000 for the third year; from year 4 onwards the UERC will have accumulated sufficient equity to provide its own guarantee fund. The volume of activity on which estimates are made can be expected to benefit about 8,000 families or nearly 25% of the population in an average sized Upazila. This can be expected to raise the Upazila income by about Tk 35-40 million. If particular UERCs do not become self-financing within 5 years then they would be disbanded. The successful UERCs will be eventually owned and managed by the target groups.

xxxvi. It is proposed that UERC concept should be tested on a pilot basis in all the Upazilas of one or two selected districts. A central project office will be responsible for overall administration of the UERCs; for planning, implementation and monitoring of the program, including training of UERC personnel; for conducting surveys in project Upazilas aimed at identification of target groups and potential productive activities; and for developing market information for new potential activities, including backward and forward linkages associated with expanding traditional activities. The central office will also manage the guarantee fund and help establish appropriate relationship between target groups, UERCs and designated commercial banks. The central office will administer the use of project funds and pay a gradually decreasing part of UERC staff salaries during the transition period. The central project office will be headed by a Project Administrator who will be appointed by the program financiers (GOB and donors).

xxxvii. Before starting the program, however, it would be important to give intensive training to about 100 persons -- those to be employed by UERCs as

well as to the concerned Nirbahi Officers and other relevant staff of the selected Upazilas -- in the concept and methodology of the UERCs. The Project Administrator, in consultation with the Cabinet Division, will prepare an annual work program and budget for the approval of a Coordinating Council consisting of the Cabinet Secretary as Chairman, Secretaries of Rural Development, Local Government, Labor and Manpower and Social Welfare and Women's Affairs, Planning Commission, representative of Bangladesh Bank, one representative of financing agencies, and the Project Administrator who will act as the Secretary.

xxxviii. In conclusion, there is no single optimal solution to Bangladesh's pervasive poverty and employment problems. It will take decades of concerted action on several fronts to approach anything like 'full employment' even at poverty threshold income levels. Given the magnitude of the problem, it is important to learn from experience and search for innovative experiments, while existing efforts continue. The proposed UERC strategy is an additional option and not a final solution. Even if the UERC strategy and other programs succeed, they will have only a modest impact on the rural employment situation. It must be added that it will require perseverance and dedication of those involved in the programs for the poor for a long period ahead, and result may not come quickly. However, concerted efforts must be made from now on if the poverty and employment problems are not to get worse.

Chapter 1: INTRODUCTION 1/

1.01 Poverty alleviation and rural employment are among the major objectives of Bangladesh's development. Improvements in the overall employment situation require an effective overall development strategy which gives appropriate weight to the employment objective. At the macro-level, it is a matter of exchange rate, fiscal, credit and wage policies which encourage the promotion of labor-intensive products and processes. At the sectoral level, these policies must be reinforced by policies in agriculture and industry which aim at fostering activities with high employment potential. In addition, there is a wide range of rural development programs to improve major productive activities, e.g. irrigation, crop development, fisheries, livestock, etc., as well as to provide infrastructure and support such as roads, extension, credit, education which are expected to create demand for additional labor and thus influence the employment and poverty situation. The Government's policies and programs have been designed primarily to strengthen productive activities which, in turn, would eventually employ more labor and thus influence the poverty situation. Despite such efforts over the past more than a decade, the poverty and employment situation in Bangladesh continues to deteriorate, 2/ primarily due to the continuing rapid increase of the work force, the increasing prevalence of landlessness, and the lack of non-farm employment opportunities.

1.02 Though due to increase in food production and higher imports average daily per capita foodgrain availability in 1981-82 at 15.9 ounces was much higher than 14.4 ounces in 1976-77, this was not equally distributed among income classes. Data from the 1981-82 Nutrition Survey indicate a deterioration in the average intake of calories and proteins since 1975-76 among the poorest segments of the population. Available information shows that in 1983 there were 8 million more poor, out of which 4 million were absolute poor, 3/ than in 1974, though the proportion of the poor in the total rural population at over 80% and that of absolute poor at nearly 41% remained the same. Average calorie consumption of low income groups ranges from 13% to 27% below estimated requirements. The average daily per capita calorie intake of the

1/ This report is a follow-up on the 1983 Bank's report "Bangladesh: Selected Issues in Rural Employment" and the subsequent draft action program which was discussed with the Government of Bangladesh in June 1983.

2/ For details see Chapter 2.

3/ The poor are defined as those who are unable to obtain the recommended daily calorie intake of 2,120 calories per person, while the absolute poor have per capita calorie intake of less than 85% of the minimum recommended.

bottom 32% of the population or about 30 million people, mostly landless and rural non-farm laborers, is about 1500, calories which is considered to be minimum critical just to maintain the body weight; this means that a substantial proportion of the population are able to obtain calorie intake of less than even the critical level. With an anticipated increase in population of nearly 40 million to about 140 million by the turn of the century, the poverty and employment situation in Bangladesh is likely to get worse, with consequent increased social, political and economic tensions, unless vigorous action is taken now. The creation of productive income-earning opportunities to absorb an increase of nearly 15 million to the work force over the next 15 years, and to alleviate existing poverty is a problem of tremendous magnitude which experience shows that the present policy and program package will be unable to resolve. The poverty syndrome in Bangladesh is further complicated by increasing landlessness which implies continued unequal access to means of production, and by a complex set of socio-economic relationships and attitudes. This calls for new and innovative approaches which, given Bangladesh's resource constraints, must be cost effective in order for them to permit widespread coverage.

1.03 Most of the programs designed to promote increased employment have sought to increase the demand for labor by strengthening productive activities in order to eventually absorb more labor. However, the Government has recognized that exclusive reliance on seeking to increase demand for labor in these ways is an approach which is partly flawed and certainly insufficient. It is flawed because most of the current programs bypass the majority of the poor; 1/ many government agencies are attempting to promote rural development programs both for the relatively affluent and the poor, but, in effect, their limited staff and financial resources primarily benefit the better off. This is partly because the existing rural power structure allows the better off to capture the benefits for themselves, in many cases with negative effects on the poor, 2/ and partly because the increasing number of the landless are not able to participate in the major rural development effort, i.e., crop production. Therefore, in addition to promoting existing rural development efforts, special attention needs to be paid to assuring the participation of the assetless in non-farm productive activities. The complexity of the nature of assistance needed by the very poor requires programs exclusively meant for those people, requiring a different approach and a delivery mechanism with organizational support having a non-farm orientation. This means that there is a need also to work from the supply side, that is, to identify and train the target groups who would not normally be reached by the production/demand oriented approach and who lack real assets. This would provide a link between the target groups and the jobs for which they are suited for in traditional rural activities as well as through training in new productive activities. While it is important to make this distinction between (a) creating demand for employment through sectoral programs designed primarily to strengthen productive activities and (b) the supply side which organizes, trains and facilitates access to services by target groups, taking account of the local power structure, both approaches

1/ See Draft SFYP, 1980, Chapter XII.

2/ Report of the Committee on Administrative Reorganization/Reforms, June 1982 p. 143.

are necessary and complementary. The supply side assumes significant importance in Bangladesh's context not only because a large proportion of the population lacks resources to engage in traditional activities, but also because they need direct assistance in identifying new opportunities that arise as a result of the expansion of traditional activities.

1.04 GOB recognizes the need for these complementary approaches; thus both the Government itself and several non-Government organizations (NGOs) are now involved in the target group approach from the supply side with varying degrees of success. These programs, however, have so far reached only a small fraction of the population.

1.05 The 1983 Bank Report on 'Selected Issues in Rural Employment' reviewed Bangladesh's experience in implementing target group oriented income-generating programs of the public and non-government sectors in the context of rural socio-economic relationships. The main conclusions of the report were:

- (i) a target group approach, which brings together the poor with similar socio-economic background into separately organized productive units and permits them to plan and implement their own programs, is more effective than reliance either on the overall village organization which, by its nature, tends to perpetuate the existing rural power structure, or on the bureaucratically sponsored formal cooperative structures which tend to be large, lack appropriate leadership and are generally ineffective in ensuring full participation of members because of inadequate motivation and the consequent absence of realization of the individual member's rights and responsibilities;
- (ii) well organized and motivated informal groups can establish efficient "receiving mechanisms" and can be effective in obtaining inputs and adequate services from Government agencies;
- (iii) there are a number of traditional occupations which offer limited income earning opportunities to the poor, provided credit and marketing facilities are available; there is, however, a need for identifying new opportunities which will require new technologies and skills training for the target groups;
- (iv) availability of credit for organizing productive activities is essential, but credit is better utilized when provided as a complement to motivation, skills training and technology;
- (v) the target groups, which are generally used to usurious interest rates from the informal credit market, are willing to pay the full cost for credit, their repayment record is good under adequate social and technical guidance and group dynamics, and they are able to save (though group pressure seems necessary for maintaining financial discipline); these characteristics can make rural banking a viable proposition; and

- (vi) there is a need for trained and committed manpower and for organizational and institutional capacity to work with a large number of the poor who need assistance.

1.06 Given limited capital and skills relative to the needs of employment generation, much of the workforce in Bangladesh would inevitably need to be absorbed in small-scale informal or self-employment ^{1/} activities. In order to be effective in creating such informal employment opportunities, it is important to:

- (i) select, motivate and organize the target population into small productive groups; and
- (ii) equip the target population with the necessary skills and technology for identified vocations, credit, market information and guidance to solve problems as they arise.

1.07 The coordinated delivery of such a package of services requires an institutional mechanism which includes efficient delivery as well as receiving systems. This report describes how such a mechanism could be developed; it reviews some of the recent success stories in rural employment generation, and, based on the vital elements of those systems, proposes a framework which after adequate testing can be expected to be suitable for wider application.

1.08 The report is divided into six chapters. Chapter II sets out the dimensions of the problem and constraints to employment generation. Chapter III examines the experience of two successful NGOs in selecting, motivating and organizing the target population into productive groups, and in providing these groups with credit for profitable non-farm rural activities. Chapter IV focuses on the Government's human resource development policies as they relate to the rural poor. Chapter V discusses the need and mechanism for the development and dissemination of appropriate rural technologies. Chapter VI then describes the new approach--the development of Upazila Employment Resource Centers as the focal point for rural employment efforts, and explains the framework for implementation.

^{1/} Though in the strict sense self-employment pertains to single-owner operations, for the purposes of this report it includes small group ownership and group operation where all involved persons are simultaneously part-owners and workers performing management, production and trading functions themselves as in production cooperatives or in small informal groups.

Chapter 2: DIMENSIONS OF THE PROBLEM
AND
OPPORTUNITIES FOR EMPLOYMENT GENERATION

A. INTRODUCTION

2.01 Despite significant development efforts since independence, Bangladesh continues to be dominated by extreme poverty. More than two-thirds of the population do not have sufficient incomes to ensure for themselves basic nutrition and related necessities of life. This pervasive problem has been brought about primarily due to the unprecedented growth of population contributing to a rapid increase in labor force. The pressure on scarce land is leading to increasing landlessness, contributing to more and more unequal access to the most important means of production. The limits on agricultural employment opportunities have not been eased by a corresponding growth in productive non-farm employment. Moreover, the complex set of socio-economic relationships and attitudes which helped to create these problems still prevail. Rather than abating, the causes and symptoms of poverty are still growing.

B. POVERTY PROFILE

2.02 Due to rapid population growth as well as social, political, and economic disruption, particularly during 1969-74, the proportion of people below the poverty line ^{1/} in rural areas increased from about two-thirds to over four-fifths from 1964 to 1974. ^{2/} An analysis of the Household Expenditure Surveys of 1974 and 1977 shows that, while there was no significant change in the distribution of expenditure between expenditure classes the intensity and magnitude of poverty increased during those years; not only did the magnitude and proportion of population below the recommended minimum food intake level of 2,122 calories per day increase, but the number and proportion of absolute poor also increased sharply. Despite the importance of monitoring these trends, data from Household Expenditure Surveys after FY77 have not yet been processed so that it is difficult to assess developments in household living standards since 1977. Domestic foodgrain production was about 22% higher in FY82 than in FY77, and food imports amounted to 9% of the total availability, giving an average per capita foodgrain availability of 15.9 ounces in FY82 compared with 14.4 ounces in FY77. On the other hand, data from the Nutrition Surveys of 1975 and 1982, and trends in real wage rates which are discussed below, indicate that income distribution between FY77 and FY82 has deteriorated. On balance, it may be concluded that there has been little or no improvement in the overall poverty situation in the country since 1977.

^{1/} The poverty line is defined as the monthly per capita expenditure which permits a recommended daily calorie intake of 2,122 calories per person. Absolute poverty is defined as per capita expenditure permitting only 85% of the minimum recommended calorie intake.

^{2/} See Bangladesh: Current Economic Position and Short-Term Outlook, March 21, 1980; World Bank Report No. 2870-BD, Annex 2.

2.03 Data from the 1981-82 Nutrition Survey indicate a deterioration in the average intake of calories and protein since 1975-76 among the poorest segments of the population, suggesting that the increase in food availability has not been equally distributed among income classes. The Nutrition Survey indicated that hardly 5% of the population consume an adequate quantity and quality of food; the survey showed that daily per capita calorie intake declined from an average of about 2,300 calories during 1962-66 to a precariously low level of 1,943 calories per day in 1981-82, which is about 8% below the average minimum daily requirement.

2.04 Taking into account the unequal distribution of food between families and within families, average consumption of low income groups ranges from 13% to 27% below the estimated requirements for small (often tenant) farmers and for landless laborers, respectively. Daily average per capita calorie intake of the bottom 32% of the population or about 30 million people, who are mostly landless rural non-farm laborers, is about 1500 calories which is considered to be the critical minimum needed just to maintain body weight; this means that a substantial proportion of the population are able to obtain less than even the critical minimum level. Within families, children and women receive a less adequate diet than men, with serious adverse effects on the health of children at birth and during the most critical period of their development. By the age of 4 years, almost half of the surviving children are physically stunted and suffer from anemia. Approximately 250,000 children die each year from malnutrition and dehydration linked to diarrheal infections, and about 20,000 become blind. Only 20% of the children born in a particular year become healthy, physically fit and fully productive citizens.

Trends in Real Wages

2.05 Rural poverty and rural wages are significantly linked: because of the high incidence of landlessness almost half the rural population depends on work off their own land. On average, agricultural labor is generally employed for 185 days per worker year, including 115 days in crop production and 70 days in other allied activities. Accordingly, they need either high wages for agricultural work to carry them through the lean period, or they need additional non-farm jobs. Agricultural wages are, however, at the subsistence level: in 1983/84, the daily average wage of an agricultural laborer could hardly support a family of two for a day at the poverty threshold income levels of living. ^{1/} Moreover, the lack of non-farm employment opportunities in rural areas exacerbates the precarious position of the rural poor.

2.06 There are no reliable data explaining the extent of non-farm employment opportunities. The long-term trend in real wages of agricultural workers, however, indicates the lack of alternative employment opportunities, suggesting that unemployment and under-employment must have been increasing

^{1/} The per capita poverty threshold income level (the income level which permits the recommended daily minimum per capita intake of 2,122 calories and related necessities of life) for FY84 is calculated at Tk 300 per month. The average daily wage for agricultural workers during FY84 was Tk 18.77.

over the past two decades. Table 2.1 shows that the average real wages of agricultural labor in FY84 were only 67% of the FY64 levels. Recent trends in wage rates are set out in some detail in Annex I, Tables 2-8.

Table 2.1: AVERAGE DAILY WAGE RATES OF WORKERS IN RURAL AREAS, 1963/64-1983/84

		<u>1963/64</u>	<u>1969/70</u>	<u>1973/74</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
Rural COL Index		28	39	100	168	201	214	262	278	305
<hr/>										
<u>Type of Worker</u>										
<u>Agriculture</u> (without food)										
Unskilled										
	N	2.57	2.96	6.69	10.88	12.46	13.98	15.48	17.05	18.77
	R	9.18	7.59	6.69	6.48	6.20	6.53	5.90	6.13	6.15
	I	137	113	100	97	93	98	88	92	92
<u>Fishery</u>										
Skilled										
	N	3.53	4.13	6.36	13.27	19.88	23.11	27.67	28.19	29.82
	R	12.61	10.59	6.36	7.90	9.90	10.80	10.56	10.14	9.77
	I	198	167	100	124	156	170	166	159	154
Unskilled										
	N	2.59	3.39	5.23	9.88	15.34	18.34	21.56	21.48	20.57
	R	9.25	8.69	5.23	5.88	7.63	8.57	8.23	7.73	6.74
	I	177	166	100	-	112	164	157	148	129
<u>Small Scale Industry</u>										
	N	2.14	2.57	5.03	9.63	11.94	13.90	15.59	16.38	24.07
	R	7.64	6.59	5.03	5.73	5.94	6.49	5.95	5.89	7.89
	I	152	131	100	139	118	129	118	117	157

N = Nominal wages in Tk/day.
R = Real wages in Tk/day in 1973/74 prices.
I = Index of Real Wages, 1973/74 = 100.

Source: Bangladesh Bureau of Statistics.

2.07 Although FY70 was a record year at that time for agricultural production, real wages of agricultural labor were nearly 18% lower than in FY64. Agricultural production declined between FY70 and FY75, with real agricultural wages declining further. In FY76, agricultural production exceeded the levels achieved in FY70, and has since expanded substantially (with the exception of FY77). Real wages of agricultural labor in FY84 were, however, 8% below the FY74 levels. After a continuous decline in real wages between FY64 and FY76, real wages of agricultural labor improved slightly in FY77 due to the good harvest of FY76. This improvement, however, could not be sustained, and wages declined by 3% between FY74 and FY79 and by a further 9% between FY79 and FY82; between FY82-FY84 real wages recovered modestly by about 4%. While the fluctuations in real wages can be linked to fluctuations in agricultural production, the long-term declining trend in real wages is fundamentally due to the fact that the supply of agricultural labor has been growing faster than the number of productive employment opportunities.

2.08 The trends in real wages of agricultural labor have not been uniform throughout the country. During FY70-FY74, while the country average of real agricultural wages declined by 12%, wages in Barisal, Dhaka, and Tangail districts increased by 18%, 8% and 29%, respectively. It is interesting to note that Boro cultivation in these districts expanded substantially during this period. During FY74-FY79, however, real wages in all these districts declined, while at the same time Boro production either declined or stagnated. On the other hand, during this period (FY74-FY79) real wages in Kushtia, Jessore, Khulna, Faridpur and Comilla increased by over 20%; this is consistent with the significant increase in Aman output in these districts. However, by FY84, out of 19 districts (old) only Tangail had average real wages higher than in FY69: only seven other districts (Pabna, Kushtia, Jessore, Khulna, Patuakhali, Comilla and Chittagong H.T.) had higher real agricultural wages than in FY74. In six of these districts (excluding Chittagong H.T.) agricultural production during FY73-FY82 increased by 35% compared with the average of 24% in other areas; in five of the above districts (excluding Patuakhali and Chittagong H.T.) Boro production increased by 69%. If Comilla, where Boro cultivation has already reached a high level is excluded, Boro production in four other districts (Pabna, Kushtia, Jessore and Khulna) increased by 112% during FY73-FY83 and their share in total national Boro output increased from 5.5% to 7.5%. The increases in cropping intensity and output clearly increase the demand for labor in crop production and thus influence real wage rates.

2.09 Table 2.1 also shows that real wages in two other major rural activities, fisheries and small-scale industries, also show a declining trend, although their decline has been somewhat less drastic than that in agricultural wages. Real wages of unskilled fishermen declined by 36% between FY64-FY79, improved by 40% during FY79-FY82, declined again by 18% between FY82-FY84, and in FY84 they were still only 73% of the FY64 levels; real wages of workers in rural industries declined by 34% between FY64-FY74, remained almost stagnant with minor year-to-year variation till FY83, but increased considerably in FY84 to recover to their FY64 levels.

2.10 To sum up, the available data on nutritional standards and trends in wage rates confirm that poverty is becoming a widespread and increasingly severe problem in Bangladesh. The remainder of this Chapter sets out a number of factors which have contributed to the problem, followed by a discussion of possible ways of slowing down, and hopefully reversing, the

decline in living standards: any long-term solution will need to rely on a rapid growth of productive employment opportunities. For the foreseeable future, agriculture will make the single largest contribution to growth in employment, but agricultural employment will need to be supplemented, to an increasing extent, by opportunities in other sectors.

C. POPULATION PRESSURE AND THE AGRARIAN STRUCTURE

2.11 The fundamental, underlying reason for the pervasive poverty in Bangladesh is the extremely high and rising ratio of people to available land and the difficulty of absorbing the annual growth of the labor force in productive jobs. Irrespective of what happens in terms of fertility decline from now on, at least 15 million people will be added to the labor force by the year 2000. In the context of the prevailing agrarian structure and land ownership, these pressures are contributing to increasing landlessness and increasing insecurity of tenure for marginal landowners and tenants.

2.12 In 1978, less than 11% of all rural households owned nearly 56% of all cultivable land, and about 23% of the households owned 78% of the land. Over three-fourths of rural households owned a little over one-fifth of the total cultivable land. The average size of the farms at the bottom end of this distribution of land ownership is very small, and an increasing proportion of the small landowners have been joining the category of 'below subsistence' farmers and the landless. In 1978, 29% of the rural households were completely landless, while another 21% owned just 3% of the cultivated area in fragmented plots ranging in size from 0.01 to 0.5 acres.

2.13 Available information indicates that about 60-65% of the farms are operated by owners, another one-third are operated partly by owners and partly by tenants, while only 5-7% are operated by tenants alone. About 35-40% of the farm operators enter into some kind of tenancy arrangement, involving about one-fourth to one-fifth of all cultivable land. Since large landowners generally prefer to rent part of their land to those who own at least some land, draft animals and farm tools of their own, most of the landless are effectively excluded from renting land. Even so, a comparatively large number of tenants compete for too little land available from a small number of owners, thereby weakening their bargaining position. Tenants do not have legal rights to the rented land for predictable longer-term periods, and share cropping conditions and payments are individually determined, and vary from region to region depending upon the land supply and demand conditions. In many cases, the terms of the tenancy arrangements act as a deterrent to the optimal use of HYVs and modern inputs. 1/

2.14 Successive governments in Bangladesh have sought to improve the agrarian structure by introducing land reforms. Most recently, in March 1983, the Government set up a National Implementation Committee for Land Reform in order to implement land ceilings, give legal rights to tenants and fix uniform share cropping arrangements, and fix a daily minimum wage for

1/ See Bangladesh: Selected Issues in Rural Employment, March 11, 1983; Bank Report No. 4292-BD; Chapter II, pp. 21-29.

agricultural work at 3.26 Kg of paddy or the equivalent amount in cash. ^{1/} The implementation of these measures is the responsibility of the district administration. However, given the social and political situation in Bangladesh, as with previous reform measures, the new reforms will prove extremely difficult to implement unless pressure on land is eased by creation of alternative employment opportunities.

2.15 The ability of the landless to take initiatives towards diversifying the rural economy is also severely limited by illiteracy, lack of skills and inadequate finances. Thus, productivity in non-crop occupations is extremely low, and their economic prospects are limited. As the landless have virtually no mortgageable assets they are unable to borrow from institutional sources, and thus have to depend on the rich for access to resources for making a subsistence living. Like the tenants and agricultural labor, non-farm rural workers also enter into a patron-client relationship of dependency with the landlords and money lenders and continue to function in a disadvantageous position.

Population and Labor Force

2.16 Subsistence level wages, poverty and poor health are inexorably linked; the lack of productive opportunities and of access to means of production further exacerbates the situation and creates a vicious circle which perpetuates poverty. In addition, the rapid growth of population with insignificant opportunities for human resource development, especially for the poor, has a significantly negative effect on the poverty status of the Bangladeshi population.

2.17 An addition of about 2.5 million new mouths to be fed every year places an enormous pressure on the limited land and financial resources of Bangladesh. The 1981 census counted Bangladesh's population at 89.9 million --an increase of over 77% during the past two decades. By the middle of 1985, the population will exceed the 100 million mark, with a density of 1860 persons per square mile--by far the most densely populated country in the world.

2.18 During the intercensal period 1961-74, population grew at the rate of 2.6%, considerably above the 1951-61 rate of about 2% and of only 1% per annum experienced during the first half of this century. The 1981 census, however, suggests a slight decline in the growth rate to 2.36% for the period 1974-81. However, this apparent decline implicit in the 1981 census is not fully explained by changes in mortality and migration; a declining trend in fertility is thus suggested. The evidence regarding the decline in fertility during the 1974-81 is also not conclusive: only after 1980 was significant progress made by the family planning program. Though the contraceptive prevalence rate seems to have increased from 10% of the eligible couples in 1974 to over 20% in 1983, and there has been a slight decline in child mortality, it does not indicate that Bangladesh is entering the transition to lower fertility and mortality rates. It would be imperative for Bangladesh

^{1/} For details of the reform package see Bangladesh: Economic Trends and Development Administration; Bank Report No. 4822-BD, February 27, 1984, p. 16.

to take measures which would influence the long-run socio-economic determinants of fertility such as employment, education, improved health, reduction in infant and maternal mortality, and increase in female participation rates in the labor force so as to bring about the necessary decline in fertility.

2.19 The Government has set ambitious targets for a reduction in fertility so as to achieve replacement level fertility (NPR=1) by 2000. ^{1/} This implies raising the use of contraceptives among eligible couples from a current average rate of about 20% to 40% by 1990 and to 64% by 2000. While with concerted efforts in motivation and removal of supply constraints, it seems feasible to achieve a Contraceptive Prevalance Rate (CPR) of 40% by 1990, further progress would be slower as it would largely depend upon substantial improvements in the socio-economic environment, particularly in education, health and female employment outside the household. Even if it is assumed that the Government's family planning objectives were achieved, the population of Bangladesh will increase by 40% over the next 15 years to reach 140 million by 2000.

2.20 Population projections under varying assumptions of a decline in fertility indicate that by the year 2000 the population of Bangladesh will be between 140-150 million, 40% to 50% larger than in 1985.

2.21 Assumptions regarding fertility decline, however, would not significantly affect the growth and size of the working age population by the year 2000, as they have already been born or soon will be. Given the size and age structure of the population, the growth of the labor force over the next 15 years will depend primarily on labor force participation rates. However, due to rapid population increase, Bangladesh's population is very young, and the addition to labor force over the next 15 years will therefore be very large.

2.22 The 1981 census gives participation rates for both males and females for age groups 10 and above. The predominance of agriculture and low school enrollment rates account for a rather high percentage of the 10-14 age group, especially males who help their parents in income earning opportunities. While the age specific participation rate for 10-14 year old males was 41.9% in 1981, it was only 6.4% for females; the former is much higher than the average for developing countries of 21.6% (1970), but for females it is low compared with the average of 14.4% for developing countries. The average participation rate for all females of 4.3% is also low, due mainly to early and universal marriage, prolonged child bearing period, and certain cultural factors. According to the 1981 census, the overall participation rates for the age group 10 and above were 73.9% and 4.3% for males and females, respectively. The rates for males are lower than indicated by both the 1961 census (87.6%), and the 1974 census (80.4%). The 1981 participation rates for females are lower than the 10.8% shown by the 1961 census, but slightly higher than the 4.0% in 1974 census. The higher participation rate for females in the 1961 census is however attributed to an error in counting a number of housewives as working women.

^{1/} NPR - Net Reproduction Rate is the number of daughters the average woman has under prevailing fertility and mortality patterns.

2.23 The 1981 male participation rates for age groups 15-64 ranging from 67.8% for age group 15-19 to 96% for the 55-64 group are rather high, but are unlikely to change over the next 15 years. However, the participation rate among the 10-14 year olds may decline from 42% in 1981 to 30% in the year 2000, reflecting the government's emphasis on primary education. The participation rate among the age group 65+ of 84.2% in 1981, compared with an average for developing countries of 57.8%, may also decline to about 75% by 2000. On the other hand, female participation rates can be expected to increase substantially. Some micro studies already reveal participation rates among women of 9-14%. Despite religious, social and cultural inhibitions to the entry of females in the labor force, a number of significant factors are likely to lead to increased female participation. These include policy measures now being taken such as promotion of vocational training for adult women, reservation of certain jobs in the Government, raising the age at marriage, special efforts to increase enrollment of girls in primary schools, and family planning measures. In addition, the increase in landlessness is likely to force more females into the labor force. It thus seems reasonable to expect an increase in the female participation rate in Bangladesh from 4.3% in 1981 to about 15% by the year 2000.

2.24 Though declining fertility rates can be expected to bring down the average population growth rate over the next 15 years, the labor force is likely to increase at a rate of about 3% per annum, reflecting the changing age structure and the anticipated increase in female participation rates. Thus, there will be about 15 million net new entrants to the labor force during 1985-2000.

2.25 The absorption of one million new entrants to the labor force per annum in the context of increasing landlessness and the existing structure of the economy is a formidable job. In addition, though open unemployment in Bangladesh is low because people often engage in part-time or short-duration work in order to survive, under-employment is high. It has been estimated that under-employment measured as equivalent to open unemployment was of the order of about 23% of the labor force (or nearly 7 million workers) in FY80. ^{1/} Unfortunately, there are no easy or quick solutions for creating productive employment of this magnitude. This is particularly because the majority of the poor have no assets, and very few of the skills necessary for engaging in productive activity. Resource constraints further limit the options available to increase employment in Bangladesh. However, if immediate and direct action is not taken, the situation can only grow worse. The employment issue, thus, must become the center piece of economic policy making and resource allocation decision-making in Bangladesh.

D. EMPLOYMENT POTENTIAL IN CROP PRODUCTION

2.26 Despite the limitations imposed by the inadequate resources of land relative to the population and the existing agrarian power structure, agriculture remains the mainstay of the Bangladesh economy. Agriculture accounts for 52% of GDP and for 79% of total employment. Accordingly, for

^{1/} See Bangladesh: Selected Issues in Rural Employment; World Bank Report No. 4292-BD, March 11, 1983; pp. 12-14.

the foreseeable future, maximizing growth in agricultural production will provide by far the most important contribution towards alleviating the massive poverty caused by the under-employment of the labor force. Accelerating the rate of growth of agricultural output is, therefore, of the utmost importance. Although the extent to which new land can be brought under cultivation seems to have reached its ecological limits, the modern seed/fertilizer/irrigation technology provides tremendous potential to increase agricultural yields and production. Fortunately, since the new technology is also more labor intensive than the traditional techniques, a substantial increase in employment can also be expected to result from increases in output.

2.27 Bangladesh's current development plans have given top priority to the development of agriculture, particularly to the production of foodgrains. The Government's objective is to achieve self-sufficiency in foodgrains as soon as possible; current production is about 10% below the self-sufficiency level. Despite considerable efforts, production of foodgrains over the last 5-6 years has increased at a rate only slightly above the population growth rate, so that the target of self-sufficiency in foodgrain is not likely to be achieved until the the early 1990s. As major efforts have been concentrated on increasing foodgrain production, production of other crops (jute, oilseeds, pulses, vegetables, etc.) and in other agricultural sub sectors-- fisheries, livestock and forestry--has generally stagnated. Foodgrain production currently accounts for nearly 80% of labor requirements in the crop sector, which in turn accounts for two-thirds of total employment in agriculture.

2.28 The Bank's 1983 Report 'Selected Issues in Rural Employment' projected the capacity of labor absorption in crop production, based on the assumption that growth rates achieved in foodgrain production during FY78-FY81 (3.7% p.a.) would be maintained over the next 5-7 years, so that foodgrain production would reach 17.3 million tons in FY85 and 20 million tons in FY88, with some increase in production of minor crops mostly during FY85-FY88. On the further assumption that labor coefficients were to remain constant till FY88, the 1983 report estimated that crop production could absorb about 22-25% of the increase in the labor force during the decade FY78-FY88. However, actual foodgrain production in FY84 was only 5% higher than in FY81; and in FY85, due to severe floods, foodgrain production may be only slightly more than in FY84. It now seems less likely that the 20 million ton foodgrain production target may be achieved before FY91, implying an average growth rate of foodgrain production between FY78-FY91 of 3.3% per annum which is less than 1% above the population growth rate during the same period. If such a delay does occur, then only 16-18% of the increase in the labor force during this period will be absorbed in direct crop production activities, implying a growth rate in agricultural labor absorption of only about 1.6% per annum.

1/ Ibid; see Chapter II.

Institutional Constraints to Spread of New Technology

2.29 Even the achievement of such limited rates of growth of employment and production are contingent upon a number of technical and institutional factors. The technical factors relate to the spread of new technology such as increasing cropping intensity, greater use of HYVs and more appropriate cropping patterns and techniques. The institutional factors relate to enhancing the capacity of development agencies and modifying the agrarian structure, both of which influence the rate at which new technology can be introduced.

2.30 With further increases in the coverage of irrigation, cropping intensity can be expected to increase substantially. The gross irrigated area increased from 3.7 million acres in FY78 to only 4.3 million acres in FY84, representing 12% and 18% of the cropped area, respectively. While in FY78 about 46% of the irrigated area was covered by modern facilities, in FY84 this increased to 68%. However, cropping intensity increased only from 1.52 to 1.55 because there was considerable replacement of traditional irrigation methods by modern facilities and, perhaps more importantly, because of the severe underutilization of the modern facilities. This underutilization has been attributed to untimely availability of fuel and spare parts, lack of repair services and inadequacy of water distribution system, as well as to small farm sizes, fragmentation of holdings and unstable tenure arrangements. The BRDB's pilot Irrigation Management Program (IMP) showed considerable promise in resolving these constraints, but its implementation has been extremely slow.

2.31 In addition to more efficient utilization of irrigation assets and command area development, changes in cropping patterns also influence aggregate labor use due to diverse labor requirements in different crops. Since 1970 the cropped area under foodgrains, particularly under wheat, Boro rice, and potatoes increased, while that under pulses, oilseeds, jute and sugarcane declined. Within the foodgrain sector, there has been a considerable shift from traditional to high-yielding varieties. This had a substantial impact on employment in crop production; almost the entire increase in employment in crop production during the 1970s can be attributed to the shift towards HYVs. ^{1/} Food crop area under HYV increased from 0.65 million acres in 1970 to nearly 6 million acres in 1980, or to about 24% of the total area under foodgrains; this increased further to 7.7 million acres or 28% of the total by FY83. In order to reach a production target of 20 million tons, the area under HYVs must increase to over 11 million acres; this would represent an increase of over 43% during FY83-FY91. In view of the past experience such an increase seems feasible, but will require more effective technical and extension efforts.

2.32 Prospects for accelerating the rate of growth of agricultural production through the introduction of new technology and changes in cropping patterns and practices will also be influenced by changes in the tenancy arrangements and farm sizes. During the period between two agricultural censuses (1960-77), area operated by very small farmers (holdings of less than 1 acre), and large farmers (holdings of more than 7.5 acres) declined,

^{1/} See *ibid*, Chapter II.

while area farmed by small holdings (1-2.5 acres) and medium size farms (2.5-7.5 acres) increased by 25% and 8%, respectively. ^{1/} The size of the operational holdings is, however, much less unequal than indicated by the distribution of landownership, because of the operation of the tenancy market. Nearly one-third of all farm operators enter into tenancy arrangements, involving nearly 25% of all cultivable land. Both large and very small landowners rent out land. While small landowners rent out land in order to free themselves for earning higher returns from wage labor during the busy season, the large landowners are able to take advantage of the greater productivity of small farms by renting out their land in smaller parcels. An important factor limiting the growth of productivity is the fragmentation of farm sizes. In 1977 an averaged sized farm of 3.5 acres ^{2/} was fragmented into about 10 parcels. The degree of fragmentation continues to increase due to the combined effect of population growth and Bangladesh's inheritance laws. As 90% of the land rented is operated under oral contracts of share cropping from season to season, there is no longer-term security of tenure. Both the insecurity of tenure and the fragmentation of landholdings impede the introduction of new technology.

2.33 A related but important issue is that small and medium-size farmers are more responsive to the introduction of new technology; several micro studies indicate that they have higher cropping intensities, more cropped area under HYVs and higher per acre use of fertilizers. Though large landowners have tended to rent out land, farms of an average size of 11.5 acres still cover 24% of the cultivated area. These farms still have relatively low cropping intensity and low productivity. An important issue, therefore, is how to bring nearly 50% of the cultivable land which is either owned by large farmers or is under unfavorable tenancy arrangements under intensive cultivation over the next few years. The implementation of the moderate land reform package already accepted by the Government could certainly help, but political and administrative difficulties are likely to impede considerably GOB's ability to implement such reforms. It would also be highly desirable to focus on effective institutional credit and other programs for existing small and medium farmers, combined with some tenurial reforms (security of tenure and more equitable rent/crop sharing arrangements). In addition, the possibility of an effectively enforced land tax designed to encourage the better utilization of land on large farms with relatively underutilized land could be more seriously explored.

2.34 While every effort should be made to accelerate the rate of spread of new technology in crop production, the medium-term prospects indicate that opportunities for expansion of employment in crop production are rather limited in comparison to the total need for increased employment opportunities. It is therefore necessary to simultaneously emphasize other

^{1/} Agricultural census of 1977. The continuation of this trend has been further confirmed by the Pilot Agricultural Census of 1982.

^{2/} According to the Pilot Agricultural Census of 1982, the average farm size in 33 unions covered by the census had declined from 3.5 acres to 2.4 acres.

agricultural subsectors and non-agricultural activities in both rural and urban areas. 1/

E. EMPLOYMENT IN INDUSTRY

2.35 Increasing landlessness and lack of resources for non-farm activities in rural areas is causing substantial migration to the urban centers. The urban population in Bangladesh is growing at a rate of about 6.5% per annum. Since this expansion is not in response to any systematic demand for labor resulting from the growth of urban industries, the urban population is expanding in advance of any fundamental change in the urban economy. As a result, real wage rates of unskilled labor in urban industries have been depressed; in all industries except in construction, real wages were lower in FY84 than in FY74. In all cases, real wages were substantially lower than in FY69.

2.36 During the past decade, the growth of employment in modern industry has been very limited. The growth of industrial production has been below 6% per annum. Moreover, growth which occurred has had relatively low employment content. A considerable amount of investment in public sector industries was for rehabilitation, and much of the new capacity created in public sector industry has been capital intensive. The scope for future expansion of employment in modern industries will be constrained by the fact that the size of the modern sector is extremely small. Considering the extremely narrow base of modern industry which now employs only about 500,000 people (less than 2% of the labor force) and the rather high cost of job creation, it would need tremendous resources and phenomenal growth in this sector in order to absorb any significant proportion of the increase in the labor force. If employment in modern industry were to increase at 5% per annum, it would cost over \$3 billion in investment (assuming \$25,000 for each industrial job created) and would still absorb only 2-3% of the increase in the labor force over the next 5-7 years.

1/ As the expansion of new technology leads to increase in output of foodgrains, attention would also need to be paid to technical changes in jute and sugarcane production which can contribute substantially to employment as these crops are second and third largest crops in Bangladesh, and have high labor coefficients. Furthermore, measures to increase vegetable production which is highly labor intensive can contribute substantially to employment opportunities.

Table 2.2: AVERAGE DAILY WAGE RATE OF UNSKILLED INDUSTRIAL AND CONSTRUCTION WORKERS
1969/70 - 1983/84

		<u>1969/70</u>	<u>1973/74</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
Urban COL Index		39	100	186	232	254	302	354	361
<u>Type of Worker</u>									
<u>Cotton Textile</u>									
N	4.01	5.53	11.64	14.77	16.90	17.96	19.88	20.71	
R	10.28	5.53	6.25	6.37	6.65	5.95	5.62	5.73	
I	186	100	113	115	120	107	102	104	
<u>Jute Textile</u>									
N	3.94	7.61	10.14	13.36	16.49	17.57	19.35	20.00	
R	10.10	7.61	5.45	5.76	6.49	5.82	5.47	5.54	
I	133	100	72	76	85	77	72	73	
<u>Matches</u>									
N	4.41	6.40	11.00	12.58	13.80	16.40	18.82	20.00	
R	11.31	6.40	5.91	5.42	5.43	5.43	5.32	5.54	
I	177	100	92	85	85	85	83	87	
<u>Engineering</u>									
N	4.71	6.23	11.71	13.33	15.39	18.22	20.33	21.60	
R	12.08	6.23	6.30	5.75	6.06	6.03	5.74	5.98	
I	194	100	101	92	97	97	92	96	
<u>Vegetable Oils</u>									
N	3.87	5.53	10.13	12.39	13.72	15.40	16.05	17.80	
R	9.92	5.53	5.45	5.34	5.40	5.10	4.53	4.93	
I	179	100	99	97	98	92	82	89	
<u>Construction</u>									
N	3.41	7.10	14.34	17.21	19.29	21.74	23.30	27.85	
R	8.74	7.10	7.70	7.42	7.59	7.20	6.58	7.71	
I	123	100	109	105	107	101	93	109	

N = Nominal Wages in Tk/day.
R = Real wages in Tk/day in 1973/74 prices.
I = Index of Real wages, 1973/74 = 100.

Note: Wage rates based on average wages for four centers - Dhaka, Chittagong, Rajshahi and Khulna.

COL index used is that for lower income families in Dhaka.

Source: BBS.

2.37 A large number of people earn their livelihood working in small non-farm activities in the informal sector in towns of all sizes. The informal sector consists of a wide variety of trades and services such as blacksmiths, carpenters, construction trades, transport (bicycle rickshaws), vehicle repair and maintenance shops, road-side workshops, and includes many other marginal activities such as hawkers and sidewalk shops. There are no data on the size of the informal sector; since it has absorbed most of the increase in urban labor force during the past decade, it must be substantial and growing. With the anticipated increase of 6-7% per annum in the urban population, the informal sector will expand further as the organized sector is not likely to grow at the same rate as population. Some of the activities in the informal sector such as roadside workshops have grown into small businesses, though their level of managerial and technical know-how is low, and they lack access to institutional credit and raw materials. Given appropriate assistance, the informal sector can have substantial employment impact.

2.38 With limited possibilities in crop production and even more modest prospects for productive employment generation in urban modern industry, there is a need to focus on non-farm employment generation in rural areas. There are three sets of activities which could provide increased opportunities for employment in the non-food crop sector, namely: (1) diversification of agriculture, including fisheries, livestock and poultry; (2) rural public infrastructure construction; and (3) rural industries.

2.39 The base on which a rural industries program must be built and expanded is also very narrow; currently, about 1.5 million persons, or about 7% of the labor force, is directly employed in rural industries. Furthermore, the present pattern of production of rural industries can neither cater to urban demand and the demand of the small affluent rural population nor contribute to production of modern agricultural inputs. The development of rural industries will require a sustained increase in the purchasing power of much larger sections of the rural population as well as the creation of conditions which would improve the ability of rural industries to respond to emerging demand.

2.40 Dynamic growth of rural industry, or even of crop production, will not be possible if a substantial proportion of the population remains without productive work and hence without adequate incomes. If the incomes of the poor could be increased, they are likely to demand goods and services produced by each other, thus expanding employment opportunities and further boosting incomes. They would also spend more on food and other necessities produced outside the non-farm sector, thus stimulating production in these sectors as well as in trading activities. However, at present, the rural non-farm sector appears to be locked into a circle of low incomes leading to inadequate demand and a lack of income-earning opportunities.

2.41 It is interesting to note that the very poor (the bottom 60% of the rural population with per capita income of Tk 2,000 per annum) now spend about 60% of their income on cereals and another about 16% on non-cereal food. With increased incomes, the relative share of expenditure on cereals declines significantly; the non-poor (with per capita incomes of Tk 3,000 and above) spend only 46% of their household budget on cereals. Thus, the share of non-crop commodities is fairly high, and the expenditure on these

commodities increases proportionately more than increase in incomes. As a significant proportion of the household budget is spent on products not produced by households for own consumption, the increase in demand for such commodities would stimulate production as well as create scope for trading activities.

2.42 An analysis of the expenditure pattern of Grameen Bank clients, who are landless households below the poverty line, shows that the marginal propensity to consume food was about 0.57, of which 0.20 is for non-cereal food. Nearly 43% of the increase in income was spent on non-farm goods, of which 6% on rural industry products. ^{1/} The demand for non-food products was highly elastic: the elasticity for cottage industry products was 1.04, for clothing and household effects 1.40, and for capital goods such as agricultural tools and implements and equipment for cottage industries 1.50. Only in the case of cereals and non-farm necessities was the elasticity less than unity. This shows that there is considerable scope for expansion of rural market if the income of the target groups can be increased. Although the average share of non-food items in the household budget of the poor is about 25-30%, nearly 43% of the incremental income is spent on non-food items. The increase in income of the target groups who constitute nearly two-thirds of the population can thus provide a substantial stimulus to production. The demand for food increases less than increase in incomes, but unlike in households with land for agricultural production, only a small proportion of the increase in consumption in landless households is produced in the family; this also increases the scope for trade and shopkeeping services as incomes of the landless increase.

2.43 Provision of credit at reasonable rates, of training and of improved technology can increase productivity and improve the quality of many of the products of the rural economy, thus lowering costs and prices which can lead to the expansion of markets. (In Bangladesh the prices of fish, meat, pulses, milk, onions, and hide and skins nearly doubled between FY78 and FY82, increasingly placing these essential commodities beyond the reach of a great majority of the population.) Furthermore, traditional activities have backward and forward linkages; increased production of traditional commodities can make the development of processing and input supplying industries economically viable. All this, along with the construction of necessary rural infrastructure can be expected to create a multiplier effect, increasing overall incomes and expanding markets. Furthermore, improvements in the quality of production in some rural activities, particularly in leather, handloom, silk, rabbits, duck feathers, etc., can find international markets. Some efforts at identifying these external markets will be necessary for the long-term development of the rural industry.

F. CHOICE OF TECHNOLOGY

2.44 The success of a development strategy which emphasizes rural off-farm employment is also closely linked to the country's capacity to choose, adapt and adopt technologies appropriate to these objectives. Current policies in Bangladesh do not emphasize adequately the importance of appropriate choice and application of technology. As a result, many of the technologies which

^{1/} The marginal savings rate was about 17% of the income.

have been promoted (such as rice milling) have had a negative effect on rural employment.^{1/} In developing backward and forward linkages to traditional rural activities and to increase productivity, it is important to follow a more careful and rational approach to the choice of appropriate technologies backed with necessary support to rural enterprises.

2.45 Not only is there a need to use appropriate technologies in public sector development projects, but appropriate fiscal, credit and import policies are also important in order to encourage appropriate choice of technology favoring labor-intensive production. Though there is a large network of research and development in Bangladesh, the emphasis so far has been either on crop production or catering to the needs of larger urban enterprises. A few technologies that do relate to the needs of the rural landless have been tested under laboratory conditions, but lack appropriate design modifications, and are not adequately disseminated. On the other hand, informal research and development conducted by a few enterprising individuals in a number of NGOs has achieved some success in improving technologies for existing artisan enterprises as well as in adapting technologies which can form a basis of rural employment generation in the production of new products such as jute reinforced roofing sheets, treadle pumps, neem soap, sunflower oil, handmade paper, etc., based on locally available resources. However, NGOs do not have enough technological expertise or resources to carry out such work intensively or to disseminate the results of their research widely.

2.46 Since the opportunities for the expansion of employment in traditional activities are rather limited when compared to the overall need for rural employment generation, it will be necessary to identify and introduce new activities which complement the traditional activities. Such activities could be based on fish, milk and meat preservation; the production of fish smoking ovens, bamboo fish cages and fish nets; leather manufacture; and animal feed preparation. There is also a need to introduce improved technologies to existing artisans and group enterprises in order to assist them to remain viable in the face of competition from modern industries. The development of these relatively simple, but non-traditional activities is crucial to the success of any rural employment strategy. Careful technological choices could also make it possible to develop relatively such new activities in small enterprises in rural areas. In Bangladesh, which is short of managerial skills and lacks opportunities for entrepreneurship outside the agriculture and trade sectors, the promotion of carefully selected rural industries would open up opportunities for rural people with talent and drive. In future decades this could also become a dependable source for skills and industrial leadership. All this has organizational and institutional implications for the identification and adaptation of improved technologies and skills training of the rural population.

^{1/} See Bangladesh: Selected Issues in Rural Employment, March 11, 1983. World Bank Report No. 4292-BD, Chapter II.

G. RURAL INFRASTRUCTURE

2.47 In addition to reorientation of policies and procedures, particularly those relating to credit, skills training, technology and marketing, the diversification of the rural economy for employment generation would require substantial investment in physical infrastructure. The development of rural infrastructure can provide substantial short-term employment through construction activities, and longer-term, more permanent employment in the operation and maintenance of the assets created. There are two major programs in Bangladesh to build rural infrastructure--the Rural Works Program (RWP) and the Food-for-Work Program (FFWP). Since 1975 the FFWP has expanded rapidly, while the RWP has relatively declined in size. However, the RWP was given a new impetus in 1984 by the Government's decentralization program which allocates 25-35% of the upazila funds for rural infrastructure construction.

2.48 The allocation of food under the FFWP increased from a small beginning of 45,000 tons of wheat in FY75 to almost 10 times that size in FY85 at 410,000 tons, equivalent to Tk 1,916 million. ^{1/} In addition, over Tk 500 million were allocated to RWP. The two programs together have the potential to create over 100 million man-days of work in FY85. The size of both the programs now continues to increase; preliminary estimates show that the allocation of wheat for FFWP will increase to 440,000 tons for FY86, and the upazila fund in FY86 will be 50% higher than in FY85, leading to increased expenditure for RWP.

2.49 While the size of these programs determines how many people can be employed directly in the construction of rural infrastructure, the generation of long-term employment opportunities depends upon the quality and efficient use of assets created. Therefore, rural infrastructure must be properly designed, well constructed and adequately maintained, and should be related to exploiting the potential of the rural economy. Unfortunately, the development objective of both the programs has remained secondary to the short-term employment and income generation objective. The infrastructure that has been built has generally not been of high quality and has tended to fall into disrepair due to inadequate maintenance.

2.50 The expansion of FFWP and RWP and the effectiveness of the assets created for stimulating rural activity has been also constrained by unsatisfactory planning methodology and processes, and by inadequacies in design, organization and implementation.^{2/} The recent reorganization of RWP, the establishment of a planning and evaluation cell and of a management information system in the Ministry of Local Government, Rural Development and Cooperatives, and the Government's decentralization initiatives which provide for adequate engineering capability at the upazila level for coordination and implementation of both RWP and FFWP, are important steps in the right direction; if they are pursued effectively, they can be expected to improve

^{1/} Valued at the average retail price of Tk 175 maund.

^{2/} For a detailed discussion of these constraints see "Selected Issues in Rural Employment," Chapter IV.

the capacity of these programs to achieve both employment and development objectives.

H. RURAL SELF-EMPLOYMENT - A NEW APPROACH

2.51 The constraints implicit in the demographic and socio-economic structure of Bangladesh indicate that in the ordinary course of events about one-third of the increase in labor force over the next 5-7 years could be absorbed in directly productive activities, about 20% in crop production, 6% in industry and 4% in infrastructure development. Roughly another equal number may find work in the service sectors to support the productive activities. The rest would join the existing pool of unemployed/underemployed and engage in marginal activities, worsening the magnitude and intensity of poverty unless direct action is taken to stimulate further the diversification of the rural economy.

2.52 There are no easy and immediate solutions to this very difficult problem. The Government is, however, aware of the gravity of the employment problem, and is taking several initiatives to stimulate the rural economy. In addition to its bold decentralization program, the Government has taken several measures to implement the recommendations of the Bank's 1983 report on rural employment.^{1/} More recently, in addition to strengthening BRDB's rural poor programs, the Government (in collaboration with IDA) has developed a new approach for boosting the employment and incomes of the rural landless: this approach is to be tested in 15 upazilas, beginning in FY86.

2.53 The new approach is based on the key elements underlying the success of several non-government organizations (NGOs) in creating non-farm income earning opportunities in rural areas of Bangladesh. The approach does not rely solely either on the Government or the NGOs, but on a combination of both, and complements existing systems. The focal point of the proposal is the establishment of Upazila Employment Resource Centers (UERCs) which would provide or facilitate a series of integrated inputs: group formation, functional literacy, credit, market information, skills training and access to new technologies to target groups of rural landless in order to generate new economic activities.

2.54 The UERC strategy considers the two main requirements of rural employment generation: (i) group formation and creation of demand for essential services on the one hand, and (ii) development and provision of services appropriate to the needs of the target groups on the other as distinct activities. The former is to be the responsibility of the UERCs, while the latter will remain the responsibility of the existing Government and financial institutions which would be made more effective by the creation of increased and organized demand for their services.

2.55 The strategy is based on minimum direct Government involvement in developing the receiving mechanism, i.e., group formation, consciousness raising and functional literacy training; these are to be generated directly by independently operated, autonomous UERCs. Acting as a specialized intermediary, the UERCs will identify the needs of target groups and

^{1/} See Bangladesh: Economic Trends and Development Administration, World Bank Report No. 4822-BD, February 27, 1984; Vol. I, pp. 17-18.

facilitate the provision of a range of Government and financial services, particularly skills training and access to credit through commercial banks by providing necessary guarantees. For the strategy to become viable it aims to make UERCs self-financing after a brief establishment phase. This objective is essential not only to make it possible to replicate the approach once tested, but also for providing necessary incentives for effective performance to UERC functionaries as they would not be paid as civil servants, but would be employed by the UERC and thus would need to be involved in ensuring the viability of the productive efforts of the target groups who would own, operate and finance the centers.

2.56 Credit would be provided by commercial banks who would be attracted to provide such financing by the assurance of adequate security through a guarantee fund and by charging the target groups interest rates that will cover the cost of funds and operational overheads. The object of providing loan guarantees by UERCs is to allow the commercial banks to consider loans to target groups as part of their normal business instead of having to rely on a special loan program. The guarantee fund will be initially funded during transition under a GOB project, it will be replaced by the funds that UERCs will generate by levying an appropriate guarantee fee in addition to interest and UERC service charge. If recoveries continue to be good, and funds collected through the guarantee fee exceed what is required for the guarantee fund, the surplus funds would be used as venture capital for projects to be initiated by UERCs. If, on the other hand, the rate of default is such that guarantee fees fail to maintain adequate funds by covering repayments on the original advance and to cover default, then the UERC experiment would, and should, be abandoned.

2.57 It is expected that the generation of productive activities by the UERC will be in two phases. The first phase would consist of group formation, functional literacy and a credit program designed to increase income of target groups by providing short-term finance for traditional activities such as fish farming and livestock and poultry raising for which there is still considerable scope for expansion. With continued functional literacy programs, this phase is also expected to prepare target groups for starting non-traditional activities such as the production of soap, umbrellas, pencils, paper, jute-reinforced roofing sheets. The selection of activities in the second phase would emphasize those having backward and forward links with traditional activities. The second phase will also involve surveys to identify potential new activities, appropriate technologies and necessary skills training to enable target groups to carry out such activities.

2.58 The new initiatives--the decentralization program, BRDB's rural poor program and establishment of UERCs--are steps in the right direction, and show the Government's commitment to tackle the very difficult poverty and employment issues. More importantly, however, solving the rural employment problems would require a strong organizational framework for policy formulation and program implementation. The Government would need considerable financial and technical assistance, particularly in developing rural skills training programs, appropriate rural credit facilities and in enhancing the capacity for conducting rural surveys and planning exercises. Finally, appropriate resource allocation and the speed with which right decisions are made and implemented will provide true testimony to the Government's real commitment in beginning to attack the massive problem.

Chapter 3: CREDIT AND GROUP FORMATION

A. INTRODUCTION

3.01 An analysis of past experience in Bangladesh shows that the promotion of productive non-farm employment opportunities among the rural poor requires that they be motivated and organized into productive groups and that they are provided with a coordinated package of skills training, technology, market information and credit. ^{1/} This requires appropriate institutional arrangements which can effectively reach the target population. While some people, especially within the government, believe that the government bureaucracy is the most effective instrument for managing programs for the poor, others hold that local participation through decentralization of decision-making at the local level is the key to tackling rural employment issues. GOB has sought to give additional responsibilities to the Bangladesh Rural Development Board (BRDB) to plan and implement programs for the rural poor, and has recently taken new initiatives to enhance development implementation capacity at the Upazila level by decentralization of decision-making responsibilities. ^{2/} At the same time, many non-government organizations (NGOs) have undertaken successful promotion of productive employment opportunities for the rural poor. There is, thus, choice involved in administrative options and institutional innovations; if these choices are based on past experience, they could contribute effectively in developing new mechanisms and institutional capacity for making additional efforts to reach the rural poor. Some measure of experimentation will, however, be necessary.

3.02 Most institutions involved in non-farm employment generation have not yet directed their efforts specifically to the delivery of a coordinated package of services and information to the rural poor. There are, however, a number of success stories in the formation and motivation of groups of the poor, and effective delivery of credit to them. This chapter examines constraints in extending credit to the poor, reviews two operating models which have been successful in removing those constraints, and defines the key elements of success in order to develop a new framework for additional efforts for non-farm employment generation.

B. CONSTRAINTS IN EXTENDING CREDIT TO THE POOR

3.03 Credit is very much a part of the day-to-day existence of the rural poor. Most of their credit needs, however, are met by non-institutional, traditional village sources. These sources can be divided into two general groups: relatives and friends who provide small amounts of credit for short periods with little or no interest as a favor to be reciprocated in the future; and a wide variety of moneylenders, shopkeepers, middlemen, and medium and large landowners--some of them relatives--who extract usurious

^{1/} See World Bank Report No. 4292-BD "Bangladesh: Selected Issues in Rural Employment"; March 11, 1983.

^{2/} See World Bank Report No. 4822-BD "Bangladesh: Economic Trends and Development Administration"; Vol. I, Chapter 7, February 27, 1984.

interest or goods and services. Studies reveal that over half of the credit extended to the rural poor comes from the second group and that the most common rate of interest is 10% per month or more than 300% per annum, as the lenders are adept at compounding their interest charges. Credit repaid in goods and/or services is a significant part of this lending; this tends to have a much higher effective cost of borrowing. An estimated 50% of the credit from traditional sources is secured by informal land mortgages. Continuous borrowing from the traditional sources has caused many rural poor to lose their land; extending credit with land as collateral has been one of the principal means by which landowners have increased their acreage, leading to increased landlessness. Non-institutional sources account for over three-fourths of the total rural credit in Bangladesh. The reasons for the low level of institutional credit are complex and are not exclusively due to government policy. Unsatisfactory repayment rates and the inability of the bank's rural branches to increase their levels of activity are perhaps the more significant reasons. Furthermore, institutional credit is generally subsidized; this limits its coverage and makes it highly likely that subsidized credit will only reach the better-off.

3.04 Two major institutions in Bangladesh have the capability to reach the rural poor with credit: the 3,000 rural branches of the banking system and the Bangladesh Rural Development Board through the two-tiered cooperative system, which covers over 400 Upazilas (sub-districts) with a membership of close to 50,000 primary cooperative societies. The rural branches of commercial banks have had little experience in reaching the rural poor directly, with the exception of a closely supervised Rural Finance Experimental Project (RFEP) undertaken by the Government of Bangladesh with assistance from USAID. The cooperative societies, under the aegis of the BRDB, have been more active in seeking to reach the rural poor.

3.05 A GOB/IDA joint review of agricultural credit shows that the rural branches and cooperative societies combined have been able to reach only 15% of rural households with fresh loans on an annual basis. However, the rural poor have received little of this credit; 65% has gone to farmers with more than 2.5 acres of land. Although the total amount of institutional credit in the agricultural sector has grown substantially, increasing by over 300% between 1976 and 1981. Even with this impressive growth, agricultural credit represented only 18% of the institutional credit outstanding and 11% of institutional credit granted in 1981. With agriculture representing 55% of GDP, such a low level of credit allocated to this sector is clearly insufficient.

3.06 The most important findings of the GOB/IDA review concern the banking system's inability to monitor, collect, and disburse credit. Although over 90% of all credit was secured by land, gold, or other tangible assets, on average only 43% (using 1981 figures) of the credit disbursed was repaid on time. Approximately 31% of the overdue loans had been overdue for three years or more. The joint review further indicated that some 127,000 legal suits had been filed and were pending as of June 30, 1981; however, they represented only Tk 125 million in claims or less than 6% of the total overdue portfolio. These findings confirm the fact that even though the banking system is conservative (lending on a secured basis primarily to landowners of 2.5 acres or more), it is unable properly to monitor and collect loans.

3.07 The situation is somewhat ironical. The banking system has been concentrating its resources on larger landowners, who are supposedly more creditworthy. At the same time repayment rates have been worsening at an alarming rate though agricultural production has increased substantially. In other words, it cannot be argued that poor performance in agriculture is the main cause for worsening repayment rates.^{1/} As the joint review points out, "the single most important factor must be the general relaxed attitude to the loan recovery problem".

3.08 Added to the problem of loan recovery are costly, overly-bureaucratic and over-centralized credit procedures and disbursements which have tended to increase the small farmers' dependence on the more costly--but more flexible and timely--non-institutional sources of credit.

3.09 There are close to 3,000 rural bank branches in Bangladesh. According to the joint review, 50% of these branches are unable to cover their operational costs due to low levels of lending and ceilings on interest rates. One of the principal reasons for this redundancy is that these branches tend to be located at the Upazila headquarters. However, this large network represents a major underutilized resource and should be considered in any strategy to provide credit to the rural poor.

3.10 The Rural Finance Experimental Project undertaken by USAID and GOB provides some important information about how the existing rural banking system could reach small farmers and the rural poor. The project achieved an excellent overall repayment rate with some 85% of all credit being repaid on the due date. Close to 60% of all lending was at a 24% to 36% rate of interest; however, no significant correlation was found between poor performance and high interest rates. Only for crop related activities (23% of overall lending) did the correlation appear to be significant at rates of interest of 36%. In a sample survey of 778 borrowers, 95% gave a favorable assessment of the RFEP credit program. Half of this group pointed to low interest rates as the major advantage. It is interesting that close to 70% of those who said they liked the low interest rates had loans with interest rates of between 24% and 36%. This underlines the fact that the groups reached by the project had previously little or no access to institutional lending at the official rates of 10 to 17%.

3.11 The project also demonstrated the viability of decentralized, streamlined credit administration. Close to 70% of the borrowers received loans in one week or less, and close to 85% within two weeks. The only other comparable lending to small farmers is done through the UCCA/KSS system. These loans take up to 95 days to process. The administrative costs of the participating branches varied significantly, but were in general close to the existing administrative costs of the banking system.

3.12 The RFEP experiment should be seen as an important demonstration of the viability of non-subsidized interest rates on agricultural credit. However, it must be recognized that the experiment did not reach the landless

^{1/} In years of natural calamities--flood, droughts, etc.; crop losses may cause default, but this does not explain worsening of repayment rates during good crop years.

rural poor. It was geared toward small farmers owning two acres or less. Less than 5% of the borrowers were women, and a continuous survey undertaken during the life of the project showed that only 8.4% of the borrowers had daily wage labor as their primary occupation. Another indication that the project did not reach the landless rural poor is that bank policies on credit eligibility eliminated these very poor people. Although the project was designed to test some models using non-secured lending (with the exception of group lending), this aspect was not properly controlled. Spot checks revealed that many branches were requesting security in the form of mortgages on land or other tangible assets, which is part of the standard procedures of the participating banks.

3.13 The RFEP project also experimented with two types of group lending through cooperatives and informal groups. The former was undertaken by the BRDB through the KSSs and BSBL, the apex bank for the traditional cooperative system. The latter was undertaken by two nationalized commercial banks (NCBs), Janata and Uttara. The experiment concluded that group lending with the exception of BRDB's established system of cooperatives, was not viable for rural branches due to its high costs, poor repayment rates, and the need for specialized staff to create viable groups.

3.14 One of the most important findings of the RFEP project is that the small and marginal farmers of Bangladesh are creditworthy and capable of maintaining much higher rates of repayment than normal agricultural credit borrowers. The experiment also shows that the large rural branch network can be viable if it uses higher interest rates for lending.

3.15 However, lending to the landless poor poses still greater problems in that they are not only assetless, but also do not have any skills. Given the problems of the banking system, effective use of the large network of rural branches to reach the rural poor poses a challenge. Principally, there is a basic incompatibility between the rural poor and the institutional credit system due to lack of assets owned by the poor and the small amount of credit they require. The former goes against all standards of credit-worthiness used by the banks, and the latter makes the overhead costs prohibitive for any institution to lend to the rural poor on an individual basis. The challenge is to make the rural poor bankable without creating more problems for an already troubled banking system. Some of the NGOs, however, have taken the lead in showing the way in which a viable credit system can be established to reach the poor. The following pages review two successful models.

C. TWO SUCCESSFUL MODELS FOR REACHING THE LANDLESS RURAL POOR

3.16 There are well over 100 NGOs working with the rural poor; many of their projects have had impressive results. The majority, however, cannot be used as models for a nationwide program, as they are too recent, too localized, or too costly. This report focuses on two operating models: the Grameen Bank Project (GBP) and the Bangladesh Rural Advancement Committee's (BRAC) Rural Credit and Training Project (RCTP). These models are selected for a number of reasons:

- (a) Length of existence: GBP began as a small informal experiment near Chittagong in 1976 and progressed from a GOB-sponsored project in 1979 to a full-fledged bank by October 1983. Established in 1972, BRAC has worked with the landless rural

poor in a variety of programs. BRAC's Rural Credit and Training Project, established in 1979, is a result of BRAC's varied program experience.

- (b) Geographic coverage: GBP has 86 branches concentrated in five districts located in all four divisions of the country. These branches cover over 1,250 of the 65,000 villages in Bangladesh. BRAC's programs operate in over 1,500 villages located in 14 of the old 21 districts. The RCTP program operates 20 branches located in 5 districts. These branches cover over 300 villages.
- (c) Volume of lending: As of December 1983, GBP had cumulative lending of Tk 195 million, of which Tk 72 million was outstanding. The cumulative volume of lending represents over 100,000 loans to about 40,000 borrowers. BRAC has loaned Tk 30 million to 600 groups totaling 32,000 members.
- (d) Formation of viable groups: Both models are based on the organization of informal groups and both have been able to foster participation, motivation, and the ability to carry out cooperative activities. The two models also have good records in terms of repayment rates and accumulation of savings--critical measures of a viable model. GBP has formed in excess of 11,000 groups with an overall repayment rate of over 94%; cumulative savings of these groups are over 20% of total loans disbursed. Overall, BRAC has formed close to 2,000 groups with over 80,000 members; the RCTP program has over 600 groups with some 32,000 members and an overall repayment rate of 91%. Savings accumulation is close to 10% of disbursed loans.
- (e) Costs: No model can be used unless it provides substantial data on its real cost. Both of these models provide enough information to estimate the cost of a larger program.

3.17 The two models chosen represent very different approaches and between them cover a wide spectrum of methodologies. GBP is by far the largest program; however, BRAC's RCTP program provides a useful contrast in possible strategies. Despite their differences, the two programs reach similar conclusions with regard to costs, future directions, and the best organizational framework to reach the landless rural poor.

D. THE GRAMEEN BANK PROJECT

Origins and Purpose

3.18 In December 1976, an action research project was initiated by the Rural Economics Program (REP) of the Department of Economics at Chittagong University in the village of Jobra. The Grameen Bank Project, as it was called, consisted of an informal arrangement between the staff of the Rural Economics Program and the Janata Bank, a nationalized commercial bank (NCB) whereby credit was provided to landless groups in Jobra which were organized and supervised by REP staff. It was conceived as a specialized credit program to test the hypothesis that the landless are not only creditworthy, but also capable of generating productive self-employment without external

assistance if financial resources are made available to them at reasonable terms.

3.19 Based on the premise that the landless can be integrated into the formal banking system only if banking services are brought down to their level, the project functions as an intermediary between an underutilized resource, the banks, and the informal groups of landless rural poor. ^{1/} The target groups are households with less than a half an acre of cultivable land, and total assets not in excess of the value of one acre of medium quality land.

Evolution

3.20 The early success of the project in showing excellent repayment and savings accumulation attracted attention from the banks. Sonali Bank, the largest NCB, became involved in the program in January 1978. Until March 1978, when the first branch was established, the project consisted of REP staff working first in Jobra and subsequently in two neighboring villages. The establishment of the branch completed an operating unit for project replication in other areas. In November 1979, under the sponsorship of Bangladesh Bank, GBP began field operations in Tangail District with the participation of all six NCBs and the Bangladesh Krishi Bank. A special subsidized credit line for the project was established by Bangladesh Bank and the International Fund For Agricultural Development (IFAD). Hereafter the project grew at an accelerated rate as is seen in the following table:

Table 3.1: EXPANSION OF GRAMEEN BANK PROJECT

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>Total</u>
Branches (number)	25	25	54	86	86
Villages (number)	363	433	745	1,249	1,249
Loans (number)	13,589	19,228	26,172	56,700	115,689
Groups (No. of Members)					
Men	10,175	4,597	3,589	13,151	31,512
Women	4,655	4,701	2,429	14,753	26,538
Total	14,830	9,298	6,288	27,904	58,050
Credit (Tk millions)					
Disbursed	20.2	33.5	41.9	99.3	195
Repaid	8.0	25.4	31.5	64.1	129
Total Savings	1.6	4.7	9.5	19.4	19.4

^{1/} In October 1983 the Grameen Bank Project received accreditation as a full bank. As such, it ceases to function as an intermediary. This report examines GBP model before it became a bank.

Methodology

3.21 The GBP model is based on the closely supervised formation of groups of five members each. Early experiments showed that larger groups tend to lack discipline and do not stay together. The main feature of the methodology are as follows:

(a) GBP branches: The model rests on the ability of these small self-managed units to work directly at the village level. Each branch has a staff of seven to eight: a Manager, five to six bank workers, and a guard. On average, each branch covers 14 villages and each bank worker is responsible for 20 to 25 groups. Each branch has at least two female bank workers.

(b) Group formation: GBP branch staff are required to live in the villages where they work. The bank workers establish a rapport with the villagers and informally explain the GBP program. If they are interested, villagers are asked to form groups of five and to participate in a week-long intensive course. Each day of the course the participants must deposit one Taka to form the beginning of a group fund. In the course the bank worker explains the objectives and the rules of the GBP program, and the participants are asked to agree to the following:

- (i) members attend weekly meetings and agree to impose a fine on those who do not attend (unless their absence is justified); the fine is deposited in the group fund;
- (ii) members elect a chairman and a secretary;
- (iii) each member deposit at least Taka 1 per week in the group fund;
- (iv) members are responsible for each other's payments;
- (v) loans are repaid on a weekly basis; members pay 2% of the principal each week (exceptions may be granted when loans are for activities that have one-time benefits); interest is paid in two weekly installments, once the principal has been repaid; members make an additional payment of 50% of their interest payments to establish a fund for defaults and emergencies;
- (vi) five percent of each loan is deducted and placed in the group fund; and
- (vii) the group fund is administered by the group; no more than 50% of the fund can be lent; each disbursement from the fund must be signed by the group chairman and secretary as well as by the GBP branch manager. Five percent of all loans made from the group fund is deposited back into the group fund.

3.22 Once the group members complete the course they are quizzed by the branch manager. If the manager is satisfied, the group is recognized and undergoes a period of observation. During this one month period the bank worker monitors the group's weekly meetings and their deposits into the group fund. Group members are also taught how to sign their names. At the end of the observation period, the two most needy members of the group are granted loans. The other members must wait an additional month while the first two

make their weekly payments. At this point the group is considered reliable and the other members can obtain loans.

Village Organization

3.23 Any place in the village may be used as the center for the group meetings. Normally all groups in a village hold their weekly meetings at the same time and in the same place. Men's and women's groups meet separately. The groups agree that all group chairmen will select a center chief and a co-center chief who are responsible, along with the group chairmen, for monitoring the attendance and payment performance of all borrowers. A bank worker is present at all weekly meetings and performs the following functions:

- (i) disburses all loans;
- (ii) collects all weekly loan payments, group fund deposits, and emergency fund deposits;
- (iii) registers all payments in group and individual passbooks;
- (iv) monitors weekly attendance; and
- (v) proceeds to the bank and transfers all records and payments and deposits.

Credit Procedures

3.24 Village level. It takes three to six months to begin a GBP program in a village. When operations first begin, the initial group loans are approved by the bank worker. Once a center is established, the credit approval process proceeds as follows: first, a group member solicits a loan; second, the group chairman and secretary approve the loan request; third, the center chief approves the request, and last, the bank worker approves the request.

3.25 Grameen Bank level. The GBP model has three tiers of administration: the Dhaka Head Office, the district level and the branch. The district office supervises all branch activity through a project officer and a district project manager. Once the bank worker approves a credit request, the request must receive the additional approval of the branch manager, the district project officer and the district project manager, in that order. Once the district project manager approves the request, the branch manager informs the participating bank, which processes the loan. Funds are disbursed and delivered through the bank worker. The estimated time from the original request of the group member to the time when the member receives the funds is seven weeks.

Credit Administration

3.26 This model entails a parallel system of accounting. Both GBP and the participating banks maintain individual accounts for every loan. As all the data used by the participating banks come from the GBP bank worker, redundancy is built into the system.

Cost of Funds to the Borrower 1/

3.27 The basic rate of interest is 13% per annum. However, the compulsory group fund and emergency fund deductions increase this cost to the borrowers significantly to over 20%.

Loan amount	:	1,000
5% deduction (group fund)	:	50
Net Principal	:	950
Interest (13% on 1,000)	:	130
Emergency fund (50% of interest)	:	65
Total Cost	:	195

Real cost to borrower = Total Cost (195)/Net Principal (950) = 20.5%

Saving Accumulation

3.28 The forced saving aspect of the program has created an impressive accumulation of savings from all participants. By December 10, 1983, the GBP had a total of Tk 16 million in the group funds of its members, plus an additional Tk 3.4 million in the emergency fund; the total represented 10% of loans disbursed by that date. The emergency fund, under the authority of GBP, at present, is used only to cover defaults. The intention is eventually to create an insurance fund to cover members for accidents, death, and disaster.

3.29 The group funds are managed by the groups themselves. They can make loans at a rate they establish. As of December 1983, of the Tk 16 million accumulated in group funds, members had borrowed some Tk 5 million, or 30% of the total fund. One of the reasons for the accumulation of savings is the weekly payments of one Taka per member. With the present number of members this brings in nearly Tk one million every four months. More importantly, the growing volume of new lending and repeat lending (most members have taken more than two loans and many have borrowed four and five times), has resulted in a massive increase with the 5% compulsory deduction. There is also evidence that the landless rural poor are saving in excess of the compulsory requirements as is shown in the following table:

Table 3.2: SAVINGS AND ANNUAL LENDING
(Taka million)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Group fund	1.6	4.4	8.1	16.0
Emergency fund	.0	.3	1.4	3.4
Total Savings	1.6	3.1	4.8	9.9
Credit disbursed	20.2	33.5	41.9	99.3
Savings as % of credit disbursed	7.9	9.3	11.5	10.0

1/ These figures are based on documents published by the Grameen Bank Project up to September 1983.

Repayment Rates

3.30 Loans to group members are expected to be repaid in one year. However, there is no maturity stipulated in the loan agreement, and GBP borrows funds from participating banks for two years. Most members pay back the required 2% of the principal per week. However, the system is flexible, recognizing that members may have temporary difficulties. In such cases a token payment is made, and the member is expected to make up the difference later in addition to his regular payments. This results in an uneven repayment schedule, but is important as otherwise overall repayment performance could be negatively influenced. A standard repayment analysis assumes fixed maturities and a fixed repayment schedule. The GBP loans require neither.

3.31 An analysis of repayment rates based on the assumption that loans are repaid within one year reveals excellent repayment rates. A recent evaluation by the Bangladesh Institute of Development Studies (BIDS) found the overall repayment performance for GBP members to be 94%. In an environment where less than half of all credit in the agricultural sector is repaid on time, this achievement is remarkable. This indicates that the flexibility of the program does not hinder, and may even help, the repayment of credit.

Cost of the GBP Model

3.32 The GBP model was designed so that the branches could be self-financing based on income from interest revenues. Since 1979 the GBP has covered the costs of the Dhaka and district offices. These overheads were not, however, included in the analysis of the individual branches. Another complication in assessing the cost of this model is that it relies on banks which incur high overheads because of the small amounts of the loans and the weekly repayment system. As credit was provided to the commercial banks at an average cost of 3.5% per annum and lent to the GBP at 4.5%, the 1% spread was little incentive. The conclusions of a recent BIDS evaluation of the GBP model, based on an in-depth evaluation of seven randomly selected branches, are summarized in Table 3.3:

Table 3.3: ESTIMATED INCOME AND EXPENSES OF AVERAGE GBP BRANCH (Takas)

		<u>% of lending</u>
Annual lending:	1,348,000	
Income:	186,800	13.9%
Expenses:		
Overall staff costs:	74,700	5.6%
Other expenses:	29,700	2.2%
Total GBP Costs	104,400	7.8%
Cost of funds	60,660	4.5%
GBP income	21,740	1.6%
Overhead of participating bank:	104,200	7.8%
Net income	(82,460)	(6.1%)

3.33 Without considering the cost of funds, the overhead of the GBP program (including the participating banks) is 15.6% of funds disbursed. GBP's cost of funds from the participating banks is 4.5% per annum, which is a subsidized rate. The average cost of funds to banks lending in the agricultural sector varies between 6.6 to 7.7% per annum.

3.34 Through interviews with managers of participating banks, the BIDS study estimated the overhead costs to these banks to be 7.8% of funds disbursed, which is equal to that of the overall GBP program. This was unexpected, as the bulk of the work in the GBP program is carried out by GBP bank workers and staff. The GBP expected that the participating banks would incur only marginal overhead costs. That this was not so is mainly due to three factors:

- (1) redundancy--both GBP and the banks maintained detailed individual records for each member receiving loans;
- (2) the repayment system--the normal credit programs of the participating banks have monthly or quarterly repayment, whereas GBP loans are repaid on a weekly basis; with the GBP processing some 40,000 loans per year, this requires tracking over two million payments per year for the participating banks; and
- (3) the low productivity of the participating bank workers in the system as compared with GBP bank workers.

3.35 These overhead cost considerations were one of the principal reasons for transforming the GBP into an independent bank. It became increasingly difficult for the GBP to work with the participating banks, even though at the national level the managements of these banks were very supportive. The problem was at the field level where local bank managers were unenthusiastic about the program due to the high overheads and marginal interest spread. In assuming the additional responsibilities of becoming a bank, the GBP management expects to incur additional overheads of no more than 2% per annum of the funds disbursed. This would be possible by avoiding the current practice of maintaining detailed individual accounts for each member by both GBP and the participating banks.

3.36 The cost implications of the GBP model require further analysis as to the maximum capacity of individual branches. Table 3.3 above is useful for one set of circumstances; however, the 86 branches cover a wide spectrum. As of December 1983 the branch with the largest amount of credit outstanding--close to Tk 3,000,000--was over four years old. The volume of lending in GBP branches depends on two factors: the capacity of the bank workers and the age of the branch. GBP's experience indicates that for male groups one bank worker can cover 250 individuals or 50 groups per year. For female groups the ratio is 150 individuals or 30 groups to one bank worker. In general, a GBP branch consists of three male and two female bank workers. GBP estimates that the average loan for male members is Tk 2,600, for female members Tk 1,600. These figures indicate that an average branch reaches maximum capacity with five bank workers at roughly Tk 2,500,000 in lending per annum. Data from GBP annual reports indicate that this level of activity does not occur until the third year of operation.

Activities Financed by GBP

3.37 At present, the GBP does not assist the landless rural poor in the selection of economic activities. The program is based on the belief that the poor are well acquainted with a vast array of traditional activities to increase their incomes; if they are given adequate access to credit at reasonable rates, they have the capacity to substantially improve their situation. The GBP does not consider the provision of training and technical assistance as its role. Rather, it sees itself as a specialized bank that carefully considers the investment decisions of its clients to determine the economic viability of the activities they propose. However, there are indications that this perception may be changing. The GBP is now considering the possibility of establishing a center to field-test and disseminate technologies appropriate to rural areas. This will involve skills training and technical inputs which are not components of the present program.

Table 3.4: ACTIVITIES FINANCED BY GBP

	1980		1981		1982	
	Tk *	%	Tk	%	Tk	%
Trading Activities	6,405,500	(32%)	12,287,200	(37%)	15,107,410	(36%)
Livestock and Fisheries	5,038,150	(25%)	7,677,650	(23%)	9,667,140	(23%)
Processing and Manufacturing	4,108,100	(20%)	8,780,950	(26%)	10,283,450	(25%)
Services	3,176,300	(16%)	2,348,200	(7%)	2,196,200	(5%)
Shopkeeping	1,071,650	(5%)	2,005,700	(6%)	2,832,950	(7%)
Agricultural and Forestry	346,149	(2%)	426,951	(1%)	796,900	(2%)
Collective Enterprises	-		-		1,019,100	(2%)
	20,145,859	(100)	33,526,651	(100)	41,903,150	(100)

* November 1979 - December 1980.

Source: Grameen Bank Project, Annual Reports, 1980-1982.

3.38 The main activity funded by the GBP is small trading of agricultural and non-agricultural goods (see Table 3.4); over one-third of all lending is in this area. Detailed accounting of these trading activities reveals that over 120 different items are traded in small quantities. More than 20% of the over 17,000 loans in this category, and the same proportion in total credit, have been for rice and paddy trading. Other principal items are flour, cattle, and molasses. The average loan granted in this category is Tk 2,000.

3.39 The largest area of activity in terms of the number of loans granted is in processing and manufacturing. This category represents over 32% of all loans granted, though only 24% of the total amount of credit disbursed up to the end of 1982. Close to 100 different activities have been funded; the single most important being paddy husking, which represents close to 60% of the number of loans and over 40% of the total value. Other activities range from mustard oil extraction to weaving and pottery. The average amount of loans granted for these activities is Tk 1,200. For paddy husking the average loan was only Tk 900. The third main concentration of loans as well as amount of credit is the livestock and fisheries category, over 80% of which consists of cattle purchasing and fattening.

3.40 Although it is now the smallest category, collective enterprises may be on the rise. During 1982, 140 members agreed jointly to lease a market place that required impressive internal organization and cohesion. This activity, which from all accounts was a spontaneous initiative on the part of the groups, evolved out of the weekly meetings of a few centers. Other impressive achievements include the purchase and operation of three rice hullers by three groups of women consisting of 30 members each. Finally, the bulk of collective enterprises emerged in the critical area of irrigation. Some 926 men formed 32 groups to own and operate 30 shallow tubewells and two power pumps. There are indications are that these groups may become legalized cooperatives.

3.41 Given the geographic coverage and the number of members participating in the GBP model, Tables 3.5 and 3.6 present important data for understanding who the landless rural poor are and how they survive. Also important in making this a representative sample is the fact that the GBP does not assist in selecting activities, only in verifying their viability. All of these activities represent spontaneous choices of the landless rural poor based on their abilities and experience. The tables list the 25 principal activities financed for men and women. Close to 80% of the total amount of credit and the total number of GBP loans were given for these activities over the three year period ending December 1980.

Table 3.5: TOP 25 ITEMS (IN ORDER OF AMOUNT DISBURSED SINCE INCEPTION)
FOR WHICH MALE (LANDLESS) MEMBERS TOOK LOANS
FOR THE PERIOD ENDING DECEMBER 31, 1982

Order	Items	Landless (Male)	
		No. of Loans	Amount of Loans
1.	Rice/Paddy	2,936	5,769,010
2.	Milch Cow	2,416	4,986,920
3.	Rickshaw	1,516	4,742,500
4.	Paddy husking	2,594	2,787,400
5.	Cattle	994	2,469,100
6.	Bullock	1,252	2,401,300
7.	Grocery shop	885	2,190,650
8.	Seasonal agricultural produce	883	2,036,700
9.	Stationery shop	754	1,797,400
10.	Weaving (Saree)	715	1,545,700
11.	Mustard seeds	589	1,279,600
12.	Bullock-cart	379	1,265,500
13.	Cow fattening	1,177	1,252,750
14.	Molasses (gur)	624	1,226,100
15.	Lungi	461	1,213,800
16.	Mustard oil making	669	1,155,300
17.	Flour	749	1,123,100
18.	Saree	341	1,069,100
19.	Cloth	315	861,900
20.	Paddy cultivation	756	783,950
21.	Fish	500	754,100
22.	Timber	320	747,400
23.	Vegetables	514	746,800
24.	Shallow Tubewells for irrigation	856	723,450
25.	Goat	407	704,200
	Total	23,606	45,833,730

Source: Grameen Bank Project Annual Report, 1982.

**Table 3.6: TOP 25 ITEMS (IN ORDER OF AMOUNT DISBURSED SINCE INCEPTION)
FOR WHICH FEMALE (LANDLESS) MEMBERS TOOK LOANS)
FOR THE PERIOD ENDING DECEMBER 31, 1982**

Order	Items	Landless (Male)	
		No. of Loans	Amount of Loans
1.	Milch cow	4,618	9,442,350
2.	Paddy husking	7,625	6,453,850
3.	Cow fattening	3,387	3,137,350
4.	Rice/Paddy	548	735,000
5.	Stationery shop	417	678,050
6.	Pulse husking	490	599,100
7.	Grocery shop	357	542,350
8.	Flour	415	484,150
9.	Garments making	220	457,500
10.	Puffed Rice	436	420,050
11.	Bamboo works	527	394,050
12.	Mat/pati making	222	364,350
13.	Mustard oil making	271	361,600
14.	Weaving (Lungi)	264	349,000
15.	Goat	616	336,150
16.	Fishing net making	266	304,250
17.	Stationery goods	217	232,700
18.	Weaving (Saree)	117	184,600
19.	Betal-leaf cultivation	87	172,600
20.	Cane works	243	122,750
21.	Bullock	71	122,000
22.	Sweetmeat making	70	110,100
23.	Pottery products	52	106,500
24.	Land leasing	31	89,500
25.	Pottery products	55	86,700
	Total	21,622	26,286,600

Source: Grameen Bank Project Annual Report, 1982.

Impact of GBP

3.42 Two outside evaluations (conducted by the Bangladesh Institute of Development Studies (BIDS) and the Bangladesh Institute for Bank Management (BIBM)) of the GBP program using random samples of 600 and 175 respondents, respectively, have been undertaken. Both find impressive gains in income related to GBP loans. The more extensive and recent evaluation, conducted by BIDS, finds an increase in average household income of nearly 70% in nominal terms over a two and a half year period. The earlier evaluation also shows income gains in nominal terms between 60 to 70% per household. While neither of these evaluations compares the respondents to a control group of non-participants, other studies have shown the income levels of the landless rural poor to, at best, increase in step with the average national per capita income levels (2.6% per annum). Both evaluations conclude that the program is successful in reaching the defined target group. Between 93 to 95% own up

to 0.4 acres of cultivable land and the average income per household was between Tk 5,000 and Tk 6,000 per annum prior to entering the program.

3.43 One of the important findings of both evaluations is the impact of the program on landless women. As of December 1983, 45% of all members were women (26,538), while their share of total credit granted by the program was 34%. The evaluations show that prior to the program a majority of these women (65% according to BIDS; 60% according to BIMS) were not engaged in income-generating activities. The BIMS study concludes that the change in status and income of women in the program is impressive. These findings demonstrate that the GBP model is one of the most successful in reaching the most disadvantaged group in Bangladesh, the landless women. The success of the GBP model has been attributed to the use of local women as bank workers who live in the village.

3.44 Overall these evaluations detect substantial changes in the behavior of the target group as a result of the program. Most important is the increase in the number of income-generating activities. The BIMS evaluation finds that prior to the program 50% and 43% of the beneficiaries listed one and two income-generating activities, respectively. After the program less than 10% have only one activity, 63% have two, and 24% have three income-generating activities. Because the model emphasizes that the target group itself define new activities, this finding suggests that there is a range of skills and abilities among the rural poor that are underutilized due to a shortage of capital.

Limitations of GBP Model

3.45 Over 95% of GBP loans were used to finance non-farm activities. The largest concentration is petty trading activities (33%), followed by an array of traditional cottage industries (24%) and livestock (23%). This profile raises questions about replication on a nationwide scale, the main issue being the problem of saturation, especially in the area of petty trading and cottage industries. Wide proliferation or expansion of petty trading and cottage industries could result in over-supply and diminishing returns for the landless rural poor. The GBP model does not address these issues as the approach is based on the belief that the rural poor are able to understand these problems and will select viable activities.

3.46 There are indications that returns are beginning to diminish. The GBP model allows for repeat borrowing in the older branches. Some members are already on their fifth loan. The only requirement for these members is that three-fourths of the previous loan be repaid. The BIDS evaluation finds that "with every repeat loan, the average loan size increases, but the income increases at a much smaller rate than the increases of the loan". It is not possible to explain this slower rate of increase with the data presented. However, the data do raise the possibility that in activities such as petty trading and cottage industries a certain degree of market saturation may be occurring.

3.47 As impressive as the results of this model are, it is important to realize that the total number of borrowers is roughly equivalent only to the number of landless rural poor in one medium-sized Upazila. Since there are over 400 rural Upazilas in Bangladesh, the costs of the model may prove to be a major limitation to wide-scale replication. The change in status of GBP to

a full bank and the planned expansion to 500 branches and 400,000 borrowers over the next five years is important. However, it still remains a small effort in relation to the size of the problem.

3.48 The GBP model does not seek to phase itself out over time. Groups remain dependent on the bank worker for processing, disbursing, and collecting all loans. This could prove to be a critical constraint over time as larger numbers of groups are formed.

E. THE BANGLADESH RURAL ADVANCEMENT COMMITTEE

Origins and Purpose

3.49 BRAC started as a relief-oriented private voluntary organization in 1972 in response to the refugee problems which arose during and after the War of Independence in 1971. From its inception BRAC was funded primarily through foreign donors and, in its first phases of operation, worked in the resettlement of refugees in the northeastern part of the country. Perceiving that relief work was a limited way of assisting the rural poor, BRAC shifted its focus to an integrated strategy for rural development of the landless rural poor and undertook community development activities for all sections of village society. However, through experience BRAC found that the rural poor could not be effectively reached in this fashion because of their low status and dependent relationship. Intended benefits were usually monopolized by the village elites. Therefore, BRAC decided to adopt a "target group" approach focussed on the landless rural poor. The functional definition BRAC adopted for "landless" was a household which depended primarily on the sale of manual labor for their livelihood and which owned few or no productive assets.

3.50 In 1975 BRAC began its Outreach Program which was designed to help foster and strengthen landless groups through consciousness raising and continuous education. BRAC's approach is based on the belief that only through mobilization, organization, and solidarity can the landless achieve real economic development. BRAC is training-oriented and uses a Functional Education Course as a principal tool to help bring about "raising the consciousness" of the landless. The course is designed to bring about functional literacy and to forge a common awareness among the landless of the causes of their poverty and how as a group they can find ways to improve their situation. The experience from this program led BRAC to the conclusion that the economic development required still another component: credit.

3.51 In 1979 BRAC initiated the Rural Credit and Training Project (RCTP), which integrated the already developed "consciousness-raising" and functional education approaches with a long-term strategy for collectively owned and operated economic activities. At present BRAC is involved in a variety of programs in health and education as well as credit. The total coverage of these programs is some 1,500 villages and over 1,700 groups with a membership of close to 80,000. Of these programs this chapter discusses only the RCTP program, which covers some 300 villages with close to 600 groups comprising some 32,000 members.

Evolution

3.52 The RCTP program began in June 1979 with the establishment of its first branch. BRAC's approach requires intensive training and organization of groups. For this reason credit is not usually granted until a year after work has begun in a village. BRAC does not organize small groups. At most a village will have two groups--one for men and one for women. Most credit is given for collective undertakings; loans to individual members are not encouraged. Loans are granted on short-term (up to 12 months), medium-term (up to three years), and long-term basis.

Table 3.7: EXPANSION OF BRAC'S RCTP PROGRAM
(Taka million)

		<u>7/80-6/81</u> (12 month)	<u>7/81-12/82</u> (18 months)	<u>1/83-12/83</u> (12 months)
Branches	(Number)	8	14	18
Villages	(")	123	270	300
Groups	(")	203	543	600
Members	(")	9281	28,217	32,000
Average				
Group Size	(")	46	52	53
Men		6720	18,128	20,000
Women		2561	10,089	13,000
Credit disbursed		2.0	13.9	14.9
Credit repaid		.4	5.0	6.7
Savings fund		.3	1.8	n/a

Total credit disbursed (7/80 to 12/83): Tk 30.8 million

Total credit outstanding (12/83): Tk 18.7 million

Source: BRAC Reports.

Methodology

3.53 BRAC's program is based on the premise that credit is only one component in an integrated process which includes group formation, consciousness-raising, and training. The program attempts to foster group-owned and- operated productive activities. The main components of BRAC's methodology are as follows:

(a) Baseline survey: Before a RCTP branch is established, a team from BRAC's Research and Evaluation Division conducts a socio-economic survey lasting three to six months. The first phase of the survey is a census which lists household income and resources available in the area, especially unutilized or underutilized assets like government land, tanks, etc. In the second phase a stratified sample of 10% of the households in the survey area is selected and a more detailed profile is obtained.

(b) RCTP branches: Once the survey is underway, a team is selected and trained to staff the branch. The team is composed of a manager, five program organizers (POs) and an accountant. A branch covers roughly 25 villages,

and each PO is responsible for 10 groups averaging 50 to 60 members. Total coverage is 500 villagers per program organizer or 2,500 per branch. Each branch facility consists of a branch office, a dormitory for the staff, and a storage building.

(c) Group formation: After completion of the baseline survey, the POs begin to hold informal discussions with landless villagers about the possibilities of establishing a village organization (VO). It normally takes between two and three months from the first contact to form a village organization. During this period the POs, in consultation with the villagers, identify potential leaders and send them to BRAC's Training and Resource Center (TARC).

(d) Training--TARC level: In the BRAC model, training plays a major role throughout the process of establishing and strengthening the VOs. The center provides three basic types of training. The first is human resource development for members of landless groups as well as BRAC workers. The principal course of this type is the Functional Education Course (FEC), which uses consciousness-raising techniques to promote awareness and functional literacy among the landless. Other courses cover organizational management, human dynamics, and the skills needed to carry out social and economic activities. The second type is skills training. TARC has a demonstration farm with a wide variety of activities (poultry, dairy, fish culture, crop production) which is used to train landless group members. Other skills for income-generating activities are also taught. The third type of training consists of extension services. TARC assists BRAC field staff with training programs at the village level in organization development and skills. TARC also provides feasibility studies and agricultural inputs.

(e) Training--village level: The Functional Education Course is the first stage of training conducted at the village level. It is taught by villagers trained by TARC and RCTP staff. This course is designed to be given over a six-month period in weekly sessions of one to two hours. Completion of this course is mandatory for the VO to be eligible for credit.

(f) Credit: For a VO to be eligible for credit several conditions must be met: group members must attend weekly meeting regularly and deposit a minimum of one Taka per week in a savings fund; the group must have a bank account; a majority of the members must have completed the FEC; the group must demonstrate its ability to carry out collective social activity and to manage economic activities; and 10% of the loan requested must be raised by the group. It takes a minimum of a year for a VO to become eligible for credit. The activities are for the most part collective in nature among sub-groups in the VO. A part of the credit from these activities will be put into the group fund of the VO.

(g) The Village Organization: BRAC's philosophy is based on the premise that the landless rural poor cannot achieve economic development until they have broken down the traditional links of dependence upon the village elites. At its core, BRAC's methodology is to create strong village organizations that organize substantial numbers of the poor into a powerful lobbying force. The village organization also provides a chance for them to engage in viable economic activities to earn their livelihood. The VOs are run by a number of committees that serve as checks and balances and have clearly defined responsibilities. For example, there is usually one committee that oversees

all money transactions, while another may serve as an "audit committee". Most of the collective activities, since they involve only portion of the members, have their own separate committees composed of elected members from the participating sub-groups.

3.54 The RCTP is funded through grants from international donors. BRAC deposits these funds in a bank from which all disbursements are made. BRAC staff are not allowed to handle any of the money from the credit or group-fund activities. All transactions between the VO and the bank are carried out by elected members. Banks are not allowed to release the loan funds without the counter signature of three elected officials of the VO and a copy of the minutes of the weekly meeting that recorded the loan approval. Similarly all loan payments are made to BRAC's account in the participating bank by VO members.

Credit Procedures

3.55 Village Level: All requests for credit originate in the weekly meetings of the VO. For the meeting to consider any credit request, three-quarters of the members must be present. A majority of the members attending must agree before a request for credit is submitted. This process is also used to establish the proportion of profits that will be contributed to the VO group fund and the service charges the members requesting the loans agree to pay. Once these matters have been agreed upon, the VO prepares a credit request and presents it to the PO.

3.56 BRAC Level: The PO, in consultation with the participating members, prepares a loan proposal assessing the viability of the proposed activity. This proposal is then reviewed by BRAC's branch manager, if it is under Tk 5,000 or the regional manager in Dhaka whose limit for approval is Tk 10,000. All loans in excess of Tk 10,000 must be approved by the executive director of BRAC. Most loans are given to a group of VO members undertaking the same activity jointly or individually. Such loans are considered as single credits, although there may be ten or more members involved. The approval process takes between six to eight weeks, out of which four weeks are at the village level for discussions in the weekly meetings and for preparation of the loan proposal.

Credit Administration

3.57 The RCTP branches are audited on a quarterly basis by BRAC's head office in Dhaka. The accounting system consists of a cash book, loan ledger, and general ledger. In addition, the POs are responsible for tracking the economic activities of each VO through a monthly balance sheet and income statement. These financial reports consolidate all loans, group funds, income, and expenses to determine the financial viability of the VOs.

Cost of Funds to the Borrower

3.58 Estimating costs to the borrowers in the BRAC program is complex because interest rates depend upon the activity, the duration of the loan, and the anticipated profit. Added to this are the VOs service charges which vary widely. BRAC estimates that the average interest earned on the loan funds is 19% per annum. However, including service charges, the borrower is paying an effective annual rate of between 18% and 36%. Individual loans are

charged the highest rate of interest, and larger group activities the lowest, with the exception of loans to women, who, due to their socio-economic status, find it difficult to undertake group activities. Loans given to women are charged 15% per annum.

Savings Accumulation

3.59 Most decisions about how groups will save are taken by the VOs; there is no standard procedure. Some "service charges" for establishing emergency and reserve funds are levied on members; however, the bulk of savings appear to accrue through profit-sharing between the participants in financed projects and the VOs. Table 3.8 shows the data for economic activities completed between July and December 1982.

Table 3.8: PROFIT SHARING BETWEEN MEMBERS AND VILLAGE ORGANIZATIONS
(Taka thousands)

<u>Branch</u>	<u>Loan Amount</u>	<u>Income after Principal & Interest</u>	<u>Income members</u>	<u>Income VO</u>	<u>VO Income as % of Total Income</u>
Monohardi	157	397.	377	20	5%
Shibhur	196	260	224	36	14%
Gheor	342	910	860	50	6%
Gazaria	90	261	253	8	3%
Atghoria	55	112	91	22	24%
Boraigram	91	113	100	13	12%
TOTAL	930	2,053	1,904	149	7%

3.60 Due to the high profitability of activities financed, the profit sharing method can be as effective as forced savings. Table 3.8 reveals that there are significant variations between branches and VOs as to how profit is shared. Collective activities, which have low interest rates (15%) and little if any service charges, share a greater percentage of their profits than individual activities like small trading, which may have a total cost of between 30% to 36% to the borrower. Sometimes collective activities share as much as 50% of their profits with the VOs.

Repayment Rates

3.61 BRAC estimates its repayment rate at 91% (as of December 1983). This represents a slight deterioration from its 1982 estimate of 93% and is probably a function of two factors. First, financing collective activities is inherently risky. Second, it appears that a major part of overdues are installments on medium- and long-term loans which do not necessarily reflect poor payment performance, but may be due to delays in activities reaching the projected income targets. Even so, BRAC's performance is twice as good as the overall performance in lending to the agricultural sector where on-time repayment rates are less than 45%.

3.62 Since the beginning of the program most of BRAC's credit has been for medium- and long-term. Long-term credits over three years comprise 16% of the total portfolio, and 38% is for one-to three-year terms. The

remainder is for loans of one year or less. Some 33% of present outstandings are for short-term credit, while medium- and long-term credit account for 43% and 24%, respectively.

3.63 The aging of BRAC's portfolio is a critical factor in determining repayment rates. BRAC only began granting credit in July 1980, and more than half of all credit disbursed during the program was disbursed in 1983. This, added to the fact that most of the credit is for medium- and long-term periods, makes it difficult to assess if the repayment rate of 91% will continue to be maintained. However, given BRAC's well developed administrative structure for monitoring group performance and the emergency funds of the VOs, indications are that loan recovery will remain satisfactory.

Costs of the BRAC Model

3.64 Four categories of costs need to be analyzed to understand the cost implications of the BRAC model: start-up costs, branch operating costs, head office overheads, and training costs. BRAC has documented all levels of costs; thus, it is possible to estimate average costs for a single branch (Table 3.9).

Table 3.9: COSTS FOR ONE RCTP BRANCH
(Taka thousands)

I. Start-up costs		
Land for branch facility:	280	
Buildings (office and staff quarters)	750	
Furniture and fixtures:	320	
Vehicles (bicycles, 1 motor c.)	400	
Total start-up cost:		1,750
II. Annual operating costs:		
1 Branch manager (Tk.2,000 p.m.)	24	
5 PO's (1,400 p.m. each)	84	
1 Junior accountant (1,250 p.m.)	15	
1 Support staff (650 p.m.)	8	
Benefits	33	
Total salaries:		164
Other expenses		24
Total operating costs:		188
III. Head office overheads		
Allocated per branch per annum		
Total:		56
IV. Training overheads		
Allocated per branch per annum		
Total:		53

Source: BRAC Project documents and NOVIB evaluation.

3.65 Because the largest single item in operating expenses for a branch is salaries, BRAC is experimenting--successfully so far--with the alternative of using high school educated instead of college trained POs. This would cut the salary costs for these positions by 50% and bring down total salary costs to Tk 111,000 and overall costs to Tk 135,000. The heavy emphasis on training and the supervision of the program adds Tk 109,000 to each branch's costs. Assuming a branch reaches a capacity to lend Tk 2,000,000 per annum, the total operating expenses, excluding depreciation (using high school graduates as POs) and training and supervision overheads, would represent 12.2% of funds lent annually. Using college graduates as POs, total overhead represent 15% of funds lent annually.

Activities Financed by BRAC

3.66 Because BRAC emphasizes collective endeavors, its profile of activities financed differs substantially from Grameen Bank. A major difference is that crop cultivation--the leasing and cultivation of land for group farming--is a major activity for BRAC borrowers. Table 3.10 gives the breakdown of all loans from the beginning of the program until December 1982.

Table 3.10: ACTIVITIES FINANCED SINCE INCEPTION OF RCTP TO DECEMBER 1982
(Taka thousands)

<u>Activity Financed</u>	<u>Amount</u>	<u>% of Total</u>	<u>Share Collective Activities</u>	<u>Share Individual Activities</u>
Crop Cultivation	3,770	24	70	30
Petty Trading	3,760	24	20	80
Cattle Rearing	2,162	13	100	-
Irrigation	1,545	10	100	-
Paddy Husking	1,403	9	--	100
Weaving	1,290	8	50	50
Rickshaw	750	5	30	70
Fisheries	602	4	100	-
Other Activities	598	3	--	--
TOTAL	15,880	100	55	45

Total disbursements to:

Male VOs Tk 12,100,000 (76%)
Female VOs Tk 3,780,000 (24%)

3.67 BRAC has financed additional income generating activities for some 18,000 members of its VOs. This represents an average per capita loan of Tk 900. The RCTP program only began lending in July 1980. Because the program emphasizes a gradual approach to granting loans, the above volume does not reflect the current amount of lending. During 1983 the program was able to grant loans totaling close to Tk 15 million, and indications are that the program would be able to increase this volume substantially in 1984.

3.68 Crop cultivation is the single largest area of activities financed and represents three types of financing given by BRAC. The first is for the leasing of land; the second is for inputs needed for crop cultivation; and the third and smallest is for agricultural implements. Close to 400 acres were under cultivation under these schemes as of December 1982. For the most part leased land is that land which members and non-members had mortgaged to local moneylenders. In essence BRAC financing allows the VOs to redeem their own land. Once the BRAC loan has been repaid, members of the VOs whose land had been leased in this fashion receive rent from the surplus generated after payment of all expenses. Financing of inputs for cultivation is principally for paddy, sugar cane, and potato cultivation.

3.69. As can be expected in a program that lends to the landless, a substantial number of loans are for petty trading activities. A total of 3,760 members received loans for this activity. Although only 20% of the total credit in this category went to collective activities, some 1,150 members or 30% undertook these activities on a collective basis.

3.70 BRAC has instituted a collective arrangement for financing cattle-rearing which minimizes the risk to individual participants. This activity primarily involves women who agree to raise livestock purchased by the VOs. When the livestock is sold, the purchase price is deducted by the VOs and the surplus is divided equally between the VO and the member. The VO uses its part of the surplus to pay the interest on the BRAC loan; the remainder is put into a fund to cover eventual losses of livestock financed by this scheme. Another important aspect of the cattle-rearing program is the training and technical services provided by BRAC, which insures minimal losses (mortality rate for animals under this program is only 1%) through vaccination and proper care.

3.71 The most complex collective activity undertaken by BRAC members is irrigation. This activity requires the ability to manage, plan, and monitor. As of December 1982, four deep tubewells, 30 shallow tubewells, and 10 hand tubewells had been financed by BRAC, involving some 1,000 members. By the end of 1983 the number of members involved in irrigation activities had increased to over 2,500. The financing for this activity is for five years at a rate of 18% per annum, with the VOs contributing 10-30% of the total costs.

3.72 BRAC assists the VO to prepare a five-year plan for an irrigation loan proposal. Training inputs are also provided with each RCTP branch staff having at least one PO well versed in the management of irrigation. The other critical role BRAC plays is as an intermediary between the landless and the Bangladesh Agricultural Development Corporation (BADC) and the Bangladesh Water Development Board (BWDB). Experience shows that although these organizations are indispensable for those involved in irrigation projects, they are not well equipped to deal with the landless groups; both have come to accept BRAC as a useful intermediary.

Impact of BRAC

3.73 BRAC's RCTP program has been in existence for only five years, and its lending experience is only four years old. For these reasons any assessment of the program must be tentative. Few outside evaluations have been

carried out on the program; however, there are enough data to make some initial observations.

3.74 BRAC has been able to show that the landless not only can undertake profitable individual activities, but given appropriate inputs are also capable of managing larger complex collective activities profitably. BRAC closely scrutinizes all income generating activities to determine their real costs and profits. BRAC has collected substantial data which show the commercial viability of the collective activities financed by RCTP. The data demonstrate that these activities have excellent returns on capital invested and are viable even at interest rates as high as 36% per annum.

3.75 BRAC uses a participatory approach to accumulation of savings; the VOs themselves set the service charges and profit-sharing rates with the members. This strategy seems to be as effective as forced savings. As of December 1982 the VOs had accumulated the equivalent of 17% of loans outstanding.

3.76 In BRAC's methodology, the social and political development of the landless is given at least as much emphasis as their economic development. BRAC maintains that once the landless can organize themselves effectively, sustained economic development can occur. An outside evaluation conducted by NOVIB ^{1/} of four RCTP branches concluded that the VOs had made substantial progress in gaining access to government services; participating in local governing bodies; and using underutilized government lands and fish ponds. When interviewed, the local bank managers said they were beginning to think of the VOs as potential clients.

Limitations of the BRAC Model

3.77 BRAC's methodology is too lengthy and costly to pursue on a larger scale unless a means to increase income generation for the branches is found. Collective activities in particular--which BRAC emphasizes--require a long start-up period before any economic impact is felt by participating members.

3.78 Apparently group members are beginning to pressure BRAC to grant a larger proportion of loans for individual activities. As the BRAC model was designed for collective activities, it is difficult for it to meet these demands. Problems could occur such as individual leaders obtaining loans and not repaying them, as has happened in the KSS/UCCA system.

3.79 In its 1982 annual report BRAC very candidly discussed the problem of keeping large groups motivated. Sustained participation is difficult to achieve even with careful attention to consciousness-raising and functional literacy.

3.80 Agricultural activities pursued on a collective basis tend to be less profitable than non-agricultural activities. In some cases the low level of profitability decreased members' motivation and threatened the overall viability of the activity.

^{1/} Nederlandse Organisatie Voor Internationale Ontwikkelingssamenwerking (NOVIB), - a Dutch NGO.

F. LESSONS LEARNED FROM THE MODELS AND THEIR IMPLICATIONS
FOR ADDITIONAL EFFORTS

Considerations about Group Formation

3.81 Although they are different methods, both GBP and BRAC's RCTP models are based on group mechanisms to motivate the target group and guarantee their loans. It is important to note that, while both models invest considerable time and effort in the process of group formation, neither advocates the formation of cooperatives. The reason for this is not that either GBP or BRAC is opposed to legalized cooperatives but rather that both organizations consider legalized cooperatives, as inimical to the objectives of group formation unless they are formed through the initiative of the groups over time. The experience of both models would seem to suggest that programs targetted to the landless rural poor may focus on the creation of legalized cooperatives only as a long-term goal.

3.82 The difference in group size of the two models is a critical matter. GBP decided to form groups of only five people, because previous experiments showed that larger groups were less disciplined, less cohesive, and as a result less reliable in terms of credit. BRAC, on the other hand, is very firm in its position that there should be only two groups in a village, one for men and one for women. BRAC's reasoning is based on its experience that more than one group for each sex leads to easy manipulation by faction leaders of the village elite.

3.83 In practices both models use similar group mechanisms. The GBP model brings together all five-person groups for the weekly meeting at the center. Thus, it is not a weekly meeting of five people, but rather a meeting of 10-20 groups of each sex meeting in two centers, one for men and one for women. The GBP model also provides for a center chief, elected by all the chairmen of the various groups, who is responsible for attendance as well as the performance of the groups. All individual group loans must be approved by the center chief. This mechanism has contributed to groups taking on joint activities like rice hullers. It has also led to even larger joint activities undertaken by centers such as leasing a market place. The BRAC model, on the other hand, should not be considered as only one group for men and one for women, as at weekly meetings individual members form small groups and request approval from all members for joint or individual projects. Subgroups are based on a common activity. The BRAC village workers do not submit individual loans for approval but submit loans by activity. In other words, if five members wish to borrow for petty trading the proposal would be for the total amount of the credit for that activity. It is important to note that for a weekly meeting to approve a credit proposal, 75% of the members must be present and a majority of those present must approve. In other words, the GBP uses fixed groups of five people who can undertake separate activities, while the BRAC model uses "floating" groups that band together to undertake common activities either on a joint or individual basis for which they are all held responsible. Both models either directly (BRAC) or indirectly (GBP) require approval from the group at large, and both depend on weekly meetings to monitor and supervise credit and savings and to keep the group strong.

Considerations about Credit and Savings

3.84 Both models provide credit, although their methodologies differ. BRAC provides a majority of its credit for jointly owned and operated activities, while GBP focuses almost exclusively on small loans to individuals. However, in both cases credit provisions are flexible and tailored to the abilities of the rural poor to repay. Both credit systems are predicated on group guarantees and flexible repayment plans determined by the expected income from credit-funded activities. These two basic conditions--group guarantees and flexible repayments--make these credit programs difficult to administer by existing institutional credit mechanisms. The experience of both models demonstrates the need for a specialized intermediary which can provide flexibility without jeopardizing the quality of the loan portfolio in an environment well known for poor repayment performance.

3.85 Initially GBP functioned as an intermediary between the banking system and the landless rural poor. Although it functioned effectively in terms of proving that the target groups were excellent credit risks, GBP was not able to provide a sufficient incentive for banks. The income from this lending was not commensurate with their overheads. A strategy that attempts to use the existing banking system must minimize the duplication of overheads and ensure at least a modest profit for the banks. The local managers of the banking system need some incentive if they are to be counted on actively to assist in making credit available to the poor.

3.86 Evaluations of both models show that the target groups are able to undertake profitable activities with credit provided at effective rates of 21% (GBP) and up to 30% (BRAC). Traditional activities like petty trading and cattle-rearing have the potential to generate substantial income for the target group. This is particularly the case for GBP. Evaluations have estimated a net increase in household income of 70% over a two year period for participants. The BRAC program also estimates substantial income increases for its participants and calculates that net earnings from activities financed are in excess of 100% of capital invested.

3.87 Both models have shown not only that the poor are an excellent credit risk but also that they are able to generate impressive savings. The GBP has been able to generate close to 10% of the loans disbursed in savings, using essentially a forced savings mechanism. BRAC, using a combination of forced savings and mostly negotiated profit-sharing, has had comparable success, considering the age of the program and the longer-term nature of its credit.

Staff Considerations

3.88 Both models rely heavily on a cadre of workers that are in direct contact with the villagers. In both models these workers have multiple functions--training, group formation, processing credit requests, and monitoring and supervising group participation and credit repayment. In both models the entire methodology and success rests mostly with these workers. BRAC has close to 100 village workers, while GBP has in excess of 400. In addition, there are some 14 and in excess of 80 supervisors of village workers in the BRAC and GBP models, respectively. These supervisors in many cases are former village workers. In both models the supervisors are predominately university graduates, while the background of village workers

varies. BRAC initially hired predominately college graduates, but is at present experimenting with workers who have only a high school education. GBP village workers, on the other hand, have a mixture of backgrounds. Some are university graduates, others have some level of high school education.

3.89 The salary ranges of the two models vary significantly. Supervisors earn an annual salary of Tk 15,000 and Tk 24,000 in the GBP and BRAC models, respectively. Village workers receive between Tk 4,200 and Tk 6,000 in the GBP, while BRAC pays between Tk 8,400 and Tk 16,800 for these workers on an annual basis. The levels of salary correspond generally to the level of education. Despite these significant differences in salary, the BRAC program has a higher staff turnover rate than the GBP, with some reports stating that 50% of BRAC's village workers have been replaced in the past two years. BRAC is finding that high school graduates and leavers are a more reliable and stable work force than college graduates; therefore, this turnover problem may be reduced over time.

3.90 In considering replication of any model, careful attention must be paid to certain non-replicable features, which may account for the success of the model. For example, the dynamic and charismatic leader and founder of the GBP may be responsible in large part for GBP's success. Not only are GBP staff paid lower salaries than their BRAC counterparts, but the turnover is also substantially less. Part of the reason for this was the expectation of GBP staff that the organization would become a full-fledged bank, which in fact has happened, thus providing security and possibly salary increases. But the dynamism, charisma, and enthusiasm of the founder may also be a factor.

3.91 BRAC provides a more neutral model in this respect. BRAC management considers only one-third of its staff to be highly motivated. The remainder approach their work at BRAC in the same fashion as they would approach a job in a bank or government bureaucracy. BRAC maintains, however, that with proper supervision and, above all, training, these not-so-highly motivated staff members can be very effective.

3.92 The question of an available pool of talent needs to be addressed for any wide-scale replication of a strategy based on these models. Both GBP's and BRAC's experience has been that for every job opening there are 10 to 20 applicants with the level of education required. As a result, both programs have a large contingent of urban-trained middle-class youth (the average age of workers in both programs is in their low to mid-twenties). This is particularly true of BRAC. GBP has had more success in using villagers.

3.93 In Bangladesh the question of how to reach landless women is also very important. BRAC has experimented using women in the RCTP program but with limited success. Very few of its village workers are women. GBP has been more successful in using women village workers, and consequently more successful in forming women's groups. The women village workers are either from the village where they are working or they reside there. This minimizes the suspicions and problems that women, considered to be outsiders, face in traditional villages.

Considerations about Delivery Mechanisms

3.94 Given the size and dimensions of the problem, one of the most important issues is how to reach the target groups effectively. Both models rely on village workers with multiple functions organized in a similar manner. Both have settled on sub-units or branches consisting of six-to-eight person teams, each of which covers on average 15 to 20 villages. Also important is that both models have estimated the lending capacity of each sub-unit to be roughly Tk 2,500,000 to 3,000,000 per year for 1,500 to 2,000 borrowers. These estimates are the maximum capacity over time. GBP sub-units do not reach this volume for three years. Due to BRAC's heavy emphasis on training, its sub-units take four or five years to attain maximum capacity.

3.95 Both models administer these sub-units in a similar fashion. A supervisor manages each sub-unit and is responsible for approving credits after they have been approved at the village level. In both models these units have extensive accounts which keep track of all credit and savings transactions for the purposes of supervision and monitoring.

Final Considerations

3.96 Despite these significant parallels there are fundamental differences in the underlying philosophy of these models. GBP is based on the philosophy that if the rural poor can gain access to credit on reasonable terms they need no other outside inputs and can judge best how to increase their incomes. BRAC, on the other hand, is based on the philosophy that an integrated series of inputs from outside the village is needed for the development of the rural poor to take place; credit is only one of these inputs.

3.97 With these different philosophies comes a different perception of the role of the individual in economic development. The GBP model emphasizes the individual and creates the conditions whereby he or she can receive credit by agreeing to guarantee others. The BRAC model attempts to de-emphasize the individual in favor of group-owned and operated economic activity. BRAC's reasoning is that unless the rural poor band together for the common good they will always be dependent on the traditional power structure, which in many ways is the cause of their poverty. Hence, the BRAC model does not grant access to credit for the target group until a lengthy process of functional literacy training and consciousness-raising is accomplished. This process takes a minimum of one year and can take up to two years.

3.98 The models are at opposite extremes philosophically, similar in the way they operate, and the same in terms of their final objective: the economic development of the rural poor. There is also growing evidence that the models are gradually evolving in ways that make them more alike. The GBP model is being drawn toward collective activities, as its groups increasingly band together. Conversely, an outside evaluation of BRAC finds that there is growing pressure in the village groups to permit more individual lending. The GBP is in the process of establishing an appropriate technology demonstration center where villagers can be exposed to new technologies, most of which would be for activities requiring collective ownership and operation. GBP then, it can be argued, is beginning to make a substantial change in its philosophy, for with these technologies will come the need for training and

other supports in addition to credit. That BRAC is in the same process of setting up a similar technology center is no surprise, given its orientation; however, it further emphasizes how the programs more and more are operating in the same fashion.

3.99 The two models thus should not be seen as opposites but as complementary approaches which can lead to a successful strategy for the economic and social development of the landless rural poor. Based largely on the key elements of success of these models, the strategy proposed in this report is based on a two-phased approach. The first phase will consist of functional literacy courses, the formation of groups, and the extension of credit for traditional activities, essentially along the line of the GBP model. The second phase will consist of identifying new or upgrading existing productive activities and providing the necessary skills training and technical inputs to assist the target group to establish these activities. As these second-phase activities would probably be collectively-oriented, the BRAC model may be the more applicable.

Chapter 4: HUMAN RESOURCE DEVELOPMENT

A. INTRODUCTION

4.01 There are many rural activities which organized groups of the rural poor can undertake with appropriate financial assistance. However, credit alone is not enough. In order to make productive use of credit and to build up groups' capacity to absorb more credit productively and sustain self-employment, the poor also need skills training for improving productivity of their traditional activities and for entering into non-traditional occupations. This chapter focuses on the infrastructure for training for non-farm rural employment generation.

4.02 The Government's human resource development strategy as it relates to the rural poor is well articulated in the Second Five-Year Plan (SFYP) document, but its implementation is far from satisfactory. Inadequate allocation of resources, lack of personnel, particularly at the middle level and the local levels with necessary competence, dedication and discipline, and lack of institutional infrastructure are the major impediments to implementation.

4.03 The human resource development strategy defined in the SFYP contains three essential elements: (a) skill formation; (b) upgrading of technical capacity through education and training, and research and extension; and (c) development of institutions to provide appropriate infrastructure. The SFYP recommends that wide-spread non-formal skills training programs be organized for the labor force, including school drop-outs and adult illiterates. Literacy should form an essential part of these programs and should be effectively linked with productive activities in agriculture, animal husbandry, rural industries, transport, trade and services. Particular emphasis is placed on on-the-job training, training for self-employment and the development of small entrepreneurship. The Plan recognizes that in order to alleviate poverty and achieve rural development, increasing application of improved technologies is necessary. However, the low level of literacy (24%) in the country is a serious constraint to development. The SFYP originally set a minimum target of 80% literacy during the plan period, aiming at turning 40 million illiterates into functionally literate citizens. As the target was unrealistic, it had to be abandoned after a couple of years. Instead, a longer-term perspective has now been adopted to eradicate illiteracy through universal primary education, though some adult literacy programs continue. Adult literacy programs, however, are normally more likely to succeed if they are of a functional and work-oriented type and a part of income generating efforts.

4.04 In the Plan's strategy for rural development, full participation of women in development activities is also considered important for their own emancipation as well as for the development of the nation. The Plan recommends that production-cum-training programs should be developed for women which would incorporate literacy, health, nutrition, family planning and self-reliance training in order to enable them to participate fully in economic activities as well as become more efficient in managing the home.

4.05 The SFYP acknowledges the need for a comprehensive and systematic training program to promote rural productive activity. These programs

include cooperative education and training at the grass-roots level, and skills training of functional and special groups such as the artisans, the fishermen, weavers and the landless youth and women. Particular emphasis is placed on training in agriculture, livestock, poultry farming and for the development of small and cottage industries which are agro-supporting and/or agro-based, using local materials and labor-intensive technologies so that the poor can be gainfully employed in productive activities.

4.06 The Government's new decentralization strategy, which aims at devolution of authority to local-level bodies so that they can be responsive to the needs and wishes of the local population in planning and implementing development projects, is expected to create a new paradigm of development in which training needs at the grass-roots level can be identified and appropriate capacity created.

4.07 The development of human resources necessary for assisting the poor to engage in productive non-farm activities would involve training of two main groups: (a) the rural poor for whom employment opportunities are to be created; and (b) those who would be involved in providing the required competencies, and support services, consisting of government and locally elected officials as well as facilitators and motivators of the rural people. Particular attention would need to be paid to literacy and numeracy training as a prerequisite for skills training.

B. THE RURAL TRAINING SYSTEM

4.08 Both the government and non-government organizations (NGO) are involved in training activities which directly or indirectly are expected to promote the generation of employment opportunities for the rural population. Their training programs generally may be grouped into two types: (a) vocational and skills training programs; and (b) rural development staff training programs.

Vocational and Skills Training Programs

4.09 Technical Institutes. Bangladesh has at present a network of relatively well established institutions for the training of industrial artisans. The Bureau of Manpower, Employment and Training under the Ministry of Labor and Manpower currently operates 42 Vocational Training Institutes (VTI) with an aggregate capacity of about 50 trainees each, and 6 Technical Training Centers (TTC) with capacity of about 800, located all over the country. Twelve more VTIs and six more TTCs are under construction. These institutes have been and are still being improved with assistance largely from IDA and the Swedish Government. These institutes conduct courses ^{1/} of 6-24 months duration to train skilled workers for industries in Bangladesh and for employment abroad, largely in the Middle East. Recently, these institutes started offering 6-month modular courses for the training of rural artisans such as carpenters, masons, blacksmiths and small engine and water pump mechanics. Although such training programs are relevant to the needs of the rural areas, the courses are beyond the reach of the landless poor, firstly, because the admission requirement is 8 years of previous schooling and

^{1/} For location and courses offered see Annex I.

therefore none of the landless poor would qualify, and secondly, because the poor cannot afford to maintain themselves in school. Only the relatively well-to-do segment of the rural population benefits from these training programs. However, VTI/TTC graduates could be considered as potential trainers for groups of illiterate rural poor.

4.10 Community Schools. The Government's attempt to strengthen the non-formal education system with the help of the formal education system is represented by the Community School Project supported by the Asian Development Bank (ADB). The project aims at establishing Community Schools with small workshop facilities on the campuses of secondary schools in 200 Upazilas. The workshops are intended to provide vocational type training to improve the productivity of workers already employed in agriculture and to equip the unemployed rural men and women with occupational skills to enable them to engage in wage or self-employment. Generally, these schools are provided with two multi-purpose workshops--one for women and the other for men, each having a capacity of 24 trainees. They offer 3-6 months courses in agriculture, construction, mechanics, sewing and food processing. So far, workshops have been established in about 100 schools. This is one of the few training programs which does not require 5-8 years of schooling for admission and potentially could reach the landless youth. However, the school Management Committees which select the trainees tend to favor applicants with more formal schooling. Thus, like the Technical Institutes, the community schools have not been successful in helping the landless poor. Since the community schools are not provided with hostel facilities, only those who live within the vicinity of the communities where the schools are located benefit from the training program. Although the admission practices exclude the illiterates from the program, a training infrastructure of some importance is being set up.

4.11 Private Technical Institutes. One dimension of the activities of non-government organizations in Bangladesh is the operation of trade schools. There are about 30 of these schools at present. Most of them follow the "on-the-job method" of training. All of the schools accept male trainees only and, although the schools encourage rural youth to enroll, most of the trainees are urban youth, since the schools are more accessible to the urban population. As the minimum entrance requirement is generally grade 5, they exclude the unschooled. Annex II shows the basic characteristics of 15 of these schools.

4.12 Cottage Industries Training. The Bangladesh Small and Cottage Industries Corporation (BSCIC) is the main government agency which promotes small-scale urban and rural industrialization through entrepreneurship development, credits, design development, marketing, research and to some extent training. BSCIC has 500 officers and 400 supporting staff, four regional offices and 21 District Industrial Centers. Its coverage in rural areas, however, is still limited; its extension service reaches the Upazila level in only 7 out of the 450 upazilas in the country. During the 1970s BSCIC's attempts to promote non-farm employment generation with training and credit components in the context of the cooperative system were unsuccessful. However, BSCIC's work with functional non-formal groups and others working either individually or family-wise showed some promise. BSCIC changed its strategy in 1981 and concentrated on the household as the primary production and consumption unit. According to its family-based approach, 1-2 members of a family within the target group are trained in selected crafts, and they are

then expected to train other members of the family or bari, provided there is local demand for that particular skill. Since 1981, when BSCIC initiated rural oriented programs, only 400 individuals so far have been given training in occupational skills. ^{1/} Although BSCIC is making efforts to adjust its training to the needs of small and cottage industries, the lack of sufficient qualified instructors to teach skills which are applicable to different rural situations is a major constraint. The courses offered depend upon the expertise of available instructors and not upon the skill requirements of the trainees. Furthermore, BSCIC's training methodology is traditional pre-employment training which is subject-oriented rather than product oriented. In many cases, therefore, those who complete their training do not find wage employment or are not able to engage in self-employment.

4.13 Rural Social Services Program (RSS). This program of the Department of Social Services of the Ministry of Social Welfare and Women's Affairs promotes rural development by making the village the unit responsible for attaining development goals. The program gives special attention to disadvantaged and often by-passed groups such as children, youth, women, the landless and the handicapped. One significant activity under the RSS program is the generation of employment opportunities for the unskilled, under-employed and unemployed landless people in rural areas through skills training programs in production-cum-training centers. Credit is provided to those who desire to start productive activities after undertaking skills training. Those who receive on-the-job training at the production-cum-training centers (e.g., tailoring shop, carpentry shop, blacksmith shop, etc.) are bonded to work for the center for 5 years, thereby ensuring their employment for at least the period they are bonded; but they are prevented from engaging in self-employment during that period.

4.14 Before training programs are conducted in a village, RSS staff organize the villagers into different homogeneous groups, i.e., women, youth, landless, destitutes, etc. The groups then elect a village committee composed of 7-15 village members. The village committee, with the assistance of the RSS staff, first makes a demographic and socio-economic survey of the village to identify the critical problems and the resources available which could be utilized in solving those problems. The village committee then plans with different groups the activities they could undertake which would lead to the solution of their problems. During the planning process, training needs are identified. The RSS staff composed of the Upazila and village social workers and skill instructors (who may be village members) develop, organize and implement the training programs. The Department of Social Welfare extends credit to villagers who desire to start productive activities upon the recommendation of the group to which they belong and the subsequent approval of the village committee.

4.15 The training activities under the RSS program are relatively successful. However, for lack of training equipment and sufficient field staff (social workers) and instructors, the programs cannot cope with the

^{1/} From 1957 to 1979, the first 22 years of BSCIC's operations, it trained only 53,000 artisans and entrepreneurs. See Development Planning in Bangladesh - A Review of the Draft Second Five-Year Plan, December 1980, p. 87.

training needs of the disadvantaged rural population. The production-cum-training programs have also been successful in introducing small business enterprises in the villages, but their value for training purposes is limited since only a few individuals are trained every five years. With some modifications designed to allow a faster turnover of trainees, however, the production-cum-training centers could be an effective means of training for non-farm occupational skills. Currently, the RSS program is operational in 45 Upazilas and employment generation projects for the disadvantaged have about 5,800 participants. The Department of Social Affairs' target is to operate RSS programs in 65 Upazilas by 1985.

The Cooperatives

4.16 The Cooperatives are considered the main organizational mechanism for rural development. The Rural Development and Cooperative Division in the Ministry of Local Government, Rural Development and Cooperatives aims at promoting crop production as well as generation of non-farm employment for the landless and disadvantaged rural population. The Division implements its plans through the Bangladesh Rural Development Board (BRDB) based on the two-tier cooperative system of the 'Comilla Model'. In addition, the Cooperative Department is in charge of regulatory functions of registration, audit, inspection and enquiry; it also promotes urban and professional cooperatives such as weavers, fishermen, sugarcane growers. This creates some over-lapping of responsibilities.

4.17 The BRDB has organized more than 55,000 farmers cooperatives (KSS) with a membership of nearly two million and federated them at the Upazila level in more than 430 UCCAs. Under its program for the poor, by August 1983 BRDB had also organized a total of 3,784 cooperatives of the landless (BSS), and 3,525 women's cooperatives (MSS) with a membership of 107,984 and 134,634 respectively, but it is not clear how many of these are actually functioning. The MSSs and BSSs are also to be federated with the KSSs in the Upazila Central Cooperative Associations (UCCA).

4.18 Training for the members of cooperatives is conducted at the Upazila Training and Development Centers (UTDC), administrative centers in each Upazila where all officers of government agencies concerned with rural development are housed and their services coordinated by the Nirbahi Officer. The UTDCs do not have full-time instructors. Officers of rural development agencies (e.g. agriculture officer, livestock officer, fisheries officer, cooperative officer) teach courses within the area of their specialization. Guest instructors from various government agencies are invited when needed. The training set-up at the UTDC is presented in Annex III. The majority of the courses at the UTDCs are one-day courses; only in few instances do courses last for more than one day. So far training at the UCCAs has been mainly for managers and model farmers of the KSSs; the managers receive training in cooperative management subjects, and the model farmers in agriculture. The UTDC training system has not been very effective; the training courses are not properly planned, they are not geared to training needs, demonstration system does not function, teachers lack up-to-date

knowledge, old syllabi are repeated, trainers are rarely trained in teaching methodology and communication skills, thus, efficiency is low. 1/ Furthermore, attendance rates are low. An important problem is also the long distance to remote villages. Only 15 Upazilas have residential facilities to allow trainees from distant places to stay over-night; though facilities at 7 more Upazilas are being developed, the existing facilities at 15 Upazilas are not used for residential purposes but are used as offices instead.

4.19 The BRDB Training Calendar for 1983/84 contains about 100 items for more than 135,000 participants. The training is given within the framework of ten major projects or project components, such as: BRDB Main Project, RD-II project, Rural Poor Program, North West Rural Development Project (NIRDPA), etc. The main type of training as per the Training Calendar is listed below:

1/ See "Report on Thana Level Training Programs in Bangladesh"; Consultant report to the National Committee on Rural Training, Dhaka, June 1981.

Table 4.1: BRDB TRAINING CALENDAR FOR 1983/84

Name of Project	Type of Training	No. of Trainees
1. BRDB Main Project	Cooperative management; marketing; skill development; mechanics; model farmers; food; nutrition; irrigation;	120,325
2. RD II	Extension work; cooperative management; pump operations;	3,300
3. Rural Poor Program	Program implementation; coop. management; skills (mech., weaving);	2,728
4. NWRDP	Project implementation; accounting; inspection; irrigation;	256
5. NIRDP	Coop. management; accounting; study circle leadership; marketing;	1,990
6. Fertilizer and Credit Project	Project implementation; accounting; coop. management	1,570
7. Women's Program	Project implementation; coop. management; midwifery; nutrition; handicrafts; poultry; duck farming;	820
8. SIRDP	Coop. management;	1,150
9. SWRP	Irrigation; pump operation; fishery; bee keeping marketing;	2,500
10. IDA Hand Tube Well Program	Irrigation mechanics	500 ~~~~~
Total:		135,139

4.20 It is difficult to assess the quality of the training imparted by BRDB. Efforts are underway to improve instructional material, and in developing pedagogical teaching aids. It is clear, however, that BRDB's training machinery has up till now been geared to the needs of farmers cooperatives; even according to the 1983/84 training calendar, for example,

only 820 women will be trained, while 3,525 MSSs with a membership of 134,634 have already been organized. There is a need for reorientation of training efforts; this will require considerable adjustments and the development of new types of training competencies suited to the needs of the BSSs and MSSs. A rational balance in the allocation of resources for developing appropriate training capacity and organization of new cooperatives will also be necessary.

Non-Government Organizations (NGOs)

4.21 There are more than one hundred foreign and local non-government organizations working in Bangladesh which are involved in various aspects of improving the living conditions of the poor. Most of these NGOs started with relief and rehabilitation programs, later shifting to health and education. During recent years, however, many of them have emphasized the promotion of income generating activities among the rural poor to make them self-supporting and self-reliant in addition to involvement in adult literacy education, health and nutrition, provision of drinking water, child care and family planning. The operations of most NGOs are confined to selected areas in one district; only a few operate country-wide. The target groups of most NGOs are in the rural areas among the landless poor, marginal farmers, disadvantaged women, children and youth; a few work among the poor in urban communities.

4.22 Comprehensive data to show the actual number of persons benefiting from the assistance and services of NGOs are not available. It is estimated, however, that about 500,000 rural families, or roughly 7% of the total number of families who live in poverty are reached by their programs. Data on 10 NGOs working actively in the rural areas show that in 1982-83 a total of about 300,000 persons (ranging from 1,000 to 60,000 per NGO) representing a total of 230,000 families (ranging from 700 to 66,000 families per NGO), participated in NGO activities (Annex IV).

4.23 Many NGOs have been quite effective in reaching the target population; they are run by people who have a good understanding of the characteristics and problems of their target population and of the environment and conditions surrounding them; they are less constrained by bureaucratism and have greater flexibility than the government agencies. Several NGOs have accumulated considerable experience in assisting the poor, and have developed suitable mechanisms for the delivery of training and other services to the target groups. Any strategy for developing the human resource potential resting with the rural poor would have to carefully consider the possible role to be played by NGOs. Some NGOs which seem most interesting in this perspective include Bangladesh Rural Advancement Committee, PROSHIKA, Gono Sistyia Kendra, Swanirvar, CONCERN, Friends in Village Development, CARE, Mennonite Central Committee, Nijera Kori and Christian Commission for Development in Bangladesh.

4.24 Each NGO follows its own operational scheme in assisting its target groups. However, all of their schemes include similar elements. Differences lie only in the emphasis or degree of importance given to each element. Consciousness raising, development of a sense of commitment to group action and functional literacy and numeracy training are considered essential by nearly all NGOs. However, the degree of importance given to these elements

varies. While the Bangladesh Rural Advancement Committee (BRAC) ^{1/}, for example, gives great importance to these elements and devotes at least six months to these activities, other NGOs (like PROSHIKA and Nijera Kori) devote only one to two weeks. Many merely discuss these elements during group meetings with their target groups.

4.25 BRAC has the most developed skills training system. It has its own Training and Resources Centers (TARCs); the main center is located in Savar, with two branches in Madhapur and Dhaka. TARCs' training activities for organized landless groups consist mostly of agro-related subjects. The 1984 TARC training calendar includes a total of 195 courses for organized landless groups. These courses consist of 16 subject matter areas in agro-based activities such as poultry raising, fish culture, vegetable growing, fruit growing, irrigation pump maintenance, etc. Each center is provided with demonstration farms to reinforce their teaching. In general, the agro-based courses have been found to be useful to the trainees in managing their respective productive enterprises.

4.26 A major weakness in BRAC's skills training program, however, is the lack of courses in subjects not related to agriculture. Although BRAC provides loans to landless groups to finance activities like weaving, pottery, carpentry, tailoring, dressmaking, etc., no training is provided in these activities. Consequently, only those who already possess skills benefit from BRAC's assistance for non-agriculture related activities. Other NGOs who focus their development efforts on the landless poor (e.g., PROSHIKA) also tend to concentrate their training programs on agro-based subjects. This is so because most NGOs do not have teaching equipment and instructors for non-agricultural vocations. CARITAS however, runs the Mirpur Agricultural Workshop and Training School (MAWTS), which is a fairly large agricultural equipment production and repair workshop as well as a training school.

^{1/} BRAC's functional education program which has been developed and refined over several years, has been effective not only for imparting simple literacy and numeracy skills to the target population but also as a means of motivating them to improve and help themselves. The method of teaching consists of showing a series of drawings and pictures with simple word or numerical labels to depict impoverished situations. Group discussions lead the trainees to realize their own problems. Simultaneously, the word or numerical labels are highlighted making the trainees learn to read simple words and numbers. The trainees are then made to discuss among themselves possible solutions to the problems depicted in the pictures. As they gain insight into problems affecting villagers like themselves and develop skills in problem solving, they are able to identify their own problems, arrive at decisions on how to solve them and plan activities to implement the solutions, usually with credit support. In addition, at the end of the course the trainees usually have acquired a certain degree of functional literacy and numeracy.

Rural Development Staff Training

4.27 The Ministry of Local Government, Rural Development and Cooperatives (MLGRDC) operates 13 residential training institutions primarily for the in-service training of the staff of government agencies involved in rural development activities (Annex II, Table 3). Three institutions, viz, the National Institute of Local Government (NILG), Dhaka, Bangladesh Academy for Rural Development (BARD), Comilla, and the Rural Development Academy (RDA), Bogra, focus their programs on meeting the training needs of managers and rural development workers at different levels. The courses offered cover a wide range: management, leadership, economics, communication and teaching methods, extension, health and agriculture.

4.28 The Government attaches great importance to training local government functionaries who perform key functions in rural development and who also train rural people. The lower level functionaries comprise some 50,000 public representatives and nearly 10,000 officers and staff of different agencies. So far only limited training facilities for these groups exist at the Local Government Institute which has a faculty of only 20 and about 70 supporting staff; the institute has not yet reached its originally planned capacity, and the SFYP provision of establishing three regional institutes of local government at Rajshahi, Khulna and Chittagong has yet to be implemented. The task of training and providing other facilities to the local government sector, especially in the light of Government's decentralization decision, is of great magnitude and importance. It is therefore vital that the whole set-up, including the three planned regional local government institutions, is properly coordinated and expanded.

4.29 BARD, Comilla, has a faculty of about 50, with over 300 supporting staff. During 1981-83 it conducted 39 courses on job training with 1,329 participants, 104 orientation courses with 3,602 participants and 32 seminars and workshops involving 1,975 participants. Though the academy has ample physical facilities, its training programs suffer from limited field visits due to transport problems, and there is limited class evaluation and follow-up action. In addition, low attendance both among the trainees and some assigned trainers is a serious problem due to which duration of courses has been often curtailed.

4.30 The Rural Development Academy at Bogra, which is a smaller replica of BARD, has 18 faculty members, soon to be expanded to 29. In 1982/83 it had 933 participants in 8 different courses. Of the 378 training days in 1982/83, 84% were devoted to the training of officials, and 16% to primary training of users. Like the Comilla academy, RDA Bogra also conducts Action Research programs in different aspects of rural development.

4.31 The Rural Development Training Institute (RDTI), Sylhet, whose present task is primarily to train the staff of BRDB, also offers training to Upazila Central Cooperative Associations (UCCA) staff and Upazila project officers. During 1983/84 it planned to offer 25 courses, ranging from one-day seminars to 3 months duration, to 1,315 participants.

4.32 A Vocational Teachers' Training Institute (VTTI) established in 1982 at Bogra conducts a one-year Instructors' Training Program in 8 different fields in order to train teachers for VTIs and TTCs. Last year, the VTTI added shorter courses under a second shift program. Three courses of one-

month duration were given to blacksmiths (36), village mechanics (36) and carpenters (54). The training consisted of skills upgrading and introduction of modern tools; the craftsmen were selected from remote villages by the Bogra Academy. A two-week course for Community School teachers was also organized in December 1983.

4.33 Nine institutions conduct training for staff of the Cooperative Department of MLGRDC and of other agencies involved with cooperatives, and for field staff and executives of cooperative societies. The Bangladesh Cooperative College (BCC), which is the apex cooperative training institution and has a faculty of 11 members, caters to the training needs of higher level staff of cooperative societies; it has an annual capacity for 900 trainees. The other eight institutions, referred to as Zonal Cooperative Institutes, provide training to lower level personnel (mostly field workers) and officers of the village cooperative societies. The courses offered in these institutions include the theory, practice and problems of cooperatives, cooperative law and management, rural economics and cottage industry, extension and communication, accounting and bookkeeping. Each institute has a faculty of 3-4 instructors, with a combined capacity to train 2,370 trainees.

4.34 The existing institutions, if improved and properly coordinated, could adequately cater to the training needs of the present rural development staff in Bangladesh. These institutions need assistance in upgrading their staff and in obtaining adequate training equipment and library materials. All together, the existing institutions can conduct about 9,000 man-months of training per year.

4.35 Besides the government-owned training institutions, some NGOs, particularly BRAC and PROSHIKA, have relatively well established training programs which are primarily intended for their own staff. However, some government entities like the Bangladesh Rural Development Board (BRDB) sub-contract to these NGOs the training of some of the rural development staff.

C. MAJOR ISSUES IN RURAL TRAINING PROGRAMS FOR THE LANDLESS POOR

Lack of Appropriate Literacy and Numeracy Training

4.36 With the current literacy rate of 24%; males 31% and females 16%, the magnitude of the literacy problem is staggering. Attempts by the Government to improve literacy through non-formal education have been fragmented and largely unsuccessful; the national literacy rates thus remain stagnant. Experience with literacy efforts shows that literacy training solely for the sake of literacy has little appeal, while the prospect of increased incomes attract and retain more participants. In addition to insufficient motivation and incentives for adult literacy training, experience also indicates that conventional literacy instruction is ineffective. ^{1/} It is therefore now generally accepted that literacy training in conjunction with skill training and employment generation has a better chance of success. The fact that the mass literacy campaign in Bangladesh has been abandoned should not exclude the possibility of including a literacy

^{1/} See Non-formal Education in Bangladesh: A Strategy for Development, Report of the Committee on Non-formal Education, Dhaka, 1975.

component, mainly of a functional and work-oriented type, into existing or planned development programs for the poor.

Limited Scope of Existing Skills Training Program

4.37 All existing training programs for non-farm productive activities are beyond the reach of the landless poor since the admission requirement to these programs is at least five years of schooling which the members of the target population generally do not have. Consequently, the majority of those who participate in employment generation projects engage only in traditional productive pursuits for which no skills training is necessary. Of the about 700,000 rural families which are participating in government and NGO employment generating projects, only 15% have received some skills training which is generally confined to agricultural related activities. The agencies which are actively involved in assisting the landless poor do not have training programs, training facilities or qualified teachers to be able to conduct skills training programs to meet the skill requirements of the unskilled and generally illiterate members of the target population in non-farm productive activities.

4.38 The Department of Social Welfare and some NGOs operate some profit-making establishments such as tailoring, carpentry and fabric weaving shops, which are referred to as production-cum-training centers. These centers have been established principally to provide on-the-job training and subsequent employment for the landless. At present, however, these centers help only a small number to obtain employment. However, these production-cum-training centers have high potential for conducting self-sustaining apprenticeship training programs in non-farm productive activities if a system could be developed by which more landless could be trained and assisted to establish themselves in productive activities.

4.39 At present, taking together government and non-government projects concerned with the generation of employment, only about 10% of the seven million or so rural families which are functionally landless and unemployed or underemployed are reached. One of the Government's present priority objectives is to expand the scope of these projects to alleviate, as fast as possible, the widespread poverty prevailing in the country. However, the further expansion of productive activities along common and traditional economic pursuits in which majority of the members of the target population are now participating would soon reach its limit. Expansion of employment generating opportunities, therefore, would need to be accompanied by a comprehensive training program in non-farm occupational skills and in new and appropriate technologies. This would require the provision of adequate training facilities and qualified teachers. In selecting the productive activities for which skill training programs should be provided, consideration would need to be given to the demand for the goods and services expected to be produced. This implies the need to precede planning of training programs with a survey of the supply and demand of local goods and services and to explore possible rural technologies that may be introduced for increasing productivity in both traditional and non-traditional activities (Chapter 5).

Inadequate Institutional Arrangements for Skill Training

4.40 Within the Government, the Bangladesh Rural Development Board (BRDB) is the main agency responsible for rural development through the promotion of cooperative societies by which Government services are provided. BRDB's main objective is to increase crop production, and therefore the principal beneficiary of its services are the farmers. In 1982, to help alleviate the widespread poverty in the country which has been aggravated by the increasing landlessness, BRDB was given the additional responsibility of promoting non-crop cooperatives to generate employment opportunities for the landless and for women. At the end of 1982, 49,800 crop cooperatives and 5,144 non-crop cooperatives had been organized with a total membership of 1.9 million. Under the IDA/CIDA assisted Second Rural Development Project which has just started, 8,000 additional crop cooperatives and 2,900 non-crop cooperatives with a total membership of 380,000 would be organized within the next four years.

4.41 Because of the large amount of work involved in directing the provision of credit and extension services to the members of the crop cooperative societies which until 1982 was carried out by only about 1,000 field workers, little time was devoted to meeting the training needs of the non-crop cooperatives. Besides, BRDB did not have training programs for non-agriculture related activities. Training in these subjects is conducted at the Upazila Training and Development Center (UTDC) of every Upazila, which is BRDB's main vehicle for imparting rural skills training. However, training at the UTDCs is not organized and is usually conducted on an ad hoc basis. It is not clear who among the UTDC staff is responsible for training. Course content is derived from old syllabi, which are outdated and most of the time irrelevant to the training requirements of the trainees. The regular staff of the Upazila, consisting of representatives of various Government agencies concerned with rural development, teach the courses. Generally these staff members have no training or experience in teaching and have little knowledge about recent developments in their areas of specialization. Furthermore, the selection of trainees is not based on established criteria. It has been observed that some of those which attend training are villagers who have the time to spare but have no use for the training they receive; they come for training just to collect the training allowance. Also, the training capacity of the cooperative system is inadequate and not sufficiently geared to the needs and conditions of the landless.

4.42 It is clear that the present organizational structure which plans and delivers rural skill training does not have the capability to perform these functions. The present structure does not include arrangements for systematic and competent planning, execution and evaluation of rural skills training. There is a need, therefore, to reinforce existing institutional arrangements for the management of rural skills training for any expansion of rural employment generation programs.

Insufficient Support for Improvement and Coordination of Staff Training

4.43 One important aspect that needs thorough assessment in preparing to launch skills training programs for rural employment generation is whether sufficient staff are available and whether they are capable of managing and carrying out the program. The staff needs to have adequate understanding of

the characteristics and problems of the target population, sufficient skills in applying strategies to bring about change, adequate technical knowledge and skills to be able to effectively perform their duties and responsibilities and proper attitudes towards their work and their clientele. To develop these competencies and characteristics, a carefully planned staff training program would need to be established.

4.44 The Ministry of Local Government, Rural Development and Cooperatives operates an adequate number of training institutions which could provide the staff training required if needed improvements are made. At present, these training institutions are not properly coordinated or adequately financed. Each institute generally plans its training programs independently resulting in the underutilization of some institutions and the overcrowding of others. Courses overlap, and the strengths and specializations of particular institutions are not fully exploited. In varying degrees, all of these institutions need to be upgraded. They have insufficient teaching equipment and materials, and their curricula tend to be subject-oriented and therefore are not always relevant to the training needs of their trainees. In addition, their teaching staff in general lack sufficient practical orientation to be able to effectively relate the theories they teach to actual situations in the target areas and to realistic problems of the target population. Their teaching staff needs to be strengthened with competencies in analyzing the characteristics, problems and needs of the members of the target population in relation to their socio-economic environment, in formulating practical and feasible measures to solve their problems and meet their needs, and in implementing strategies to bring about the desired results.

D. TRAINING FOR NON-FARM EMPLOYMENT GENERATION

4.45 The poor are basically non-schooled and illiterate; they are assetless, have no skills and lack confidence in their abilities to solve their own problems. They are, thus, bound by a relationship of perpetual dependency to their patrons--the rural elite. The mobilization and human resource development of such people for productive activities is a long and complex process. They need to be organized, motivated and trained to perform traditional and new productive activities. The development of Upazila Employment Resource Centers (UERC) as the focal point for non-farm employment generation proposes a strategy (Chapter 6) by which group formation, credit, training, technology and market information can be provided in a coordinated package. Literacy training and skill formation along with introduction of improved technology are important components of this package. It is thus proposed that an integrated training system be developed around UERCs, specially geared to the training and employment needs of the rural poor.

4.46 The main task of the UERCs related to human resource development would include: (i) developing competence needed for group formation in the villages; (ii) imparting literacy-cum-numeracy and motivation; (iii) assisting groups in identification of skills training needs; and (iv) arranging for the training of identified needs at the Upazila Training and Development Centers and other available relevant institutions and workshops.

4.47 The UERCs will be staffed with an Animator and a training/technology facilitator; the former would guide and support the work of Group Organizers who would work in the villages and whose activities would include group formation, motivation, literacy training and identification of economic

activities and associated training needs. The main task of the training/technology facilitator would be to assist in the identification of training needs and in arranging for appropriate training.

Literacy

4.48 During the first few months of the group formation process, functional literacy of a consciousness raising type would be one of the most vital components. Later on, during the skills formation stage, another type of work-oriented literacy directly relating to the economic activities would need to be undertaken. Literacy is taken here to mean something much broader than the knowledge of letters; it is considered as a tool to motivate people in their own ability to solve their problems. It must therefore be truly functional in the sense that it comprises not only literacy and numeracy but also serves as a means by which people can perceive, interpret, criticize and eventually find solutions to improve their economic situation. This cannot be achieved through conventional literacy training methods, as the existing system is teacher-centered and the teaching method is the monologue; the contents are generally standardized and not geared to the needs and circumstances of the participants. The participants must be enabled to perceive their problems and situation critically. As discussed earlier, BRAC's functional literacy program has been able to achieve this through problem-posing education where teacher and students through the pedagogical dialogue reflect simultaneously on themselves and their environment, thus defining the teaching context together. It is vital that reflection and action constitute an integrated pedagogic process. During this process attention would be gradually given to the identification of potential economic activities that the groups can carry out for their own benefit.

4.49 Such a functional literacy process requires identification of actual problems, translation into pictures ("coding"), critical interpretation in group discussions ("decoding"), identification of "generative words" based on the group's "decoding" discussion, phonetic and syllabic analysis of generative words along with reading and writing exercises in the group and finally identification of productive activities. This can be generally covered in 40-60 lessons and requires 15-20 weeks.

4.50 This method, however, puts very high demand on the group organizers who would be functional literacy teachers. They must not only understand the participants' problems, but should have sufficient perception in assisting them to find solutions. To start with, training for group organizers could possibly be arranged at BRAC's training center. BRAC-type teacher training facilities would, however, need to be expanded; this could be done in one of the rural development academies at Comilla or Bogra.

4.51 BRAC and PROSHIKA have developed teaching aids which have been tested over time. These are based on psychological and behavioral principles applicable to the uneducated rural population. These aids have been found to be effective in developing concepts, knowledge, skills and desirable attitudes among the unschooled rural population. No other agency uses comparable teaching aids, probably because these aids are difficult to prepare and are not available to the public. The capability to prepare, mass produce and use such teaching aids in different subject matter areas needs to be developed in a suitable training institution such as BARD or RDA in order that effective teaching aids could be made available to rural teachers.

Skills Training

4.52 Once productive activities for the groups have been identified, the UERC training/technology facilitator will define corresponding skills training needs, and arrange for training at an appropriate place selected from the directory of the training facilities compiled by him.

4.53 The approach to skills training would need to be client-oriented in that the training content and training methodology should conform to the solution of actual production problems. Training activities would be defined and designed to meet the specific needs and circumstances of organized groups. For some of the traditional activities skills training, in many cases, may not be necessary; however, at some stage, they may require training in using improved technologies. In such cases groups requiring similar training would be combined. This means that common characteristics of the groups would form the basis for assessment of training needs and for designing training programs as they relate to content, duration and methodology. In this regard, ILO's TRUGA (Training for Rural Gainful Activities) approach which considers occupational training as defined input to employment creation programs rather than general skills training which might be applicable, could be usefully followed.

4.54 Although many factors influence the effectiveness of skills development programs, training content is perhaps the most important. Training content must be explicitly related to working requirements, so as to generate expected working behavior, i.e., skills, knowledge and attitudes. The current practice in Bangladesh where training content is determined by University graduates based on text book knowledge cannot have much validity to the needs of the poor.

4.55 Relevant training content for a particular organized group in a selected income-generating activity must be derived from corresponding task analysis. This would provide an inventory of all the skills required for the production of defined goods in a given rural situation based on the background and characteristics of the groups. An ILO/SIDA TRUGA project currently operational in Bangladesh is engaged in determining valid training content in a sample of traditional and non-traditional rural occupations. By the end of 1985, the TRUGA project is expected to have established procedures, organization and training personnel, within the RSS program, to undertake task analyses and define appropriate training content in actual and potential rural activities.

4.56 A systematic effort would need to be made to organize the teaching/learning processes and to apply training techniques which have proven to be effective in developing working skills. For example, taking into consideration the common characteristics of the target population, i.e., literacy rates, and the need to assist them in developing good working habits, the learning-by-doing approach would be the guiding pedagogical principle observed in all occupational skill training. Thus, the active participation of trainees in problem-solving and integration of training and production would need to be pursued through intensive and systematic use of the "demonstration" training technique, as this technique relies basically upon the effective inter-relationship of verbal explanation and visual demonstrations of how to perform specific tasks. Well trained instructors would

organize effective demonstrations, involving each participant in imitating the performance of the skills, repeating it and then eventually taking over the responsibility of doing the work on their own and under real production conditions. As the objective of the skills training is to assist the trainees to develop the competence to produce identified goods, the skills would need to be mastered by actually producing prototypes of the identified goods. In fact, organized groups would need to run their production schemes while in training. Organized groups would graduate when they are ready to produce.

4.57 The skills training program would need a technical back-stopping unit for determining training content, including instructional materials, and developing training modules for a number of income-generating activities. The unit would establish operational linkages with government and non-government agencies, and with productive groups, and assist in training instructors for skills training programs.

4.58 The existing infrastructure for the delivery of occupational skills training for the illiterate poor is very inadequate. In fact, outside of NGOs' facilities, only the Ministry of Social Welfare has limited facilities for skills training. Other agencies make use of Upazila Training Development Centres (UTDC) and Upazila Training Units (UTU) for training activities in areas other than non-farm occupational skills. The UTDC training facilities consist of one multi-purpose room with no equipment. The UTUs have, in addition to a multi-purpose room, some dormitory facilities.

4.59 The facilities available at community schools consist of small rooms, maximum capacity 15 participants, with manual tools for specialized work, i.e., sets of tools for metal benchwork, for domestic electrical installations, and basic equipment for sewing and cooking (home economics). These facilities are currently being used for training adults and young school dropouts. They are limited in terms of intake capacity and types of training that can be provided under such conditions.

4.60 The specialized facilities, like those of the Vocational Training Institutes, consist of unit workshops in the classical trades of machine shop, electricity and woodworking. They are being used on a full-time basis in the training of urban industrial workers. These workshops, like those of other governmental institutions, including those of the community schools, are under the personal responsibility of the corresponding instructors. Experience indicates that the equipment and other facilities of these workshops and the workshops themselves cannot be used without the direct participation of the personnel responsible for their institutional use, maintenance and control. Attempts to use them on a subcontracting basis are likely to fail because, in most cases, the training that subcontracted instructors can provide is the standard type of urban industrial courses which do not have any relevance to the skill requirements of the rural landless. There is, thus, a need to develop appropriate infrastructure in order to deliver skills training as part of employment generation programs.

4.61 The UTDCs (and TTUs) would be of vital importance in this system. These institutions would need to be considerably upgraded and expanded to include non-farm multipurpose training facilities in the form of general workshops and demonstration units, low cost audio-visual aids, flip charts, posters, slides, etc.; and stencil duplicators as well as transportation

facilities for mobile training activities and for inter-Upazila cooperation. Because of the diversity of skills that would need to be covered, a certain degree of specialization according to local conditions among various Upazilas would be necessary.

4.62 In the context of improving facilities at the UTDCs, attempts should be made to develop training-cum-production systems. Such a system is already being tried by the Rural Social Services (RSS) of the Department of Social Welfare and by some NGOs. The RSS program needs considerable improvement as only a few people benefit from it, but there is a body of experience that could be tapped to develop efficient production-cum-training centers. ^{1/} The basic idea is that such centers should impart training to the target population and at the same time finance that training through production.

4.63 The staff of the UERCs would need initial training as well as periodic in-service training to upgrade their knowledge and skills. In addition, several members of UTDCs and other non-farm skills training instructors would need up-grading and in-service training. A systematic inventory of the training needs of the trainers would need to be made on the basis of job analysis and within the context of the UERC functions. This will also help prepare course content.

4.64 In designing the training courses for the trainers, a broad range of competence, in addition to professional skills, would need to be emphasized. The trainers must be given in-depth knowledge of problems of the rural poor, and socio-economic and cultural constraints, and should be able to review the problem from the point of view of both men and women. They would also need to acquire institutional and communication skills, and develop flexibility to base their instructions on an adequate assessment of learner's level of knowledge and learning characteristics.

4.65 A member of existing key institutions, e.g., BARD, RDA, RDTI, NILG, can be used as infrastructure for training trainers. The country can be divided into regions of suitable size and each institution assigned a number of regions. In addition to developing appropriate course context and training organizers and instructors for rural non-farm employment generation, these institutions would also need to undertake action research emphasising the diverse needs of different regions, thus assisting UERCs in their human resource development efforts. However, considerable upgrading of these key institutions would be necessary.

E. PROGRAMING FOR WOMEN

4.66 Frequent references have been made to the importance of increasing the participation of women for their own emancipation, as well as for the development of the nation (para. 4.4). As the development and deployment of human resources is a pre-requisite for implementing this concern, it is appropriate to highlight and bring together here some of the issues.

^{1/} For example, the Botswana Brigades program started in 1965, and the Chinese Half-Study-Half-Work Schools.

4.67 Two main issues need to be addressed. Firstly, in order to reach women, whether with program inputs, or to obtain information about women on which to base and monitor these programs, requires special efforts to recruit and train female workers at all levels. Secondly, there is the need to ensure the backstopping and support to these female agents in a predominantly male bureaucracy at all levels.

4.68 In order to ensure adequate backstopping and support, the Ministry of Social Welfare and Women's Affairs would be represented on the Coordination Council which will be charged with the responsibility of formulating general policy and of reviewing the activities and program budget for the proposed UERCs. That Ministry would be responsible, inter alia, for oversight on women's issues, and ensuring that this concern is routinely integrated into the Council's proceedings. The Ministry would also endeavor to have women's concerns reflected in other inter-ministerial, inter-sectoral reviews of general government policies and strategies that affect employment. At the Upazila level, steps would need to be taken to increase the awareness of the officers of government agencies concerned with rural development. For example, issues about women would be introduced into the training programs of the Upazila Training and Development Centres. Similarly, women's concerns would form a component of the training of all those who will be involved with the UERCs, whether at management or village level.

4.69 The training of female agents, as noted above, is constrained by limited existing facilities, in appropriate admission prerequisites, curriculum choices and course durations which effectively excluded many women. Innovative approaches, consistent with the socio-cultural environment, to the training of women as agents, both as higher level staff and as village workers, would need to be developed. For both groups, the location of training courses is important. For the former, the availability of residential facilities is necessary, and for the latter, training would need to be provided in their own or nearby villages. Since group formation, motivation and credit would be key elements of their functions, their training would develop communications skills and credit management techniques. As for the technical skills, a bi-level approach to training, to match the two phases suggested for the UERC program, would be necessary; initially training trainers for literacy, communications and credit, with later courses in the income earning skills relevant to the opportunities identified in particular Upazilas.

4.70 A group of female agents who would identify and develop with village women ideas on new productive activities and functional skills appropriate to women would be developed. Initially, these agents could be trained at the existing vocational institutes which would be especially assisted in developing materials and training equipment relevant to the training needs of women.

4.71 The issues related to the training of females in the target groups are not entirely dissimilar to those that need to be considered in the strategies for training female staff and agents; the need to have female trainers for (a) group formation motivation and consciousness raising, before teaching income earning skills; (b) the training to be physically accessible to the trainees, and preferably in their own villages; (c) recognizing that in addition to the income earning activities for which the training will prepare them, these women must continue to perform their traditional household responsibilities. In choosing the income earning skills for

females, it is important that there is a careful match with the production resources and market prospects, to avoid repeating the mistake of training women in vocations considered 'traditional' for women which in many cases are commercially not very rewarding.

Chapter 5: TECHNOLOGY AND RURAL EMPLOYMENT

A. INTRODUCTION

5.01 There are three areas of significant potential for generating productive employment opportunities for the rural landless. First, there is still some scope for involvement of the landless in traditional activities such as livestock rearing, fish farming, vegetable growing as well as production of high-value crops. Second, with expanding traditional activities there would be prospects for developing backward and forward linkages, and increasing demand for the products and services of artisan enterprises; such possibilities include rural-level production, maintenance and repair of irrigation and agricultural processing equipment, livestock feed factory, etc. Third, with the general expansion of above activities, further rural employment opportunities could be created based on increased demand for basic needs such as clothing and shelter as well as in non-traditional activities, producing a variety of consumer goods such as soap, pencils and paper. While the realization of potential employment opportunities in these areas is dependent on appropriate organization, the provision of credit, training and other support services, the choice and application of appropriate technologies is an additional factor of crucial importance.

5.02 The connection between technology choice and rural employment has yet to be clearly made in Bangladesh; the lack of this connection, and consequent adverse effects on rural employment is clearly seen in the experiences of traditional rural industries such as rice milling, oil pressing and earthenware pottery. Subsidized rural electrification, subsidized institutional credit and freedom of entry of foreign goods are pushing traditional industries into swift decline, with resulting losses in rural employment. For example, it is estimated that the spread of mechanization has resulted in the elimination of approximately two million part-time jobs for rural women in traditional rice hulling activities, and the employment in traditional oil extraction industries fell from 65,280 in 1961 to 21,130 in 1980. At the same time, many of these labor-displacing industries have not proved successful. Though efficiency of traditional production must improve, the choice of technology must create viable enterprises which can be managed and sustained in Bangladesh's situation. Thus, in rice milling, the choice of 'hullers' would be more suited to Bangladesh's conditions than that of automatic rice mills to gradually replace the traditional "Dheki".^{1/} Similarly, the import of second-hand clothing, and aluminum pots have affected employment in hand looms and traditional pottery industries.

5.03 If rural employment opportunities are to be increased, two types of intervention would be necessary. First, traditional industries will need help to become, or remain, competitive with large-scale plants producing similar products; at the same time, direct and indirect subsidies to large-scale modern establishments would need to be eliminated. Second, in cases where change in circumstances or consumer preferences have resulted in high

^{1/} For a detailed discussion see "Bangladesh: Selected Issues in Rural Employment", World Bank Report No. 4292-BD, March 11, 1983, Chapter III.

levels of demand for 'modern' products, rural enterprises would need to be assisted to engage in the efficient production of such products through the development and diffusion of technologies and technical skills appropriate to such endeavors. Furthermore, in order to take full advantage of increased possibilities for employment and capital formation in rural areas through forward and backward linkages, much more thought has to be given to the level and nature of the technology required and to the support needed by the small enterprises and landless groups. In all cases, three separate but inter-related types of improvements will be needed. First, there is a need for rationalization of decision-making so that those policy measures which have a direct or indirect bearing on the development and diffusion of appropriate technologies and on local rural enterprise development, are supportive rather than negative. Second, there is a need for an indigenous technological capacity which can assist in making well-informed choices between technological alternatives and adapt or develop technologies appropriate to the objective of rural employment creation. Third, there is a need to diffuse such technologies as widely as possible to the rural people who can use them in generating off-farm employment opportunities.

5.04 This chapter examines the present policy environment and the institutional arrangements for technology choice, development and diffusion, and makes recommendations as to how technologies appropriate to the needs of the landless and small rural enterprises can be developed and disseminated.

B. POLICY ENVIRONMENT FOR TECHNOLOGY CHOICE AND DIFFUSION

5.05 Government policy measures have a significant effect on technology choice and application--either directly, through investment decisions in the public sector, or indirectly, through fiscal, monetary, import, industrial licensing and other economic policy measures which influence decisions on technology choice and use in the private sector.

5.06 Although investment decisions in the public sector are finalized only after elaborate evaluation in several committees, the criteria do not include a systematic consideration of the choice of technology and its impact on output, employment and recurrent foreign exchange costs. This reflects the absence of a technology plan or a deliberate policy for increasing technological self-reliance in Bangladesh. As the link between the choice of technology, the growth of local industry and creation of employment opportunities is not recognized, project preparation and evaluation procedures do not include guidelines for assessing the appropriateness of the technology to be used.

5.07 Because of the absence of a technology policy, there is no mechanism to assess the impact of various policy measures on technology choice in the private sector. In fact, the economic environment has tended to be one which artificially raises the profitability of capital-intensive technologies relative to the labor-intensive technologies suited to decentralized rural enterprises. Indeed, in many industries, the former have flourished at the expense of the latter, with resulting net losses in employment opportunities in rural areas. The main criteria used by the lending agencies for sanctioning loans are the capacity of the borrower to repay, the proper utilization of the approved loan and the commercial viability of the project. While these criteria are adequate from the point of view of a commercial bank, they fall short of the requirements of determining the overall impact on the

national economy which should also consider appropriateness of the technology on overall employment and necessary linkages for industrial development. Furthermore, lack of effective loan repayment discipline creates damaging distortions, favoring capital. The result has been a haphazard growth of industries.

5.08 The absence of impact assessments of techno-economic policies has other negative effects. In a situation of expanding agricultural production and incomes, opportunities for local industrial development are pre-empted by the tendency to import machinery and commodities to meet increased demand, rather than to foster local production. Also, choices have been made which lead to unsustainable levels of technology requiring continuing subsidies to remain in operation.

5.09 Attempts at planning for the rationalization of policy for technology choice and use have been limited to date. A Science and Technology (STD) Division was created in Bangladesh immediately after liberation in February 1972 and a National Council for Science and Technology (NCST) was constituted in 1975. In the absence of an overall technology plan, the effectiveness of these was limited. In July 1980 the NCST was reconstituted and given several major tasks including creation of a conducive environment for science and technology development and control (through the Science and Technology Division - its administrative arm) of all Research and Development (R & D) activities in the country. It was recognized that S & T should be given topmost importance in national development, and that utilization of foreign technology should be regulated in the formulation of an appropriate science and technology action plan. The goals of the S & T policy were, however, too many and too wide. This made implementation difficult. In 1983, the NCST was reconstituted, yet again, as a Committee with the President as its Chairman and 23 members comprising Cabinet Ministers, Secretaries, and prominent scientists and technologists. The functions of the Committee include determination of priorities for specific research programs, coordination of R & D activities and evaluation of the quality and effectiveness of such programs. ^{1/} An early major task for the NCST is the preparation of an S & T Policy for inclusion in the Third Five-Year Plan.

C. TECHNOLOGY GENERATION AND ADAPTATION

5.10 Bangladesh has vast formal R & D network, employing several hundred scientists. ^{2/} Also, outside of the formal sector, there has been considerable activity by several NGOs and by individual farmers and entrepreneurs.

^{1/} Membership and Terms of Reference of the Committee are attached as Annex III.

^{2/} In the agricultural sector alone, for example, BARI employs 300 scientists and BRRI another 200.

Formal R & D Sector

5.11 The formal R & D sector has a heavy emphasis on agriculture. There are several centers of agricultural research, including the Bangladesh Agricultural University (BAU); the Bangladesh Agricultural Research Institute (BARI); the Bangladesh Rice Research Institute (BRRI); the Bangladesh Jute Research Institute (BJRI); the Sugarcane Research Institute; the Forest Research Institute and the Tea Research Institute. While the achievements of some of these institutes in terms of biological improvements have been significant, their impact is limited in terms of developing/adapting farm tools which are appropriate to the needs of small farmers or agro-businesses and which are capable of production, maintenance and repair by small firms or landless groups.

5.12 Apart from the relative lack of resources devoted to agricultural engineering in these institutions, there is a further problem in that many of the prototypes in the workshops have been developed in isolation of user preferences and producer capabilities, and few have been subjected to rigorous field testing. As a result, although some 'technology' can be found within the agricultural research institutions (see Table 5.1), little has happened by way of diffusion.

TABLE 5.1: PROTOTYPES DEVELOPED OR TESTED BY FORMAL SECTOR INSTITUTIONS

<u>Institution</u>	<u>Prototype</u>
BARI	Ploughs; cultivators; handhoes; weeders; single row seed drills; two and three row seed drills; corn shellers; pedal threshers (paddy and wheat); sugar cane crushers; solar dryers; low-cost canal liners; oil ghanis.
BRII	Diaphragm pump; low-cost propellor pump; ITTI Power winnower; Cecoco hand winnower; rotary miller; paddy thresher; wheat thresher; crop-driers.
BAU	Deep-bed crop drier; mould-board plough; food technology; low-cost ox-cart.
BJRI	Ribboner/decorticator.
Forest Research Institute	Solar Kilns
Bangladesh Silk Research Institute	Endi Charka; single pedal and twin hand-reeling machine; oil from cocoons.
BARD/CCK	Wheat thresher; low-cost vehicles.
Housing and Building Research Institute	Jute reinforced/concrete roofing sheets.
BCSIR	Solar dryer; food storage; improved stoves; soybean oil extraction; leaf protein for animal feed, etc. (for full list of processes - see Annex III).
BUET	Solar water heaters; solar cookers; solar evaporation; biodigestors; improved stoves; improved rickshaws.
Dhaka University	Solar water heaters.

5.13 Outside the agricultural sector, there are also numerous government/university institutions engaging in various R & D activities. By far the largest of these is the Bangladesh Council of Scientific and Industrial Research (BCSIR) which is the primary institution of the Government entrusted with the responsibility of carrying out R & D work for the utilization of domestic resources and for serving local industries. At present there are four units of BCSIR--three research laboratories at Dhaka, Chittagong and Rajshahi, and the Bangladesh National Scientific and Technical Documentation Centre (BANSDOC). Although it represents a large S & T infrastructure, the contribution of BCSIR in the area of its primary objective of serving indigenous industries has been very limited for several reasons, including the original mismatch between institutional objectives and the interests of the manpower employed; the lack of mechanisms for directing research toward problems of the local industries, and the failure to meet the

market needs of entrepreneurs and investors. 1/ Corrective action to address the last of these problems has been attempted by setting up the Pilot Plant and Process Development Center at Dhaka; this center is to design and fabricate pilot plants and to undertake process development studies for commercialization. However, the industries which make use of this service tend to be large-scale and urban-based rather than small, rural and decentralized.

5.14 Few of the technologies and processes developed by BCSIR have any direct relevance to the creation of employment in small rural enterprises, and the institution has no outreach in the rural areas through which to collect information on needs, field-test prototypes and diffuse viable techniques. Similarly, BCSIR is not flexible and quick enough to repond to the myriad technical needs of the urban/peri-urban informal sector.

5.15 Of the other non-agricultural research institutions, although several have been actively involved in development or testing of prototypes, only the Bangladesh Academy for Rural Development/Comilla Cooperative Karkhana (BARD/CCK) has had any success in transferring a technology into commercial production and use. Particularly successful achievements have been the adaptation of a pedal-operated paddy thresher for local production and the involvement of many cooperative workshops in the Comilla District in the commercial production of thousands of these each year.2/ Some of the other agencies, such as the Housing and Building Research Institute (HBRI), have proved their willingness to experiment and test out new technologies such as fibre-reinforced roofing sheets, but they have no effective method of disseminating proven technologies to rural areas which could form the basis of employment creating business. 3/

5.16 The research carried out in the universities (BUET, Dhaka University, Rajshahi University, Chittagong University, and Jahangirnagar University) has tended to be largely of an academic nature, and has done little to stimulate domestic industries or respond to their needs. While an attempt has been made to overcome the problem in some of the universities by establishing Departments of Applied Science and Applied Technology, this has proved insufficient to overcome the constraint of traditional curricula and teaching methods. The only significant attempt to overcome this academic bias has been the establishment of the Institute of Appropriate Technology (IAT) within BUET. This is seen by BUET staff as a way of reorienting university research toward technological applications and of influencing the type of training given at universities so as to make it more relevant for industrial jobs and entrepreneurship. As yet, the Institute has, however, been able to accomplish very little owing to lack of resources.

1/ Iqbal Mahmud and M.M. Islam, Appropriate Technology: Human Resource Development and Employment Creation, Dhaka, 1982.

2/ Besides providing employment for the landless in commercial production, these threshers also provide employment for landless groups which purchase a thresher with the help of a loan and carry out custom work for local farmers.

3/ J. Herklotts, Overseas Visit Report, Bangladesh, ITIS, 1983.

5.17 In summary, the formal R & D sector, while staffed by highly qualified scientists, has done little in terms of adapting or field-testing new technologies which respond to the needs of rural areas. In light of the huge amount of resources invested in these institutions, the list of prototypes under review is very small. The list of technologies in use in the field is even smaller.

Informal R & D Sector

5.18 By contrast, and given the more limited resources available to them, several agencies and individuals outside the formal R & D sector have had some considerable success in generating or testing improved technologies which have subsequently been disseminated to form the basis for rural employment.

5.19 As can be seen in Table 5.2, local and international NGOs have been responsible for the introduction of a range of appropriate technologies. These include some of the country's best known success stories such as the treadle pump, the Rower pump and the Tara pump.

TABLE 5.2 PROTOTYPES AND PROCESSES DEVELOPED OR TESTED BY AGENCIES AND INDIVIDUALS OUTSIDE OF THE FORMAL R & D SECTOR

<u>Institution</u>	<u>Prototype</u>
Mirpur Agricultural Workshop & Training School (MAWTS)	Tara Pump; Manual Version of Treadle Pump; Sprayer; Wheat Thresher; Sugar Cane Crusher; Food Grinder
MCC	Rower Pump; Solar Dryer; Hand-made paper from wheat straw; soap manufacture; sunflower oil press
RDRS	Treadle Pump; Nepali Mill
Asia Foundation	Sterling Engine; Back-Pack Huller
Kumudini Welfare Trust	Stoneware
Save the Children Federation	Jute-reinforced concrete
BASWAP	Jute-reinforced concrete
Interpares	Jute-reinforced concrete
NOAMI	Improved country boats
Intensive Rural Works Programme (Faridpur)	Improved stoves, improved bullock carts, improved bullock harnesses, ferrocement boat-building, improved rice huller, clay crusher.

5.20 The treadle pump, developed by the Rangpur-Dinajpur Rehabilitation Service (RDRS) is the end product of research carried out over many years, in search of a low-cost, manually operated pump, appropriate to the high water table (within 18' of the surface) found in 60% of the area of Bangladesh. Research began in 1977, with a commercial model of the pump emerging in 1980. Not only is this an appropriate 'low-cost' technology for landowners; more importantly, it can also be produced in rural agricultural workshops, thus providing employment to the rural landless. Two such workshops are already in operation, staffed mainly by unskilled laborers from the community, under the owner-management of a technical graduate. 1/

5.21 The Rower and Tara pumps are also the products of several years of field-oriented research work. Although the more specialized parts of these pumps need to be made in industrial centres, manufacture of other parts, as well as assembly of pumps can be carried out in small rural workshops. These and most of the other technologies in Table 5.2 have been developed by NGOs with the employment needs of the rural landless and women very much in mind and, thus, provide a useful basis for employment creation schemes.

5.22 In summary, the informal R & D sector, with very limited human and financial resources, has provided several actual and many potential examples of techniques which can form the basis of rural employment creation. The informal sector has emphasized the identification of needs and markets and extensive field testing so as to incorporate user reactions in the design of the final prototype rather than laboratory testing (although on occasion sophisticated testing facilities available at institutions such as BARI were used). It also considered the nature and capabilities of rural workshops and enterprises when designing processes and prototypes. Field presence of the informal sector agencies is particularly notable - most of the development work is done in the field with the users - a practice not common in the technology research work conducted by the formal R & D institutions.

D. PROCESS OF TECHNOLOGY DIFFUSION

5.23 Even when the technology is right, it does not spread by itself. Transfer of new or improved technologies to rural areas, or transfer of existing skills and techniques between districts, involves the implementation of a well planned program of demonstrations, technical skills and management training, credit assistance and other support.

5.24 So far the most widely diffused technologies in Bangladesh are HYV seeds, fertilizers, tubewells and pumps. These have been disseminated largely through government distribution channels (namely, Bangladesh Agricultural Development Corporation (BADCO); Upazila Central Cooperative Association (UCCA)/Krishak Sambhaya Samity (KSS)) and have been heavily subsidized. There has not been the same degree of diffusion of techniques or technologies (traditional or improved) of relevance to the rural landless.

5.25 Three different types of technology transfer and diffusion are necessary. First, there is a need to transfer financially viable traditional activities such as fish farming and livestock rearing from one place to

1/ Trained at the Mirpur Agricultural Workshop and Training School (MAWTS).

another. Second, there is a need to transfer improved technologies to those traditional rural enterprises (rice processing, weaving) which are facing decline because of competition from modern plants. And third, there is a need to transfer specially adapted technologies to new or existing enterprises so as to permit the small-scale decentralized production and provision of goods and services previously brought into rural communities from outside (or not available at all). These include agricultural inputs (HYV seeds, handpumps); crop processing equipment (threshers, solar dryers); support industries to livestock rearing (fish cages, animal feed, para-veterinaries); basic goods (soap, pencils, paper, umbrellas); and basic services (pump maintenance).

5.26 Many technologies which can form the basis of economically viable rural industries are now available. There is a good deal of evidence from several countries that small-scale (intermediate level) technologies exist for a wide range of industries which are more economic than large-scale technologies in respect of output, employment and foreign exchange costs. Factors which weigh in favor of the small-scale technologies vary between countries but often include dispersed raw materials, small and dispersed markets, lack of infrastructure and shortage of highly skilled managerial and technical manpower. 1/

5.27 In Bangladesh, investigations of the rice milling and oil extraction industries support findings from elsewhere that small-scale rural industries can be more appropriate than large-scale automatic plants based on imported capital-intensive equipment. Through field - testing of other 'intermediate' technologies more data are now becoming available which offer proof of economic viability and tend to support the argument for small-scale industries based on these technologies. 2/

5.28 Proof of technical feasibility and economic viability is in itself an important step in the dissemination process (and a step which the formal R & D sector has ignored in the past). However, if viable traditional activities and improved technologies are to be successfully diffused on the scale required, much more than this is needed. Some experimentation is already underway in developing 'prototype' systems for the transfer and diffusion of traditional activities, improved technologies for traditional industries and adopted technologies for new industries. It is worth mentioning some of the more promising existing or planned models and ideas before proceeding with the planning of a dissemination strategy.

1/ For a review of the literature see Carr M. Economically Appropriate Technologies for Developing Countries (ITDG, 1980).

2/ For example see World Bank Report Bangladesh 'Selected Issues in Rural Employment' 1983; S. Robbins, Technology Choice in Crop Processing Industries, 1984; K. Marshall, Technology Choice and Employment in Bangladesh, 1984; J. Howe and E.W.H. Gifford, Study of the Operational and Technical Efficiency and Inland Country Boats, 1981; Ian Barwell, Review of Appropriate Technologies for Road Transport in Bangladesh, 1978.

Transfer of Traditional Activities

5.29 Many traditional activities carried out in one part of Bangladesh have not spread to other parts of the country. This applies to activities such as fish farming and poultry raising as well as a wide range of manufacturing activities including ceramic roofing tiles, traditional brass work, traditional horn carving, spice grinding, jute and coir rugmaking, gulap oil manufacture and mosquito net making. 1/ In the case of manufactured goods, this can sometimes be explained by differing availability of raw materials, different markets (consumer preference or income levels) or different socio-cultural factors. Often, however, the problem is one of lack of information and know-how (especially prevalent in a country like Bangladesh where internal transportation and communication present serious problems), and lack of an adequate rural industry extension service which can help in the diffusion process. In the case of livestock activities, trained extension workers are located in most Upazilas, but the rural landless usually have difficulty in gaining access to the training and technical back-up, unless organized and helped to do so.

5.30 One of the few examples of an attempt to solve the rural industry extension problem is the approach adopted by BSCIC through its ILO/UNDP Cottage Industries Program. Having realized that a generalist trainer cannot be used effectively to train people in specialized crafts, this program now identifies and recruits skilled artisans as trainers of craftsmen and landless groups in other parts of the country where a market exists. A successful example of this resulted in the transfer of padlock manufacture to Dinajpur from a neighboring area. The headquarters staff of BSCIC's Cottage Industry Program travel extensively so as to identify markets and traditional industries which could be transferred to meet these markets. However, the program is limited in scope, covering only four districts, and so far capable of handling only a small proportion of the rural landless within these districts.

Improved Technologies for Rural Industries

5.31 An important difficulty faced by traditional rural industries in the face of competition from modern firms based on more capital-intensive technologies, in many cases (e.g., rice milling, oil pressing) is that the traditional technology simply cannot compete mechanically with its modern rival and has become hopelessly uncompetitive price-wise, even though giving a superior quality product. In other cases (e.g. weaving, fishnet making, leather processing), quality is poorer with the traditional technology and costs are higher. In still other cases (e.g., blacksmiths, rural workshops), the demand for traditional products is declining and the traditional technology is not suited to the efficient fabrication of the newer products demanded in their place.

5.32 In many of these cases, improvements to the traditional technology can help. Sometimes the modifications can be fairly minor and have no negative impact on rural employment (e.g., improved bellows). In other cases,

1/ BIDS, Rural Industries Study Project, Final Report, Dhaka, 1980
pp. 455-456.

more radical change may prove necessary and employment displacement may arise in order to enable at least some of the existing workforce to maintain a hold on its traditional industry (e.g. rice milling, fishnet making).

5.33 There are several examples of attempts to transfer improved technologies to traditional rural industries in Bangladesh. These include a UNICEF/RDRS project for upgrading rural workshops (through intensive training of village workers); the Department of Agricultural Extension's proposal to involve traditional village seed producers in the production of new improved varieties; the Grameen Bank's scheme to disseminate improved manually operated net-making machines to groups of women fish-net makers; and BSCIC's program for upgrading the skills and tools of rural artisans (leatherwork, shellcraft, wood inlay mosaic work) through transfer of master-craftsmen and improved technologies from other countries.

Technology Transfer and Non-Traditional Activities

5.34 As agricultural production and traditional off-farm activities expand, backward and forward linkages create additional opportunities for employment and capital formation in the rural areas. Such opportunities can be either of a direct nature (to supply the increased demand for farm inputs, storage, crop and food processing equipment, livestock support and processing facilities), or of an indirect nature (to supply the increased demand for consumer goods such as housing, clothing, soap, paper). Unless appropriate technologies are made available to permit the decentralized production and provision of such goods and services, increased demand will have to be met by urban-produced or imported goods, thus pre-empting opportunities for self-sustaining rural industrialization.

5.35 There are some examples of projects which aim to transfer such technologies and to develop or support the rural industries based upon them. These include MCC's commercial strategy of disseminating Rower Pumps through dealers (local bazaar businessmen) and BRAC's proposed strategy of enabling village level production of goods such as soap, pencils and umbrellas through a franchising system. The only few cases of diffusing this type of technology indicates the relative absence of effort (even by the NGOs) to establish group activities based on backward and forward linkages, and on new products. This seems to be due largely to a lack of awareness on the part of the majority of NGOs and government agencies working with the rural landless as to what is technically possible.

5.36 There are several models available in Bangladesh which aim to adapt and disseminate technologies to rural areas where they can form the basis of productive employment for the landless and women. However, they are not yet being applied on anywhere near the scale needed to make an impact on the unemployment problem. The capacity to tackle the technology for maximizing efficient and productive employment needs to be increased so that successful pilot projects can be replicated.

5.37 It is evident from the preceding sections that there are several activities and technologies already in existence in Bangladesh which, if successfully transferred to the rural landless, could form the basis of a wide range of productive rural enterprises. Equally evident is the fact that the issues of technology choice, adaptation and dissemination are dealt with in an inadequate and haphazard way. If no remedial action is taken,

inappropriate choices of technology will continue to be made, with adverse effects on rural employment, wasted resources and lost opportunities for developing local industries and indigenous technological capabilities.

5.38 Action is needed on two fronts. First, there is a need to ensure that technology choice in the public sector and the economic environment in general do not run counter to the country's stated objectives of creation of productive employment opportunities in rural areas. Second, since some 'selective' mechanization will be necessary to upgrade labor productivity in traditional industries and to increase their viability, a mechanism is needed to select, adapt and diffuse technologies appropriate to the situation. At the same time, there is need for a mechanism which identifies, adapts and diffuses techniques and technologies upon which new activities or industries can be based, thereby providing alternative employment for those displaced by mechanization and absorbing new entrants to the labor force.

E. POLICY ISSUES

5.39 As seen above, there are two sources of inappropriate technology choices: those made by operational ministries about the technology component of development projects, and those made by the private sector about the technology component of investment projects. The first is a consequence of the lack of any official Science and Technology (S & T) policy relating to the national economic development plan, as well as the inability of the Government of Bangladesh to monitor what amounts to a vast number of projects. The second is a consequence of the array of economic policy measures implemented by a variety of ministries and agencies - most of which have not been appraised in terms of their impact on technology choice, and many of which conflict with each other and are directly or indirectly subsidized.

5.40 Different solutions are needed for these two problems. At the level of public sector projects - given the numbers involved - there is a need to:

- (a) clearly spell out the links between technology choice and rural employment within the framework of the Third Five-Year Plan, and to elaborate a Science and Technology Policy on this basis which sets guidelines for operational ministries in formulating development projects;
- (b) specify technology choice as a factor to receive major consideration by the Planning Commission when vetting development projects; and
- (c) strengthen the capacity of the Planning Commission to monitor development projects in terms of technology choice and rural employment creation.

5.41 At the level of private sector investments, there is a need for a mechanism which can assess the extent to which economic policies are having an effect on technological choice. This should ideally be in a central, non-operational ministry such as the Planning Commission. It need not be large, since it could commission other agencies to carry out assessment studies - provided it had adequate funds for this purpose. It should,

however, be closely linked to a high-level Inter-Ministerial Committee with the power necessary to implement recommendations to alter policy measures.

Technology Assessment, Adaptation and Diffusion

5.42 A favorable economic environment is a necessary, but not a sufficient condition for the successful diffusion of appropriate technologies. There is a need for a mechanism by which the technology needs of the rural landless can be identified and dealt with as part of a rural off-farm employment creation package.

5.43 Experiences of government and non-government organizations in the operation and diffusion of appropriate technologies to the rural landless in Bangladesh indicate some of the constraints which need to be overcome to create a more efficient mechanism. These include:

- lack of interest or ability of existing R & D institutions to identify needs of the rural landless and work for technological solutions to meet such needs;
- lack of adequate technical expertise on the part of agencies dealing with the rural landless to respond to their technological needs;
- lack of cooperation between the formal R & D institutions and the agencies working with rural landless;
- lack of sufficiently qualified technologists with an interest in, or responsibility for, responding to the needs of the rural landless; and
- lack of flow of ideas to and between Upazilas on potentially viable productive activities.

5.44 These problems can be illustrated more fully. First, most of the formal R & D Institutes in the country are not geared to the employment needs of the rural landless. Agricultural research stations concentrate mainly on technologies for farmers (i.e., the landed), and while attempts have been made to orient scientific research more to farmers' needs (through, for example, the working together of farmers, agricultural extension workers and scientists on needs identification at BARI's sub-stations), there is no similar system for identifying the needs of the landless in relation to off-farm activities. Similarly, the non-agricultural research institutes have no formal linkage with the rural landless and respond, if at all, to the needs of the vocal, relatively well-off minorities such as large urban companies and businessmen. Second, the agencies which work primarily with the rural landless (mainly the NGOs) and which are aware of their technological needs, often have difficulty in finding a way to solve such needs. Very few of these agencies have in-house technical expertise, and even those which do (e.g., MCC, RDRS) can cover only the one or two technical areas in which their staff have experience (e.g. food processing, pumps); the many other areas of relevance to the landless are neglected. Third, agencies do try to match needs with solutions by approaching existing R & D institutions in the country or by writing for information, advice or assistance from overseas agencies. Sometimes this works, but more often than not agencies meet with

little response from the formal R & D institutions which have work plans of their own--and different interests and priorities. Relying on technical agencies overseas can have even more pitfalls. Information sent in response to an enquiry is of little help to an agency which does not have the technical competence to assess the appropriateness of the information it receives: local R & D agencies could help here, but often the linkages are not made and the information ends up in a filing cabinet. One of the functions of the proposed technology units in BRAC and Grameen Bank is to keep abreast of information on technologies of relevance to the landless. Fourth, while the formal R & D institutions are heavily involved in technical testing of prototypes, very little of this work is of direct relevance to the creation of rural off-farm employment. In addition, these institutions tend to lack the infrastructure for or an interest in extensive field testing of prototypes which should properly form part of the process of adaptation to local conditions.

5.45 The problem then is one of R & D institutions with no field linkage and of extension agencies with no technical capacity - and the solution is not as simple as handing over stages of a project from one agency to another as the need arises. Experience shows that the technical and non-technical people need to be involved throughout. The main problem in Bangladesh is finding technically qualified people who are interested in working in rural areas. Most of the staff of technical institutions have no interest in doing so, and rural development agencies usually have difficulty in recruiting technical graduates to work in their rural programs. The implication is for more appropriate training for technologists and technicians so as to encourage an active interest in the problems of rural areas and of the rural landless in particular.

5.46 Further, the task of introducing and diffusing a technology or technique which is new to an area (whether adapted or not) involves problems of its own. Most of these relate to production engineering, community organization, skills and management training, provision of credit, marketing schemes and appropriate government support policies. These, too, have implications for the strengthening of a technology transfer mechanism.

Requirements for a Technology Transfer Mechanism

5.47 The successful dissemination of appropriate techniques and technologies to the rural landless will not require massive infrastructure investment. There are already ample facilities for training (250 Upazila Training and Development Centres; 100 government technical workshops/schools, 30 private technical trade schools); for manufacture and repair of production goods (estimated 25 blacksmiths per Upazila, and several metal and woodworking 'factories' per districts); for provision of credit (commercial banks); and for adaptation and testing of improved technologies (universities, R & D institutions). The problem is that they have not been adequately utilized in support of a rural employment strategy. The only exceptions have been when an NGO or extension agency has managed to enlist support (e.g. MCC arranging for bank loans for Rower Pumps; BSCIC influencing training in government vocational training schools in the direction of market-oriented products such as steel school furniture; and MCC getting technical assistance from BAU with food processing technologies).

5.48 What is needed is a mechanism by which improved techniques--complete with the associated software of organization, credit and training--can be channeled to the landless and women at the Upazila level. The tasks involved include identifying community needs for technology, and effective market demand for various commodities; assessing local resources and skills; identifying sources of improved technologies on which productive ventures could be based; adapting such technologies to local conditions and, if necessary, undertaking extensive field trials to prove technical feasibility and economic viability; transferring viable techniques and technologies to groups of landless and women by means of training and provision of credit; and provision of necessary assistance in respect of procurement of raw materials or marketing.

5.49 Not least of the problems is that local markets for commodities other than food and clothing can become quickly flooded if several groups in one area are involved in their production. The need for diversity of activity implies, therefore, the need for a constant search for new product ideas and a search for, and flow of, information throughout the country on the techniques and technologies which enable rural-level production of such commodities.

5.50 This means two types of institutional needs: one for a mechanism by which the needs of the landless in respect of productive employment can be identified, along with possible opportunities and resources available to help them. This would include a means by which the needs of the landless could be handled in terms of technology adaptation. The other is for a catalyst unit which can act as an intermediary between the target groups and the sources of services (credit, training, technology) needed by them to engage in productive employment. The two needs and mechanisms are closely interrelated.

5.51 Experience suggests that when planning for the creation of rural employment, account should be taken of the different types of productive activities that need to be initiated at the Upazila level. While needs for credit are common to all types of activity, those for training, technical expertise and assistance with raw material procurement and marketing vary considerably. Activities could be divided as follows:

- well known activities, such as fish farming, mosquito net making and spice grinding which need to be more widely diffused on a commercial basis. In these cases, techniques are well known and easily understood. Training can be given to organized landless groups by extension workers (e.g., animal husbandry officer) or by a skilled worker from another area; short-term courses are normal. Raw material procurement and marketing can be easily organized.
- traditional activities, such as weaving, leather work, blacksmithing, gur making and fishnet making, which need assistance in competing with large-scale factories (at home or overseas) producing similar products at a lower price and/or higher quality. In these cases, some improved technology is usually required (e.g., improved looms, improved tanning techniques, improved bellows, improved cane crushers, fishnet-making machines), and existing artisans or landless groups trained in its use. Such improved technologies are normally introduced on a pilot basis by NGOs, and modifications are made to the technology during the

pilot stage as necessary. Credit and training normally form part of the technology package. In this case, training is given by a master craftsman from (or trained in) another country or by a technical field worker, and is longer term.

- new activities which arise: (a) in response to demands created by the initiation of primary activities such as fish farming and livestock rearing (e.g., making bamboo fish cages, whole carcass utilization); and (b) as a result of direct initiatives to establish small-scale decentralized units producing commodities previously produced centrally on a large-scale (e.g., soap, umbrellas, pencils, jute-reinforced roof sheets, paper, pumps). Again, the success of such activities will depend on the availability of an appropriate technology which makes small-scale decentralized production feasible and viable, along with the necessary credit and training. Here too, NGOs have been most active. Training has been either on-the-job within projects, or at NGO-funded training centers and non-profit private trades schools; it can continue over a period of years for more complicated trades such as metal-working. Raw material procurement may involve a central agency's assistance (e.g., for soap, pumps, pencils, umbrellas). Assistance in marketing new products with limited demand in any one location may also be required.

5.52 The NGOs have demonstrated on a small-scale basis how the employment needs of the rural landless can be dealt with through the design and implementation of appropriate innovative technology packages. A few government agencies (especially BSCIC) have also shown what can be done by way of transferring traditional activities. Currently, these agencies do not have the resources to replicate these schemes on a widespread basis. The challenge is to develop means by which this can be done.

F. INSTITUTIONAL IMPLICATIONS

5.53 As seen in the previous sections, there is already a large number of agencies (government and non-government) involved in the technology generation and diffusion process, and these should play an important role in the proposed strategy. However, there is still a need for some institutional modifications at both the Upazila and the national level.

5.54 At the Upazila level, there is a need for a specialist catalyst agency which, like many of the NGOs, can organize the landless into groups and facilitate their access to the credit, training, technology and other support services (e.g., raw material procurement, marketing) necessary to engage in productive off-farm employment. The proposed Upazila Employment Resource Centers (UERC) which are described in Chapter 6 could be charged with this task.

5.55 Given the lack of interest of the well established research institutions in technologies relevant to the rural landless, it is probable that the UERC will have difficulty in finding sufficient available expertise. It is necessary, therefore, to identify or establish an institute which has the technical interests of the UERCs written specifically into its terms of reference. It is suggested that IAT could easily be expanded to fulfill this role. The advantages of IAT include:

- it is relatively new, with no vested interests in any particular area of technology, and could therefore take on responsibility for carrying out technology work relating specifically to the employment of the rural landless;
- it has a stated interest in working on applied technology in the rural areas: indeed, BUET sees IAT as a means by which its engineering staff and students can make a contribution to national development through working in rural areas;
- it has not yet appointed large numbers of staff who might be inappropriate to the objectives in mind: plans can be modified to keep core staff to a minimum and attain required flexibility by drawing on BUET staff and students as required;
- it has already proved its ability to come to grips with technology problems of the rural landless by working on the problem of improving sugar gur technology for BSCIC; and
- it is well placed to influence future generations of engineers and technologists towards the needs of the rural landless.

5.56 The UERC Central Projects Office should, of course, be free to approach any of the research institutions in the country, but past experience suggests that 'second generation' activities will require the type of input which institutions other than a modified/expanded IAT will have difficulty in supplying. IAT itself will also be free to take commissions from other relevant agencies such as BSCIC and Grameen Bank.

5.57 IAT will need to start in a relatively modest way, working initially on a few selected projects for the UERC Central Project Office so as to build up both experience and credibility. If the scheme works well, then IAT should be assisted to expand in accordance with the size of the need. Conceivably, IAT could eventually take over some of the technology-related functions of the UERC Central Project Office following termination of the project. In this case, the structure, size, method of work and funding of IAT would need re-evaluating. Suggestions on how it might be helped to start operating in the way outlined above are given in Annex VI.

5.58 At the national level, there is a need for a unit in a non-operational ministry which can identify policies, practices and procedures of the Government which influence the choice of technology, assess which of these may affect technological choice in a way unfavorable to the rural landless, and suggest changes in them. This function should be carried out by the Technology Choice Adviser (and associated Expert Group) of the Proposed Rural Employment Policy, Planning, Evaluation and Monitoring Unit in the Planning Commission, who will need access to considerable resources to commission research and to ensure adequate monitoring and evaluation of the impact of policy changes on technology choice and rural employment.

Chapter 6: THE PROPOSED FRAMEWORK

A. INTRODUCTION

6.01 There is no single or easy solution to Bangladesh's rural employment problem. However, given the magnitude of the problem, it is important to continue to search for innovative experiments, while existing efforts continue. Considering the issues discussed in preceding chapters and based on key elements of success in group formation and credit delivery system of the BRAC and GBP models, it should be possible to develop a mechanism for the mobilization of energies of the rural population for creation of additional incomes and employment. The approach suggested does not seek to rely solely either on the Government or on existing NGOs; it is a combination of both and complements existing systems rather than an attempt to replace them or compete with them.

6.02 The proposed strategy seeks to provide or facilitate a series of integrated inputs: group formation, functional literacy, credit, skills training and access to new technologies to the target groups for creating new economic activity owned and operated by the target groups. To achieve this objective, the strategy is based on a two-phase approach. The first phase consists of group formation, functional literacy and a credit program based on the GBP model, using sub-groups of around five. This is seen mainly as a means to increase the income of target groups by providing short-term finance for traditional activities. With continued functional literacy programs, this phase will also prepare target groups for starting non-traditional activities, particularly those having backward and forward links with traditional activities. The second phase will involve socio-techno-economic surveys to identify potential new activities, appropriate technologies and necessary skills training to enable the target groups to carry out such activities. This will also involve the need for long-term financing to enable the target groups to acquire the necessary inputs to establish new activities. In order to accomplish these objectives, the strategy proposes the formation of Upazila Employment Resource Centers.

B. UPAZILA EMPLOYMENT RESOURCE CENTERS (UERC)

6.03 The UERCs are envisaged as the focal point for all initiatives regarding productive activities of the target groups. These are expected to be financially viable, independently operated multiple service entities with the main objective of facilitating group formation, training, access to credit and other inputs to the target groups to promote employment. The strategy is based on minimizing direct Government involvement and is designed to avoid building up a new bureaucracy. It is designed to improve the access of target groups to services provided by the Government which are essential for facilitating productive employment.

6.04 The Upazila Employment Resource Centers will have the following functions:

- (i) act as a focal point for non-farm employment generation for target groups within the upazila;

- (ii) participate in conducting socio-techno-economic surveys, and maintain up-to-date information on developments subsequent to the survey;
- (iii) facilitate the formation of productive groups (formal or informal);
- (iv) facilitate the provision of services to target groups, such as skills training, technology, market information and credit by acting as an intermediary between target groups and sources of necessary services;
- (v) coordinate the activities of target groups as well as teaching aids needed for initial motivation and training in literacy and numeracy necessary for group formation; and
- (vi) assist in the identification of productive activities, and in linking local productive activities with a wider network by providing information on raw material procurement, marketing and improved technology.

6.05 There are two main requirements of rural employment generation: (1) development of a 'receiving mechanism' through group formation and creation of demand for services, and (2) development and provision of services appropriate to the needs of target groups. These two distinct activities, though interlinked, need to be considered individually in terms of implementation. The poor, in order to form efficient productive groups, need an intermediary which will assist group members to build their capacity to use inputs and services productively. These functions will be performed by privately organized and independently operated UERCs, while the provision of services will be undertaken by existing government institutions made more efficient by creating organized demand for them. Experience shows that the mixing of two activities under one single government run organization has tended to create bureaucratic inertia, patronage and inefficiencies.

6.06 The organized demand for services by the UERCs on behalf of the target groups can be expected to make the development and provision of services more efficient and appropriate to the needs of the poor. This will require that UERC staff be properly motivated and have adequate incentives. Furthermore, the target groups must pay for building their own productive organizations if the program is to have widespread application; this means that the UERCs must become self-financing. This would also provide necessary incentives to the UERC functionaries, as they would not be paid as civil servants but by target groups through a service charge levied on the beneficiaries, and would thus need to be involved in ensuring the viability of target groups' productive efforts.

6.07 The UERCs will assist the poor in two ways: first, certain services such as group formation, consciousness raising and functional literacy training will be provided directly by the UERCs. It is intended that over time (3-5 years) the UERCs will be able to cover all the costs of these services through their own incomes. Second, acting as specialized intermediaries, the UERCs will identify the needs of the target groups and facilitate the provision of a wide range of Government services and access to necessary credit.

6.08 Credit can be provided by the commercial banks, provided they are assured of adequate security and are able to earn an interest rate that will

cover their costs of funds and operational overheads. This will require that the UERCs, which will be located close to target groups and involved in organizing them, will collect, disburse and supervise credit to these target groups. For the commercial banks to get involved in a credit program for target groups, they would need a guarantee mechanism that would reduce their risk to an acceptable level. This means that UERCs would need to be advanced guarantee funds for the duration of the project, that is, 3-5 years during which UERCs are expected to become self-financing. During this transition period, the guarantee funds initially provided under the project will be replaced by funds that UERCs will generate by levying an appropriate guarantee fee on all loans similar to the 5% group saving fund of the Grameen bank; this charge on the target groups will be in addition to the interest charge and the UERCs service fee.

6.09 The UERCs will function along the lines of the GBP model, with the difference that the UERC would act as a guarantor and would minimize the duplication of overheads. In order to avoid duplication of overheads, lending to each member of a sub-group organized by the UERC will be considered as one loan for the purposes of the bank. Each of these loans would have a fixed interest rate and a stipulated final maturity date by which all principal and interest would be due. If the credit remains unpaid after 120 days from the maturity date, the bank would then process the guarantee from the UERC as it would any guarantee or mortgage. Each loan given in this manner would have all five names of the group members without detailing individual amounts. Most loans will have weekly payments, which would require a single entry for each group as far as the banks are concerned. Detailed accounting and tracking of obligations of individual members would be done by the UERC. The village workers appointed by the UERC would disburse loans as well as collect payments and savings deposits from the sub-groups.

6.10 As the UERCs would function as a guarantor to the banks, each UERC must be directly accountable for the performance of the loans it facilitates; without this accountability the proposed strategy would be impossible to monitor. The safest and simplest way that a UERC can be held accountable is as a private guarantor which the banks would treat in the same manner as any guarantor. By making the UERC a guarantor, the banks would be able to consider these loans as part of their normal lending activity instead of requiring a special loan program.

6.11 For the strategy to be viable, the UERCs must cover their costs. This can be done by levying service charges and a guarantee fee on all loans sanctioned. This means that the target groups will have to be able to cover these as well as the bank interest charges, and still generate substantial benefits for themselves.

6.12 The UERCs will function in two basic ways:

- (i) they will provide all necessary services--group formation, literacy and numeracy training, credit--through their own staff of village workers, and assist target groups in obtaining other services as needed in their productive activities. The UERCs would be able to work with several teams of their own village workers, depending upon the need and demand for their services. Each team will have four village workers, a male worker will be able to work with 400-500 villagers, while a female worker

(because of the peculiar village environment) would be able to work with 250-300 women; and

- (ii) in certain upazilas where there is NGO activity, the UERCs will work as facilitators between village groups formed by NGOs and the banks as well as a wide variety of technical and training services available at the upazila and the national levels. This is based on the fact that while several NGOs are doing good work in group formation, motivation and literacy and numeracy training, they do not have access to credit and other necessary services for their groups to engage in gainful productive activity. This will involve the UERCs in securing necessary inputs for already organized groups to start productive activities.

6.13 Total operating costs of the two models would differ; operating costs of (ii) above will be lower because in this case the UERCs would perform only the function of a facilitator for the provision of services to groups already organized by NGOs, while in (i) above the costs relating to group formation, including literacy and numeracy training, would need to be incurred by the UERCs. The basic costs of a UERC for facilitating the provision of services and credit are estimated at Tk 130,000 per annum; one manager (Tk 30,000), two facilitators (Tk 40,000), one support staff (Tk 6,000), and other costs (Tk 54,000). The additional costs of motivation and training in (i) above will depend upon the outreach of the UERC, and the number of sub-units required to do so. As explained in Table 6.1, a sub-unit with a capacity to work with 2,000 villagers would consist of a team of 4 and cost Tk 82,000 per annum. (For financial viability of UERCs see paras 6.20-6.26.)

Methodology

6.14 The UERCs would have a two phased program. In phase I, over a three to six month period, village workers would identify members of the target group in a village and informally explain the program. These workers would emphasize potential benefits of functional literacy and numeracy, and of group formation in terms of how the members of the group can begin to help each other through joint efforts. The village workers would need to have the ability not only to understand the village environment, but also to identify the leaders among the target groups. Once enough interest is generated in the program, separate meetings would be called for men and women in the village to explain the objectives of the program. After the first village meeting, the members of the target groups should meet weekly and agree to undertake a functional literacy course. In discussing the overall program the workers will explain the credit mechanism, individual group member responsibilities, and the mechanics of group savings.

6.15 After around 6 months of consciousness raising, literacy and numeracy training, and regular participation in weekly meetings, those participants who meet the established criteria for credit eligibility would be encouraged to form productive sub-groups of about five, elect a leader and a secretary, and submit a credit proposal for each member. During this period, each member will deposit one Tk per week in a group saving fund in recognition of their interest in the program. The sub-groups would follow procedures similar to those practiced by participants in the GBP model. Loans would be for one year, with weekly payments based on the expected income. Like the

GBP and BRAC models, the proposed strategy would rely heavily on weekly meetings. These would be the forum not only for credit and savings payments, but more importantly, for bringing villagers together for functional literacy, motivational training and consciousness raising.

6.16 Phase II will depend on the success of phase I, and start once the majority of the sub-groups in a village have successfully repaid the first two loans. The second phase would start with a socio-techno-economic survey which will identify new potential activities. The UERC staff will present the possible new activities for discussion in the weekly meetings with a view to bringing a number of sub-groups together for joint activities in order to develop "second generation projects." Only the interested sub-groups which have successfully repaid two loans, and have generated some savings would be eligible for such activities. These sub-groups would be required to invest 10%-15% of the capital required to undertake the activity. During the weekly meeting these sub-groups would negotiate how the activity would be managed and agree how expected profits would be shared among the larger group which would be involved in the new activity. The second generation projects will link local productive activity to wider markets and will include projects which have backward and forward links to traditional village activities. These would require higher levels of technology and, thus, would need skills training for the target groups, increasing UERC's activities in helping target groups gain access to appropriate training facilities.

6.17 In upazilas where some NGOs are active in group formation and need assistance for their groups in the provision of skills training, credit and technology inputs, the UERC staff would, based on established criteria, identify groups already formed by the NGOs or in the process of formation and interest them in the credit program and other services the UERC can help provide. Once the UERC staff is confident that the village workers and the village groups formed by the NGOs are ready to receive credit, the UERC would issue guarantees to the banks for the loans to the groups. The NGO will be responsible for disbursement, supervision, monitoring payment and collection of loans. The UERC will insure that the NGO has a proper administrative system to carry out these tasks. Once these village groups have entered the program, the UERC will also facilitate provision of skills training and other necessary inputs. These services will be provided according to the specific needs and requests of the NGO on behalf of its group.

6.18 The UERCs will be autonomous units. ^{1/} The staff of the UERCs will not be Government officials. The UERCs are expected to become self-sufficient after a transition period of 3-5 years. Their main source of income is to be the service charges which the target groups are to pay on loans out of the extra income generated by these loans. The salaries of the UERC staff are to be paid out of these service charges. Accordingly, there will be a clear incentive for performance; the security of the employment of the UERC functionaries beyond the initial transition stage will depend on their ability to form groups and generate productive activities based on credit and on their ability to ensure that loans are collected according to schedule. During the initial 3-5 year transition phase, part of the salaries of UERC staff would need to be paid from some outside source. The proposed

^{1/} For management of UERCs see, paras 6.37-6.46.

arrangements for supporting UERCs through the transition stage are discussed below in paras 6.36-6.46.

6.19 At full functioning which will take 2-3 years, a UERC will be staffed by three professionals, a manager-cum-accountant, an animator-cum-credit specialist, a training-cum-technology specialist and one support staff. It is also envisaged that a UERC may have several financially self-supporting sub-units, each consisting of four village workers, in order to reach as much of the target population in an upazila as possible. At that stage there will also be a need for an accountant at the UERC. Initially, however, a UERC would start functioning with one manager, and an animator-cum-credit specialist at the Upazila, and one sub-group of 4 village workers. A UERC may develop in the following manner:

<u>Period /a</u>	<u>Staff at Upazila H.Q</u>	<u>Village /b Workers</u>	<u>Target Population Covered</u>
I	1 Manager 1 Animator/credit facilitator	4	2,000
II	Same as in Period I	12	6,000
III	Add Training-cum- Technology Specialist	20	10,000
IV	Same as in Period III plus one Accountant	20	10,000
V	Same as in Period IV	20	10-12,000

/a Each period consists of six months.

/b The number of village workers relates to sub-units formed (4 workers per sub-unit) and will vary between Upazilas, depending upon the demand generated.

Financial Viability

Estimated Interest and Service Charges

6.20 Cost recovery is considered essential for the success of the UERC strategy. Credit is the main basis for recovering a substantial proportion of the costs involved.

6.21 In order to ensure active cooperation of the banking system, guaranteed credits would need to be made attractive so that interest income is more than the cost of funds and overheads. At present the estimated average cost of funds to the commercial banks is 9%-10%. As monitoring, supervision and collection will be carried out by the UERCs or involved NGOs, a 2%-3% provision for overheads should be adequate. This means that banks should charge interest of 12% p.a.

6.22 The UERC will have two sources of income: (i) a 5% guarantee fee to be deducted from all loans and to be used exclusively as equity capital for the UERC so that over time the UERC will be able to provide guarantees based on its own resources; (ii) a service fee to be charged on all loans to cover the operating costs of the UERC; for groups formed by NGOs and sanctioned loans through UERCs, this fee will be about 2-3% per annum, while for groups formed by the UERC itself this fee will be 10% per annum. This means that groups formed by NGOs will need to pay an interest and fees totalling about 20%, while those formed by the UERC itself will have to pay about 28% per annum. The rates charged for groups formed by UERCs would need to be higher because they include costs of group formation, motivation, functional literacy training, etc.

6.23 Effective full cost recovery and requiring regular attendance for motivational and literacy training can prevent the UERCs from being dominated by the rural elite who, in the past, have tended to appropriate most of the benefits from projects originally intended for the rural poor. The rural poor programs have generally been subsidized through interest rates and input prices. Experience with GBP and BRAC groups shows that the poor can afford an interest rate of 28% per annum. However, payments by UERC groups for motivation and literacy training may be considered inequitable, as costs of literacy and skills training as well as of primary education are generally borne by the Government. Instead of meeting these costs directly, the Government could reimburse such costs in a way that would promote savings and higher levels of productivity by the organized groups. In other words, these reimbursements may be deposited as savings for the participating groups, to be matched by groups' own savings which would be used as equity for second generation projects to be owned by those groups.

Cost Estimates

6.24 Tables 6.1-6.4 indicate that a UERC consisting of a staff of 4 at the Upazila level headquarters and a number of sub-units, each operating with a staff of 4 village workers, could become self-supporting, to the extent of covering all recurrent costs, after a period of 2-3 years. The income of the UERC would clearly depend on the volume of lending to target groups which can be generated. In these estimates, the volume of lending on which service charges are earned is based on the experience of branches of the Grameen Bank.

6.25 The capital cost of setting up the UERC in an Upazila, allowing for the cost of land, offices, dormitory, furniture and vehicles, is estimated to be around Tk 2 million (\$80,000), based on estimated costs of comparable BRAC operations. The total operating subsidy likely to be required over the initial 3 years of operation is only Tk 550,000 (\$22,000). Therefore, to launch each UERC would require a total external injection of resources of about Tk 2.5 million for the capital costs and the operating subsidy--this is equivalent to less than 2 years' estimated net income of the UERC following the initial transition phase.

6.26 It may also be noted that the operating subsidy of Tk 550,000 is largely accounted for by an allowance of Tk 425,000 for contingencies. This allows for delays and potential shortfalls of income which could be associated with lower rates of group formation and lending during the initial years. Though loan losses are included in the operating subsidy, UERCs would

need to be backed with guarantee funds; the estimates made in Table 6.4 show that a UERC would need guarantee funds of Tk 100,000 for the first two years and of Tk 400,000 for the third year; from year 4 onwards the UERC will have had sufficient equity formation to provide its own guarantee fund. Equity accumulated in excess of the need for guarantee funds from year 3 would then be available for investment in second generation projects. An approach to supporting the establishment of UERCs in a small number of Upazilas, including the funding of capital costs and subsidizing their initial operations, is discussed in paras 6.36-6.46 below.

Table 6.1: ESTIMATED OPERATING COSTS OF UERC COMPONENTS AT FULL OPERATION

<u>UERC Headquarters</u>		
Salary Costs:		(Tk)
1 Manager		30,000
1 Animator/Credit Specialist		20,000
1 Training/Tech. Specialist		20,000
1 Accountant		15,000
1 Support Staff		<u>6,000</u>
Total		91,000
Other Costs		<u>54,000</u>
Total		145,000
<u>UERC Sub-Unit</u>		
1 Supervisor/Village Worker		10,000
3 Village Workers		25,500
1 Support Staff		<u>6,000</u>
Total Salary Cost		41,500
Other Costs		<u>40,500</u>
Total Sub-Unit Costs		82,000

Table 6.2: ESTIMATED LENDING CAPACITY AND ASSOCIATED INCOME OF EACH UERC SUB-UNIT DURING 5 YEARS OPERATION

	(Tk 000)				
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<u>Loans Granted:</u>					
Short Term (1 year)	1,000	2,000	4,000	4,000	4,000
Long Term (2 years)	-	-	1,000	2,000	2,000
Total Loans	1,000	2,000	5,000	6,000	6,000
<u>Income:</u>					
10% Service Charge	100	200	500	600	600
Less Contingencies	50	75	100	100	100
Less Costs (Table 1)	82	82	82	82	82
Net Income (loss)	(32)	43	318	418	418

Table 6.3: PHASED DEVELOPMENT OF UERC LENDING AND INCOME ASSUMING
5 SUB-UNITS AT FULL OPERATION IN YEAR 3

	(Tk 000)				
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<u>Number of sub-Units</u>					
<u>Operating</u>					
1	1,000	2,000	5,000	6,000	6,000
3	-	2,000	4,000	10,000	12,000
5	-	-	2,000	4,000	10,000
<u>Total Lending</u>	1,000	4,000	11,000	20,000	28,000
<u>Income</u>					
10% Service Charge	100	400	1,100	2,000	2,800
Less Contingencies					
1st Unit	50	75	100	100	100
2nd & 3rd Units	-	100	150	200	200
4th & 5th Units	-	-	100	150	200
Less Costs	82	246	410	410	410
Net Income (loss)	(32)	(21)	340	1,240	1,890

Table 6.4: ESTIMATED INCOME, EXPENSES, EQUITY FORMATION AND OPERATING SUBSIDY OF A UERC AND 5 SUB-UNITS DURING INITIAL 5 YEARS OF OPERATION

	<u>Year 1</u> 1,000	<u>Year 2</u> 4,000	<u>Year 3</u> 11,000	<u>Year 4</u> 20,000	<u>Year 5</u> 28,000
Total Lending (Table 6.3)					
	<u>Income and Expenses</u>				
Net Income from Sub-Units (Table 6.3)	(32)	(21)	340	1,240	1,890
Cost UERC Headquarters (Table 6.1)	110	130	145	145	145
UERC Net Income (loss)	(142)	(151)	195	1,095	1,745
	<u>Equity Formation</u>				
5% Guarantee Fee	50	200	550	1,000	1,400
Net Income	(142)	(151)	195	1,095	1,745
Loan Losses	-	50	200	550	1,000
Accumulated Equity	50	200	745	2,290	4,435
	<u>Operating Subsidy</u>				
Operating Losses	142	151	-	-	-
Loan Losses /a	-	50	200	-	-
Accumulated Operating Subsidy	142	343	543	-	-
Guarantee Fund Required @ 10% of Lending	100	100	400	1,100	2,000

/a From Year 4 onwards could be covered from operating profits without the need for a subsidy.

6.27 Each sub-unit of the UERC can be expected to work with 2,000 villagers per year. It is expected that groups formed in the first year should be able to absorb most of the functions of the village workers by the third year. This will free up workers to begin work with new groups in other villages. A UERC with 5 sub-units, thus, can reach 20-25,000 villagers, including one-third females, in a period of 5 years. During this period, total loans of about Tk 64m can be extended--about 75% for traditional activities of one year duration, and 25% for non-traditional activities of up to 2-3 years. This volume of activity can be expected to benefit about 8,000 families or nearly 25% of the population in an average sized Upazila; about 5,000 in traditional activities and about 3,000 in non-traditional activities, including those having backward and forward linkages with the traditional activities. The experience of GBP and BRAC as well as information from several surveys indicates that this level of activity is feasible in an average sized Upazila. Using GBP and BRAC evaluations for increase in income of the participants, the anticipated UERC activity could raise the

upazila incomes by about Tk 35-40 million in addition to equity build-up of the UERCs and participants savings.

Technology and Training

6.28 There is also a need for a mechanism by which technology and associated training needs of the landless can be identified and dealt with as part of the rural employment generation package. Experience in Bangladesh indicates a number of constraints to do this. These include lack of interest or ability of existing R&D network to cater to the needs of the landless, lack of adequate technical expertise and mechanism to respond to those needs, lack of sufficiently qualified technologists, and lack of flow of ideas from the rural areas on potentially viable productive activities. As different rural activities would require differing inputs of training and technical assistance, it is instructive to classify possible rural activities as follows:

- (i) traditional activities such as fish farming, livestock or poultry raising, backyard gardening, social forestry etc; techniques relating to increased productivity in these activities, such as poultry vaccination, livestock health care, and preparation and supply of improved concentrated feed, etc., are well known and need minimal training; expertise for such training already exists at the upazila level, but delivery needs to be appropriately organized to suit the needs of the target groups;
- (ii) traditional activities such as weaving, leather work, blacksmithing, gur making and fishnet making which need assistance in competing with large-scale domestic production and imports at a lower price and/or higher quality. In these cases, some improved technology is usually required (e.g., improved looms, improved tanning techniques, improved bellows, improved cane crushers, fishnet-making machines), and existing artisans or landless groups trained to use these. In Bangladesh, such improved technologies have been normally introduced on a pilot basis by NGOs and modifications made to the technology during the pilot stage as necessary. In such cases master craftsmen would be needed for training purposes; and
- (iii) new activities which arise: (a) in response to demands created by the initiation of primary activities such as fish farming and livestock rearing (e.g., making bamboo fish cages, whole carcass utilization); and (b) as a result of direct initiatives to establish small-scale decentralized units producing commodities previously produced centrally on a large-scale basis (e.g., soap, umbrellas, pencils, jute-reinforced roofing sheets, paper, pumps). Again, the success of such activities will depend on the availability of an appropriate technology which makes small-scale decentralized production viable, along with the necessary credit and training. Here, too, NGOs have been most active. Training has been either on-the-job within projects, or at NGO-funded training centers and non-profit private trades schools; it could continue over a period of years for more complicated trades such as metal-working.

6.29 In all the above categories (although more so in the latter two) raw material procurement, quality control and marketing also form an essential part of the package.

6.30 The development and diffusion of appropriate technologies require an institutional infrastructure. Though a large number of agencies are already involved, there is a need for some institutional modifications at both the upazila and the national level.

6.31 Under the UERC strategy, the training-cum-technology facilitator would have responsibility for helping landless groups to gain access to the training necessary to engage in traditional activities (using traditional or improved technologies) or in "second generation" activities based on adapted technology systems. He would also act as a focus for channeling technical information and assistance (including training) to local artisans and family enterprises which could, given necessary support, expand to provide work opportunities for the landless. At the national level, the central project office (see paras 6.36-6.38) will assist the UERCs by:

- (i) carrying out socio-techno-economic surveys at the upazila level to identify availability of human and material resources, technological needs, and nature and size of markets;
- (ii) feeding in ideas which widen the range of activities available to landless groups, based on knowledge of appropriate technologies and markets outside of the upazila;
- (iii) assisting with location and provision of necessary training and technical expertise not available within the upazila; and
- (iv) providing assistance with raw material procurement and marketing.

6.32 The training/technical component of the employment generation scheme will function as follows: First, the training/technical facilitator will arrange for organized groups to receive instruction in traditional 'primary level' projects to be chosen by the groups from a list provided by the central support staff on the basis of preliminary research. For some of these activities (e.g., fish farming), expertise will already be available within the Upazila and would be utilized at the request of the UERC facilitator. In other cases (e.g., mat-making), it may be necessary to bring in a specialist (trainer or artisan) from the outside to train a local group at the Upazila Training and Development Center. Central support staff will be used to identify necessary outside expertise and to ensure that the 'trainer' is properly briefed as to the level of training required. The training/technical facilitator will monitor progress of the group following training and alert the central project staff if difficulties arise. Second, following the initiation of traditional activities, a more detailed survey of the Upazila will be undertaken (by central project staff in collaboration with the UERC staff) to identify 'second generation' activities, based in part on forward and backward linkages to 'first generation' projects and in response to rising incomes and demand for consumer goods. Outside expertise and support is more likely to be required for these more complicated activities. For example, if the establishment of goods involved in fish farming has generated a demand for fish preservation, there will be a need to identify a suitable technology to preserve fish and to train groups in the use of this technology. The central support staff will need to consult

various technology agencies in the country to ascertain what, if any, technologies are already available. It will also need to commission a technology institution to make an assessment of such technologies and (if necessary) to modify and test an adapted model with a landless group at the Upazila level. Training will be given by technical personnel during the field testing phase. Once a satisfactory model has been developed, the central project staff will arrange for its transfer (along with related training) to other Upazilas. Again, the UERC facilitator will monitor progress of the group after training and alert the central project staff to difficulties arising.

6.33 Given the difficulties experienced by NGOs such as BRAC and GBP in responding to the need for "second-generation" employment projects (and their decision as a consequence to establish their own technology assessment units), the central project office would also have a technology assessment capability, consisting initially of one and eventually two technologists. These staff will provide the central link for the UERC technical/training facilitators. They will also participate in techno-economic surveys, keep record of viable productive activities, available technologies and expertise in the country, participate in training and fieldtesting at the upazila level as necessary, and ensure appropriateness of training methods being utilized. Where necessary, the technologists would commission existing research institutes in the country to work on the testing of technologies identified as needed at the upazila level and on modification of these technologies to local conditions.

6.34 Given the lack of interest/ability of staff in most of the established research institutes in working on technologies of relevance to the rural landless, and given also their emphasis on laboratory rather than extensive field testing, it will be necessary to identify or establish an institute which has these specific objectives built into its terms of reference. It is suggested that the Institute of Appropriate Technology (IAT) could be expanded to play this role. IAT has already carried out a techno-economic investigation for BSCIC on ways of improving traditional gur making technology. With more staff, it could undertake similar commissions for many other agencies, including the UERC central project office.

6.35 Finally, little will be achieved without a rationalization of policies affecting technology choice. Action is required at two levels. First, at the sectoral level, there is a need for high-level inter-ministerial/inter-agency committees, which can affect changes in Government policy leading to more rational choice and use of technology. Second, at the macro-economic level, there is a need for a unit in a non-operational ministry (e.g., Employment Unit in the Planning Commission) which can identify policies, practices and procedures of the Government which influence the choice of technology, assess which of these may affect technological choice in a way unfavorable to the rural landless, and suggest changes in them. If nothing is done in this area, then the case of rice milling, in which millions of work-days were eliminated without alternative equally remunerative work becoming available, may be repeated in many other sectors.

C. ESTABLISHMENT OF UERCs - A PILOT SCHEME

6.36 To start with, the program must be small. It is proposed that UERC concepts should be tested in all the upazilas (12-15) of a selected district. The purpose would be to test the objective to make UERCs self-financing units during the life of the project (3-5 years); and, in addition to local markets

establish links with national or possibly international markets both for finished projects and raw materials.

Management of UERCs

6.37 Though the UERCs will be independently operating autonomous units at the upazila level, there is a need for a central office which will be responsible for overall management of UERCs, as well as planning, setting up of UERCs and monitoring of the program including training of UERC functionaries (at already established institutions), conduct of socio-techno-economic surveys in project upazilas aimed at identification of target groups and potential productive activities, and for developing marketing information for traditional and new potential productive activities at the village levels, including backward and forward linkages associated with expanding traditional activities. The central office will also make arrangements for a guarantee fund for the UERCs which will be gradually replaced by guarantee fees collected from the target groups. In this regard, the central office will help to establish appropriate relationship between target groups, UERCs and designated commercial banks for provision of banking facilities to target groups. This office will need to feed in ideas which widen the range of activities available to landless groups, based on knowledge of appropriate technologies and markets outside the upazila. The central office will also administer project funds to construct UERC physical facilities, as well as pay a gradually decreasing part of UERC staff salaries during the transition period.

6.38 The proposed central office will be headed by a program administrator who will be responsible for the implementation of the project and the overall supervision of facilities, inputs and funds allocated to the project. The Administrator will be a Bangladeshi; if a civil servant, he must take leave of absence for the duration of the pilot project (3-5 years). The Administrator should be appointed by the program financiers (GOB and donors). His office and central staff will be located in Dhaka and will work closely with relevant departments/agencies through the Cabinet Division. The Administrator, in consultation with the Cabinet Division, will prepare an annual work program and budget for the approval of a Coordination Council consisting of the Cabinet Secretary as Chairman, Secretaries of Rural Development, local Government, Labor and Manpower and Social Welfare and Women's Affairs, Planning Commission, representative of Bangladesh Bank, one representative of financing agencies, and the project administrator who will also act as the Secretary. The Council will meet quarterly, approve the budget, review the activities of the project, including new demand for services being created as a result of productive activities of the organized groups, and decide on general policy, objectives, and assistance to be provided at the upazila level.

6.39 The office of the administrator will have an office manager, an accountant, a project coordinator, a market research specialist and supporting staff. This office will also create a pool of two economists/sociologists and two technologists for conducting socio-techno-economic surveys. It will also develop materials for target group motivational, literacy and numeracy training, liaise with Rural Development Academies, research and technology institutions and skills training facilities available within the country, and identify and recommend expansion and upgrading of existing facilities where necessary. After identification of new skills needed for non-traditional activities, the office will make arrangements for

appropriate training at existing institutions, and in this regard will maintain liaison with IAT, BSCIC and other training facilities such as UTIs and TTUs, etc.

6.40 The central office will need assistance. This should be achieved by appointing an international agency which will bring to bear wider experience and links with the outside world, particularly in the matter of market research and technology. The collaborating agency should be selected by a committee consisting of GOB/donors.

Upazila Level

6.41 At the upazila level, the program administrator will appoint the manager, an animator/credit-facilitator, a training/technology facilitator and other supporting staff such as Village Group Organizers for the UERC as the activities develop. In order to reach the target population, UERCs will develop sub-units as appropriate. These personnel will be supervised by the project coordinator from the central office, and will be paid from project funds until the UERC becomes self-financing. If particular UERCs do not become self-financing within 5 years, they would be disbanded. The entire management will be the responsibility of the program administrator. As soon as ready, the administrator will, during the life of the project, organize a management committee consisting of two representatives of target groups, a representative of locally active NGOs, local bank manager, and the manager and other staff of the UERC. As the UERC will eventually be owned and managed by the target groups, they will elect the Chairman of the UERC from among themselves. The rules and regulations of a self-governing UERC will be developed during the course of the project.

6.42 The UERCs would need to develop an informal liaison with the upazila administration. This is important because upazilas are now responsible for overall development within the upazila. The upazila administration would need to know the requirements of developing infrastructure at the upazila level appropriate to the needs and consistent with new economic activities of the target groups. This informal liaison can be accomplished by organizing a Consultative Committee, with the Upazila Nirbahi Officer (UNO) as the chairman and consisting of a representative of NGOs, local Bank Manager, local officer of BSCIC, and Upazila Statistical Officer. The UERC Manager will act as Member Secretary. The Consultative Committee will review the functioning of the UERCs, and facilitate their work by identifying bottlenecks and taking remedial measures.

Monitoring and Evaluation

6.43 For efficient implementation of the project, the Administrator will receive quarterly reports from the UERC manager, and put these before the Coordination Council with his comments and recommendations. The annual evaluation will be the responsibility of the Employment Policy Planning, Evaluation and Monitoring Unit to be created in the Planning Commission which may contract it out to an outside agency--BIDS or a university.

D. FUNCTIONS OF UERC PERSONNEL

6.44. A UERC would have three functionaries, a manager-cum-accountant, an animator-cum-credit facilitator and a training-cum-technology facilitator, and hire appropriate supporting staff as the UERC activities develop. The

staff will be hired and paid by the central office until the UERC becomes self-supporting.

Manager

- (i) Coordinate all activities at the UERC, act as Chairman of managing committee of the UERC, liaise with the central project office in Dhaka, and with institutions providing services to the target groups, and with NGOs working in the area;
- (ii) Prepare quarterly progress reports, including the demand for services by the target groups as implied in their productive programs for submission to the central office and for discussion in the managing committee;
- (iii) Create and maintain liaison between UERC, the upazila training officials and the commercial banks on behalf of the organized groups;
- (iv) Participate in socio-techno-economic surveys of the upazila and maintain information on developments subsequent to the surveys;
- (v) Collect information on procurement of raw materials and markets necessary for assisting productive groups; and
- (vi) Keep all accounts until the volume of business warrants hiring of an accountant.

Animator/Credit Facilitator

- (i) Advise, train, assist and provide back-up support to group organizers in organizing functional groups;
- (ii) Organize and conduct workshops for group leaders in group dynamics and leadership;
- (iii) Recognize groups formed and motivated by NGOs and other agencies working in the area, check on adequate motivation, consistency of groups in terms of background and interest of individual members;
- (iv) Draw teaching aids necessary for motivation, literacy and numeracy training from the central pool, and coordinate their use;
- (v) Assist in selecting production activities for groups and individuals within groups based on information collected through socio-techno-economic surveys;
- (vi) Participate in socio-techno-economic survey of the area;
- (vii) In consultation with training facilitator, recommend groups for skills training in their chosen activities;
- (viii) In consultation with training facilitator, assess achievement of groups in motivation, literacy, numeracy and skills ability to carry out chosen activity;
- (ix) Arrange credit for groups ready to start production; and

- (x) Select and train female workers to work as women's group organizers who will be resident in the villages.

Training/Technology Facilitator

- (i) Assist motivated groups in identifying training needs soon after they have chosen productive activities;
- (ii) Prepare training schedules for selected productive activities for the groups;
- (iii) Prepare an inventory of training facilities, including local workshops and artisans; assist technical personnel in field testing of improved technologies;
- (iv) Arrange for appropriate skill training of groups at the UTDCs, sub-centers or through mobile units as needed by drawing on appropriate personnel at the UTDCs or from a pool of instructors which may be created for a group of cooperating upazilas; monitor progress of groups after training;
- (v) Act as a focus for channeling technical information and assistance to local artisans and family enterprises; and
- (vi) Participate in conducting socio-techno-economic surveys.

6.45 Before starting the UERC program it will be important to provide intensive training to 100-120 people--those to be employed by UERCs as well as to the Nirbahi officers and other relevant staff of the selected upazilas -- in the concepts and the methodology of the UERCs. This training could be conducted at one of the Rural Development Academies, with intensive inputs from both internal and external sources having experience in rural employment generation in Bangladesh. Such a program can be expected to accomplish three things:

- (a) train enough people in preparation for launching a rural employment generation program in 12-15 upazilas;
- (b) ultimately develop the initial trainees as trainers after some field experience for implementing a larger program; and
- (c) in the process develop the course content for training for rural non-farm employment generation at the upazila level through the proposed UERCs.

6.46 The merit of this initial training is that there will be at least 100 people ready to implement the program as soon as the program is elaborated and finance found; even otherwise such trained people would be an asset in a variety of on-going rural development programs, including those of BRDB, especially RD-II, and the directly productive component of the Intensive Rural Works Program sponsored by the Nordic Countries.

CONSUMER PRICE INDEX OF RURAL POPULATION
SELECTED DISTRICTS
(1973/74 = 100)

Year	Dhaka	Chittagong	Rajshahi	Khulna	Sylhet	Rangpur	Bangladesh (Rural)
1973-74	100	100	100	100	100	100	100
1978-79	168	159	177	155	175	175	168
1979-80	204	195	208	190	220	190	201
1980-81	218	217	219	204	224	203	214
1981-82	261	265	267	252	275	250	262
1982-83	282	286	274	260	290	276	278
1983-84 /a	308	333	287	285	321	295	305

/a First 8 months of 1983-84.

Note: Weight patterns as established by 1973/74 household expenditure survey

	Food	Fuel and Lighting	Housing and Household Requisites	Clothing and Footwear	Misc.
Dhaka	72.21	8.08	5.63	5.17	8.91
Chittagong	70.60	7.52	7.21	3.90	10.77
Rajshahi	79.37	8.46	3.71	4.18	4.28
Khulna	77.31	9.65	1.93	5.04	6.07
Sylhet	80.61	9.96	2.83	1.92	7.68
Rangpur	81.29	8.11	1.22	2.22	7.16
Bangladesh (Rural)	74.70	8.10	4.80	5.30	6.90

Source: Monthly Statistical Bulletin of Bangladesh, BBS.

AVERAGE DAILY NOMINAL WAGE RATES OF UNSKILLED AGRICULTURAL LABOR (WITHOUT FOOD) BY DISTRICT, 1973/74 - 1983/84
(Taka per day)

<u>Division/District</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84 /a</u>
<u>Rajshahi</u>											
Dinajpur	5.62	7.89	8.30	8.00	8.00	10.00	10.83	10.50	11.83	14.00	14.75
Rangpur	6.18	6.79	7.35	7.54	7.50	9.58	10.17	14.08	15.17	14.33	15.75
Bogra	5.33	6.83	7.92	8.42	8.42	9.58	10.00	10.00	12.08	15.00	15.00
Rajshahi	5.61	7.88	8.08	7.29	8.00	9.17	13.00	15.50	15.67	14.92	14.25
Pabna	5.81	7.55	8.63	7.91	7.67	10.58	10.17	11.83	14.67	15.83	18.13
<u>Khulna</u>											
Kushtia	4.83	7.42	7.32	8.00	8.84	9.50	11.50	11.17	12.12	11.58	17.38
Jessore	4.91	6.92	7.50	7.67	9.00	9.67	10.33	12.50	12.92	13.58	16.38
Khulna	5.40	7.09	8.55	7.50	9.09	10.00	13.75	15.00	15.17	15.58	16.25
Barisal	8.52	10.83	10.20	10.08	10.00	11.33	13.83	15.42	15.83	16.00	18.50
Patuakhali	6.82	9.75	8.81	9.92	9.59	9.33	11.33	13.75	14.83	16.92	20.50
<u>Dhaka</u>											
Mymensingh	6.87	8.43	8.09	8.50	10.00	11.83	12.50	12.50	13.50	15.00	18.13
Tangail	6.60	8.21	7.27	6.71	8.00	9.58	11.67	14.50	15.00	15.00	19.75
Dhaka	8.92	11.74	9.29	9.29	10.00	10.92	13.83	16.25	21.25	23.50	24.63
Faridpur	5.58	7.85	7.27	9.17	10.00	11.42	12.50	13.08	14.08	15.00	15.15
<u>Chittagong</u>											
Sylhet	8.86	11.52	11.55	10.29	11.17	12.42	15.00	15.00	15.42	20.00	22.13
Comilla	6.51	10.14	9.42	8.96	8.67	12.42	14.75	15.00	17.50	18.75	24.38
Noakhali	8.50	12.38	11.27	9.33	10.25	11.75	16.42	16.42	18.17	22.75	24.00
Chittagong	8.77	12.08	11.07	12.27	12.84	13.00	13.75	18.50	20.25	24.25	21.88
Chittagong H.T.	8.27	10.86	11.29	13.42	12.84	14.50	16.67	17.25	20.80	24.75	29.38
<u>Country Average</u>	<u>6.69</u>	<u>9.05</u>	<u>8.82</u>	<u>8.93</u>	<u>9.44</u>	<u>10.88</u>	<u>12.46</u>	<u>13.98</u>	<u>15.48</u>	<u>17.05</u>	<u>18.77</u>

/a Figures pertain to first 8 months of the year.

Note: All districts and country averages are unweighted averages of the wage rates in the respective constituent administrative units.

Source: Bangladesh Bureau of Statistics.

AVERAGE DAILY REAL WAGE RATES OF UNSKILLED AGRICULTURAL LABOR
(WITHOUT FOOD) BY DISTRICT, 1973/74 - 1983/84
(Taka per day in 1973/74 Prices)

<u>Division/District</u>	<u>1969/70</u>	<u>1973/74</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
<u>Rajshahi</u>								
Dinajpur	7.77	5.62	5.71	5.70	5.17	4.73	5.07	5.00
Rangpur	6.56	6.18	5.47	5.35	6.93	6.07	5.19	5.33
Bogra	7.23	5.33	5.41	4.80	4.57	4.52	5.47	5.22
Rajshahi	7.08	5.61	5.18	6.25	7.08	5.87	5.44	4.96
Pabna	6.43	5.81	5.98	4.89	5.40	5.49	5.77	6.31
<u>Khulna</u>								
Kushtia	6.08	4.83	6.13	6.05	5.47	4.81	4.45	6.10
Jessore	6.26	4.91	6.24	5.44	6.13	5.13	5.22	5.74
Khulna	7.30	5.40	6.45	7.24	7.35	6.02	5.99	5.70
Barisal	7.20	8.52	7.31	7.28	7.56	6.28	6.15	6.49
Patuakhali	8.15	6.82	6.02	5.96	6.74	5.88	6.51	7.19
<u>Dhaka</u>								
Mymensingh	6.69	6.87	7.04	6.13	5.73	5.17	5.32	5.88
Tangail	5.12	6.60	5.70	5.72	6.65	5.75	5.32	6.41
Dhaka	8.25	8.92	6.50	6.78	7.45	8.14	8.33	8.00
Faridpur	6.18	5.58	6.80	6.13	6.00	5.40	5.32	4.92
<u>Chittagong</u>								
Sylhet	9.41	8.86	7.10	6.81	6.69	5.61	6.90	6.89
Comilla	7.59	5.51	7.10	6.70	6.69	6.36	6.46	7.59
Noakhali	9.05	8.50	6.71	7.46	7.33	6.60	7.84	7.47
Chittagong	11.59	8.77	8.18	7.05	8.52	7.64	8.48	6.57
Chittagong H.T.	10.41	8.27	9.11	8.55	7.95	7.85	8.65	8.82
<u>Country Average</u> (Rural)	<u>7.59</u>	<u>6.69</u>	<u>6.48</u>	<u>6.20</u>	<u>6.53</u>	<u>5.90</u>	<u>6.13</u>	<u>6.15</u>

Note: All districts and country averages are unweighted averages of the wage rates in the respective constituent administrative units.

Source: Bangladesh Bureau of Statistics.

PERCENTAGE CHANGE IN REAL WAGE RATES OF UNSKILLED AGRICULTURAL LABOR (WITHOUT FOOD) BY DISTRICT
1969/70 - 1983/84

<u>Division/District</u>	<u>1969/70-73/74</u>	<u>1973/74-78/79</u>	<u>1978/79-81/82</u>	<u>1981/82-83/84</u>	<u>1969/70-83/84</u>	<u>1973/74-83/84</u>
<u>Rajshahi</u>						
Dinaipur	-28	+2	-17	+6	-36	-11
Rangpur	- 6	-11	+11	-12	-19	-14
Bogra	-26	+ 2	-16	+15	-28	- 2
Rajshahi	-21	- 8	+13	-15	-30	-12
Pabna	-10	+ 3	- 8	+15	- 2	+ 9
<u>Khulna</u>						
Kushtia	-21	+27	-21	+27	-	+26
Jessore	-22	+27	-18	+12	- 8	+17
Khulna	-26	+19	- 7	- 5	-22	+ 6
Barisal	+18	-14	-14	+ 3	-10	-24
Patuakhali	-16	-12	- 2	+22	-12	+ 5
<u>Dhaka</u>						
Mymensingh	+ 2	+ 3	-17	+14	-12	-14
Tangail	+29	-14	-	+12	+25	- 3
Dhaka	+ 8	-27	+25	- 2	- 3	-10
Faridpur	-10	+22	-21	- 9	-20	-12
<u>Chittagong</u>						
Sylhet	- 6	-20	-21	+23	-27	-22
Comilla	-27	+29	-10	+19	-	+37
Noakhali	- 6	-21	- 2	+13	-18	-12
Chittagong	-24	- 7	- 7	-14	-43	-25
Chittagong H.T.	-21	+10	-14	+12	-15	+ 7
<u>Country Average</u>	<u>-12</u>	<u>- 3</u>	<u>- 9</u>	<u>+ 4</u>	<u>-19</u>	<u>- 8</u>

AVERAGE DAILY WAGE RATES OF WORKERS IN RURAL AREAS, 1963/64-1983/84

	<u>1963/64</u>	<u>1969/70</u>	<u>1973/74</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
Rural COL Index	28	39	100	168	201	214	262	278	305
<hr/>									
<u>Type of Worker</u>									
<u>Agriculture</u> (without food)									
Unskilled									
N	2.57	2.96	6.69	10.88	12.46	13.98	15.48	17.05	18.77
R	9.18	7.59	6.69	6.48	6.20	6.53	5.90	6.13	6.15
I	137	113	100	97	93	98	88	92	92
<u>Fishery</u>									
Skilled									
N	3.53	4.13	6.36	13.27	19.88	23.11	27.67	28.19	29.82
R	12.61	10.59	6.36	7.90	9.90	10.80	10.56	10.14	9.77
I	198	167	100	124	156	170	166	159	154
Unskilled									
N	2.59	3.39	5.23	9.88	15.34	18.34	21.56	21.48	20.57
R	9.25	8.69	5.23	5.88	7.63	8.57	8.23	7.73	6.74
I	177	166	100	-	112	164	157	148	129
<u>Small Scale</u> <u>Industry</u>									
N	2.14	2.57	5.03	9.63	11.94	13.90	15.59	16.38	24.07
R	7.64	6.59	5.03	5.73	5.94	6.49	5.95	5.89	7.89
I	152	131	100	139	118	129	118	117	157

N = Nominal wages in Tk/day.
R = Real wages in Tk/day in 1973/74 prices.
I = Index of Real Wages, 1973/74 = 100.

Source: Bangladesh Bureau of Statistics.

AVERAGE DAILY WAGE RATE OF UNSKILLED INDUSTRIAL AND CONSTRUCTION WORKERS
1969/70 - 1983/84

	1969/70	1973/74	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
Urban COL Index	39	100	186	232	254	302	354	361
<u>Type of Worker</u>								
<u>Cotton Textile</u>								
N	4.01	5.53	11.64	14.77	16.90	17.96	19.88	20.71
R	10.28	5.53	6.25	6.37	6.65	5.95	5.62	5.73
I	186	100	113	115	120	107	102	104
<u>Jute Textile</u>								
N	3.94	7.61	10.14	13.36	16.49	17.57	19.35	20.00
R	10.10	7.61	5.45	5.76	6.49	5.82	5.47	5.54
I	133	100	72	76	85	77	72	73
<u>Matches</u>								
N	4.41	6.40	11.00	12.58	13.80	16.40	18.82	20.00
R	11.31	6.40	5.91	5.42	5.43	5.43	5.32	5.54
I	177	100	92	85	85	85	83	87
<u>Engineering</u>								
N	4.71	6.23	11.71	13.33	15.39	18.22	20.33	21.60
R	12.08	6.23	6.30	5.75	6.06	6.03	5.74	5.98
I	194	100	101	92	97	97	92	96
<u>Vegetable Oils</u>								
N	3.87	5.53	10.13	12.39	13.72	15.40	16.05	17.80
R	9.92	5.53	5.45	5.34	5.40	5.10	4.53	4.93
I	179	100	99	97	98	92	82	89
<u>Construction</u>								
N	3.41	7.10	14.34	17.21	19.29	21.74	23.30	27.85
R	8.74	7.10	7.70	7.42	7.59	7.20	6.58	7.71
I	123	100	109	105	107	101	93	109

N = Nominal Wages in Tk/day.
R = Real wages in Tk/day in 1973/74 prices.
I = Index of Real wages, 1973/74 = 100.

Note: Wage rates based on average wages for four centers - Dhaka, Chittagong, Rajshahi and Khulna.

COL index used is that for lower income families in Dhaka.

Source: BBS.

REAL WAGE RATES OF UNSKILLED WORKERS IN SELECTED INDUSTRIES
RELATIVE TO AGRICULTURAL WORKERS, 1969/70 - 1983/84

<u>Type of Worker</u>	<u>1969/70</u>	<u>1973/74</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
Agriculture	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Fishing	1.14	.79	.91	1.23	1.31	1.40	1.26	1.10
S.S. Industry	.87	.75	.88	.96	.99	1.01	.96	1.28
Cotton Textile	1.35	.82	.98	1.03	1.02	1.01	.92	.93
Jute Textile	1.33	1.14	.89	.93	.99	.99	.89	.90
Matches	1.49	.96	.84	.87	.83	.92	.87	.90
Engineering	1.59	.93	.89	.93	.93	1.02	.94	.97
Vegetable Oil	1.31	.83	.82	.86	.83	.86	.74	.80
Construction	1.15	1.06	1.14	1.20	1.16	1.22	1.07	1.25

RATIO OF AVERAGE WAGE RATES OF SKILLED WORKERS TO UNSKILLED WORKERS IN SELECTED INDUSTRIES, 1963/64 - 1983/84

	<u>1963/64</u>	<u>1966/67</u>	<u>1969/70</u>	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>
<u>Type of Worker</u>															
<u>Industry</u>															
Cotton textiles	2.06	1.77	1.43	1.38	1.19	1.19	1.27	1.38	1.49	1.28	1.27	1.31	1.35	1.33	1.30
Jute textile	1.83	1.36	1.40	1.21	1.16	1.18	1.23	1.31	1.34	1.35	1.27	1.20	1.24	1.29	1.26
Matches	1.65	1.35	1.29	1.29	1.22	1.19	1.22	1.27	1.18	1.26	1.22	1.23	1.34	1.43	1.35
Engineering	1.96	1.80	1.50	1.58	1.52	1.65	1.65	1.83	1.90	1.81	1.87	1.80	1.83	1.80	1.83
Vegetable oils	1.81	1.66	1.34	1.40	1.26	1.16	1.20	1.22	1.24	1.24	1.26	1.26	1.20	1.26	1.26
All Industries	1.88	1.58	1.39	1.38	1.27	1.29	1.34	1.42	1.44	1.40	1.38	1.36	1.40	-	-
<u>Construction</u>	2.03	1.99	2.04	1.90	1.88	1.71	1.86	1.91	1.96	1.98	1.94	1.98	1.99	2.04	1.97
<u>Agriculture</u>	..	..	..	1.24	1.18	1.20	1.23	1.23	1.21	1.18	1.17	1.17	1.23	1.30	1.30
<u>Fishery</u>	..	..	..	1.25	1.22	1.29	1.34	1.34	1.26	1.34	1.30	1.26	1.28	1.31	1.45

.. = not available

Source: Bangladesh Bureau of Statistics; and mission estimates.

PER CAPITA INCOME (GDP AT FACTOR COST) BY RURAL, URBAN AND NATIONAL, 1973/74-1983/84

	Population (Million)			GDP at Constant Prices /a (Million Taka)			Per Capita GDP at Constant Prices /a (Taka)		
	Rural	Urban	National	Rural	Urban	National	Rural	Urban	National
1973/74	69.4	7.0	76.4	38,293	10,614	48,907	552	1516	640
1974/75	70.8	7.2	78.0	39,074	11,551	50,625	552	1604	649
1975/76	72.5	7.4	79.9	43,716	11,763	55,479	603	1590	694
1976/77	74.3	7.5	81.8	43,566	12,803	56,369	586	1707	689
1977/78	76.0	7.7	83.7	47,222	13,250	60,472	621	1721	722
1978/79	77.7	7.9	85.6	48,352	14,308	62,660	622	1811	732
1979/80	79.6	8.1	87.7	49,464	15,589	65,053	621	1925	742
1980/81	80.8	9.1	89.9	52,280	15,962	68,242	647	1754	759
1981/82	82.5	9.7	92.2	52,507	16,467	68,974	636	1698	748
1982/83	84.3	10.3	94.6	54,338	16,649	70,987	645	1616	750
1983/84	86.1	11.0	97.1	56,646	17,477	74,123	658	1588	763

/a Based on market prices 1972/73 = 100.

Source: Mission estimates. Rough estimates of rural GDP include all the income from agriculture, 85% of small scale industry, 60% of construction, and 45% of the services sectors.

BANGLADESHBeneficiaries of Income and Employment Generation
Activities by Major NGOs in Bangladesh for the Year 1982-83

NAME OF ORGANIZATION	No. of Persons Involved			No. of Families benefitted	No. of Staff		
	Male	Female	Total		Field	Support	Total
1. Rangpur-Dinajpur Rehabilitation Service (RDRS)	12,567	8,733	21,300	21,300	600	40	640
2. Friends in Village Development Project (FIVDP)	667	409	1,076	735	65	12	77
3. Christian Commission for Development in Bangladesh (CCDB)	6,500	5,700	12,200	9,750	200	30	230
4. CARITAS Bangladesh	3,980	3,560	7,540	6,000	82	18	100
5. International Union for Child Welfare (IUCW)/Rural Social Service (Department of Social Welfare)	17,250	6,750	24,000	8,000	640	139	779
6. GRAMEEN BANK	28,500	21,500	50,000	50,000	874	94	968
7. CONCERN-BANGLADESH	985	2,760	3,745	3,465	450	65	515
8. Bangladesh Rural Advancement Committee (BRAC)	30,429	12,669	43,098	31,520	301	68	369
9. Proshika Comilla	39,580	2,084	41,664	39,600	73	16	89
10. Proshika Manobik Unnayan Kendra	45,000	15,000	60,000	60,000	85	6	91

Source: Mission Data

Name of The School	Location	Responsible Organization	Courses Taught	Length of Course	Particular Points
1. Bala Technical School	Bolla Island	Swedish Free Mission	Mechanics, Metal Work		To train poor boys
2. Boyra Technical School	Boyra, Khulna	Yavarians	Mechanics, Metal Work	3 years	For poor boys who cannot complete their schooling
3. Christ Church Trade School	Bokultola, Jossore Town	Church of Bangladesh	Auto Mechanics, Metal Work, Welding-Fabrication Carpentry, Electrical Repair		
4. Christian Industrial Center	Faridpur Town	Baptist Mission	Auto Mechanics, Machine Shop, Welding	2 years	For poor boys who cannot complete high school
5. Dhammara Sika Bhdhist Orphanage Trade School	Bashabo, Dhaka	Buddhist Society	Metal Work, Printing Carpentry, Mechanics	2 years	For poor Buddhist boys
6. Families For Children	75 Indira Road Dhaka	Families For Children, Canada	Metal work, Carpentry, Sheet Metal Work, Electrical Mechanics	1 year	For orphan boys
7. Miriam Ashram Technical School	Fazilkhar Hat, Chittagong	Kalida Fishing Project Brothers of Holy Cross	Diesel engine repair and maintenance, metal work, electrical, welding	2 years	Trains fishermen to operate and maintain fishing fleet
8. Mirpur Agricultural Work shop and Training School (MAWTS)	11-1/2 Mirpur	CARITAS-BANGLADESH	Mechanics, Machine shop, Welding and Fabrication	3 years and also short term	To train poor boys to produce and repair agri- cultural machinery
9. NCCB Vocational training Institute	395 New Eskaton, Dhaka	National Council Churches, Bangladesh	House wiring, Radio/Tele- vision, Airconditioning/ Refrigeration, Welding	6 months	Short Term courses for students
10. Nevara Technical School	Suihari, Dinajpur	Pine Fathers and Brothers	Carpentry, Auto Mechanics Electrical, Metal Work	3 years	For poor boys who cannot complete high school
11. Ratanpur Technical School	Ratanpur, Khulna	Church of Bangladesh Social Service Program	Carpentry, Mechanics, Welding, Metal Work		To train poor boys to serve local agricultural and industrial needs
12. St. Joseph School of Industrial Trades	32 Shah Sahib Lane Dhaka	Brothers of Holy Cross	Machine Shop, Sheet Metal/ Welding, Electrical, Electronics, Carpentry	3 years	To train poor boys who cannot complete their high school education
13. St. Joseph Technical Program	St. Joseph H.S., Mohammadpur, Dhaka	Brothers of Holy Cross	Lathe, Welding, House Wiring, Small engine mechanics	1-1/2 years	For poor boys, especially Biharis
14. Seva Sangha	7 Brickfield Rd. Chittagong	Foundation Trust	Machine Shop, Tailoring Welding, Electrical, Auto Richshaw, Carpentry	3 years	For poor street urchins and orphans
15. UCEP Technical School	UCEP 2 Mirpur, Dhaka	UCEP- Bangladesh	Carpentry, Electrical Tailoring, Jute work, Engine mechanics Welding	2 years	For street urchins

These schools are member schools of the Association for Private Non-Profit, Trades Schools which has an office in Dhaka.

Source: ADAB News, Jan. - Feb. 1983.

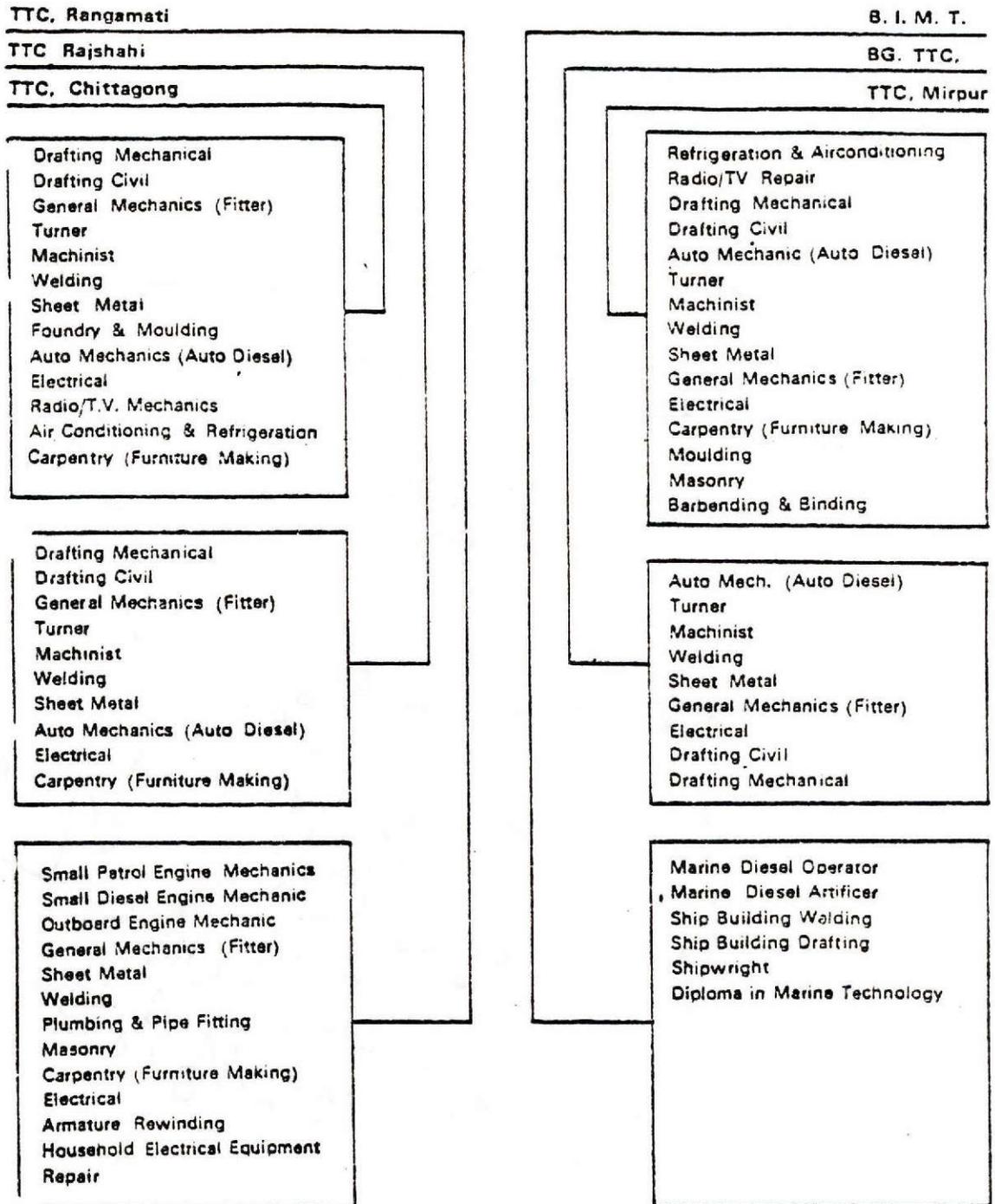
BANGLADESHStaff Training Institutions Operated by the Ministry of
Local Government, Rural Development and Cooperatives

<u>Institution</u>	<u>Location</u>	<u>Enrollment Capacity</u>	<u>Courses Offered</u>
Bangladesh Academy for Rural Development	Comilla	300	Public Administration Rural Economics Rural Business Mgt. Rural Sociology Communication and Community organization Agricultural Extension Technical Agriculture Courses Fishery Rural Education Womens Education Health and Nutrition
Rural Development Academy	Bogra	170	Functional Education Rural Leadership Rural Administration Project Management Technical Agriculture Subjects Principles of Rural Development Local Level Planning Health, Nutrition and Child Care
National Institute of Local Government	Dhaka	120	Local Government Communications Local Administration and Management Leadership

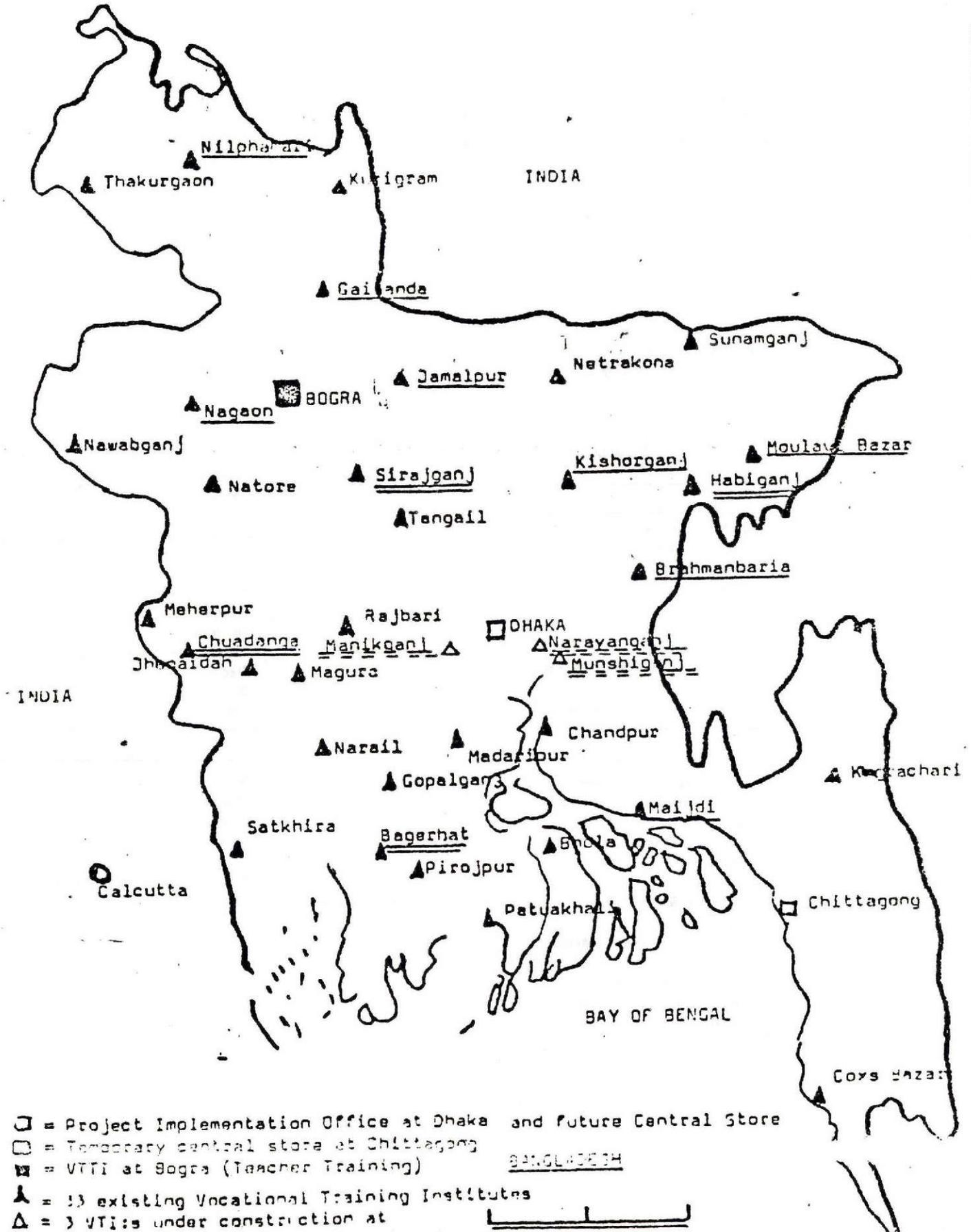
Institution	Location	Enrollment Capacity	Courses Offered
Rural Development Training Institute	Sylhet	75	Accounting Business Management Cooperatives Health and Nutrition Irrigation Management Family Planning Rural Financing
Bangladesh Cooperative College	Comilla	75	Cooperative Management Leadership and Supervision Cooperative History and Theory Rural Economy and Cottage Industries Bookkeeping and Accounting Extension and Communication
Cooperative Zonal Institutes (8)	Feni	20	Cooperatives Management
	Maulvibazar	20	Accounting and Bookkeeping
	Faudjur	20	Auditing
	Muktagacha	20	
	Khulna	20	
	Kushtia	20	
	Rangpur	20	
	Naogon	20	

Source: Mission Data

Courses Offered in the TTCs in Operation (1983)



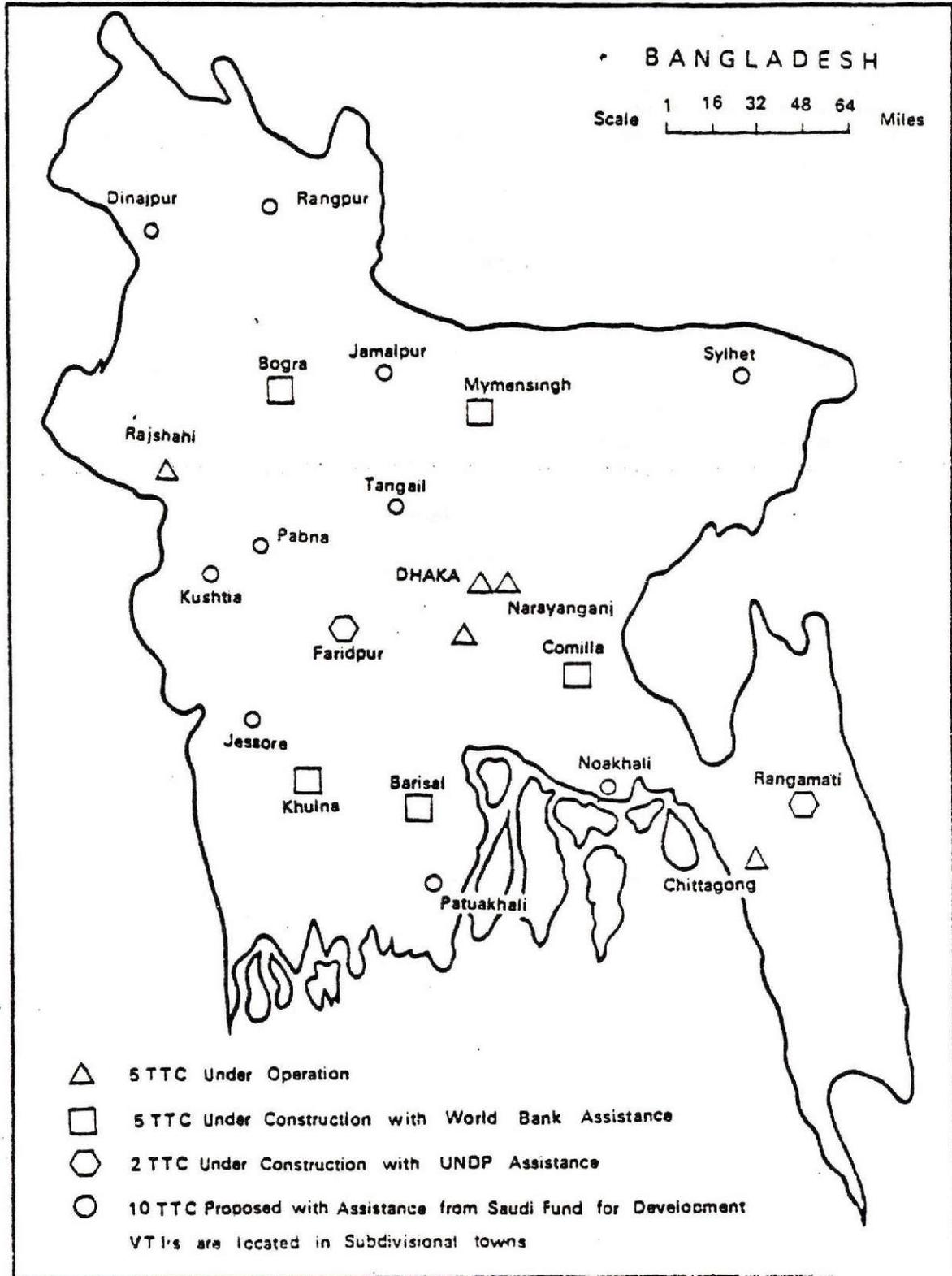
Location of VTIs and the VTTI



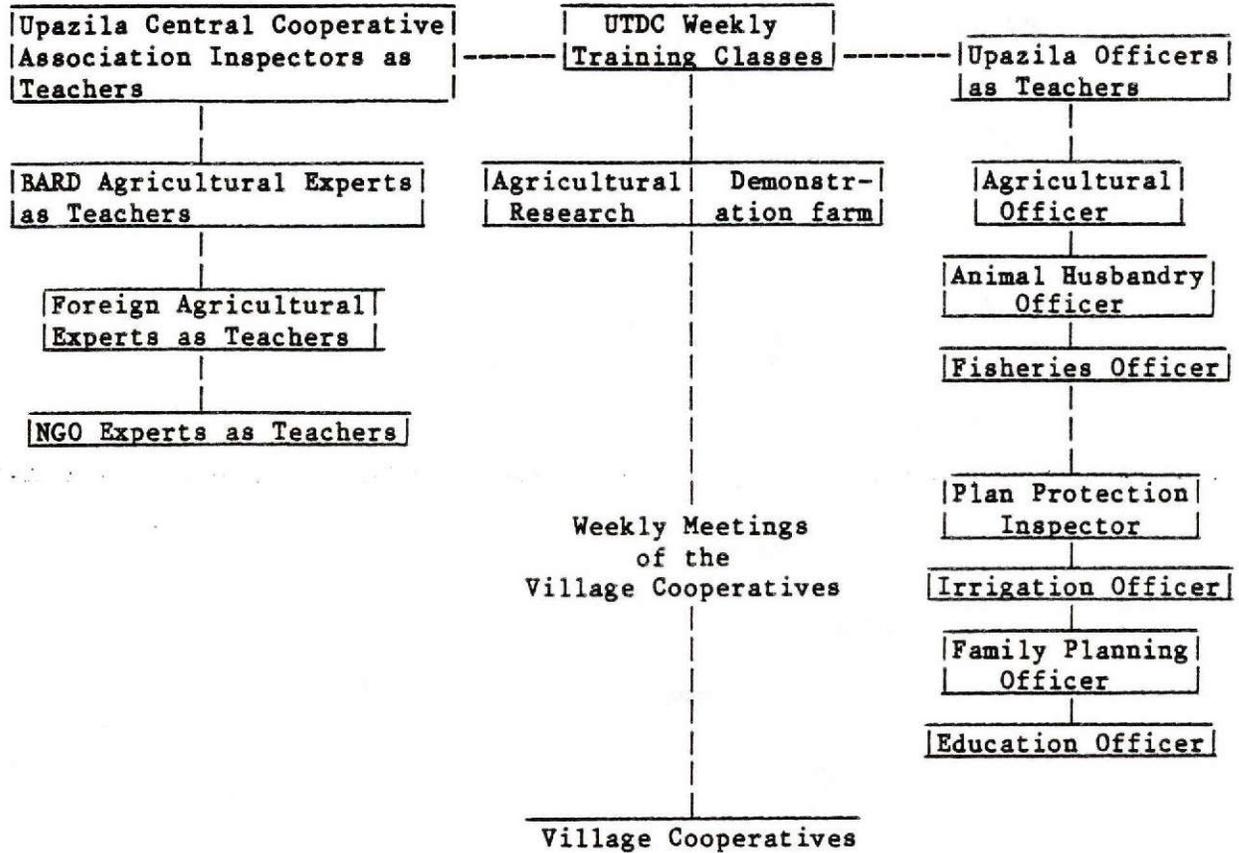
- = Project Implementation Office at Dhaka and future Central Store
- = Temporary central store at Chittagong
- = VTTI at Bogra (Teacher Training)
- ▲ = 13 existing Vocational Training Institutes
- ▲ = 3 VTIs under construction at

BANGLADESH

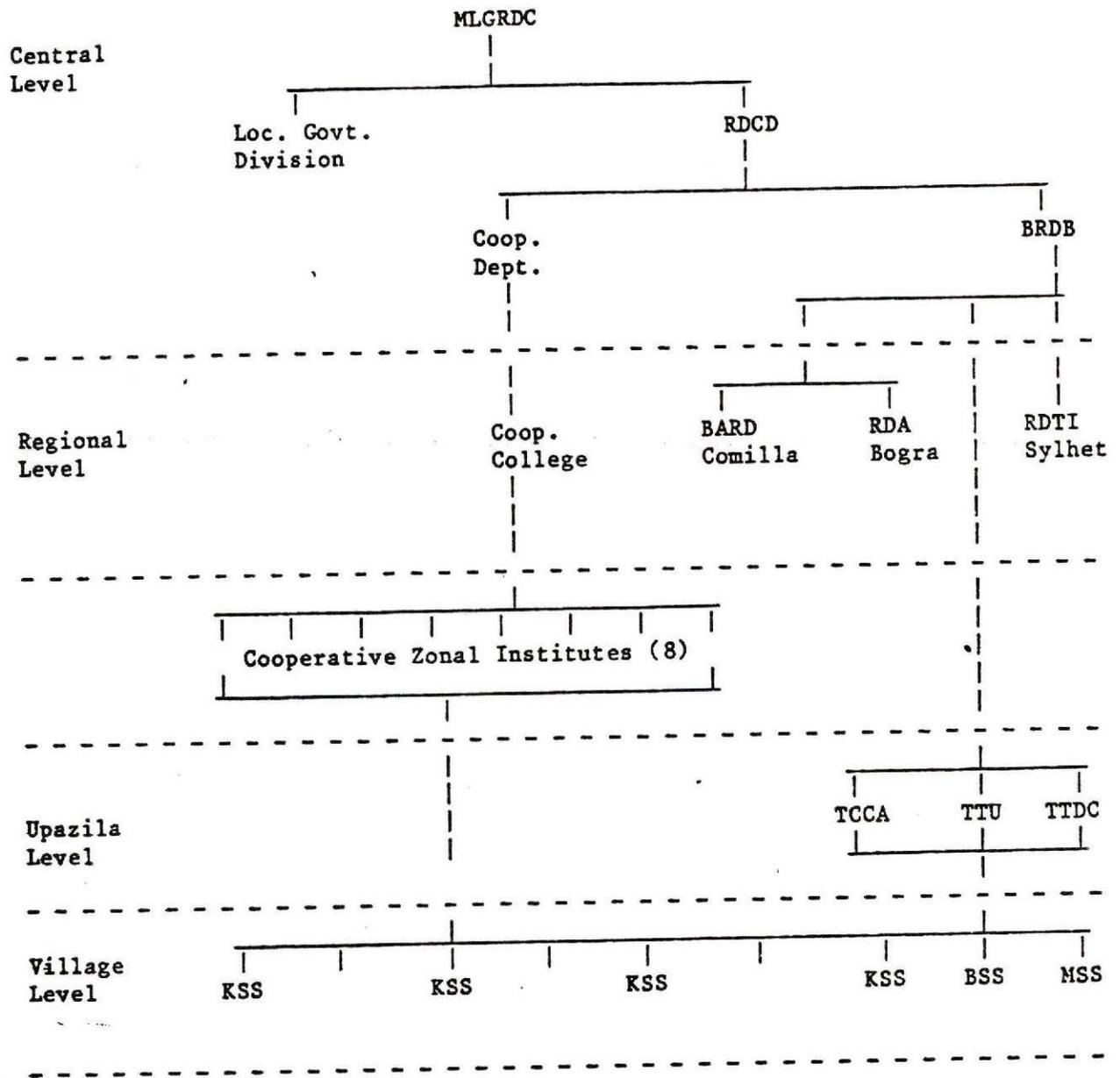
Location of TTCs



COMILLA MODEL TRAINING SET-UP AT THE UTDC



Structure of the Cooperative Network in Bangladesh



LIST OF PROCESSES DEVELOPED BY BCSIR AND LEASED OUT

Serial Number	Name of the Process	Party to whom leased out
1.	Process for production of vinegar	M/s. Carew & Company Ltd., Darsana.
2.	Manufacturing of decolouring	M/s. Azim Eman Coconut Industries, Limited, Barisal.
3.	Woolenization of jute	M/s. Dacca Woolen Mills, Dacca.
4.	Production of lacquer from jute & jute waste	M/s. Chemical Engineering Constructions, Dacca.
5.	Process for tanning of lizard skin	M/s. S.N.A. Tanneries, Dacca.
6.	Process for the tanning of crocodile skin	- do -
7.	Process for snake skins	- do -
8.	Manufacture of picking band	M/s. Leather Field, Dacca.
9.	Fabrication of distilled water plants	M/s. Scientific Traders, Dacca.
10.	Production of transcript varnish	M/s. People's Ceramics Industries, Dacca.
11.	Coating composition of torch light reflectors	M/s. Doz Industries Co., Dacca.
12.	Manufacture of stabilizer for ice-cream	M/s. Baby Ice-Cream Co., Dacca.
13.	Production of chamois leather	M/s. Eastern Leather Products, Dacca.
14.	Production of metal picking band	- do -
15.	Glove leather production	- do -
16.	Production of raw picker hide	- do -
17.	Production of army sole leather sides (Flexible)	- do -
18.	Manufacture of auto-sizing mixture (Takatex)	- do -
19.	Manufacture of activated carbon	M/s. Azim Eman Coconut Industries, Barisal.
20.	Barbarine hydrochloride from B Aristatas	M/s. S. Mujibullah (Alkaloid), Dacca.
21.	Scopolamine hydrochloride	- do -
22.	Manufacture of canned jackfruit	M/s. Food Canning Industries, Dacca.
23.	Manufacture of canned pineapple	- do -

24.	Manufacture of mango products	- do -
25.	Manufacture of non-flexible paper board	M/s. Jasim Board Industries, Dacca.
26.	Manufacture of flexible paper board	- do -
27.	Manufacture of non-flexible hard and paper board	- do -
28.	Manufacture of semi-flexible board	- do -
29.	Industrial lace leather	M/s. Eastern Leather Products, Dacca.
30.	Industrial hand glove leather	- do -
31.	Improvement of the production of batteries	M/s. Dacca Battery Industries
32.	Picking solution for Iron wire	M/s. Tiger Wire Products Ltd., Dacca.
33.	Production of lacquer from dilphane waste	M/s. Karnafully Paper Mills Ltd. Chittagong
34.	Production of caffeine from tea waste	M/s. S. Mujibullah (Alkaloid), Dacca.
35.	Process for canning of hilsha fish	M/s. Eastern Traders, Dacca.
36.	Process for canning of hilsha fish	M/s. Agsar Agencies
37.	Processes for analytical sodium chloride	M/s. Elora Scientific Traders
38.	Process for absolute alcohol	- do -
39.	Process for butyl alcohol	- do -
40.	Process for amyl alcohol	- do -
41.	Process for amyl acetate and petroleum ether and hexane	- do -
42.	Process for production of taltex - a sizing material	M/s. Chandana Traders Company, Dacca.
43.	Process for production of banking powder	M/s. Rahmani Brothers, Chittagong.
44.	Process for production of shaving cup soap	M/s. HYE Co., Dacca.
45.	Process for production of low temperature colour for decorating glass wastes	M/s. White-Glass Industries, Dacca.
46.	Process for production of office gum	M/s. G.S. Corporation
47.	Process for manufacturing paper bobin	M/s. Crescent Wooden Spool Mfg. Co. Ltd., Narayanganj
48.	Process for remids	M/s. Agrabad Chemical Industries, Chittagong.
49.	Process for lubricating grease	- do -
50.	Process for production of glue	M/s. Ideal Glue Products, Dacca.

- | | | |
|-----|--|---|
| 51. | Process for production of nutritious and tasteful soya flour biscuits for the children | M/s. Shilpi Food Products, Dacca. |
| 52. | Preservation shell on eggs | M/s. Quazi brothers, Dacca. |
| 53. | Production of blend flavoured and debittered full fat soya flour | M/s. Shilpi Food products, Dacca. |
| 54. | Process for fire fighting chemicals | M/s. Mac Incorporated, Dacca. |
| 55. | Process for production of rubber thread | M/s. Sonali Industries, Dacca. |
| 56. | Process for fire fighting equipment | M/s. Mac. Incorporated, Dacca. |
| 57. | Process for soya bread | M/s. Shilpi Food products, Dacca. |
| 58. | Process for drinking tablet | M/s. S.M. Salim. |
| 59. | Process for soya milk | M/s. Ship Food products, Dacca. |
| 60. | Process for dehydrated white potato | M/s. Choudhury Freezing Co. |
| 61. | Process for sealing wax from lac | M/s. Loma Cottage Ind. Ltd.,
Rajshahi. |
| 62. | Process for ready made transcript varnish from lac seed | - do - |
| 63. | Process for brake-oil from local materials | M/s. Shaksons Ind., Dacca. |

PROCESSES READY FOR LEASE OUT

1. The naturalit test paper.
2. Universal indicator paper.
3. Scopolamine hydrobromide.
4. Production of glucose.
5. Production of silica-gel.
6. Recovery of glycerine from soap lye.
7. Process for the production of lubricating grease.
8. Plant for recover of solvent.
9. Production of lemon grass oil.
10. Production of pure honey.
11. Production of commercial and purified bees wax.
12. Canning of mackral.
13. Manufacture of artificial slates.
14. Design and fabrication of fermentor for production of bakers yeast.
15. Production of poultry feed.
16. Dehydration of peas.
17. Sulphonated fish oil.
18. A process for the production of ammonium chloride and sodium sulphate.
19. Production of yara-yara.
20. Hair removing soap.
21. Fire extinguishing foam.
22. Production of sanitary wares.
23. Production of ceramic tiles for walls and floor.
24. Production of ceramic art-wares.
25. Production of enamel colours for ceramic decoration.
26. Production of ceramic pigments.
27. Production of liquid gold.
28. Composition for bodies and glazes of ceramic white wares of different types.
29. Production of metal polish.
30. Production of table salts.
31. Preparation of magnesium trisilicate.
32. Preparation of ferrous sulphate (commercial grade).
33. Preparation of ferrous sulphate (reagent grade).
34. Production of heater base.
35. Production of carbon tetrachloride and tetrachloroethylene from natural gas and chlorine.
36. Production of reserpine (Serpasil).
37. Solar drier (Tent type).
38. Solar drier (Cabinet type).
39. Production of canned fruit.
40. Production of house hold cleaner.
41. Bio-gas plant.
42. Production of purified bees wax.
43. Production of dextrin.
44. Production of fish flour.
45. Production of critic acid.
46. Production of peanut butter.
47. Production of soya sauce.
48. Solar cooker.

SUGGESTED REVISIONS TO INSTITUTE OF APPROPRIATE TECHNOLOGY (IAT)

As presently set out, the objectives of IAT are:-

- to identify technologies appropriate to the predominantly agricultural economy of the country;
- to undertake research work with respect to development of hardware both prototype and models -- suited to the resources and factor endowments, the social conditions and the environmental factors of the country;
- to act as a focal point of relevant activities undertaken by various organizations in the country and form a network with a multi-institutional approach towards the problem of appropriate technology "generation -- diffusion adoption" in the rural areas so that light engineering industries are developed based on the skill improvement of the community of blacksmith and other artisan groups;
- to provide teaching, training and research facilities for social scientists, scientists, technologists and extension workers and project leaders engaged in the implementation of development programmes in the relevant field at various levels;
- to undertake studies and practical investigations sponsored by private organizations, Government and semi-government agencies, autonomous bodies and international governmental and non-government organizations;
- to act as the centre for dissemination of national and international information in related field and publish journals, news letters, handbook audiovisual aids etc. with the purpose of diffusion of information and appropriate technology generation in the rural area;
- to establish and maintain, wherever appropriate, contact with the global network of organizations involved in similar work;
- to organize conferences, seminars, workshops, short courses and refresher courses etc. on national, regional and international basis on appropriate technology;
- to undertake joint collaborative research projects with similar organizations in other countries under the accepted UN principles of TCDC;
- to take up such other programmes which will help and facilitate attainment of the objectives of the Centre.

IAT is presently located in offices in BUET. There are, however, plans to build a separate building, complete with its own workshop on a 9 acre site at Joydepur. Although only the Director and a few support staff have been appointed to date, plans are to expand eventually to 85 staff consisting of a Director and Associate Director, 18 research staff (including social scientists), 24 technical and workshop staff, 6 information and documentation staff and 35 administrative, finance and support staff. There are also plans to appoint 8 Regional Coordinators who could be based in regional universities and research institutes.

If IAT is to play the role required to fill the gap identified in this report, some changes will be required in its proposed objectives, method of work and staffing pattern.

First, IAT's objectives need to be revised to reflect the needed concentration on technologies which relate to the employment needs of the rural landless. At the moment, this is not clearly specified and, indeed, because of its funding link with the Ministry of Agriculture, the terms of reference of IAT tend to be biased towards agricultural technology. If the required concentration on off-farm employment is to be achieved, it would seem necessary that the IAT receives its funding through a source other than the Ministry of Agriculture. In order to cover the need for appropriate agricultural technology, the Ministry of Agriculture may wish to consider reviving the dormant Appropriate Agricultural Technology Cell (AATC) within BARC.

Second, the objectives need to reflect more clearly the proposed applied nature of IAT. The action-oriented function of field-level adaptation, testing and monitoring of improved technologies is lost in the midst of information and networking functions which, although important, should be regarded primarily as a means of enabling IAT of fulfilling its primary objective of assisting government and non-government agencies to introduce and disseminate improved technologies. Similarly, training should be undertaken only as it relates to project success and should not be Dhaka-based, theoretical and of a non-specific nature.

Third, although much of the technology testing work of IAT will be carried out in situ, there will be a need for some sort of workshop facilities, especially if the IAT is located at Joydepur, away from the BUET facilities. Such facilities need to be kept to a minimum however and stocked and staffed with IAT's applied role very much in mind. It is important that IAT should not be seen as or become just another R&D Institution with predominantly laboratory-based staff.

Fourth, the number of staff needed by IAT needs to be reviewed in light of the proposed role of the IAT in responding to requests from other agencies to assist with technology adaptation and dissemination. Such work would be project/technology specific, with each contract requiring a different range of technical skills. Responding to this variation will obviously be easier if IAT draws on consultants (from BUET etc.) or seeks to second personnel for the length of a project, rather than if it tries to build up and use its own permanent core staff. By keeping the core staff

small in number and relying on project money to recruit and pay project staff, IAT would also be in a better position to eventually become financially self supporting (with IAT core costs being covered (in part) by overheads in project budgets.

Thus, it is recommended that the staffing pattern of IAT be reviewed with a view to cutting down on the number of core staff and assessing skills/qualifications needed to carry out a field-project oriented/consultancy-oriented work plan.

Initially, IAT should start small -- 1 Director, 2 technologists, 1 documentation officer and 10 to 15 technical and support staff. A workshop and offices would need to be built at Joydepur and a small, relevant documentation library compiled. At this level, 2 or possibly 3 major projects could be undertaken at any one time. As soon as it is operational, the Central Projects office of the Upazila Employment Resource Centre Project should develop close links with IAT and commission it to assist in its technology dissemination work once needs have been identified. In the meantime, several NGOs have expressed interest in using the services of a modified, operational IAT.

Government of the People's Republic of Bangladesh
National Committee on Science and Technology
CMLA's Secretariat
Science and Technology Division

Composition of the NCST

- | | |
|---|------------------|
| (a) Head of the Government (CMLA) | .. Chairman |
| (b) DCMLA, Chief of Air Staff | .. Vice-Chairman |
| (c) Minister for Commerce and Industry | .. Member |
| (d) Minister of Works | .. Member |
| (e) Minister for Health and Population Control | .. Member |
| (f) Minister for Agriculture | .. Member |
| (g) Minister for Education | .. Member |
| (h) Minister for Local Government and
Rural Development | .. Member |
| (i) Cabinet Secretary | .. Member |
| (j) Secretary, Industries Division | .. Member |
| (k) Secretary, Education Division | .. Member |
| (l) Secretary, Local Government Division | .. Member |
| (m) Secretary, Health Division | .. Member |
| (n) Secretary, Agriculture Division | .. Member |
| (o) Member, Planning Commission Dealing
with Science and Technology | .. Member |
| (p) Seven eminent Scientists Including the
Chairman of Atomic Energy Commission and
BCSIR (To be Announced for a Term of Two Years) | .. Member |

The seven nominated Scientists are as follows:-

- (i) Dr. Mohammad Ibrahim, President,
Bangladesh Diabetic Association
- (ii) Dr. A.K.M. Aminul Haque,
Vice-Chancellor,
Bangladesh Agricultural University
- (iii) Dr. Mohammad Abdur Raquib,
Vice-Chancellor,
Rajshahi University
- (iv) Dr. Abdul Matin Patwari,
Vice-Chancellor, Bangladesh University
of Engineering and Technology
- (v) Chairman, Bangladesh Atomic Energy Commission
- (vi) Chairman, Bangladesh Council of Scientific and
Industrial Research

(vii) Executive Vice-Chairman, Bangladesh
Agricultural Research Council

(q) Secretary, Science and Technology Division .. Member-Secretary

Terms of Reference of the NCST

- (a) Recommend national policies and Science and Technology
- (b) Recommend priorities to specific research programmes evaluate the quality and effectiveness of research programmes undertaken by various agencies and the extent to which results are put to actual use.
- (c) Suggest measures for co-ordination of Scientific research and development activities.
- (d) Recommend approval to research plans and programmes.
- (e) Such other matters as may be considered relevant by the Government.

Composition of Executive Committee of the NCST

- (a) DCMLA, Chief of Air Staff (Vice-Chairman, NCST) .. Chairman
- (b) Concerned Ministers .. Members
- (c) Concerned Secretaries .. Members
- (d) Three eminent Scientists (to be nominated)
by the Chairman, NCST for a term of two years) .. Members

The nominated three Scientists are as follos:-

- (i) Dr. Abdul Matin Patwari,
Vice-Chancellor,
Bangladesh University of Engineering and Technology
- (ii) Chairman, Bangladesh Atomic Energy Commission
- (iii) Chairman, Bangladesh Council of Scientific and
Industrial Research
- (e) Secretary, Science and Technology Division .. Chairman

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WBG ARCHIVES

Report No. P-3672-SE

REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED DEVELOPMENT CREDIT OF SDR 2.9 MILLION AND
A PROPOSED SPECIAL FUND CREDIT OF SDR 2.8 MILLION
TO THE
REPUBLIC OF SENEGAL
FOR AN URBAN MANAGEMENT AND REHABILITATION
TECHNICAL ASSISTANCE PROJECT

March 27, 1984

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CURRENCY EQUIVALENTS

Currency Unit	=	CFA Franc (CFAF)
US\$1.00	=	CFAF 392 ^{1/}
CFAF 1 million	=	US\$2,551

SYSTEM OF WEIGHTS AND MEASURES: Metric

ABBREVIATIONS AND ACRONYMS

BCEOM	Bureau Central d'Etudes pour les Equipements d'Outre-Mer
BHS	Banque de l'Habitat du Sénégal
CIDA	Canadian International Development Agency
DPA	Direction des Parcelles Assainies
EPEVRY	Etablissement Public d'Evry Ville Nouvelle (France)
FAC	Fonds d'Aide et de Coopération (France)
FAH	Fonds d'Amélioration de l'Habitat
FECL	Fonds d'Equipement des Collectivités Locales
FRG (GTZ)	Federal Republic of Germany (Gesellschaft für Technische Zusammenarbeit)
OHLM	Office des Habitations à Loyer Modéré
OMVS	Organisation pour la Mise en Valeur de la Vallée du Sénégal
ONCAD	Office National de Coopération et d'Assistance pour le Développement
SCET	Société Centrale d'Equipement du Territoire
SENELEC	Société Sénégalaise d'Exploitation de l'Electricité
SICAP	Société Immobilière du Cap Vert
SOFISEDIT	Société Financière Sénégalaise pour le Développement de l'Industrie et du Tourisme
SONAR	Société Nationale d'Approvisionnement Rural
SONEES	Société Nationale d'Exploitation des Eaux du Sénégal
SONED	Société Nouvelle des Etudes de Développement en Afrique
SOTRAC	Société des Transports en Commun du Cap Vert
USAID	United States Agency for International Development

FISCAL YEAR

Government of Senegal = July 1 - June 30

^{1/} The CFA Franc (CFAF) is tied to the French Franc (FF) in the ratio of FF 1 to CFAF 50. The French Franc is currently floating.

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WBG ARCHIVES

REPUBLIC OF SENEGALURBAN MANAGEMENT AND REHABILITATION TECHNICAL ASSISTANCE PROJECTCredit and Project Summary

Borrower: Republic of Senegal

Amount: SDR 2.9 million (US\$3.05 million equivalent) from IDA. SDR 2.8 million (US\$2.95 million equivalent) from the Special Fund administered by IDA.

Terms: Standard IDA terms

Project Description: The objective of the proposed project would be to strengthen the policy and institutional framework to manage urban growth more efficiently. Over the short term, the project would progressively improve the operational efficiency of three key entities: the city of Dakar, the Office des Habitations à Loyer Modéré (OHLM), and the Banque de l'Habitat du Sénégal (BHS). Short term consultant services, resident specialists, studies, training, limited equipment and spare parts and minor civil works would be provided to: (a) strengthen the programming of rehabilitation projects in the urban sector, beginning with preparation of the Seventh Plan (1986-1989); (b) improve the design and delivery of shelter and urban services; and (c) upgrade the managerial and technical capacity of the city of Dakar to rehabilitate and maintain municipal services, and to mobilize local resources for continued maintenance over the longer term.

Project Benefits: The proposed project would support Government's development objectives by improving the efficiency of economic activities in the Cap Vert, which includes 75 percent of the country's industrial base. Improved investment planning, programming, and project design would emphasize maintenance and rehabilitation of infrastructure supporting industrial development and, through lower cost design standards, could double the population covered without a commensurate increase in costs. Emphasis on maintenance could lead to major

savings arising out of avoidance of costly reconstruction works. Starting immediately, improved financial management of the city of Dakar could generate US\$1.0 million annually, through improved collection; development of a land cadastre could at least double annual revenues through better coverage and updating of property values. Provision of spare parts would permit the functioning of over two-thirds of Dakar's maintenance fleet which is presently idle. Traffic management measures elsewhere in Africa typically show rates of return ranging from 40 to 60 percent. Other benefits include possible reductions in public expenditures through increased private sector participation in house construction and better coordination among agencies in the planning and design of urban investments.

Project Risks:

There is one main risk: Government's political commitment to manage urban growth within macroeconomic financial constraints. The institutional arrangements for the proposed project are closely linked to the framework established by the Ministry of Planning and Cooperation to prepare and program a national rehabilitation strategy for the Seventh Plan. This arrangement should ensure better coordination in the definition of a cost-effective urban strategy and, therefore, the risk is expected to be minimized. This risk is, in any case, worth taking in view of the major role the urban sector has in improving economic prospects.

Estimated Project Costs

	<u>Local a/</u>	<u>Foreign</u>	<u>Total</u>
	-----US\$ Million-----		
Urban Investment Planning and Programming	0.350	0.983	1.333
Housing and Urban Policy	0.350	0.933	1.283
Municipal Policy	<u>0.583</u>	<u>2.055</u>	<u>2.638</u>
TOTAL BASE COST	1.283	3.971	5.254
Contingencies - Physical	0.128	0.397	0.525
- Price	<u>0.212</u>	<u>0.659</u>	<u>0.871</u>
TOTAL PROJECT COST	<u>1.623</u>	<u>5.027</u>	<u>6.650</u>

Financing Plan:

	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>Percentage</u>
	-----US\$ Million-----			of total
				Project Cost
IDA (Including Special Fund)	0.973	5.027	6.000	90
Government	<u>0.650</u>	<u>0.000</u>	<u>0.650</u>	<u>10</u>
	<u>1.623</u>	<u>5.027</u>	<u>6.650</u>	<u>100</u>

Estimated Disbursements from the IDA Credit and Special Fund Credit (US\$ Million):

	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>
Annual	1.2 ^{b/}	1.5	1.5	1.2	0.6
Cumulative	1.2	2.7	4.2	5.4	6.0

Economic Rate of Return: Not applicable

Estimated Project Completion Date: December 1987

Staff Appraisal Report: There is no separate appraisal report

Maps: IBRD 17517
IBRD 17233

Chart: World Bank 25466

a/ Project is exempt from taxes estimated at US\$1 million or 15 percent.

b/ Includes refinancing of a PPF advance of US\$450,000.

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO THE
EXECUTIVE DIRECTORS ON A PROPOSED DEVELOPMENT CREDIT
AND SPECIAL FUND CREDIT
TO THE REPUBLIC OF SENEGAL
FOR AN URBAN MANAGEMENT AND REHABILITATION TECHNICAL ASSISTANCE PROJECT

1. I submit the following report and recommendation on a proposed Development Credit to the Republic of Senegal for SDR 2.9 million (US\$3.05 million equivalent) on standard IDA terms, and a proposed Special Fund Credit administered by IDA of SDR 2.8 million (US\$2.95 million equivalent), on terms adopted by the Executive Directors of IDA, 1/ to help finance an Urban Management and Rehabilitation Technical Assistance Project.

PART I - THE ECONOMY 2/

2. A report entitled "The Economic Trends and Prospects of Senegal" (1720a-SE) was distributed to the Executive Directors on March 10, 1980, followed by a President's Report for a Structural Adjustment Loan/Credit (P-2869a-SE) dated November 26, 1980, which contained an expanded section on the economic situation. A new Country Economic Memorandum on Senegal is currently being prepared. Country data appear in Annex I.

Economic Structure and Past Developments

3. Three-quarters of Senegal's territory lies in the Sahel zone, which suffers from low rainfall and periodic droughts. The mainstays of the traditional economy are millet cultivation and nomadic cattle-raising for domestic consumption, and groundnut cultivation for exports. The modern sector of the economy is concentrated in Dakar, the capital, a city of over one million inhabitants, the economic base of which consists of excellent port facilities, an important industrial sector, and a small but fast-growing tourism industry. With a population of 6.0 million in mid-1982, Senegal's per capita GNP for 1982 was estimated at US\$440.

4. At Independence in 1960, Senegal lost its privileged position as the center of French West Africa, and subsequently has had to adapt to reduced economic, administrative, and political circumstances. In the latter part of the 1960s, income from groundnuts (the principal export) fell due to

1/ Resolution No. IDA 82-6 of October 26, 1982.

2/ The text of this Section remains substantially unchanged from that included in the President's Report for the Fifth Highway Project which was distributed to the Executive Directors on February 23, 1984.

unfavorable weather and declining export prices as a result of loss of EEC special preferences. Over the decade, the Senegalese economy experienced virtual stagnation as real output increased at a rate estimated at 2.5 percent per annum, hardly more than the rate of population growth.

5. During the 1970s, Senegal's groundnut production was again hit by sharp climatic fluctuations, and even with higher rates of both private and public investment, average annual growth did not rise above the level of the previous decade. Buoyed by a series of good harvests and relatively high international prices, real GDP increased at about 5 percent a year between 1973 and 1977, but declined by 2 percent a year between 1977 and 1981, reflecting the effect of three severe droughts during this period. A marked recovery from the previous depression occurred in 1982 with an estimated 9.8 percent real growth in GDP. Results of the 1982/83 agricultural season were also good, leading to an estimated 3 percent growth of GDP in 1983. However, indications for the 1983/84 crop year suggest a disastrous groundnut and cereal harvest, due to another severe drought in the Sahel region this year. The FAO has recently estimated Senegal's food aid requirements for 1984 at over 250,000 tons and is coordinating pledges for the additional aid required.

6. Fluctuations in physical output have been aggravated by the price volatility of Senegal's major exports and imports. For example, in 1974, the terms of trade improved by over 21 percent due to exceptionally high prices for phosphate rock, Senegal's second export commodity; however, in 1975, export prices for groundnuts declined sharply, followed by a decline in export prices for phosphates since 1976. Increases in oil and rice prices brought a further deterioration in the terms of trade, causing a total loss in income of roughly 6 percent of GDP between 1974 and 1982. This deterioration in terms of trade, along with the unsatisfactory performance of the economy as a whole, led the Government to launch an economic and financial stabilization program in 1980. The main objectives of the Government's five-year program were to stabilize the economy during the first two years and to achieve an economic growth rate of 4 percent per annum in the following three years. This program was supported by an Extended Fund Facility (EFF) of US\$243 million equivalent approved by the IMF in August 1980, and a US\$60 million Structural Adjustment Loan/Credit (SAL) approved by the Bank in December 1980.

7. The structural adjustment program consisted of an economic stabilization plan (agreed with and monitored by the IMF), introduction of new producer incentives, reorientation of the public investment program, a change in the national policy on parastatal enterprises, and a package of structural reforms in the agricultural sector. Despite delays caused by a record low 1980/81 groundnut crop and by the change of government in early 1981, the Government achieved significant progress in reducing arrears, improving investment programming and parapublic sector management, and in introducing industrial incentive policies. However, in other areas, and especially in the reform of agriculture policies and control of government expenditure, action was disappointing.

Balance of Payments

8. The new balance of payments policies introduced under the 1980 stabilization program were based on strict control of overall demand through import tax and consumer price increases, combined with increased producer prices for major export crops and the introduction of special incentives for manufactured exports. However, the hoped-for reduction in the trade balance could not be achieved, mainly because of the 1980/81 drought and difficulties in implementing reforms in groundnut marketing. The fall in groundnut oil and seedcake exports from a past five-year average of US\$220 million/year to US\$94 million in 1980 and US\$34 million in 1981, together with exceptionally high import bills for petroleum and rice, increased the current account deficit in 1981 to US\$590 million, or about 23 percent of GDP. In 1980 and 1981, the Government received exceptional aid averaging US\$170 million a year from bilateral and multilateral donors. Even this, however, was insufficient to avoid a further fall in net foreign assets, from US\$80 million in 1980 to a level of negative US\$460 million at the end of 1981. The resource gap was estimated at 20 percent of GDP in 1981, narrowed to 14 percent in 1982, and is estimated at about 13 percent for 1983. Good rainfall during the 1981/82 growing season permitted a five-fold increase in the 1982 value of groundnut exports, despite exceptionally low world market prices for vegetable oils. However, the CFAF value of imports rose by about 13 percent, despite the policy measures introduced to contain urban demand. With total imports for 1983 estimated at about 42 percent of GDP (as compared to around 30 percent in the early 1970s), further economic adjustment needs to be achieved in the coming years, in order to reduce the current account deficit to a level which can be financed on acceptable terms. This will have to be achieved mainly through containment of consumption levels, and through food import substitution, and strong promotion of non-agricultural exports.

Producer and Export Incentives

9. The structural adjustment program addressed the need to improve the country's trade balance by increasing the basic level of import duties from 10 to 15 percent of f.o.b. value and by introducing an export premium system for certain manufactured goods. The export premium system has already had a positive impact on export and employment levels in the five industries to which it was applied, especially fishing. An extension to 20 other agricultural and industrial branches, as well as a refinement of the payment system, is being implemented during the current fiscal year. To contain imports, the Government adopted a 31 percent increase in the official consumer price for rice in February 1982, which was again substantially (24 percent) increased in August 1983, in order to reflect increased import costs and to provide a measure of protection for domestic cereal production. The net producer price for groundnuts was increased substantially in 1981 but has subsequently had to be reduced in order to limit the losses borne by government on both input and output marketing operations.

Public Finances

10. Although the Government successfully implemented a 1981/82 Standby Arrangement with the IMF, the new program initiated in 1982/83 could not be completed due to the Government's inability to restrict domestic credit growth, to remain within public borrowing targets, and reduce its payment

arrears. This was partly due to an unforeseen 50 percent drop in export prices for groundnut products and to a less-than-expected inflow of foreign budgetary support. In August 1983, the Government signed a new Standby Program with the IMF for the current 1983/84 fiscal year, under which it is committed to observing strict limits on civil service recruitment, new foreign borrowing, domestic credit expansion, and public sector payment arrears; the Government is also repaying a large volume of outstanding crop credit and ONCAD (Office National de Coopération et d'Assistance pour le Développement) debts held by the commercial banks. As part of the austerity program, in August 1983 the Government announced a series of sharp increases in domestic consumer prices for rice, vegetable oils, and petroleum products. Even with these improvements in fiscal performance, however, the Government will be left with a financing gap equal to roughly 10 percent of the FY84 budget and the outlook for 1984/85 is even less encouraging, given the extremely poor groundnut crop expected this year. It appears unlikely that by 1985 the Government will be able to finance from its net budgetary savings 25 percent of its public investment program, the target the Government set itself in the original structural adjustment program. A major constraint on the Government's finances is the serious and growing burden represented by service of the external debt, which amounted to US\$1.4 billion in June 1983. In November 1982, the Government was required to obtain from the Paris Club a second debt rescheduling and agreed on a third round of rescheduling with the Paris Club and commercial banks in December 1983.

Investment Program

11. The outlook for the national investment program has deteriorated dramatically since establishment of the structural adjustment program in 1980. While the latter imposed ceilings on the public investment program to re-establish macroeconomic equilibrium, implementation of even the reduced program has become problematic. Private investment has stagnated and public investment is suffering from financing problems because the country is not creditworthy for foreign commercial loans, and domestic credit expansion has to be constrained. In the present climate, a careful screening of new investment projects according to economic criteria is especially needed, together with an increased attention to rehabilitation and maintenance needs of existing assets.

Parapublic Sector

12. Reform of the large parapublic sector in Senegal continues to be a high government priority. Over the last three years the Government has taken significant steps to reduce the budgetary burden presented by non-viable enterprises (through the liquidation of close to 20 companies) and has transferred ownership of several other companies to the private sector. For some of the remaining parapublic enterprises, the Government has moved to increase managerial autonomy by negotiating multi-year contrats-plan which set clear financial objectives for company operations and spell out the reciprocal obligations of the Government and enterprise managers.

13. To date, the Government has signed six contrats-plan and several others are well advanced. The main objective of the Second Parapublic Technical Assistance Project, approved by the Board in July 1983, is to provide technical assistance to 12 parapublic enterprises for the development

of rehabilitation programs, which can serve as the basis for realistic contrats-plan, and to strengthen the institutional framework for contrats-plan monitoring in support of Government efforts to improve the financial performance of the parastatal sector as a whole. These objectives are also supported by other projects in the Bank's lending program, including the proposed Urban Management and Rehabilitation Technical Assistance Project.

Long-term Prospects

14. The Government's long-range development strategy continues to be based on the promotion and diversification of agricultural and export-oriented activities. The agricultural program calls for the development of areas less susceptible to drought (Casamance and Eastern Senegal) where cash crops other than groundnuts can be grown, and increased incentives for domestic millet production to replace imported rice. Agricultural research will be oriented more to farming systems than to individual crops, with the objective of lowering the costs of yield-raising agricultural techniques and better adapting them to farmers' constraints. Irrigated cereal production is being developed in the arid northern part of the country along the Senegal River. Construction has started on the two large dams planned for the Senegal River by the Organisation pour la Mise en Valeur de la Vallée du Sénégal (OMVS), but the high level of state subsidies required on irrigated rice will severely constrain the pace of new irrigation development.

15. The phosphoric acid and fertilizer project is now well advanced, and the combination export subsidy/import duty increase designed to effect a realignment of the Senegalese CFA currency should help to attract more light export industries once the international economy has improved. However, in the medium-term, at least, export diversification is unlikely to offset the uncertain prospects for groundnuts, still Senegal's main export commodity. Groundnut oil exports suffer from irregular supplies and from an increased supply of competing vegetable oils; exports of groundnut cake have also been depressed due to the risk of aflatoxin contamination, which has resulted in the complete closure of some export markets. As a consequence, in the next few years, the share of total exports in GDP is expected to remain below the levels attained in the early 1970s.

16. The exceptional foreign aid granted to Senegal in support of the Government's 1980/85 stabilization program has helped the country survive in a period of extraordinary economic difficulty, but these efforts have not been enough to bring the economy back to a path of balanced growth. The over-extended public sector, as well as heavy domestic arrears and external debt service charges, continue to impose serious burdens on public finance and will make necessary further debt rescheduling. The Treasury will not be able to absorb substantial additional recurrent cost charges from development projects and will continue to need exceptionally high shares of foreign financing for the investment program. The unfavorable balance of payments situation calls for a reassessment of Senegal's longer term development strategy and the establishment of a new program of action to achieve the required structural adjustments. The Bank will continue to focus its country dialogue on these problems and, in the interim, will finance its lending program in Senegal on IDA terms.

PART II - BANK GROUP OPERATIONS IN SENEGAL

17. As of March 31, 1984, the Bank Group had approved 55 operations in Senegal for a total of US\$531.1 million, including 30 IDA credits, 12 Bank loans, five blends of Bank and IDA funds, five IFC operations, two blends of Bank and IFC funds, and one blend of Bank, IDA, and IFC funds. Physical execution of projects is progressing reasonably well, although some operations are affected by the shortage of counterpart funds due to the Government's continuing difficult public finance situation. Annex II contains the Status of World Bank Operations in Senegal.

18. Until a few years ago, Bank Group assistance was mostly project-oriented with a strong emphasis on diversification of the economy and improvement and expansion of basic infrastructure. The acuity of the financial crisis of the past two or three years has led to a major shift in strategy, with emphasis placed on assisting the Government in:

- (a) implementing investment policies and incentives to develop and diversify Senegal's production and export base;
- (b) increasing the efficiency and savings capacity of the public sector;
- and (c) redirecting investments towards rehabilitation and maintenance of existing social and economic infrastructure and developmental recurrent costs, rather than expansion investments.

The Bank Group plans to continue financial and institutional support through project lending and technical assistance for operations or reforms that would encourage a stronger role for the private sector, as in the phosphate and petroleum industries. Bank Group operations now cover a wide spectrum of sectors.

19. In agriculture, operations have aimed at improving productivity for traditional food and cash crops, together with diversification into new crops and new regions. In recent years, the portfolio was somewhat modified by financing a forestry project and an agricultural research project which focusses on improving agricultural systems. In August 1983, the Board approved a cotton/food crop project in the rainfed regions of Eastern Senegal and Upper Casamance. A dialogue is currently underway with the authorities on prospects for developing irrigated rice farming in the Senegal River Valley along the northern border of the country. The feasibility of new activities in the heavily-populated Groundnut Basin will depend on further progress with structural reforms in input distribution, extension services, crop marketing, and agricultural credit.

20. Diversification has also been supported by lending to the growing industrial sector through the Société Financière Sénégalaise pour le Développement de l'Industrie et du Tourisme (SOFISEDIT), a development finance company established with Bank assistance in 1974, in which IFC is a shareholder and for which three lines of credit have been approved. The Bank has assisted in the realization of a major phosphoric acid/fertilizer complex by financing the rail infrastructure component; the project, for which IFC has been an important lender, is now well underway and commercial operations are expected to start in the fall of 1984. The Bank also responded to the effects of the past oil crisis by assisting the Government in its search for new energy resources: a petroleum exploration project was approved in FY83. Finally, diversification has been encouraged by assisting in the promotion and development of tourism; one of Senegal's major resources. The project, which

consists of basic infrastructure and includes a line of credit to provide long-term financing as a catalyst for potential private investors in hotel construction, is virtually completed.

21. Past projects have strongly supported modernization and expansion of the country's infrastructure in all modes of transport: highways, rail, port, and airport. But with a stagnant economy and heavy past investments, emphasis is now being placed on better utilization and maintenance of existing facilities. The recently approved Fifth Highway Project supported the Government's limited capacity to provide funds for priority maintenance. The Dakar Container Port Project (also submitted to the Executive Directors today) emphasizes rehabilitation and maintenance of the port facilities, in addition to the container terminal. The proposed Urban Management and Rehabilitation Technical Assistance Credit presented in this report will improve Government's capacity to maintain the existing level of urban services which support productive activities, through the preparation and programming of maintenance operations and the improved mobilization of resources.

22. While Bank strategy has supported the emphasis on financing productive projects and rehabilitation needs, it has also recognized the need to support the social sectors, with due consideration to the capacity of both the Government and users to bear the recurrent costs involved. In education, efforts have been directed towards primary education and towards technical and vocational training to support activities in the productive sectors. A health project directed to primary care in the rural regions was approved in FY83, and a water supply project in the secondary centers is in the final stages of preparation.

23. As it became increasingly clear that many of Senegal's economic and financial problems run across the board and could not be addressed adequately through project lending, the Bank program began to shift in the late 1970s towards multi-sectoral technical assistance and structural adjustment lending. In 1978, a technical assistance project was directed at improving the Government's knowledge and management of the parapublic sector. In July 1983, a second parapublic project was approved to help consolidate results already achieved and to begin rehabilitation of some key public enterprises through detailed action plans. Under another technical assistance project, assistance is being provided to the Ministry of Planning to prepare and select projects and to monitor the investment program. In December 1980, a structural adjustment program, supported by a Bank loan and an IDA credit aimed at supporting the Government's efforts to control aggregate demand, redirect public investments, and promote industrial exports and other productive activities through improved price and incentive policies. The local currency counterpart funds of the Structural Adjustment Loan were used for financial rehabilitation of several parapublic enterprises which had agreed with the Government on contrats-plan. However, since the performance of the Government in some areas of its agricultural policy was deficient, the second tranche of the Structural Adjustment Loan was cancelled in June 1983.

24. Given the need to focus Senegal's public investment program on high-priority rehabilitation and maintenance needs and developmental recurrent costs, improved donor coordination is now assuming increased importance. The Bank is pursuing its economic dialogue with Senegal in close coordination with the IMF and bilateral and multilateral donors. In this connection, Senegal

has requested the Bank to convene a consultative group meeting in the second half of 1984 to which it would submit its priority financing needs. The Bank is assisting the Government in preparing documentation for this meeting and is willing to play a major role in coordinating donor activity. The Bank is prepared to play an active role in aid coordination for Senegal, but on condition that Senegal's expectations are realistic and that the aid coordination effort is based on extensive preparatory work.

25. The Bank Group's share in total external aid disbursements to Senegal over 1980-82 averaged approximately 18 percent, of which roughly two-thirds was IDA-financed. The Bank Group's share in outstanding disbursed debt was 17 percent in 1980, and may approach 20 percent by 1985. The Bank Group's share in scheduled external debt service is expected to increase from 3.7 percent in 1980 to about 7.5 percent in 1985.

PART III - THE URBAN SECTOR

Economic Growth and Urban Development

26. The efficient management of growth and development of Senegal's urban centers is essential to economic growth. While the bulk of the country's population (67 percent) lives in the rural areas, agriculture contributes only 19 percent of GDP. In contrast, it is estimated that Dakar and the Cap Vert Region contribute over 50 percent of GDP and the overwhelming share of domestic wage employment. Revitalization of the agriculture sector will nevertheless remain Government's main challenge, since it will continue to be the prime source of income for the majority of the population for some time to come.

27. Diversification of the economic base is therefore a key to reaching even a modest level of economic growth over the longer term. As part of this effort, the Government is pursuing and the Bank is supporting the development of an export-oriented, light industrial capacity. Reaching this long-term objective will depend on many factors, the most fundamental of which is the efficient functioning of the existing infrastructure needed to maintain ongoing economic activity and to attract and support an expanded industrial base. Given the relatively well-developed infrastructure network in and around Dakar, i.e., the port and international airport, telecommunications and road infrastructure, together with a readily available and well-educated labor supply, the successful creation of an export-oriented industry will undeniably rely heavily on a well-managed Dakar/Cap Vert Region.

28. Today Dakar and the Cap Vert provide the cushion for a very fragile economy, accounting for 20 percent of the population and 87 percent of formal sector employment. Of 270 modern sector enterprises surveyed in 1980, over 90 percent were located in the Cap Vert, over half of which were agro-related. The tourism industry, Senegal's third largest foreign exchange earner, is anchored in Dakar, and is an important contributor to employment, creating two indirect jobs for every one in hotels. Over the short to medium-term, therefore, the Government is emphasizing the preservation of existing

assets in Dakar through rehabilitation and maintenance, while seeking ways to mobilize resources for the expansion of services which the growth of a light industrial capacity will require.

Growth Trends and Future Projections

29. High natural growth rates and an extremely mobile population are significant features of Senegal's urbanization process and, given past trends, are expected to have a profound effect on future development prospects. Internal migration is in part a response to an essentially hostile climate and shows dramatic swings in drought and off-drought years as the rural population searches for improved economic opportunities. In 1982, the urban population represented over 30 percent of the total population of 6 million. Over 60 percent of the estimated 1.9 million urban residents resided in the Dakar/Cap Vert Region, with the remainder scattered among 16 cities and concentrated in six regional centers. Urban growth rates were estimated to range from about 5 to 6 percent in Dakar to 10 percent in the two small regional cities of Kolda and Velingara located in the Upper Casamance Region. The overall urban growth rate was an estimated 3.7 percent, compared to a national growth rate of 2.6 percent.

30. According to the first phase of the Dakar/Cap Vert Structure Plan, the stimulation of an export-oriented capacity centered in the industrial zone on the southeastern shore of the Cap Vert peninsula would imply a population of 2.85 million in the Region by the end of the century (Map IBRD 17233). The total urban share of the population would climb from 30 percent in 1980 to 48 percent by the year 2001. One out of two Senegalese would be living in urban areas and one out of three would be residing in Dakar. This amounts to an additional 1.5 million new residents in Dakar/Cap Vert who must be provided basic shelter and services, most of whom would live in areas which currently have little basic infrastructure. This scenario, which has been accepted by the Government, is based on an extrapolation of existing trends. In fact, the center of population is already shifting eastward in and around Pikine/Guediawaye, a predominantly low income, poorly serviced zone about 25 km from central Dakar and adjacent to the new industrial zone. Until now, Pikine/Guediawaye has been little more than a receiving area for poor households. Given these trends, it appears inevitable that Pikine will become a second administrative/commercial/population center for the Region.

31. While steady growth is projected for the regional centers, medium-term financial constraints greatly limit investment in these regional capitals, except where the rate of return on these investments is above alternative projects. Nevertheless, preliminary figures show that an investment strategy which supports secondary center development at a faster rate than that retained by Government planners would raise total development costs by 15 percent and run the risk of not being implemented. Under these circumstances and given the preeminent role of Dakar/Cap Vert in the national economy, the first phase of Senegal's urban management strategy must focus on improving the efficiency of Dakar and the Cap Vert Region. Three aspects require immediate attention: (a) investment planning and programming; (b) housing and urban policy; and (c) maintenance of urban services.

The Management of Urban Growth: Investment Planning and Programming

32. The Ministries of Planning and Cooperation, Urban Development, and Finance are all involved in the design of urban projects, their selection for inclusion in national plans, and in decisions concerning their financing. For the most part, there has been little coordination in this process, responsibilities have been poorly defined, and relationships unclear. Many projects which directly affect Dakar/Cap Vert have not appeared in the national plan, but have been included in a regional development program which is prepared separately. This situation is a major factor in the uneven distribution and quality of services in Dakar which vary considerably from the central area (Plateau) to the city's periphery.

33. Urban projects which appeared in the revised Sixth Plan (FY81-85) did not reflect a clearly defined urban strategy nor available resources. None of them aimed to support existing productive activities in Dakar/Cap Vert which are essential to improving overall economic performance. Furthermore, the Ministry of Urban Development, which is responsible for defining urban policy, did not calculate financial or economic returns for their operations. In many cases, projects were little more than intentions, e.g., 5,000 sites and services plots per annum, while in other cases they represented programs which utilized scarce resources for high standard, high cost, and highly subsidized housing projects. Many such projects were carried forward from previous Plans for lack of financing. Many other projects which were financed were not included in either the national or regional development plans, but were the result of ad hoc negotiations between the technical ministries and the donors, or directly with the Treasury. The Government has requested IDA assistance for preparation of the urban portion of the Seventh Plan (1986-1989) in order that its development program more efficiently take into account macroeconomic objectives and financial constraints. Future urban projects for Dakar/Cap Vert must be programmed within a coherent economic framework, in accordance with guidelines defined by the Ministries of Planning and Cooperation and Finance, and must provide for maintenance requirements. This requires completion of the Transport and Structure Plans for Cap Vert, the first phases of which were financed entirely by Government. The capacity of the technical ministries involved in urban development must also be strengthened to prepare viable projects and to closely monitor their physical and financial implementation.

Housing and Urban Policy

34. The most important public entities mandated to deliver urban services are: the Office des Habitations à Loyer Modéré (OHLM), the Société Immobilière du Cap Vert (SICAP), the Société Nationale d'Exploitation des Eaux du Sénégal (SONEES), the Société des Transports en Commun du Cap Vert (SOTRAC), and the Société Sénégalaise d'Exploitation de l'Electricité (SENELEC). These enterprises share problems which are common to the parapublic sector: technical and managerial skills are in short supply, productivity is low, financial controls are inadequate, and objectives and priorities are often poorly defined.

35. OHLM. For the Government, OHLM is a major vehicle for house construction. It was created in 1960 to build middle income housing units and to install the companion secondary and tertiary infrastructure. Since that

time, it has built a total of 9,000 units, compared to an increase in the number of urban households from 80,000 to 120,000 during the same period. Since 1975, production has fallen dramatically to a total of about 1,500 units, owing primarily to the evaporation of concessional financing and to its increasingly higher standard and higher cost product. Building costs doubled between 1973-1977, while the average price per unit exclusive of land quintupled from US\$4,300 to US\$21,000. Less than 10 percent of the Dakar population qualifies for such housing. Although a 1982 OHLM project at Grand Medine represented a major breakthrough in reducing standards, it, too, excludes more than two-thirds of the Dakar population. The issue of affordable standards is fundamental to narrowing the gap between the few who are served and the majority who are not, and must be addressed for both the house designs as well as for the related infrastructure networks.

36. Organization and staffing constrain OHLM's operational efficiency. OHLM has not produced accounts since 1978, and therefore, no audit has been prepared. Financing for an audit is included in the Second Technical Assistance Project for the Parapublic Sector (Credit 1398-SE). Most projects have failed to take into account affordability considerations and, indeed, have been conceived strictly on the basis of unrealistic technical standards. In addition, project financing plans have been prepared in isolation of expected borrowings, creating a negative cash flow for each operation. A staffing review and management audit are needed to develop an appropriate strategy for improving staff development and deployment within the institution.

37. Until 1981, OHLM programs relied on Government subsidies derived mostly from a housing tax on salaried wage earners. The Fonds d'Amélioration de l'Habitat (FAH) is an earmarked treasury account created in 1976 to finance public housing. Beginning in 1981, Government reallocated FAH's monies to the newly opened Banque de l'Habitat du Sénégal (BHS), requiring OHLM to fund its own operations. Since then OHLM projects have been handicapped by limited access to funds. Financing practices are also critically deficient. Recovery of maintenance and management charges included in monthly rental payments have declined by more than half over the past several years. As a result, buildings are very poorly maintained, if at all. A first step towards improving OHLM's cash flow would be the setting of rents to recover all costs and charges and their indexation to agreed upon parameters. Efforts to complete a rehabilitation program and contrat-plan for OHLM must also be accelerated and must address the range of issues, e.g., standards, staff development, and financial practices, which impede its efficient performance.

38. Until recently, the Direction des Parcelles Assainies (DPA), which was created within OHLM in 1972 to execute the Sites and Services Project (Credit 336-SE), was the only entity servicing land. In December 1983, however, the Government modified OHLM's mandate, shifting it back towards its original objective of providing low-cost housing for the population, while proposing the creation of a separate land development agency. The Government's proposal to establish such an agency should be supported, and should be accompanied by a study of affordable design standards and feasibility analyses of pilot operations for land development including financing arrangements needed to ensure the agency's viability. Legislation should provide it with the authority to appoint its staff, negotiate borrowings, fix standards, and establish a rational pricing structure.

39. The Banque de l'Habitat du Sénégal (BHS). In 1980, the Government established the BHS with IFC assistance to provide a larger and more regular supply of housing finance, contribute to increased domestic savings, and to broaden lower and middle income home ownership. While its savings record has been promising, capital availability through FAH allocations has been erratic and below expected levels. As a consequence, BHS has scaled down its lending program. A review of BHS policies and funding sources is required. Measures to increase private savings through existing housing cooperatives and other groups should also be examined. Another problem is that BHS regulations prevent it from broadening its clientele to accommodate the non-salaried workers (primarily informal sector) who constitute approximately 45 percent of the labor force.

Dakar/Cap Vert: Maintenance of Urban Services

40. Local government has a prime role to play in the efficient operation of urban infrastructure. It is responsible for the maintenance of all secondary roads, drains, markets, public toilets, and primary schools and for all but major capital investments. However, because of an inherited tendency in francophone Africa towards centralized authority, local government has traditionally been weak and overshadowed by both ministries and parapublic agencies. As a consequence, central government has assumed, de facto, some of the maintenance functions, while leaving others to local authorities. This ad hoc approach has left responsibilities unclear, with the result that execution outside central Dakar has been entirely ignored or is on the decline. Recent municipal reform legislation, while well meaning, has little chance of improving the situation, since it calls for shifting the bulk of maintenance responsibilities to local authorities, while withholding the fiscal authority to permit them to do so effectively. A plan and timetable for training and for building up a technical capacity is also missing.

41. Because of this situation, the availability and quality of urban services varies markedly from a relatively complete and well-maintained network in the city center, to overloaded, poorly maintained, or no services at all in Pikine/Guediawaye, where over half of the population lives and where the bulk of the industrial activity is expected to develop. In this area, sanitation, solid waste disposal, and, to a lesser extent, drainage are cause for growing concern. Water supply and public lighting are inadequate, due to the city's backlog of unpaid bills to SONEES and SENELEC, which are responsible for delivery and maintenance. Garbage collection service is not available in Pikine, with the result that trash is deposited directly into the streets and drains, reducing their capacity. Steady migration and population growth have fueled the growth of already dense spontaneous settlements and have generated pedestrian and vehicular traffic levels in excess of street capacities. These conditions make the public transport system both difficult and costly to operate. The future economic role of central Pikine requires a comprehensive approach to these problems. As a first step, a structure plan should be prepared which would identify main infrastructure required to improve the efficiency and productivity of the economic activities which will be located there. In the short term, a traffic bureau should be established and priority given to improving the streets and roads used by public transport. Cost effective measures should be studied to establish maintenance priorities and to design a package of minor street and junction rehabilitation works along the main bus arteries.

42. Failure to adequately maintain the existing secondary and tertiary infrastructure networks in a period of tight public finance can have especially serious consequences for the economic life of these networks and would cut into the efficiency of existing economic activity. It has been estimated that failure to maintain Dakar's infrastructure network would result in replacement costs of upwards of US\$400 million, without any extension of existing services, which is an essential condition to improved economic performance over the longer term. For these reasons, Government should introduce measures to program the regular maintenance of Dakar's existing assets and to ensure their continued maintenance over the longer term.

43. Considerable resources would have to be mobilized to finance a rehabilitation and maintenance program. However, current annual revenues of the city of Dakar are modest at best, due in large measure to poor assessment, poor billings, and lax collection. This situation could be immediately improved by simple measures such as regularly updating the tax rolls. The failure to exploit potential revenue sources such as the property tax is another reason for low municipal tax yields, and could be remedied over the longer term in part by development and implementation of a fiscal cadaster. Furthermore, a large portion of municipal resources is assured by transfers from the Treasury (82 percent for Dakar in 1981) which are frequently delayed, making forward planning impossible and contributing to the progressive deterioration of assets off the Plateau. To begin to define suitable measures, a review of Government-municipal relations should be carried out, which would pay particular attention to the responsibilities, financial obligations, and practices in the maintenance of urban services.

44. Another potential financing instrument is the Fonds d'Equipelement des Collectivités Locales (FECL), which is a special account in the Treasury. It was created in 1977 to finance priority works for municipalities without access to commercial borrowings. It was originally financed by the proceeds of a surtax on gross business income collected by central government, and subsequently fed by a budgetary transfer from the Ministry of Finance. Neither arrangement provided a reliable source of funds, given the country's economic climate and financial constraints. Thus the FECL has had limited operations to date. However, experience elsewhere suggests that with appropriate financing arrangements, this type of fund can be a viable instrument for municipal development. The Government should explore this avenue through a suitable restructuring which would permit the FECL's replenishment and expansion of operations.

PART IV - THE PROJECT

Past IDA Assistance

45. IDA involvement in urban issues in Senegal began in 1972 with a credit to help finance the Bank's first Sites and Services Project (Credit 336-SE). The Credit was closed in 1981, and is analyzed in detail in a separate Project Completion Report dated October 31, 1983. This report concluded that, under difficult circumstances compounded by a deteriorating economic climate, the Government successfully completed an overly large and

ambitious first project. Approximately 12,000 lower-cost, lower-standard serviced plots were provided to income groups which had been traditionally excluded from conventional and costly public shelter schemes. A number of policy issues critical to the replicability of sites and services programs were not totally resolved, e.g., improved mechanisms for recovering program costs, reduction of Government subsidies, and the availability of housing finance to all income groups. In 1980, the Government requested IDA to carry out a sector review to further examine these and other urban development issues. The Government subsequently requested IDA assistance for a Technical Assistance Credit to help design an urban rehabilitation strategy. A Bank preparation mission went to the field in February 1983 and the project was appraised in July 1983. EPEVRY (Etablissement Public d'Evry Ville Nouvelle, France), a new town development corporation, assisted an ad hoc Steering Committee created by the Ministry of Planning and Cooperation in February 1983 in preparing the project (para. 54). Negotiations were held in March 1984 with a delegation headed by Mr. Cheikh Kébé, Secretary General of the Ministry of Planning and Cooperation. Terms of Reference for resident experts and short-term consultants were agreed upon during negotiations. There is no separate appraisal report.

Justification for Bank Involvement

46. The project's focus on making Dakar/Cap Vert a more efficient support of productive activities reflects the Government's rehabilitation strategy for the Seventh Plan which emphasizes (a) improved investment planning and monitoring; (b) parapublic enterprise reform; (c) resource mobilization; and (d) improved capital utilization, maintenance, and management of existing investments. Progress on meeting these objectives is essential if Senegal is to improve its economic performance. Since the tendency for donors is frequently to finance new capital investment, this project offers an important opportunity to help redirect donor lending and to provide early and concrete support to the Government's efforts.

47. Attempts were made to mobilize co-financing (FAC, CIDA, USAID, Federal Republic of Germany) but with no concrete results. Government also sought bilateral assistance, but has not been successful. The Federal Republic of Germany (GTZ), which participated in the appraisal mission, plans to finance a package of complementary works as a separate project.

Project Objectives

48. The project's long-term objective will be to support improvements to Senegal's economic performance by introducing reforms which maximize public savings and by improving the operational efficiency of public entities involved in urban management, maintenance, and shelter delivery. The proposed project represents a first step in this direction. If the approach is successful, selected secondary centers could be included in a future IDA project.

49. The proposed project's short-term objectives are:

- (a) to improve the allocation of scarce public resources in urban areas through better investment planning and programming;

- (b) to formulate a housing and urban policy based on an appropriate allocation of resources; and
- (c) to maintain the existing level of urban services through strengthening the capacity of the city of Dakar to plan and program rehabilitation and maintenance works and to mobilize resources.

Project Description

A. Urban Investment Planning and Programming

50. (a) Technical assistance will be provided to the Steering Committee for:
- (i) Project Start-up Activities. Preparation of terms of reference for studies, 1/ resident specialists and short-term consultants; and
 - (ii) Supervision. Technical monitoring over the life of the Project.
- (b) Short-term consultant services, office equipment, and 40 man-months of resident specialists would be provided to the Ministries of Planning and Cooperation, Urban Development, and Equipment to prepare the urban sector investment program of the Seventh Plan including:
- (i) Methodology Study. This study will define guidelines for appraisal and selection of urban rehabilitation projects, and for monitoring their physical and financial implementation;
 - (ii) Completion of the Structure Plan for Dakar/Cap Vert. Assistance will be provided to the Ministry of Urban Development to complete this Plan in order to program rehabilitation works for serviced land for inclusion in the Seventh Plan; and
 - (iii) Completion of the Transport Plan for the Cap Vert Region. Assistance will be provided to the Ministry of Equipment to complete this Plan in order to program investments for the Seventh Plan.

B. Housing and Urban Policy

51. This component will provide short-term consultant services, equipment, and 17 man-months of resident specialists to the Ministry of Urban Development, BHS, and OHLM for:

1/ Terms of Reference for proposed studies will be attached to a Supplemental Letter.

- (a) Housing Finance. This study will consist of:
 - (i) an affordability analysis including calculation of costs and prices of subsidized housing and a review of existing resource mobilization mechanisms and of low-cost housing finance through the social housing bank (BHS); and
 - (ii) recommendations based on the above analysis aimed at improving resource mobilization and at increasing private sector participation in the financing of low-cost housing.
- (b) Management of State-owned Properties. This study will analyze State-owned properties and related charges and revenues and formulate recommendations on ways to reduce subsidies and to improve rent collection by parapublic housing companies and by the State;
- (c) Rehabilitation of OHLM. A rehabilitation program leading to the preparation of a contrat-plan will be designed along the lines of the Second Technical Assistance Project for the Parapublic Sector (Credit 1398-SE), aimed at lower-cost, lower-standard housing operations affordable by the bottom two-thirds of the urban population;
- (d) Land Development Agency. A study will be carried out to assess the feasibility of creating an autonomous agency for servicing urban land with infrastructure for residential, commercial, and industrial use, and for community facilities, and focussing inter alia on standards affordable to the bottom two-thirds of the urban population; and
- (e) Pilot Designs. This study will recommend standards and appropriate pricing policies to develop land at different service levels affordable to the bottom two-thirds of the urban population. Based on the results of this study, two analyses will be prepared:
 - (i) a feasibility study for one or two sites for land development in Dakar/Cap Vert; and
 - (ii) the detailed design and engineering of an infrastructure rehabilitation plan for part of central Pikine, based on a structure plan for Pikine to be prepared under A (b) (ii) above.

C. Municipal Policy

52. This component will provide short-term consultant services, equipment and spare parts, and 68 man-months of resident specialists to the city of Dakar, the Ministries of Finance and Interior, and short-term consultant services, equipment and civil works, and 57 man-months of resident specialists to the Ministry of Equipment for:

- (a) Municipal Organization and Management. This sub-component will:
- (i) review and make recommendations for improving Government/Dakar relations regarding service delivery and maintenance;
 - (ii) identify and introduce actions to improve the financial management and resource mobilization capacity of the city of Dakar; and
 - (iii) analyze the mandate, operations, and financing of the Fonds d'Equipement des Collectivités Locales (FECL) as a financing instrument for municipal works.
- (b) Maintenance. This sub-component will:
- (i) make recommendations on alternative solutions for regular maintenance of street lighting, water supply from standpipes, public conveniences, etc.;
 - (ii) establish a system to plan and program maintenance and rehabilitation, and provide financing for purchase of urgently needed equipment and spare parts to repair existing equipment; and
 - (iii) introduce cost accounting and procedures for preparation of annual budgets for the Technical Department.
- (c) Establishment of a Traffic Bureau. This sub-component will:
- (i) establish a Traffic Bureau within the Directorate of Studies and Programming of the Ministry of Equipment and provide assistance for design of a priority action program for traffic management to improve circulation for pedestrians, buses, and service vehicles in and around central Pikine; and
 - (ii) provide funds for construction and monitoring of the first year of a traffic management program including footpath surfacing, paving of roads for bus access, junction improvements, and traffic signalization.
- (d) Training Program. This sub-component will consist of:
- (i) identification of technical and administrative staffing requirements and an outline of a priority training program for Dakar; and
 - (ii) training of selected staff of the city of Dakar via short-term traineeships, workshops, and seminars as agreed upon with the Association.

Project Implementation

53. The project will be executed over four years (1984-1987) (World Bank Chart 25466 which appears in Annex VIII). The Ministry of Planning and Cooperation will be responsible for coordinating project administration. A Project Director, who has been appointed by the Minister of Planning and Cooperation, will be responsible for all administrative tasks related to project implementation, e.g., preparing withdrawal requests, managing the Deposit Account (para. 63), and preparing quarterly reports. The Director of Construction, who is chairman of the committee responsible for the urban sector for the purposes of the preparation of the Seventh Plan, has been named Technical Director of the proposed project. He will be responsible for ensuring that the methodology, data base, and technical standards of the various sub-components prepared by the concerned ministries/agencies are consistent and in line with project objectives. The qualifications and experience of the Project Director and of the Technical Director have been reviewed and are acceptable to the Association. Their appointment was confirmed at negotiations (Sections 3.05 (a) (b) of the draft Development Credit and draft Special Fund Credit Agreements).

54. The Project Director and the Technical Director will provide assistance to a Steering Committee chaired by the Planning Director of the Ministry of Planning and Cooperation. This Committee which is a successor to the ad hoc Committee formed for project preparation will be composed of representatives from the Ministries of Planning and Cooperation, Urban Development, Equipment, Finance, Interior, and the Secretariat of Decentralization, SOTRAC, SONEES, SENELEC, and the city of Dakar. An official letter from the Minister of Planning and Cooperation confirming the appointment of the chairman and members of the Steering Committee will be a condition of effectiveness (Section 6.01 (b) of the draft Development Credit Agreement). The Committee will review all reports and make recommendations to the concerned ministries and agencies on actions to be taken to improve the performance of the urban sector. The Committee, through the Project Director and Technical Director, will be assisted in the detailed supervision and monitoring of all project components by EPEVRY, which will enter into an agreement with the Ministry of Planning and Cooperation for this purpose. The selection of EPEVRY was made by the Government as a pilot twinning arrangement aimed at providing expertise in all aspects of urban management. EPEVRY was selected because of its experience in (a) developing serviced land for residential, commercial, and industrial activity; (b) financing urban development with minimum Government assistance; and (c) organizing municipalities for maintenance and resource mobilization. Detailed executing arrangements were agreed upon at negotiations.

55. The Government is prepared to move rapidly on measures which would strengthen the policy and institutional framework to more efficiently manage urban growth. Accordingly, the Government agreed at negotiations to a timetable of key actions to accelerate project implementation. The most important of these actions include the following:

- (a) completion of an OHLM audit by September 30, 1984;
- (b) notification of measures to improve collection of charges from sites and services allottees by September 30, 1984;

- (c) notification of measures taken to improve collection of municipal revenues by September 30, 1984; and
- (d) Government decision on allocation of responsibility between central government and Dakar for delivery and maintenance of urban services by December 31, 1984.

The timetable of key target dates for project implementation which was agreed at negotiations appears in Annex IV.

D. Technical Assistance: Role and Responsibilities

56. To ensure development of a sound institutional/policy framework, to facilitate execution of the sub-components, and to provide on-the-job training for Senegalese staff, short-term consultant services and resident specialists will be financed. In areas where the Senegalese have experience, (e.g., completion of the Dakar Structure and Transport Plans, Housing and Urban Policy component), short-term consultant services in an advisory capacity will be used, permitting refinements to existing techniques and ensuring the reinforcement of skills acquired through other project implementation, external training, and seminars abroad. Where experience is lacking or limited, and policies and operational procedures no longer suited to Government's rehabilitation strategy, (e.g., investment programming, municipal management and maintenance, traffic management, and land development agency), the formula of resident specialists with primary technical responsibility has been retained. The use of Senegalese experts, where available, will be stressed.

57. Measures have been incorporated into the project design to assure the quality of technical assistance input and to facilitate Senegalese continuation of activities at project completion:

- (a) the Project Director and Technical Director will interview all candidates prior to final selection;
- (b) terms of reference include provision for on-the-job training and the development of short seminars and workshops where practical during the course of project execution;
- (c) counterpart staff will be identified at the outset and work programs defined with a view towards transfer of responsibility at the earliest appropriate time; and
- (d) in addition to the general advisory services which EPEVRY will furnish the Steering Committee, the contract between EPEVRY and the Government will make special provision for short-term exchanges of staff between the new town of Evry and the city of Dakar, and for seminars and workshops with a view towards developing operational arrangements for technical twinning.

E. Project Costs and Financing

58. The table in Annex V sets out the detailed cost estimates of the proposed project. Costs for resident specialists (182 man-months), consultants, and advisory services, including fees, subsistence, and travel, are based on recent experience in Senegal and have been estimated at about US\$11,000 per staff-month (which includes services, overhead, fees, travel, and other reimbursable expenses) for foreign experts and US\$1,000 for Senegalese experts. Participation of Senegalese experts accounts for about 30 percent of technical assistance costs. Physical contingencies are estimated at 10 percent of the estimated base cost. For foreign expenditures price escalation was estimated at 7.5 percent for 1984, 7 percent for 1985, and 6 percent for subsequent years. For local expenditures price escalation was estimated at an annual inflation rate of 7 percent.

59. The total financing requirements, excluding taxes and custom duties but including contingencies, are estimated at US\$6.65 million, of which about US\$5.0 million or 75 percent of the total cost would be foreign exchange. An allocation of US\$3.05 million equivalent and US\$2.95 million equivalent is proposed as IDA's and the Special Fund's respective contributions to the project. The total of US\$6.0 million will finance 90 percent of total costs, including the entire foreign exchange cost and about US\$1.0 million of local costs, the latter taking into account the country's serious financial constraints. The Government's contribution, amounting to US\$650,000 over the four-year life of the project, will finance 20 percent of the cost of Senegalese experts and the national consulting firm (SONED) and office facilities and supplies. To ensure completion of the Dakar Structure and Transport Plans, enabling their timely input into the preparation of the Seventh Plan, and to carry out a variety of start-up activities, US\$450,000 is being financed under the Bank's Project Preparation Facility (PPF). Activities under the PPF have started and the PPF advance will be refinanced by the proposed Credit.

Monitoring and Supervision

60. It is assumed that supervision will require approximately 70 staff weeks over the life of the project, and will involve specialists in land development, traffic management, housing and municipal management.

Procurement and Disbursement

61. The table in Annex VI sets out the procurement arrangements which were agreed upon at negotiations. Eight separate contracts will be awarded for project execution. The completion of the Structure Plan for the Cap Vert Region will be executed through an amendment to the existing contract to be negotiated between the Ministry of Urban Development and the joint venture Société Nouvelle des Etudes de Développement en Afrique/Bureau Central d'Etudes pour les Equipements d'Outre-Mer (SONED/BCEOM). The completion of the Transport Plan for the Cap Vert Region will be executed through an amendment to the existing contract to be negotiated between the Ministry of Equipment and the joint venture Société Nouvelle des Etudes de Développement en Afrique/Société Centrale d'Equipement du Territoire (SONED/SCET). These two contract amendments will be financed under the PPF after review and approval by the Association. A direct contract between the Ministry of

Planning and Cooperation and EPEVRY is being negotiated for advisory services. Technical assistance has been grouped in four contracts which will be procured in accordance with IDA guidelines on the use of consultants. Civil works and equipment for the traffic management program will be procured through LCB in which foreign suppliers and contractors will be eligible to participate. LCB procedures have been reviewed and are acceptable for the purposes of the project. About US\$200,000 of small items (individual purchases not to exceed US\$20,000) such as office equipment and spare parts will be purchased by local shopping, with at least three price quotations. All IDA and Special Fund-financed contracts will be subject to prior review by the Association. The Association will review all bidding documents under LCB and all quotations for local shopping prior to the award of all such contracts.

62. Proceeds from the Special Fund Credit will be used to finance expenditures for goods produced in, or services from, any of the following countries: (a) any Part II member of the Association and (b) those countries which at the time of signing the Credit Agreement have notified or advised the Administrator in writing that they intend to make an SF Contribution in a minimum amount conforming with paragraph 4 of the Special Fund Resolution, or (c) which had notified or advised the Association in writing that they intend to make a Special Contribution in such a minimum amount to the FY84 Account and had advised the Association in writing that such Special Contribution was to be treated in the same manner as an SF Contribution for purposes of any future adjustment of the voting rights of the members of the Association.

Disbursement

63. The disbursement schedule is in Annex VII. Disbursement will be on the basis of (i) 100 percent of foreign expenditures and 80 percent of local expenditures on equipment, materials, supplies, and services of specialists and consultants; (ii) 80 percent of total expenditures on civil works; and (iii) 100 percent of total expenditures for training. All expenditures will be fully documented. A condition of disbursement for preparation of the two analyses described in para. 51 (e) will be that an agreement be reached on the recommendations for standards and pricing of alternative service levels for land development (Schedule 1, para. 4 (b) of the draft Development Credit Agreement). To make Credit funds available in a timely manner and to expedite project implementation, two accounts in the name of the Ministry of Planning-Urban Management and Rehabilitation Technical Assistance Project will be established (Sections 2.02 (c) and 3.06 of the draft Development Credit Agreement). An initial advance in CFA Francs equivalent to US\$400,000 from the IDA Credit, equal to four months of expected project expenditures for technical assistance, equipment, and supplies, will be deposited in a Special Account in a commercial bank, and an advance of CFAF 15 million from the Borrower's own resources in a Deposit Account in the Treasury. The Project Director will oversee the Deposit Account. The Director of Debts and Investments in the Ministry of Finance will oversee the Special Account. Procedures for the operation of the Special Account are set forth in the draft Development Credit Agreement and will be set forth in a Supplemental Letter (Schedule 4 of the draft Development Credit Agreement). Procedures for the operation of the Deposit Account were agreed upon with the Government at negotiations. Opening of the accounts will be a condition of effectiveness (Section 6.01 (a) of the draft Development Credit Agreement).

64. The estimated disbursement period of five years, which assumes a 12 month lag between expenditure and disbursement, is shorter than average for technical assistance projects Bankwide. Disbursement profiles do, however, show that 90 percent of the total amount of technical assistance credits is disbursed within five to six years. In Senegal as well, 90 percent of the disbursement profiles for all sectors show that total project funds are disbursed within five to six years. The disbursement period for this project is based on this experience, together with the introduction of a number of measures to expedite disbursements. For example, the PPF advance has permitted the timely start-up of a number of activities critical to project implementation. The establishment of the Special Account for the IDA Credit and the Deposit Account for counterpart funds should also accelerate disbursement.

Audits and Reports

65. The Project Director will keep separate records for all expenditures attributable to the project. Project expenditures will be audited by independent auditors acceptable to the Association for purposes of the project. Their report will be submitted to the Association within six months of the close of the fiscal year. The Steering Committee, through the Project Director and Technical Director, will regularly monitor progress on studies, technical assistance, and training, and will prepare regular quarterly progress reports for review by the Association.

Project Benefits

66. The EPEVRY preparation team strongly recommended improved investment planning, policy formulation, and strengthened institutions as preconditions to the better management of the Cap Vert Region. Implementation of these recommendations is expected to pay for itself in the short term and provide additional untapped revenues to improve the efficiency of economic activities in the Cap Vert Region. Among the general types of benefits that can be expected are the following:

- (a) national and municipal budgets of an estimated US\$100 million for the four-year Plan period will be significantly shaped by the investment programming, planning, and design of projects provided for in the proposed project. Guidelines will be developed which emphasize priority for infrastructure that serves industrial development in the Region and should provide a key input into Government's industrial strategy;
- (b) preliminary studies of land development costs in the Cap Vert Region indicate that development of lower cost design standards could lead to a doubling of population covered, without increasing costs, or conversely, a reduction by half in costs. Expenditures for such works are estimated at approximately US\$7 million per year;
- (c) doubling the level of annual expenditures to US\$4 million on road maintenance for the Cap Vert Region could be expected to lead to a net present value of savings on the order of

US\$30 million at a discount rate of 10 percent over a ten-year period. Such savings would result from avoiding major reconstruction works which are inevitable in the absence of adequate maintenance. The emphasis on maintenance requirements in the formulation of the Seventh Plan, together with the resource mobilization efforts included in the project, should make such a shift feasible;

- (d) improved financial management of the city of Dakar could generate US\$1.0 million per year, within about a year, through relatively simple tightening of collection methods. Over the longer term, development of a land cadaster could at least double annual revenues from the present level of US\$2.7 million (1981-1982) through extension of the area covered and the updating of property values;
- (e) the provision of spare parts would permit operation of over two-thirds of the maintenance fleet which is presently idle; and
- (f) rates of return for traffic engineering measures implemented elsewhere in Africa in conditions similar to those found in the Cap Vert Region range from 40 percent to 60 percent.

Other benefits include possible reductions in public expenditures through encouraging the privatization of house construction, the sub-contracting of certain municipal functions, and better coordination among agencies in planning and design of investments. Targets will be developed by the Steering Committee to monitor progress.

Project Risks

67. There is one main risk: the Government's political commitment to effectively manage urban growth within existing macroeconomic financial constraints. The ad hoc Steering Committee created by the Ministry of Planning and Cooperation, which prepared the proposed project, has met regularly since February 1983, and its members report directly to ministers and other officials involved in urban management. This arrangement has worked so far and has encouraged agencies to consider the implications of uncoordinated interventions on longer term development targets. Formal establishment of a Steering Committee and its linking to the Ministry's institutional arrangements set up for aid coordination and for definition of a national rehabilitation strategy should further minimize the risk. Considering the importance of well-managed urban centers to the country's economy, this risk is worth taking.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

68. The draft Development Credit Agreement and the Special Fund Credit Agreement between the Republic of Senegal and the Association, and the recommendation of the Committee provided for in Article V, Section 1 (d) of the Articles of Agreement of the Association, are being distributed separately to the Executive Directors.

69. Special features of the draft Development Credit Agreement and draft Special Fund Credit Agreement are referred to in the text and listed in Section III of Annex III of this report. The opening of the Special Account and Deposit Account (Section 6.01 (a) of the draft Development Credit Agreement) and formal confirmation of the membership of the Steering Committee (Section 6.01 (b) of the draft Development Credit Agreement) are special conditions of effectiveness.

70. I am satisfied that the proposed Credit would comply with the Articles of Agreement of the Association and that the proposed Special Fund Credit would comply with Resolution No. IDA 82-6 of the Executive Directors of the Association establishing the Special Fund.

PART VI - RECOMMENDATION

71. I recommend that the Executive Directors approve the proposed Development Credit and Special Fund Credit.

A.W. Clausen
President

Attachments

Washington, D.C.
March 27, 1984

TABLE 3A

PAGE 1

SENEGAL	- SOCIAL INDICATORS DATA SHEET				
	SENEGAL		REFERENCE GROUPS (WEIGHTED AVERAGES) /a		
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	MIDDLE INCOME AFRICA S. OF SAHARA	MIDDLE INCOME (MOST RECENT ESTIMATE) /b MIDDLE INCOME N. AFRICA & MID EAST
AREA (THOUSAND SQ. KM)					
TOTAL	196.2	196.2	196.2	.	.
AGRICULTURAL	99.2	104.5	109.3	.	.
GNP PER CAPITA (US\$)	180.0	240.0	430.0	1147.9	1340.0
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	555.0	519.0	364.0	724.2	810.4
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	1498.0	4391.0	5862.0	.	.
URBAN POPULATION (% OF TOTAL)	23.0	30.0	33.8	28.5	47.4
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILL)			10.2	.	.
STATIONARY POPULATION (MILL)			36.4	.	.
YEAR STATIONARY POP. REACHED			2155	.	.
POPULATION DENSITY					
PER SQ. KM.	17.8	22.4	29.1	56.5	36.0
PER SQ. KM. AGRI. LAND	35.3	42.0	52.2	131.8	449.0
POPULATION AGE STRUCTURE (%)					
0-14 YRS	42.7	43.9	44.8	45.9	43.9
15-64 YRS	54.3	53.2	52.4	51.2	52.8
65 AND ABOVE	3.0	2.9	2.8	2.8	3.3
POPULATION GROWTH RATE (%)					
TOTAL	2.4	2.3	2.6	2.8	2.9
URBAN	3.0	4.9	3.7	5.3	4.6
CRUDE BIRTH RATE (PER THOUS)	47.9	46.8	47.9	47.6	42.5
CRUDE DEATH RATE (PER THOUS)	26.5	23.2	21.0	15.2	12.0
GROSS REPRODUCTION RATE	3.2	3.2	3.2	3.2	3.0
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUS)	..	..	..	.	.
USERS (% OF MARRIED WOMEN)	..	..	..	..	..
FOOD AND NUTRITION					
INDEX OF FOOD PROD. PER CAPITA (1969-71=100)	125.0	83.0	90.0	95.7	97.5
PER CAPITA SUPPLY OF					
CALORIES (% OF REQUIREMENTS)	97.0	96.0	100.0	97.1	102.3
PROTEINS (GRAMS PER DAY)	65.0	64.0	71.0	56.0	72.0
OF WHICH ANIMAL AND PULSE	20.0	20.0	19.0/c	17.2	17.8
CHILD (AGES 1-4) DEATH RATE	41.9	36.8	31.1	23.6	15.2
HEALTH					
LIFE EXPECT. AT BIRTH (YEARS)	37.2	40.3	43.9	51.9	57.2
INFANT MORT. RATE (PER THOUS)	181.7	164.4	144.6	117.6	104.2
ACCESS TO SAFE WATER (%POP)					
TOTAL	..	..	37.0/d	25.4	59.3
URBAN	..	..	68.0/d	70.5	84.9
RURAL	..	..	23.0/d	12.3	37.5
ACCESS TO EXCRETA DISPOSAL (% OF POPULATION)					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
POPULATION PER PHYSICIAN	24990.0	16700.0	13800.0/e	12181.6	3536.0
POP. PER NURSING PERSON	2840.0/g	1940.0	1400.0/e	2292.0	1820.7
POP. PER HOSPITAL BED					
TOTAL	840.0	810.0	900.0/c	1075.4	643.3
URBAN	390.0/f	450.0	560.0/c	402.3	545.0
RURAL	1810.0/h	1240.0	1280.0/c	3926.7	2462.0
ADMISSIONS PER HOSPITAL BED	..	22.2	29.2/c	..	26.4
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	..	..	..	..
URBAN	..	7.6/h	..	..	..
RURAL	..	6.0/h	..	..	..
AVERAGE NO. OF PERSONS/ROOM					
TOTAL	1.5/i	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
ACCESS TO ELECT. (% OF DWELLINGS)					
TOTAL	..	..	..	..	46.2
URBAN	..	..	..	..	77.6
RURAL	..	..	..	..	16.1

TABLE 3A

PAGE 2

SENEGAL		- SOCIAL INDICATORS DATA SHEET				
SENEGAL		REFERENCE GROUPS (WEIGHTED AVERAGES) /a				
		MOST RECENT ESTIMATE /b			(MOST RECENT ESTIMATE) /b	
		MIDDLE INCOME			MIDDLE INCOME	
		AFRICA S. OF SAHARA			N. AFRICA & MID EAST	
1960 /b		1970 /b				
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL	27.0	38.0	44.0	97.2	89.6	
MALE	36.0	47.0	53.0	103.1	104.8	
FEMALE	17.0	30.0	35.0	88.5	72.4	
SECONDARY: TOTAL	3.0	9.0	10.0	17.2	41.7	
MALE	4.0	13.0	14.0	23.5	52.8	
FEMALE	2.0	5.0	7.0	14.2	31.2	
VOCATIONAL (% OF SECONDARY)	23.1	9.2	8.8	5.2	10.3	
PUPIL-TEACHER RATIO						
PRIMARY	43.0/f	45.0	43.0	42.9	31.9	
SECONDARY	34.0	34.0	21.0/c	23.7	23.3	
ADULT LITERACY RATE (%)	5.6/j	10.0	10.0/c	37.1	43.3	
CONSUMPTION						
PASSENGER CARS/THOUSAND POP	5.7	8.7	9.2/k	18.8	18.0	
RADIO RECEIVERS/THOUSAND POP	35.7	61.0	52.6	97.8	138.1	
TV RECEIVERS/THOUSAND POP	..	0.3	0.7/d	18.6	45.6	
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	5.7	4.6	4.5	18.2	31.0	
CINEMA ANNUAL ATTENDANCE/CAPITA	..	..	0.7	0.6	1.7	
LABOR FORCE						
TOTAL LABOR FORCE (THOUS)	1598.0	1931.0	2468.0	.	.	
FEMALE (PERCENT)	40.8	40.2	39.8	36.1	10.7	
AGRICULTURE (PERCENT)	84.0	80.9	76.9	56.8	42.5	
INDUSTRY (PERCENT)	5.0	7.0	10.0	17.5	27.8	
PARTICIPATION RATE (PERCENT)						
TOTAL	45.7	44.0	43.3	37.0	25.6	
MALE	54.4	53.1	52.6	47.1	45.4	
FEMALE	37.1	35.0	34.1	27.0	5.6	
ECONOMIC DEPENDENCY RATIO	1.0	1.1	1.1	1.3	1.8	
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5% OF HOUSEHOLDS	36.8/l	..	..	..	..
HIGHEST 20% OF HOUSEHOLDS	62.5/l	..	..	..	..
LOWEST 20% OF HOUSEHOLDS	3.2/l	..	..	..	..
LOWEST 40% OF HOUSEHOLDS	9.4/l	..	..	..	..
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN	..	..	..	534.2	276.1	
RURAL	..	..	82.0/e	255.9	177.1	
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN	..	..	194.0/e	491.5	400.0	
RURAL	..	..	..	188.1	283.3	
ESTIMATED POP. BELOW ABSOLUTE POVERTY INCOME LEVEL (%)						
URBAN	..	..	..	..	22.0	
RURAL	..	..	..	..	30.8	

.. NOT AVAILABLE
 . NOT APPLICABLE

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, "Data for 1960" refer to any year between 1959 and 1961; "Data for 1970" between 1969 and 1971; and data for "Most Recent Estimate" between 1979 and 1981.

/c 1977; /d 1976; /e 1978; /f 1962; /g 1963; /h 1973; /i 1955; /j African population only; /k 1974; /l Population.

May 1983

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "High Income" or "Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

AREA (thousand sq.km.)

Total - Total surface area comprising land area and inland waters; 1960, 1970 and 1980 data.

Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1960, 1970 and 1980 data.

GNP PER CAPITA (US\$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1979-81 basis); 1960, 1970, and 1981 data.

ENERGY CONSUMPTION PER CAPITA - Annual apparent consumption of commercial primary energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1980 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1981 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1981 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size will be reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970, and 1980 data.

Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1980 data.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1981 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-81.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-81.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1981 data.

Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1981 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1981.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1981 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution.

Requirements used are based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970 and 1980 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above.

Requirements for all countries established by USDA provide for minimum allowances of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1980 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

Child (ages 1-4) Death Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1981 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1981 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births; 1960, 1970 and 1981 data.

Access of Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO principal/general hospitals, and rural hospitals, local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted Enrollment Ratios

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1981 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1981 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1981 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1981 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not attainable.

Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

SENEGAL-ECONOMIC INDICATORS

Population: 5863 (mid-1981, thous)
GNP per capita: 430 US\$(1981)

	Amount (mill,US\$ at current prices) 1980	Annual growth rates(%) at constant price									
		1977	1978	1979	1980	1981	1982	1983	1984	1985	1990
NATIONAL ACCOUNTS											
Gross Domestic Product	3042	-1,3	-3,9	10,1	-1,5	-2,4	9,8	3,0	2,7	2,6	2,6
AGRICULTURE	568	-6,9	-23,6	27,1	-18,3	-5,6	24,3	2,5	2,4	2,4	2,4
INDUSTRY	796	5,1	-9,0	11,1	-15,8	4,7	8,8	4,1	3,9	3,8	3,8
OTHER	1678	-3,7	9,3	3,3	13,0	-3,7	5,3	2,7	2,2	2,2	2,2
CONSUMPTION	3000	1,1	2,6	8,7	-1,4	-0,7	0,7	0,1	4,0	2,6	2,8
GROSS INVESTMENT	522	3,2	-5,9	9,8	-16,1	14,5	6,0	5,6	3,2	2,6	1,4
EXPORTS OF GNFS	785	6,8	-31,8	25,0	-27,2	-9,9	41,2	6,2	-1,2	3,1	3,3
IMPORTS OF GNFS	1265	15,6	-15,9	16,8	-25,0	4,0	4,5	-0,1	2,9	3,0	3,0
GROSS NATIONAL SAVINGS	-31	-	-76,6	-5,3	-	132,4	-	-7,9			
PRICES											
GDP DEFLATOR (1979=100)		88	94	100	112	123	134	147	163	180	268
EXCHANGE RATE (US\$1=)		246	226	213	211	272	329	365			
Share of GDP at market prices(%) (at current prices)											
		1970	1975	1980	1985	1990	Average Annual Increase (%) (at constant prices)				
							1970-75	1975-80	1980-85	1985-90	
GROSS DOMESTIC PRODUCT		100,0	100,0	100,0	100,0	100,0	2,4	2,0	3,6	2,6	
AGRICULTURE		24,1	30,2	18,7	19,2	18,7	2,2	-3,3	5,8	2,4	
INDUSTRY		21,5	24,0	26,2	25,1	26,9	3,2	-0,2	5,1	3,8	
OTHER		54,4	45,8	55,1	55,7	54,4	2,1	5,2	2,2	2,2	
CONSUMPTION		88,9	87,7	98,6	92,7	93,7	1,7	4,7	1,4	2,8	
GROSS INVESTMENT		15,7	17,8	17,2	21,0	19,0	3,9	-1,1	5,8	1,4	
EXPORTS OF GNFS		27,4	36,4	25,8	30,5	31,5	1,2	-3,8	8,4	3,3	
IMPORTS OF GNFS		32,0	41,9	41,6	42,0	41,9	1,8	0,9	2,6	3,0	
PUBLIC FINANCE											
		FY78	FY79	FY80	FY81	FY82	FY83				
CURRENT REVENUE		97,1	122,6	132,9	125,5	151,9	175,5				
CURRENT EXPENDITURE		94,1	108,5	144,9	151,3	165,5	189,9				
CURRENT BALANCE		3,0	14,1	-12,0	-25,8	-13,6	-14,4				
CAPITAL EXPENDITURE ^a		9,5	12,0	13,2	21,3	4,3	16,3				
SURPLUS OR DEFICIT()		-6,5	2,1	-25,2	-47,1	-17,9	-30,7				

a. Central government only, excludes parastatals.

b. Including 8,8 bill. CFAF for settlement of the Fifth Plan operations.

SENEGAL - EXTERNAL TRADE

Sept. 28, 1983

Population: 5863 (mid-1981, thous)
GNP per capita: 430 US\$ (1981)

INDICATOR	Amount (mill US\$ at current prices) 1980	Annual growth rates (%) at constant prices									
		1977	1978	1979	1980	1981	1982	1983	1984	1985	1990
EXTERNAL TRADE											
MERCHANDISE EXPORTS	491	6.0	-47.1	37.2	-31.9	-12.8	50.2	15.1	-2.8	3.0	3.1
PRIMARY	329	0.5	-52.0	46.6	-31.9	-18.1	74.7	15.4	-3.4	3.1	3.2
PETROLEUM	87	87.5	41.8	-42.5	-25.3	17.0	-13.0	32.5	3.0	3.0	3.0
OTHERS	75	19.5	-81.0	309.3	-36.2	-11.3	11.2	-0.7	2.7	2.7	2.7
MERCHANDISE IMPORTS	999	13.6	-13.2	15.4	-25.7	-1.4	4.7	0.2	2.8	2.9	2.9
FOOD AND BEVERAGES	210	7.6	5.8	13.3	-30.5	10.2	2.6	27.0	0.0	0.1	0.1
PETROLEUM	275	12.8	13.7	-12.0	16.1	-10.0	3.6	-8.5	4.2	4.0	4.0
MACHINERY AND EQUIPMENT	157	18.4	-2.1	3.8	-40.0	-0.3	6.8	-3.5	4.0	3.5	4.0
OTHERS	357	14.5	-32.6	37.4	-28.9	-2.9	5.4	-7.8	3.5	4.0	3.7
PRICES											
EXPORT PRICE INDEX (1979=100)		91.8	95.3	100.0	114.3	148.5	134.7	137.6	157.7	182.6	270.6
IMPORT PRICE INDEX (1979=100)		89.2	90.9	100.0	129.0	154.0	166.9	179.8	194.9	214.3	310.6
TERMS OF TRADE INDEX		102.9	104.8	100.0	88.6	96.4	80.7	76.5	80.9	85.2	87.1

	COMPOSITION OF MERCHANDISE TRADE (%) (at current price)				AVERAGE ANNUAL INCREASE (%) (at constant prices)		
	1975	1980	1985	1990	1975-80	1980-85	1985-90
MERCHANDISE EXPORTS	100.0	100.0	100.0	100.0	-0.1	11.3	3.1
PRIMARY	70.5	67.0	75.7	76.7	0.1	12.8	3.2
PETROLEUM	7.0	17.7	10.6	10.9	6.8	7.4	3.0
OTHERS	22.5	15.3	13.7	12.4	-1.2	1.5	2.7
MERCHANDISE IMPORTS	100.0	100.0	100.0	100.0	2.2	1.9	2.9
FOOD AND BEVERAGES	23.2	21.0	23.7	21.4	2.3	8.5	0.1
PETROLEUM	12.0	27.6	22.8	25.5	7.1	-1.5	4.0
MACHINERY AND EQUIPMENT	18.4	15.7	17.1	16.9	-3.9	1.9	4.0
OTHERS	46.4	35.7	36.4	36.2	-3.0	0.1	3.7

DIRECTION OF TRADE a	SHARE OF TRADE WITH INDUSTRIAL COUNTRIES (%)			SHARE OF TRADE WITH DEVELOPING COUNTRIES (%)			SHARE OF TRADE WITH OIL EXPORTING DEVELOPING COUNTRIES (%)		
	1975	1980	1981	1975	1980	1981	1975	1980	1981
EXPORTS	66.4	50.4	47.5	20.0	35.6	36.3			
IMPORTS	67.1	60.6	68.4	11.5	18.8	15.8	4.1	18.1	12.9

a. Exports, f.o.b. and Imports, c.i.f. (source: IMF, SM/83/199)

Sept.29, 1983

SENEGAL - BALANCE OF PAYMENTS ,EXTERNAL CAPITAL AND DEBT

(millions US\$ at current prices)

Indicator	Actual						Projected			
	1977	1978	1979	1980	1981	1982e	1983	1984	1985	1990
BALANCE OF PAYMENTS										
Exports of goods & NFS	852	665	944	785	671	764	760	769	903	1561
of which:Merchandise(f.o.b)	667	402	627	491	433	488	517	519	619	1070
Imports of goods & NFS	1024	965	1339	1265	1190	1114	1086	1093	1239	2095
of which:Merchandise(f.o.b)	773	744	1035	999	914	857	833	833	942	1578
Net factor income	-55	-75	-96	-111	-103	-93	-131	-142	-150	-185
Net transfers	28	28	33	38	31	30	30	33	36	50
Current Account Balance	-199	-347	-458	-553	-591	-413	-427	-433	-450	-669
Private direct investment	36	43	71	86	70	55	47	52	56	76
Official Grant Aid	79	93	72	124	122	100	104	113	124	169
Net MLT Loans(DRS)	64	155	145	124	176	104	182	216	204	254
Disbursement	100	224	224	245	228	197	275	322	317	419
Repayments	36	69	78	121	52	93	93	106	114	166
Other capital a	11	-28	90	92	58	39	-32	-76	-72	-47
Decrease in reserves	9	84	80	117	165	115	126	128	138	217
Net foreign assets(incl.IMF)	-55	171	-298	-413	-490	-526				
a Includes errors and omissions										
EXTERNAL CAPITAL AND DEBT										
GROSS DISBURSMENTS										
OFFICIAL GRANTS	79.4	92.6	72.4	133.5	122.2	100.3	103.6	113.4	124.2	169.4
CONCESSIONAL LOANS	37.6	54.7	63.8	65.4	157.7	129.1	186.8	219.8	212.7	273.4
DAC	15.4	12.8	18.5	12.5	33.8	40.8	43.2	51.4	60.3	80.2
OPEC	2.2	0.0	6.7	0.8	55.6	25.1	69.1	92.2	71.2	82.9
IDA	7.7	9.7	16.2	12.1	47.5	21.0	27.6	30.5	34.3	43.6
OTHER	12.3	32.2	22.4	40.0	20.8	42.2	46.9	45.7	46.9	66.7
NON-CONCESSIONAL LOANS	62.2	169.4	159.9	179.7	70.0	68.2	88.3	102.0	104.7	145.9
OFFICIAL EXPORT CREDITS	6.9	26.7	40.5	70.6	30.1	26.0	11.0	36.1	33.6	44.8
IBRD	12.9	6.6	11.0	18.0	21.9	4.8	27.8	9.9	10.3	18.1
OTHER MULTILATERAL	0.2	6.6	1.8	13.6	10.4	9.8	28.3	25.0	25.6	38.5
PRIVATE	42.2	129.5	106.6	77.5	7.6	27.6	21.2	31.0	35.2	44.5
EXTERNAL DEBT	824.8	1177.6	1325.1	1634.2	1925.1	2182.7	2384.9	2525.9	2737.4	4044.8
DEBT OUTST. & DISBURSED	424.6	609.3	792.1	926.2	1102.0	1206.2	1388.4	1604.3	1808.0	2790.1
OFFICIAL	241.7	345.4	459.3	608.6	817.6	956.9	1165.7	1396.6	1605.1	2593.4
PRIVATE	182.9	263.9	332.8	317.6	284.4	249.3	222.7	207.7	202.9	196.7
UNDISBURSED DEBT	400.2	568.3	533.0	708.0	823.1	976.5	996.5	921.6	929.4	1254.7
DEBT SERVICE										
TOTAL SERVICE PAYMENTS 1/	56.5	99.5	122.5	177.0	92.2	136.3	153.9	185.8	199.0	274.6
INTEREST	20.8	30.5	44.1	56.2	40.3	43.1	61.0	79.8	85.5	108.8
PAYMENT AS % OF EXPORTS	6.6	15.0	13.0	22.5	13.7	17.8	20.3	24.2	22.0	17.6
AVERAGE INTEREST RATE ON NEW LOANS										
AVERAGE MATURITY OF NEW LOANS(YEARS)	11.2	12.8	20.5	21.4	19.6	22.0	24.0	21.3	20.2	16.3
AVERAGE GRACE PERIOD(YEARS)			5.7	6.2	5.3	6.0	6.3	6.0	5.6	4.8
AVERAGE GRANT ELEMENT(%)							32.8	28.1	23.9	21.0

1. Excluding IMF repurchases

STATUS OF WORLD BANK OPERATIONS IN SENEGAL

A. Statement of Bank Loans and IDA Credits (as of September 30, 1983)*

Loan/Credit Number	Year	Borrower	Purpose	Amount, (less cancellations) 2/ (US\$ Million)		
				Bank	IDA 3/	Undisbursed 4/
Ten Loans ^{1/} and seventeen Credits fully disbursed				50.78	108.7	
530-SE	1975	Senegal	Education II		15.0	2.20
633-SE	1976	Senegal	Eastern Senegal Livestock		4.2	0.14
1405-T-SE	1977	Senegal	Dakar Fishing Port	6.0		0.54
1412-T-SE	1977	Senegal	Petite Côte Tourism	8.0		2.35
1413-SE	1977	Senegal	Petite Côte Tourism	5.6		1.63
775-SE	1978	Senegal	Debi-Lampsar Irrigation		20.0	3.33
1518-SE	1978	RCFS	Railways III		11.0	1.22
1665-SE	1979	Senegal	Second Airport	7.0		2.18
S-23-SE	1979	Senegal	Water Supply Eng. & T.A.		2.5	0.79
908-SE	1979	Senegal	Education III		22.0	11.33
991-SE	1980	Senegal	Small Rural Operations		11.0	7.87
993-SE	1980	Senegal	Fourth Highway		28.0	8.40
1810-SE	1980	Senegal	Fourth Highway	10.0		10.00
S-26-SE	1980	Senegal	Power Eng. and T.A.		3.3	1.88
1061-SE	1980	Senegal	T.A. for Planning		5.3	2.73
1931-SE	1981	Senegal	Structural Adjustment	13.8		0.11
1973-SE	1981	SOFISEDIT	Investment Promotion	6.5		5.40
1136-SE	1981	Senegal	Investment Promotion		2.5	1.60
2025-SE	1981	SEFICS	Rail Transport	19.3		18.41
1103-SE	1981	Senegal	Forestry		9.3	7.27
1176-SE	1982	Senegal	Agric. Research		19.5	17.06
1310-SE	1983	Senegal	Rural Health		15.0	13.88
1323-SE	1983	Senegal	Petroleum Exploration		9.5	8.37
1360-SE	1983	Senegal	Phos. Ind. Dev. Eng. ^{5/}		7.7	7.50
1398-SE	1983	Senegal	Second T.A./Parapublic		11.0	10.40
1406-SE	1983	Senegal	E.S. Rural Dev. ^{5/}		16.1	15.75
Total				137.98	310.60	162.34
of which has been repaid				15.67	2.56	
Total now outstanding				122.31	308.04	
Amount sold				3.43	0.10	
of which has been repaid				3.24	0.03	
Total now held by Bank and IDA ^{4/}				122.12	307.97	
Total undisbursed				41.84	120.50	162.34

^{1/} A loan of US\$3.5 million for agricultural credit (584-SE) made in 1969 was cancelled on March 25, 1971.

^{2/} Prior to exchange adjustments.

^{3/} Computed at the rate of the approval date.

^{4/} Computed at the September 30, 1983, rate of SDR = 1.05684 US\$.

^{5/} Not yet effective.

* The status of the projects listed in Part A is described in a separate report on all Bank/IDA financial projects in execution, which is updated twice yearly and circulated to the Executive Directors on April 30 and October 31.

B. Statement of IFC Investments (as of September 30, 1983)

<u>Fiscal</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount (US\$ Million)</u>		<u>Total</u>
			<u>Loan</u>	<u>Investment</u>	
1967	Société Industrielle d'Engrais du Sénégal BUD Sénégal S. A.	Fertilizer Plant	2.45	1.01	3.46
1972)		Vegetable Export	-	0.84	0.84
1973)			-	0.84	0.84
1976)	-		0.84	0.84	
1974	SOFISEDIT	Development Finance Company	-	0.24	0.24
1980	Banque de l'Habitat du Sénégal, S.A.	Money and Capital Market	-	0.47	0.47
1980	Société Hôtelière du Barachois, S.A.	Tourism	3.00	-	3.00
1982	Industries Chimiques du Sénégal	Fertilizer	<u>25.00</u>		<u>25.00</u>
	Total Gross Commitments		30.45	2.56	33.01
	Less Cancellations, Terminations, Repayments, Sales and Losses		<u>2.45</u>	<u>1.89</u>	<u>4.34</u>
	Total Commitments now held by IFC		<u>28.00</u>	<u>0.67</u>	<u>28.67</u>
	Undisbursed Balance		<u>24.00</u>	<u>0.00</u>	<u>24.00</u>

ANNEX III

SENEGAL

URBAN MANAGEMENT AND REHABILITATION TECHNICAL ASSISTANCE PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

Section I: Timetable of Key Events

- (a) Time taken to prepare the project: 6 months.
- (b) Project prepared by: Ministry of Planning assisted by
Consultants EPEVRY (France),
financed by a PPF advance.
- (c) Date of first IDA mission
to consider the project: February 1983
- (d) Date of departure of
Appraisal Mission: July 1983
- (e) Date of completion of negotiations: March 1984
- (f) Planned date of effectiveness: July 1984

Section II: Special IDA Actions: IDA financing for the Project would
be divided between IDA and the
Special Fund administered by IDA.

Section III: Special Conditions

Conditions of Effectiveness: Naming of members of Steering Committee
(para. 54), establishment of the Special
Account and Deposit Account (para. 63).

Conditions of Disbursement: Agreement on technical standards prior to
start-up of two detailed land development
studies (para. 51 (e)).

SENEGAL

URBAN MANAGEMENT AND REHABILITATION TECHNICAL ASSISTANCE PROJECT

TIMETABLE OF KEY TARGET DATES FOR PROJECT IMPLEMENTATION

<u>Actions</u>	<u>Completion Date</u>
A. <u>Actions unrelated to the studies to be undertaken under the Project:</u>	
(1) OHLM: - audit	September 30, 1984
- notification to the Association of measures taken or to be taken to improve recovery of monthly plot charges and installments on housing construction loans from sites and services allottees	September 30, 1984
(2) Dakar: notification to the Association of measures taken or to be taken to improve collection of municipal revenues	September 30, 1984
B. <u>Actions to be undertaken in the framework of the Project:</u>	
(1) Establishment of Traffic Bureau (Part C (3) of the Project)	September 30, 1984
(2) Government decision on allocation of responsibility between Government and Dakar for delivery and maintenance of Dakar infrastructure networks (Part C (1) of the Project)	December 31, 1984
(3) Government decision on transport plan (Part A (2) (iii) of the Project)	December 31, 1984
(4) Study of possible amendment of BHS statutes to permit loans to non-salaried workers (Part B (1) of the Project)	December 31, 1984
(5) Government decision on detailed urban development plan (Part A (2) (ii) of the Project)	March 31, 1985
(6) Formulation of the recommendations referred to in Part B (2) of the Project	June 30, 1985
(7) Government proposal to the Association on FECL (Part C (1) (iv) of the Project)	June 30, 1985
(8) Creation of land development agency (if feasibility study is favorable) (Part B (4) of the Project)	March 31, 1986

Detailed Cost Estimates

(as of March, 1984)

Components	CFAF million			US\$ '000			Zof foreign exchange
	Local	Foreign	Total	Local	Foreign	Total	
A. Urban investment planning and programming							
a. Advisory Services and Training	28.6	145.0	173.7	73	370	443	
b. Methodological Study and Technical Assistance	42.7	170.5	213.2	109	435	544	
c. Completion of the Master Plan for the Cap Vert Region	50.2	46.3	96.4	128	118	246	
d. Completion of the Transport Plan for the Cap Vert Region	15.7	23.5	39.2	40	60	100	
Subtotal A	137.2	385.3	522.5	350	983	1333	74
B. Housing and Urban Policy							
a. Housing Finance	29.8	77.6	107.4	76	198	274	
b. Management of Government-owned housing	7.1	18.0	25.1	18	46	64	
c. Rehabilitation of OHLM	9.8	25.5	35.3	25	65	90	
d. Land Development Agency	24.3	79.6	103.9	62	203	265	
e. Pilot Projects	66.2	165.0	231.3	169	421	590	
Subtotal B	137.2	365.7	502.9	350	933	1283	73
C. Municipal Policy							
a. Municipal Finance and Technical Assistance	80.8	201.1	281.8	206	513	719	
b. Maintenance and Spare Parts	11.8	145.0	156.8	30	370	400	
c. Establishment of a Traffic Bureau	53.7	226.2	279.9	137	577	714	
d. First Year Traffic Management Program (Civil Works)	78.0	221.9	299.9	199	566	765	
e. Training	4.3	11.4	15.7	11	29	40	
Subtotal C	228.5	805.6	1034.1	583	2055	2638	78
Total Base Costs	502.9	1556.6	2059.6	1283	3971	5254	76
Physical Contingencies (10% of base costs)	50.3	155.7	206.0	128	397	525	
Price Contingencies	83.0	256.8	339.8	212	659	871	
GRAND TOTAL	636.2	1969.1	2605.4	1623	5027	6650	

Numbers may not add up exactly due to rounding.

Mission Estimates
March, 1984

SENEGAL

URBAN MANAGEMENT AND REHABILITATION TECHNICAL ASSISTANCE PROJECT

AMOUNTS AND METHODS OF PROCUREMENT
(US\$ thousands)

<u>Project Element</u>	<u>Procurement Method</u>			<u>Quota- tion</u>	<u>Total Value of Contracts</u>
	<u>Short- list a/</u>	<u>LCB</u>	<u>Other</u>		
<u>A. Regular IDA Funds</u>					
Housing and Urban Policy	1,620 (1,550)	- -	- -	- -	1,620 (1,550)
Municipal Policy	1,210 (1,050)	- -	- -	60 (50)	1,270 (1,100)
Completion of the Master Plan	- -	- -	320 b/ (300)	- -	320 (300)
Completion of the Transport Plan	- -	- -	120 b/ (100)	- -	120 (100)
<u>Subtotal A</u>	2,830 (2,600)	- -	440 (400)	60 (50)	3,330 (3,050)
<u>B. Special IDA Fund</u>					
Invest. Planning & Programming	680 (650)	- -	- -	- -	680 (650)
Advisory Services and Training	- -	- -	440 (400)	125 (100)	565 (500)
Spare Parts and Equipment for the City of Dakar	- -	- -	- -	190 (170)	190 (170)
Traffic Bureau	900 (840)	- -	- -	- -	900 (840)
Traffic Management Program	- -	985 (790)	- -	- -	985 (790)
<u>Subtotal B</u>	1,580 (1,490)	985 (790)	440 (400)	315 (270)	3,320 (2,950)
<u>TOTAL CONTRACT VALUES</u>	4,410 (4,090)	985 (790)	880 (800)	375 (320)	6,650 (6,000)

Note: Figures in parentheses are the respective amounts financed by IDA.

a/ International advertisement.
b/ Continuation of existing contracts.

ANNEX VII

SENEGAL

URBAN MANAGEMENT AND REHABILITATION TECHNICAL ASSISTANCE PROJECT

ESTIMATED DISBURSEMENT SCHEDULE a/

<u>Quarter Ending</u>	<u>Disbursements Each Quarter (US\$ Million)</u>	<u>Cumulative Disbursements (US\$ Million)</u>	<u>% Cumulative Disbursements</u>
<u>FY 85</u>			
First Quarter	0.45 <u>b/</u>	0.45	8
Second	0.20	0.65	11
Third	0.25	0.90	15
Fourth	0.30	1.20	20
<u>FY 86</u>			
First Quarter	0.35	1.55	26
Second	0.38	1.93	32
Third	0.40	2.33	39
Fourth	0.37	2.70	45
<u>FY 87</u>			
First Quarter	0.40	3.10	52
Second	0.40	3.50	58
Third	0.35	3.85	64
Fourth	0.35	4.20	70
<u>FY 88</u>			
First Quarter	0.30	4.50	75
Second	0.30	4.80	80
Third	0.30	5.10	85
Fourth	0.30	5.40	90
<u>FY 89</u>			
First Quarter	0.30	5.70	95
Second	0.30	6.00	100

a/ Assuming 12 month lag between expenditure and disbursement.

b/ Refinancing of PPF (US\$450,000).

Source: Mission Forecasts

12/31/83

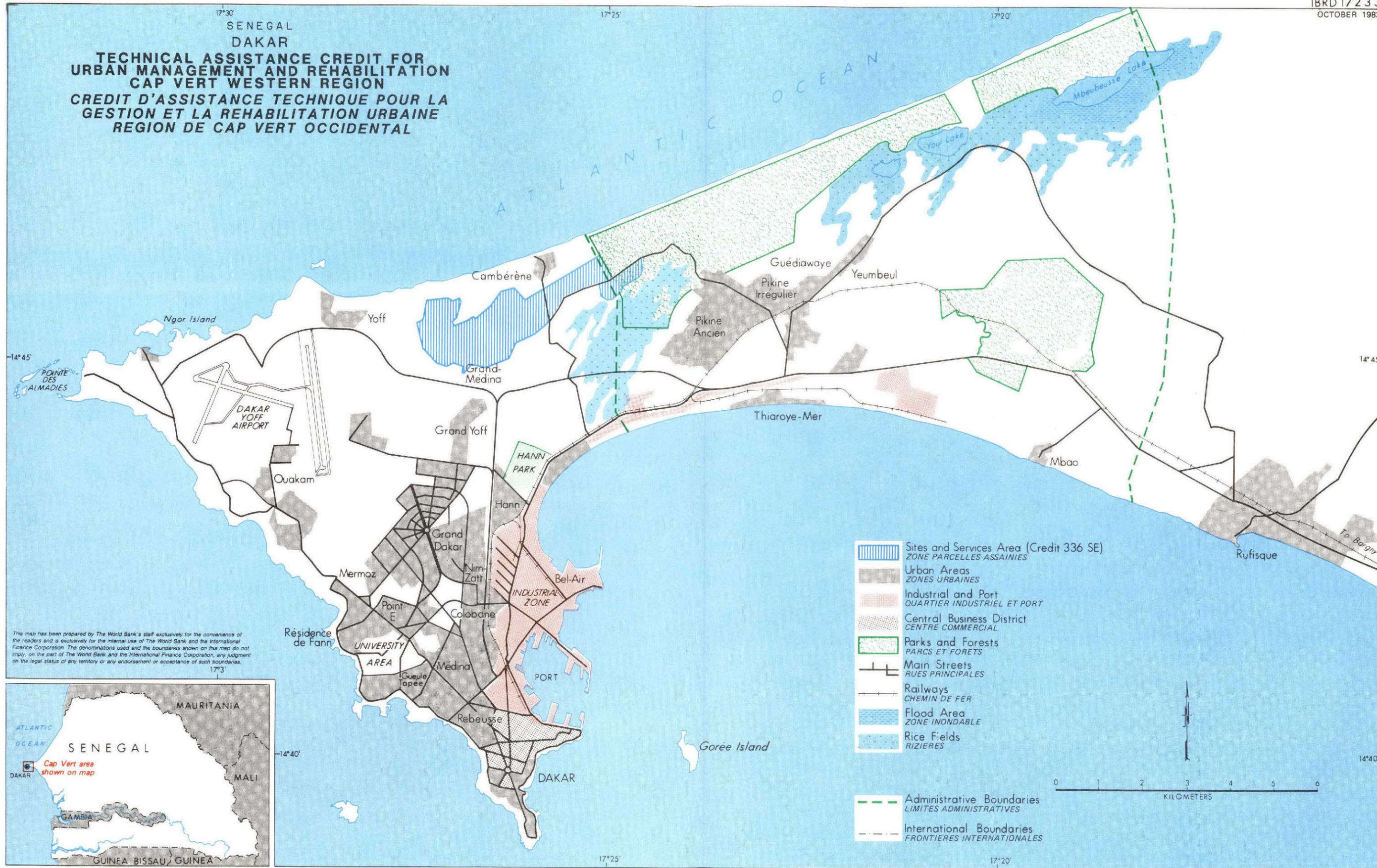
SENEGAL/SENEGAL
TECHNICAL ASSISTANCE CREDIT FOR URBAN MANAGEMENT AND REHABILITATION/
CREDIT D'ASSISTANCE TECHNIQUE POUR LA GESTION ET LA REHABILITATION URBAINE
IMPLEMENTATION SCHEDULE/CALENDRIER D'EXECUTION

COMPONENTS/COMPOSANTES	1984 QUARTER/TRIMESTRE				1985 QUARTER/TRIMESTRE				1986 QUARTER/TRIMESTRE				1987 QUARTER/TRIMESTRE			
	1	2	3	4	1	2	3	4	1	2	3	4		2	3	4
	<p>A. URBAN INVESTMENT PLANNING & PROGRAMMING/ PROGRAMMATION DES INVESTISSEMENTS</p> <p>1. ADVISORY SERVICES/CONSEIL</p> <p>2. METHODOLOGICAL STUDY/ETUDE METHODOLOGIQUE</p> <p>3. TECHNICAL ASSISTANCE/ASSISTANCE TECHNIQUE</p> <p>4. COMPLETION OF THE MASTER PLAN FOR THE CAP VERT REGION/ACHEVEMENT DU PLAN DIRECTEUR DU CAP VERT</p> <p>5. COMPLETION OF THE TRANSPORT PLAN FOR THE CAP VERT REGION/ACHEVEMENT DU PLAN DE TRANSPORT DU CAP VERT</p> <p>B. HOUSING & URBAN POLICY/POLITIQUE DU LOGEMENT</p> <p>1. HOUSING FINANCE/FINANCEMENT DU LOGEMENT</p> <p>2. MANAGEMENT OF GOVERNMENT-OWNED HOUSING/ GESTION DU PARC ADMINISTRATIF</p> <p>3. REHABILITATION OF OHLM/REDRESSEMENT DE L'OHLM</p> <p>4. LAND DEVELOPMENT AGENCY/SOCIETE DE DEVELOPPEMENT ET D'EQUIPEMENT URBAIN (SDEU)</p> <p>5. PILOT PROJECTS/OPERATIONS PILOTES</p> <p>C. MUNICIPAL POLICY/POLITIQUE MUNICIPALE</p> <p>1. MUNICIPAL ORGANIZATION/ORGANISATION MUNICIPALE</p> <p>2. TECHNICAL ASSISTANCE/ASSISTANCE TECHNIQUE</p> <p>3. MAINTENANCE/ENTRETIEN</p> <p>4. ESTABLISHMENT OF A TRAFFIC BUREAU/ CREATION D'UN BUREAU DE CIRCULATION</p> <p>5. FIRST YEAR TRAFFIC MANAGEMENT PROGRAM/ PROGRAMME D'AMELIORATION DE LA CIRCULATION</p> <p>6. TRAINING/FORMATION</p>															

Legend:  Broken Lines Under Advisory Services

World Bank—25466

SENEGAL
DAKAR
**TECHNICAL ASSISTANCE CREDIT FOR
URBAN MANAGEMENT AND REHABILITATION
CAP VERT WESTERN REGION**
**CREDIT D'ASSISTANCE TECHNIQUE POUR LA
GESTION ET LA REHABILITATION URBAINE
REGION DE CAP VERT OCCIDENTAL**



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SENEGAL

SITES AND SERVICES PROJECT

PROJECT COMPLETION REPORT

(Credit 336 SE)

June 30, 1982

Western Africa Region
Urban Projects

SENEGAL

SITES AND SERVICES PROJECT (CREDIT 336 SE)

PROJECT COMPLETION REPORT

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This report was prepared by Ms. Carolyn Tager with assistance from Messrs. Claude Delapierre, Claude Hovnanian (consultant) and Claude Laviolle (consultant).

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ANNEX

1. Government PCR

CHARTS

- World Bank 29315: Schedule of Disbursements
- World Bank 29328: Implementation Schedule at Appraisal
- World Bank 29329: Actual Implementation Schedule

MAPS

- IBRD 16448 (PCR)
- IBRD 16449 (PCR)

PHOTOGRAPHS

SENEGAL
SITES AND SERVICES PROJECT

(Credit 336-SE)

Project Completion Report Basic Data Sheet

KEY PROJECT DATA

Item	Appraisal Expectation	Actual or Current Estimate
Total Project Cost (US\$ million)	12.9	14.2 <u>a/</u>
Underrun or Overrun (%)		10% <u>b/</u>
Loan/Credit Amount (US\$ million)	8.0	8.0
Disbursed	-	7.55
Cancelled	-	.45 <u>c/</u>
Repaid to IBRD (US\$ million)	-	- <u>d/</u>
Economic Rate of Return (%)	18	19

a/ As of 06/30/82. Converted at average rate of US\$1 = CFAF 232.1.

b/ The project was scaled down from 400 ha to 300 ha in Dakar and from 60 ha to 40 ha in Thiès. The original number of community facilities was reduced in Dakar and all community facilities were eliminated in Thiès. The upgrading component was also eliminated. There is over a 100% increase in per ha costs of the reduced project .

c/ As of 06/30/82.

d/ Repayment begins 10/82.

OTHER PROJECT DATA

Item	Original Plan	Revisions	Actual
First Mention in Files	-	-	June 1969
Government's Application			September 1970
Negotiations	May 22-26/1972		May 22-June 2/1972
Board Approval	-	-	June 22, 1972
Credit Agreement Date	Sept. 29, 1972		Sept. 29, 1972
Effectiveness Date	March 01, 1972		Aug. 31, 1973
Closing Date	June 30, 1979	Dec. 31, 1980 June 30, 1981	Dec. 31, 1981
Borrower	: The Government of the Republic of Senegal		
Executing Agency	: OHLM/DPA		OHLM/DPA
Fiscal Year of Borrower	: July 1 - June 30		

SENEGALSITES AND SERVICES PROJECT

(Credit 336-SE)

Mission Data

<u>Mission</u>	<u>Month</u> <u>Year</u>	<u>No.</u> <u>Weeks</u>	<u>No.</u> <u>Persons</u>	<u>Staff</u> <u>Weeks</u>	<u>Date of</u> <u>Report</u>
Identification	09/70	1	2	2	10/21/70
Preparation I	03/71	3	2	6	03/25/81
Preparation II	08/71	2	3	6	08/20/71
Preparation III	09/71	2	2	4	11/22/71
Appraisal	12/71	3	6	18	12/28/71
Pre-Negotiations	05/72	<u>1</u>	2	<u>2</u>	05/12/72
TOTAL		12		38	
Supervision 1	07/72	1	3	3	07/12/72
Supervision 2	10/72	1	3	3	11/09/72
Supervision 3	12/72	2	2	4	01/05/73
Supervision 4	05/73	1	1	1	06/21/73
Supervision 5	08/73	2	1	2	10/08/73
Supervision 6	09/73	1	1	1	10/01/73
Supervision 7	03/74	2	2	4	04/24/74
Supervision 8	10/74	1	2	2	11/11/74
Supervision 9	01/75	2	1	2	03/18/75
Supervision 10	05/75	2	7	14	06/06/75
Supervision 11	07/75	1	3	3	08/01/75
Supervision 12	10/75	1	3	3	11/19/75
Supervision 13	02/76	1	2	2	03/29/76
Supervision 14	05/76	1	1	1	06/02/76
Supervision 15	10/76	1	3	3	11/09/76
Supervision 16	02/77	1	3	3	03/16/77
Supervision 17	07/77	2	1	2	09/06/77
Supervision 18	09/77	1	2	2	01/13/78
Supervision 19	05/78	1	4	4	06/26/78
Supervision 20	09/78	1	4	4	10/25/78
Supervision 21	02/79	1	2	2	03/22/79
Supervision 22	05/79	1	4	4	07/12/79
Supervision 23	01/80	1	4	4	02/05/80
Supervision 24	05/80	1	1	1	08/15/80
Supervision 25	07/80	2	4	8	07/14/80
Supervision 26	11/80	2	2	4	12/15/80
Supervision 27	02/81	2	2		
Supervision 28	05/81	2	2	4	03/13/81
Supervision 29	11/82	2	3	6	06/05/81
Supervision 30	03/82	2	4	8	02/02/82
		<u>2</u>		<u>8</u>	06/30/82
TOTAL		42		108	

SENEGAL

SITES AND SERVICES PROJECT

(Credit 336-SE)

Principal Abbreviations and Acronyms

OHLM	-	Office des Habitations à Loyer Modéré
CCCE	-	Caisse Centrale pour la Coopération Economique
BNDS	-	Banque Nationale de Développement du Sénégal
SICAP	-	Société Immobilière du Cap Vert
DPH	-	Direction de la Promotion Humaine
DUH	-	Direction de l'Urbanisme et de l'Habitat
SAC	-	Section d'Assistance aux Communautés
DPA	-	Direction des Parcelles Assainies
IDRC	-	International Development Research Center
GOS	-	Government of Senegal
BHS	-	Banque de l'Habitat du Sénégal

Country Exchange Rate

Name of Currency = CFA Franc (CFAF)

<u>Year:</u>	<u>Exchange Rate</u>
Appraisal Year Average (1972)	US\$1 = 255.8
1972-1973	242.50
1973-1974	241.75
1974-1975	208.00
1975-1976	220.50
1976-1977	249.00
1977-1978	236.75
1978-1979	218.14
1979-1980	212.22
1980-1981	225.50
1981-1982	297.50

Intervening Year Average US\$1 = 232.1

EXECUTIVE SUMMARY

1. This Project Completion Report reviews the performance of the Bank's first urban project according to the following criteria:

- (a) Policy: How fully did the project meet its policy objectives of (i) demonstrating the viability of the sites and services and upgrading approach and (ii) mobilizing private savings for house construction? Did the project contribute to a change in shelter policy as a result?
- (b) Provision of Basic Services: Were affordable, acceptable services delivered to the population as intended?
- (c) Institutions: Did the project succeed in creating a capacity to plan and execute sites and services projects over the longer term?
- (d) The Role of IDA: What has been the effect of IDA investment on the mobilization of public and private funds? and
- (e) Economic Justification: From an economic point of view, was the project justified in retrospect?

2. The experience of the Senegal Sites and Services Project is one of innovation and experiment. When the project was designed in 1970-71, Governments of developing countries were just beginning to recognize the impact of rapid urbanization. Projections suggested that the accelerating pace of urban growth was likely to continue, and that by the year 2000, would dramatically transform even the most rural of countries.

3. Throughout the 1960's, Governments did little to prepare for the pressures of this urbanization which had begun to strain services, institutions, and financial resources. While urban policies were sweeping in their intentions, urban practice was, in contrast, quite limited. The projects which were financed were mostly expensive and heavily subsidized public housing schemes, reaching only a minority of the population. In contrast, the phenomenon of rural migration, which was bringing increasing waves of predominantly poor people to the cities, was largely ignored.

4. Senegal in the 1960's was already one of the most urbanized countries in Africa, with 23% of its residents living in urban areas. The drought of 1968-74 had a marked effect on the country's predominantly agricultural economy, driving down rural incomes and accelerating rural-urban migration. The overall annual urban growth rate went from 3.4% in 1960 to 4% by 1975. Dakar increased its rate to about 6% per annum, well over double that of the country as a whole.

5. At the same time, Government sought major investments for the modernization of Dakar. During 1965-1969, as a part of this policy, Government provided about 120 ha of free sites and minimal services on the outskirts of Dakar for low income households who were forced to relocate from the city center to make way for new commercial and high income housing development. This program, which was to be significantly expanded during the 1969-73 Plan period, attracted the attention of the Bank.

6. It was at this time that the Bank began receiving requests for assistance in the development of efficient and equitable solutions to the provision of urban services and the management of urban growth. Given the scarcity of public funds, agricultural development priorities, and the mushrooming urban sector, the Bank was especially interested in solutions which provided low cost, affordable and acceptable services to the urban poor. With the Bank's urban lending strategy just being defined, conditions in Senegal seemed to suggest that the environment was appropriate for a demonstration project.

7. The Bank agreed to support the Senegal effort and identified a project which was appraised in 1971. It included the following components:

- (1) 400 ha of sites and services including community facilities in the capital of Dakar, providing 14,000 plots for 140,000 people and 60 ha of serviced sites in the secondary center of Thiès, providing 1,200 plots for 12,000 people;
- (2) technical assistance to assist in planning for urban growth over the longer term, in preparing detailed design, and in project execution; and
- (3) a study to determine criteria for upgrading of squatter neighborhoods and funds for a pilot upgrading scheme.

The objectives of this project were to: (a) demonstrate an affordable and acceptable alternative to conventional housing solutions, (b) mobilize private savings for the production of shelter and (c) develop an institutional capacity to plan and develop similar projects for other urban areas. Project costs at appraisal were about US\$12.9 million of which US\$8 million was financed by an IDA Credit. The Project was to be executed over a 5 year period by the Direction des Parcelles Assainies (DPA) to be newly created under the project within the Office des Habitations à Loyer Modéré (OHLM), the middle-income public housing agency. Approximately 100 ha were to be developed and settled each year after start-up.

8. Inadequate project preparation contributed to a difficult implementation. This was due primarily to the novelty of the approach and Bank inexperience in the sector. There were serious misunderstandings and misperceptions about project objectives and disagreements over design standards.

Fundamentally, the Government's prime focus was on the provision of subsidized middle income housing, while the Bank aimed to address the majority of the urban population which was overwhelmingly poor and had little or no access to adequate shelter and basic services. The Bank erred in not recognizing more clearly the extent of difference in views.

9. Inadequate project preparation was dramatically translated by the steady backsliding on design standards. Because design standards were not pinned down at appraisal, agreements were fragile at best. Throughout the decade of the 1970's while real incomes were declining, Government hardly budged on the standards issue, and indeed, imposed unrealistic expectations concerning housing standards on project beneficiaries. Even when it was demonstrated that funds were scarce and standards excessive, Government held to its position and frequently pressed for changes upward.

10. These factors, combined with a shortage of counterpart funds caused by the economic stagnation of the 1970's, an overly large demonstration project, and an inordinately cumbersome bureaucracy repeatedly frustrated project execution. While projects in Senegal generally average a 2-3 year delay in implementation, the Sites and Services Project is four years behind schedule and house construction is not yet completed. Many mid-course revisions to project design aimed to correct errors and oversights and improve implementation. The project was reduced from 400 ha to 300 ha in Dakar and from 60 ha to 40 ha in Thiès. The number of community facilities was reduced in Dakar and construction of community facilities was postponed in Thiès. The pilot upgrading scheme was eliminated and it was agreed to concentrate on completion of civil works on the Dakar site by December 31, 1981, the third and final Closing Date. However, even with these modifications, the major disagreements over design standards and ensuing delays contributed to over a 100% increase in per ha costs of the reduced project.

11. The rate of house construction and occupancy fell far short of appraisal estimates for four main reasons. Firstly, the estimated occupancy and consolidation pace was extremely optimistic. Secondly, there was a delay in completing physical works which delayed availability of water for house construction. The third reason was the lack of finance for house construction which was not included in the appraised project. A fourth reason was the unrealistic expectations of the beneficiaries concerning the type of houses they would build. In 1977, the DPA developed a construction loan program, using downpayments and monthly payments on plot purchases to encourage house construction. As of December 31, 1981, this program had provided over 2,500 loans. Over 4,500 houses were under construction on 10,500 plots in Dakar; 2,000 houses were occupied and over 20,000 people were in residence. About 500 housing starts are undertaken each quarter and it is expected that the Dakar site will be fully occupied by 1986. To further accelerate construction and occupancy, Government lent US\$2.5 million to OHLM under the Structural Adjustment Loan (SAL) of 1981. When this loan is fully disbursed, it will provide an additional 1,400 construction loans, bringing the total number of loans for house construction to 3,900. The remaining 8,320 beneficiaries (68%) are financing construction out of their own savings, demonstrating that the project has been successful in mobilizing private resources for house construction.

12. The many difficulties and delays led to a proposal to cancel the project in 1976. The decision to continue was taken with considerable reluctance, and indeed, today is a subject of intense discussion. In terms of its regional implications, the decision appears sound. It was the Bank's first project in the urban sector and the first in the Western Africa Region. Several countries in the Region contemplating similar investments have studied and borrowed from the Dakar experience. Overall, the experience of Bank-assisted urban projects shows that the original aims in Senegal were overly ambitious and required major reforms in policy and practice which could not be realistically achieved in the space of one operation. Nevertheless, measurable gains have been made in meeting overall project objectives.

13. Concerning policy objectives, the results are mixed. Inroads have been made in demonstrating that the provision of serviced sites is an acceptable and affordable solution. The Dakar population has responded favorably, filing over 40,000 requests for plots and continuing to pressure for new projects. Mayors and Governors from cities and regions outside the capital have also requested sites and services programs, and similar projects are being prepared for bilateral funding. However, there is yet to be full acceptance of this policy or its implications by the central ministry and other involved agencies. Although standards for this project are lower than conventional housing schemes, Government continues to advocate unrealistically high standards in isolation of affordability considerations for shelter. Concerning the policy of upgrading, no gains were made in demonstrating it as an alternative to slum removal. This issue is today as politically sensitive as it was in the early 1970's.

14. In the main, the project has contributed to a continuing policy dialogue and a shift towards policy reform. The longer than anticipated implementation period has permitted a continued Bank presence in the sector during a period of broad ranging discussions on macroeconomic issues. These circumstances have facilitated frequent discussions with Government officials on this project as well as other issues facing the sector. One important result is a Bank role in the preparation of a contrat-plan for OHLM, an agreement between Government and OHLM which aims to define its policy objectives, and its operations in relation to financial and institutional possibilities and macroeconomic development priorities.

15. As for the provision of affordable services, the project has delivered over 12,000 plots to a population whose access to services was previously limited. While standards are lower in this project than in OHLM's conventional schemes, they could be lower, and must be lowered if these projects are to be replicable. At appraisal, it was estimated that families between the 47th and 85th percentiles would qualify for plots. Selection criteria were modified to enable more (1) lower income families, (2) women and (3) informal sector households to participate. Actual beneficiaries fall between the 20th and 65th percentiles on the 1980 Dakar income distribution curve with the income ceiling at CFAF 55,000. The delays, the decline in real income over the period, and the push towards higher standards have cut into the private savings of those at the lower end of the income range, making it more difficult for these households to build a house. Cost recovery on plot charges is generally good compared to other projects,

with a 22% default rate, but is poor (88%) on the construction loan program which was started in 1978 and which required additional procedures for eligibility and disbursement. It has been demonstrated that the level of recovery is not related to willingness or ability to pay but to cumbersome procedures and an inadequate institutional framework, a lack of political will to collect, and effective sanctions.

16. Concerning institutional development, the establishment of a growing capacity to implement and deliver sites and services projects has been most encouraging, despite the many difficulties and recognized weaknesses in some sections of the DPA. The DPA has developed new procedures to advertise the project, interview and select beneficiaries and recover plot charges. It has organized and supervised a construction loan program and mobilized beneficiaries into effective action groups for settlement. Most importantly, it has delivered over 12,000 serviced plots between 1976-1981 while its parent agency produced just over 2,000 houses for the middle and higher income groups during the same period. It is currently preparing a sites and services project with German assistance for 3,000 households in the secondary town of Kaolack. The team has had far less turnover in staff than either OHLM or its parent ministry, a continuity which should enhance the development of similar projects in the future, provided a suitable policy framework is in place.

17. In contrast to institutional achievements at the project unit level, there have been few gains within the central ministry. Apart from disagreements over design standards, the Directorate of Urbanism in the Ministry of Urban Development contributed little towards project execution. The failure of the Ministry to take a more active role contributed to the isolation of the DPA and reinforced the widely held view that the DPA was "extra-governmental" and had little, if any support. There were also no gains made in creating a capacity to plan for the longer term management of urban growth in the central ministry, although there is probably a greater appreciation of the issues involved than there was at the beginning of the decade.

18. IDA participation in the Senegal project has been instrumental in mobilizing other resources to complement and augment its own participation. In 1980-81, the Caisse Centrale assisted Government in funding its counterpart obligations. In addition to the above-mentioned assistance provided by the German Government, other bilateral agencies have expressed interest in financing similar projects in other regions. By 1986, when the project is completed, each IDA dollar invested in the project will have generated about US\$1.80 of public funds. In addition and of greater interest is that each \$ will generate about US\$8.20 in private investment. The latter figure underscores the viability of sites and services as an alternative to conventional public shelter programs (involving 100% government finance) and answers some of the criticisms concerning its acceptability by the Senegalese population.

19. From an economic point of view, was the project justified in retrospect? The ex-post evaluation supports the view that this project was a sound investment, showing a recalculated rate of return of 19%. From a practical point of view, the learning by doing experience which typifies this project has had significant

payoffs despite the many difficulties. The Government of Senegal has stated that this project is a success, a viewpoint which leaves the door open to a better dialogue in the future. For the World Bank, this project has made a valuable contribution to a better understanding of the design process and has provided important feedback on implementation. Having renewed the commitment to execute this project in 1976, it is essential now to consolidate the gains and strengthen the policy framework. Continuing discussions on the sector, on preparation of the contrat-plan and on preparation of subsequent operations should be the vehicles for achieving these objectives.

I. INTRODUCTION

A. Preface

1.01 The experience of the Senegal Sites and Services Project is one of innovation and experiment. The approach embodied in this first Bank financed project in the urban sector marked a radical departure from other urban projects financed in the developing world during the 1960's. These projects focussed on the construction of high cost subsidized houses for a minority of the population. In marked contrast, the Senegal project aimed to provide basic, affordable services to the predominantly lower income families moving to the cities in accelerating numbers.

1.02 When the project was designed in 1970-71, few Governments had looked beyond the early warning signs of urban sprawl to the longer run implications of mushrooming urbanization. Fewer still acknowledged the financial burden posed by the generous subsidies accorded to the urban sector in economies overwhelmingly dependent on increased agricultural production. Development policies of the Government of Senegal seemed to suggest that conditions were ripe for change and that Senegal was an appropriate country for a first Bank urban intervention.

B. Project Completion Report Evaluation Criteria

1.03 Although this project is officially closed, it is not yet complete. Some civil works, house construction, and occupancy are still in progress. This Report is therefore only an interim evaluation. Although the project was intended to be a demonstration effort, it was in reality an ambitious experiment to create a new town of 140,000 residents. Providing services, shelter and settling the new residents have proven to be much more difficult and to take considerably longer than originally expected. Neither the Government nor the Bank foresaw the range of problems which were encountered during implementation, essentially because neither had any experience in implementing sites and services projects.

1.04 The project was officially closed on December 31, 1981 and disbursements continued until March 31, 1982. As of the latter date, over 90% of the civil works had been completed and all of the plots had been distributed on the Dakar site. Over 20,000 people were in residence on 2,000 plots and over 4,500 plots were under construction. In the secondary center of Thiès, about 84% of the civil works are completed. The outstanding civil works and community facilities which were not completed under the Credit will be completed and financed by Government. The required funding has been advanced to the project.

1.05 The length of implementation has been a subject of considerable discussion inside the Bank. While projects in Senegal generally average 2-3 years delay, this project is 4 years behind the original implementation schedule. The costs and benefits of our 1976 decision to continue our association in the face of seemingly insoluble difficulties have been argued for many years. This PCR will show that the decision to continue was sound.

1.06 The experience of this project will be evaluated on the following criteria:

- (1) Policy: How fully did the project meet its policy objectives of: (a) demonstrating the viability of the sites and services and upgrading approaches and (b) mobilizing private savings for house construction. Did the project contribute to a change in Government shelter policy as a result?
- (2) Provision of Basic Services: Were affordable, acceptable services delivered to the population as intended?
- (3) Institutions: Did the project succeed in creating a capacity to plan for and execute sites and services projects over the longer term?
- (4) The Role of IDA: What has been the effect of IDA investment on the mobilization of public and private funds? and
- (5) Economic Justification: From an economic point of view, was the project justified in retrospect?

C. Source of Information for this Report

1.07 This Project Completion Report is based on information contained in the Project Appraisal Report (No. PS-11a of June 7, 1972), several reports produced by the Bureau d'Evaluation, a review of Bank files including supervision and progress reports, and interviews and discussion with Senegalese officials and Bank staff. Although not required under the legal agreements, the Government agreed to prepare a Project Completion Report as part of its own effort to evaluate this project. A draft translation of Government's PCR is attached as Annex 1. Government's report was prepared by the Direction des Parcelles Assainies (DPA), the Project Unit, with the assistance of the Ministry of the Plan. It covers the initial phase of the project cycle up to appraisal. The remaining chapters are under preparation. Suggested changes and modifications to Government's draft have been proposed by the Bank but have not yet been incorporated.

II. POLICY CONTEXT

A. Dakar

2.01 Since its founding in the early 19th century, Dakar has been a prime magnet for growth and development in West Africa. Until 1960, it was the colonial capital of French West Africa, and, at Independence, was the largest urban agglomeration in francophone Africa. Economic prospects in other newly independent countries somewhat dampened growth in Dakar during the 1960's, but, by that time, Senegal was already one of Africa's most urbanized countries, with 23% of its residents living in urban areas.

2.02 Heavily reliant on groundnuts and livestock, Senegal's economy began to founder towards the end of the decade. The severe drought which struck in 1968 and lasted until 1974 caused agricultural production to slump. As rural incomes plummeted, rural-urban migration accelerated, especially towards Cap Vert, rapidly reversing the previous slowdown in urban growth. The urban share of the total population went from 24% to 28% by 1975. The overall annual urban growth went from 3.38% in 1960 to 4.03% by 1975. These trends represented annual increases of over 100,000 persons, most of whom moved to the Cap Vert Region. Dakar increased its rate to about 6% per annum, well over double that of the country as a whole. By 1975, the Cap Vert Region, which covered 1.3% of the national territory accounted for over 55% of GDP and 19% of the total population. This renewed urban growth increased the demand for shelter, services, and jobs.

2.03 Government began to seek a revitalized, regional role for the capital during this period. Major public investments were programmed and a campaign launched to promote investment from abroad, adding to the attraction of Dakar for those facing declining incomes in the rural sector. Deteriorating conditions in the rural areas and the drive to reassert Dakar's prominence led to a dramatic influx of predominantly poor households in search of shelter, basic services and job opportunities. By 1971, well over 60% of Dakar's population lived in squatter neighborhoods, which for the most part, were located in central Dakar. However, these areas were targeted as prime commercial and residential zones by the Ecochard Master Plan which had been prepared for Dakar just prior to Independence.

2.04 Government opted for a policy of relocation of the urban poor to the city's outskirts to clear a path for the more expensive development projects contemplated for the downtown area. However, this policy ran into an unforeseen obstacle: traditional external funding sources of subsidized housing schemes for high income groups began to shift away from lending for housing in Africa. The Government suddenly found itself faced with a considerable housing demand and no sure sources of finance for its middle and upper class clientele, in addition to the rapidly expanding demand of the lower income groups. House construction by the Office des Habitations à Loyer Modéré (OHLM), the middle income public housing agency fell sharply, and continued to stagnate throughout the 1970's. The Société Immobilière du Cap Vert (SICAP) the upper income housing authority, also began to experience similar difficulties during this period.

B. Macroeconomic Environment during the 1970's

2.05 In Senegal, project execution, which is difficult across sectors under the best of circumstances, was made more so by a decade of economic stagnation. Between 1971-1981, real GDP increased by .8% per year, with an annual fall in per capita income of almost 2%. A policy of public sector expansion led briefly to higher growth rates in 1974-75. But, in 1977, terms of trade turned against Senegal, and serious public finance problems began to emerge. During 1978-1981, three crop failures triggered a sharp decline in GDP. While groundnut exports were sharply curtailed, the price of imported oil skyrocketed and high Eurodollar rates aggravated debt service problems. Despite exceptional aid from multilateral and bilateral donors, Senegal could not meet its obligations.

2.06 The Government instituted an economic stabilization program, which included liquidating some important parapublic enterprises and increasing taxes, tariffs for public services, and urban food prices to relieve the cash shortage. This program weighed heavily on the poor whose incomes did not keep pace with inflation. With increased expenditures for food and transport, available income for housing investment declined and private savings for house construction were strained.

2.07 This uncertain environment proved especially hostile to the introduction of sweeping reforms in urban shelter policy. The sites and services project was large for a demonstration project and required a major turnaround in Government's approach to urban development. The absence of a consensus on project objectives and of institutions and procedures for this new style project created inevitable difficulties. Given the length and depth of the country's economic decline, these difficulties are not surprising. What is more surprising is the measurable progress made in reaching some of the original objectives of the project.

III. PROJECT IDENTIFICATION PREPARATION AND APPRAISAL

A. Origins and Formulation of the Project

3.01 The origin of this project can be traced to an economic mission which visited Senegal in June 1969 and recommended that the Bank look into Government policies for planning and controlling urban growth. The following year, an urban reconnaissance mission from the Special Projects Department expressed interest in the Government's evolving sites and services approach and recommended Bank support of its effort. Government's program was essentially a relocation project which provided free sites and minimal services on the outskirts of Dakar for households displaced from central zones.

3.02 The Government began implementation of its program during the Second Four Year Plan (1965-1969), developing about 120 ha of minimally serviced plots in Pikine, a large squatter neighborhood on Dakar's periphery. The Third Four-Year Plan (1969-1973) was more ambitious, providing for 350 ha in Dakar and 200 ha in selected regional centers. The Bank was encouraged by discussions with Government on this program which seemed to suggest a commitment to a lower standard solution to shelter and services and appeared to reflect emerging Bank policy. It also appeared that the issue of relocation could be satisfactorily resolved. In Dakar, the program was to accommodate 100,000 of the expected population increase over the Plan period, the remaining 40% to be housed through existing public sector programs built by OHLM and SICAP and the private sector. The mission decided to support this program.

3.03 In January, 1971, a memorandum was put to the Loan Committee on Bank participation in urban development. Two major issues were raised: (1) should the Bank finance housing? and (2) was Senegal the right place to start? There appeared to be a consensus that the Bank be involved. The benefits centered around employment generation, the mobilization of private savings for shelter, and cost savings which would result from the efficient planning and management of development in fast growing urban areas. Concern was expressed about the extent of the housing demand in developing countries and the risk that the Bank would be overwhelmed with requests for which it had neither the funds nor the staff. It was generally agreed that the Bank should not finance housing superstructures, but should limit itself to the provision of basic infrastructure and services.

3.04 There was no clear position as to the choice of Dakar for an initial operation. Discussions held with USAID, the UN, and other agencies and private individuals revealed few project proposals of a similar nature which were further advanced than that of Senegal. It was recommended that the Bank inform the Government of Senegal that, in principle, it was willing to consider possible financing of its program provided the project could be economically justified.

3.05 Following the decision of the Loan Committee, a preparation mission visited Senegal in March, 1971, and identified a project providing for 400 ha of sites and services in Dakar, and 60 ha each in Kaolack and Thiès. The objectives were to accommodate the population growth from 1969-1973 in Dakar and to support Government's regional development strategy which aimed to siphon off some of the population flows headed towards the Cap Vert.

3.06 The Bank spearheaded the preparation process, outlining the project scope and the necessary urban studies and specifying in detail such items as minimum service levels and plot layouts. Several consultants within the Ministry of Public Works and Urban Development were to be responsible for bringing the project to the appraisal stage. Parallel to the technical preparation, the Bank was concerned about several issues which were directly related to its emerging urbanization policy. These included: (i) justification of an urban intervention in a predominantly agricultural country, (ii) definition of the project population and (iii) land tenure mechanisms. These issues were the subject of frequent and often heated discussions between Government and the Bank.

3.07 An urban project in a predominantly agricultural environment. The course of Bank/Government dialogue was heavily influenced by the fact that the project was to be the Bank's first in the urban sector, and would be undertaken in a country facing pressing problems in the rural areas, while, at the same time, urban expenditures were growing rapidly. These policy contradictions were of special concern to the Bank.

3.08 Considerable emphasis was therefore placed on the policy context and pressures were put on Government to commit itself to (a) eliminate subsidies to SICAP from the start of the Fourth Plan, (b) reduce the number of "economic" ^{1/} units to be constructed by OHLM, (c) progressively eliminate subsidies on these units over 10 years and (d) restrict subsidies on OHLM's "super economic" ^{2/} units to the cost of land and infrastructure. Government was also urged to abandon its policy of slum eradication in favor of a slum upgrading program. Government was reluctant to commit itself initially but after much discussion and intense Bank pressure it finally agreed (see para. 3.15).

3.09 Definition of the project population. This issue centered around the overwhelming needs of the majority of the urban population in contrast to Government's programs which were exclusively directed to the middle and upper income groups. Between 840 and 1,100 ha had been reserved for higher income housing while only 300 ha were reserved for sites and services for the lower income groups. The Bank pointed out that the area allocated to the higher income groups was adequate to accommodate this growth for 15-20 years, while the sites and services zones would be absorbed within a three year period. The Government countered that the concentration of 140,000 lower income households on one 400 ha site was socio-economically undesirable as well as a source of potential political difficulties. The Bank did not disagree but insisted nevertheless that the relative needs of the lower income groups were more pressing and should receive priority attention in this project. Government eventually agreed to

^{1/} Conventional heavily subsidized OHLM units.

^{2/} Lower cost unit to be introduced as a result of project.

this solution, although as Government's PCR clearly points out, there were many in Government who disagreed with the project formulation.

3.10 Land tenure arrangements. In keeping with a 1964 Government law, beneficiaries of plots in public housing schemes in Senegal were given occupancy rights rather than freehold. However, the scant information on sites and services led the Bank to conclude that ownership was a necessary incentive to private investment in shelter. The Bank consequently insisted that freehold be granted on the site. The Government eventually agreed to this proposal although it ran counter to both the legal context and the country's political philosophy.

B. Appraisal

3.11 During the months prior to appraisal, several missions commented on the slow progress in preparation of preliminary engineering. It had been agreed that technical staff in OHLM would complete the required work, but little was done. A continuing question about the final location of the project site further slowed preparation. It was, nevertheless, decided to appraise the project in November-December 1971 with the team prepared to complete the bulk of the work.

3.12 The project was appraised in November-December 1971 and included the following components:

- (1) 400 ha of sites and services in Dakar, providing 14,000 plots for a total population of 140,000 people. Services included roads, water supply, sewerage by septic tanks and pit latrines, public toilets and community facilities such as schools health clinics and community centers. Households were expected to pay for plots at 7% per annum over 15 years. Individuals were expected to finance house construction out of their own savings.
- (2) 60 ha of sites and services similar to Dakar in the secondary town of Thiès, about 100 km from Dakar providing 1,200 plots for 12,000 people.
- (3) Technical assistance to assist OHLM for preparation of detailed engineering, and in project execution and
- (4) a study to determine criteria to be used for the upgrading of the remaining slum neighborhoods in Dakar as well as funds for a pilot upgrading scheme.

3.13 Total project costs were about US\$12.9 million of which US\$8 million was to be financed by an IDA Credit to Government. The project was to be executed over a 5 year period by the Direction des Parcelles Assainies (DPA) to be created within OHLM. Approximately 100 ha were to be developed and settled each year after start-up. The first phase was to begin in mid-1973, with infrastructure works completed by late 1973. Occupation of the 1st Tranche

(100 ha) was to begin in 1973 and be completed by 1974. Infrastructure for the entire project was expected to be completed by late 1976 and all sites allocated by end 1977.

3.14 Arrangements for implementation also specified that OHLM was to be reorganized into two separate Directorates--a Housing Directorate to execute OHLM's conventional programs and a Sites and Services Directorate to carry out the IDA project. The Direction de la Promotion Humaine (DPH), then in the Ministry of Youth and Sports, was to manage and staff the Community Assistance Section to be created within the Sites and Services Directorate. A Monitoring Committee headed by the OHLM Director was to be established to assess progress. Conditions of effectiveness required: changes in the building codes, assignment of Senegalese counterpart staff to work with the expatriate technical assistance, approval of legal statutes governing the establishment of the Association of Plottolders and appointment of consultants for the criteria study.

3.15 Concerned about the project context and the macroeconomic climate in Senegal, the Loan Committee attached a number of conditions to the approval of the Credit. These were:

- (1) a reduction in conventional subsidized public housing in the Fourth Plan;
- (2) postponment of further demolition of slum housing until the conclusions of the criteria study were reviewed; and
- (3) establishment of the DPA.

C. Assessment

3.16 Two elements characterize this period. The first one is the inadequate state of project preparation. The most significant example is the status of preliminary engineering. In the first instance, there appears to have been little or no association of Senegalese staff in its preparation either because of the lack of qualified staff or the time constraints of the appraisal process. Secondly, the issue of standards and its relation to affordability was not clearly defined with Government. Thirdly, the question of power supply was left untreated, and off-site requirements were only summarily addressed since it was assumed that Senegal would finance 100% of the required networks. This in itself was a serious error given the critical cash situation of the country at that time. Finally, the failure to have a portion of detailed engineering ready by Board presentation further weakened the already loose understanding on standards and was a built-in source of delay. This oversight, however, can be attributed to Bank inexperience, which was corrected in subsequent operations.

3.17 The conflicting and contradictory policy context is the second factor and reflects the serious misunderstandings and misperceptions concerning project objectives. Government policy and practice were oriented towards modern commercial development and the support to middle and upper income residents. Government's advocacy of a lower income solution was an expedient

means of freeing up valuable downtown properties. Given the extensive debates which took place during the preparation phase, the failure to take note of the early warning signs is puzzling. These diverging policy views persisted throughout project execution and contributed significantly to the subsequent delays and cost overruns.

3.18 The Bank had very farsighted objectives. Given its emerging philosophy, its insistence on a sound policy framework was not difficult to understand. Yet the Bank sought major and pervasive policy changes which could not be realistically accomplished in the space of one operation. The impact of many of these changes was not fully understood by many in Government who were associated only peripherally in the preparation process but who had major roles to play in implementation. Other changes such as the introduction of slum upgrading were simply unacceptable.

IV. IMPLEMENTATION

4.01 The implementation period can be divided into two distinct phases. The first period covers 1972-1975--effectiveness and start-up. The second phase spans 1976-1981 and covers the execution of civil works as well as consolidation and occupancy. Table 4.1 compares the appraisal schedule with actual implementation and is discussed in detail in the following paragraphs. The Credit was approved in June 1972. The implementation schedule at appraisal was based on an immediate start-up of detailed design, i.e., once approved in July 1972. However, because of insufficient IDA funds, Credit signature was delayed until September 1972. Effectiveness was scheduled for March 1, 1973, but was delayed until August 31, 1973 because of problems in fulfilling conditions of effectiveness. The Appraisal Report called for the consultants' arrival "soon after Credit approval". They arrived in April, 1973, nearly a year behind schedule. Therefore, from the beginning there was a delay of one year.

4.02 The project was expected to be completed by June 30, 1978 and to close six months later. Three extensions of the Closing Date to December 31, 1981 were required to complete civil works on the Dakar site, although by December 31, 1981, the civil works were not fully completed. The primary reason behind the extensions of the Closing Date was to bring the level of services on the project site up to that required for habitation under minimal sanitary conditions. This was thought to be a necessary incentive to spur occupancy and consolidation.

A. Effectiveness and Start-up 1972-1975

4.03 Effectiveness was originally scheduled for March, 1973 but was delayed until August, 1973 because of numerous complicated and ambitious conditions of effectiveness. First, the Loan Committee conditions concerning the sweeping policy changes required a Government side letter that was delayed. Second, Government was required to pass three decrees: (i) establishing a new building code, permitting the use of low-cost materials; (ii) granting legal status to the sales contract to be used between OHLM and project beneficiaries; and (iii) establishing the Association of Plottolders. Unanticipated administrative and procedural complications blocked the process, and passage ultimately required a "procédure d'urgence" in May-June, 1973 to pass all three.

4.04 Third, a reorganization of OHLM also proved more complex than anticipated. Both the Government and the World Bank believed that the reorganization could be carried out through a Government decree, while the legal advisor to the President ruled that such a reorganization could only be accomplished through passage of a law by the Assemblée Nationale. Because of intervening elections, the law was not approved until June 12, 1973.

	APPRAISAL			ACTUAL		
	Start	Completion	Duration Months	Start	Completion	Duration Months
<u>DAKAR</u>						
<u>1st Tranche</u>						
Studies	Oct. 72	March 73	6	April 73	Dec. 73	9
Constr. Civil Works	Oct. 73	March 73	6	July 75	March 79	54
Community Facilities	Apr. 74	March 75	11	Jan. 76		
Site Occupation	Apr. 74	March 75	11	March 78	incomplete	
<u>2nd Tranche</u>						
Studies	Oct. 72	March 73	6	July 73	March 74	9
Constr. Civil Works	Oct. 74	March 75	6	Jan. 76	Dec. 81	72
Community Facilities	Apr. 75	March 76	11	March 79	-	
Site Occupation	Apr. 75	March 76	11	Oct. 79	incomplete	
<u>3rd Tranche</u>						
Studies	Oct. 74	March 75	6	March 74	Dec. 74	9
Constr. Civil Works	Oct. 75	March 76	6	July 76	Dec. 81	66
Community Facilities	Apr. 76	March 77	11	-	-	-
Site Occupation	Apr. 76	March 77	11	July 79	incomplete	
<u>THIES</u>						
<u>1st Tranche</u>						
Studies	Jan. 73	March 73	3	July 78	March 80	21
Constr. Civil Works	Jan. 75	March 75	3	April 80	Dec. 81	21
Community Facilities	April 75	Sept. 75	6	-	-	-
Site Occupation	April 76	Sept. 75	6	not started		
<u>TECHNICAL ASSISTANCE</u>						
Project Manager	April 73	March 77	48 ^{1/2}	April 73	Nov. 77	56
Civil Engineer	April 73	March 76	36 ^{1/2}	April 73	Nov. 77	56
Accountant	July 73	June 76	36 ^{1/2}	April 73	Nov. 77	56
Saving/Credit Expert	April 73	March 76	36 ^{1/2}	April 73	June 76	39
Community Expert	Sept. 73	Sept. 76	36 ^{1/2}	April 73	Sept. 76	42
<u>COMMUNITY IMPROVEMENT</u>						
Criteria Study	July 73	Sept. 73				
Pilot Project (Studies)	Oct. 73	Sept. 74	12	July 75	June 76	12

1/ with extension

4.05 The reorganization proposal was also flawed. A Community Assistance Section (SAC) was to be created within OHLM for community development activities under the project. The unit was to be staffed by personnel from the Direction de la Promotion Humaine (DPH), a department of the Ministry of Youth and Sports under the 1972 Government. DPH staff were to be permanently assigned to OHLM, but were to continue to work under the administrative control of their own ministry. This arrangement proved unworkable and was discarded, but not until valuable time was lost and morale seriously undermined.

4.06 Fourth, recruitment of qualified Senegalese counterparts took much longer than anticipated, primarily because trained expertise was scarce in the country and public sector salaries were unattractive. OHLM experienced years of difficulty in assembling a staff. A Project Director was not on board until 1977; a qualified engineer did not join until 1980. Several Senegalese were trained on the job.

4.07 Finally, the condition requiring that OHLM hire external auditors also met unanticipated obstacles. Government had just established the Commission de Vérification des Comptes et de Contrôle des Etablissements Publics to review the financial performance of public enterprises. The Commission maintained that it would serve as the qualified external auditor for all World Bank assisted project accounts. After some delay, the World Bank's Legal Department ruled that this was in violation of the Bank's own Articles of Agreement. In May 1973, OHLM recruited an outside firm to audit the accounts.

4.08 Experience in subsequent projects has shown that too many conditions of effectiveness unnecessarily delay implementation, which was the case in Senegal. While the problems caused by the elections and intervening administrative reforms could not have been foreseen at appraisal, the effects of the pervasive changes in housing policy and practice could have been more evident. Several of the other conditions such as approval of the sales contract, the building code and the Association of Plotters could have been made conditions of disbursement. The time required for introduction and acceptance of fundamental changes in policy and practice were seriously underestimated, causing difficulties and tension between Government and the Bank which lasted for years.

B. Detailed Design and Construction: 1975-1981

4.09 The implementation schedule forecast at appraisal is compared to the actual implementation in Charts 29328 and 29329. Table 4.1 details the status of project components as of June 30, 1982. The table shows that project execution is four years behind the implementation period forecast at appraisal. Design of the Dakar sites started seven months later than scheduled, and required nine months to complete rather than the six which were forecast. The procurement period ^{1/} was estimated at six months at appraisal for each Tranche (100 ha) in Dakar, but actually required 18 months for the 1st and 3rd Tranches and 21 months for the 2nd Tranche. At appraisal it was estimated that civil works on each Tranche would require six months for completion.

^{1/} Time between completion of detailed design and start-up of construction.

Actually, 4 1/2 years were required for the first Tranche, six years for the second Tranche and 5 1/2 years for the third Tranche, which was completed 5 3/4 years later than estimated. For Thiès, detailed design began 5 1/2 years later than forecast, and required 21 months rather than the three months forecast at appraisal. The procurement period did not experience delays. Civil works took 21 months to complete rather than the three months estimated at appraisal.

4.10 Delays in overall project execution were due to inadequate preparation and the lack of firm Government support for project objectives. Delays in completing detailed design were due to some degree to disagreements over design standards. Delays in procurement and construction were due to: (a) cumbersome bureaucratic procedures and (b) counterpart funding constraints.

4.11 Disagreements over design standards - The failure to pin down agreements on standards during project appraisal was a fundamental error. Preliminary design had been prepared for a sample of 130 ha, a portion of which was not on the present site because of continuing disagreements over final site boundaries. Preliminary design consisted primarily of an income survey, alternative design options, and only very preliminary costs. In addition, the appraisal report did not provide the level of detail which was subsequently provided in other projects such as electricity standards. As a result, erosion of agreements was almost immediate. The backsliding on standards was further aggravated by frequent staff changes at the head of OHLM and in the parent Ministry, which required with each change a re-examination of the issue.

4.12 The length of time required to approve the site development plan is characteristic. It was first rejected in October, 1973 because it interfered with plans for zones contiguous to the project sites. Subsequently, the Minister of Public Works announced his intention to construct a road which required modifications of the third and fourth tranches. Three changes in architects in OHLM during 1973-1974 led to additional modifications. After the plan was approved in late 1974 and some contracts had been awarded, a new Minister objected to the lower income focus, raising renewed concerns about the project location, plot size, and the number of private water and sewerage connections. Disagreements on standards also occurred during actual physical implementation. In the case of the low voltage network on the second and third tranches, for example, works started in March 1975 and were completed in April 1980. SENELEC did not provide the contractor with detailed designs on schedule, because of interminable discussions on the standards issue.

4.13 Cumbersome Bureaucratic Procedures - Seven steps are required between bid invitation and award. A recent review of the experience of contracts awarded under this project showed that a minimum of seven months occurred between the call for bids and award, of which about five months are required for final approval of the contract. Many of the rejections which occurred were unnecessary--typographical errors, inadequate number of copies, etc., the cumulative effect of which was costly to execution. Some typical

delays were: (1) 10 months for sewerage and water supply on the first and second tranches; and (ii) 14 months for the road network and water supply on the third tranche.

4.14 Slow payments to contractors caused delays culminating in bankruptcy in one case. About 80% of the contractors were Senegalese SSE's ^{1/}, many of whom experienced difficulties in mobilizing for and launching of works on schedule because of a tight cash position and limited accessibility to commercial banks for credit. Payments to contractors for parastatal operations are made directly by the Ministry of Finance. Before the Minister signs off on a contract, several departments within the Ministry review the payment request, a process which is generally long. After considerable discussion, the Prime Minister made an exception and granted a posteriori control to OHLM in 1975. In theory, this procedure should have permitted the OHLM Director to make direct payments to contractors, accelerating payments somewhat when counterparts funds were available. However, OHLM was never given full financial autonomy for purposes of the project. As a consequence, it was able to make payments only after going through an abbreviated, but nevertheless lengthy approval process. As a result, payments were not accelerated to the extent required to achieve the desired improvements in implementation.

4.15 The counterpart funding constraint was perhaps the most significant cause of delay. Government requires that total amount of counterpart funds for any one contract be available before the contractor is notified to begin construction. The problem was that there were insufficient funds to permit contract approval. Discontinuities of counterpart funding caused works to slow down and, in 1980 and 1981, caused a total work stoppage. The counterpart funding position progressively worsened during the decade as economic conditions deteriorated. In 1980-1981, the Caisse Centrale assisted Government in meeting its counterpart funding obligations, thereby permitting an extension of the Closing Date to December 31, 1981.

4.16 Mid-course corrections. While there were 12 supervision missions between 1972-1974, few focussed on the above described constraints or their implications on project execution. Eight of these missions focussed exclusively on conditions of effectiveness and primary obstacles to start-up. Once physical implementation started, supervision missions regularly reported on the delays, but underestimated the severity of the problems, and/or the time required to find and implement appropriate solutions.

4.17 Once the problems were correctly identified, there were intense efforts on the part of both Government and the Bank to pursue mid-course adjustments to project design. All of the adjustments both to the physical and non physical aspects aimed to improve project performance and reach project objectives. However, several modifications which revised standards upward compromised the Bank's original objectives and were agreed in order to

^{1/} Small scale enterprise.

move the project forward. These modifications remain a subject of discussion and controversy today. There are those who maintain that given the resistance to the original project objectives, the Bank should have withdrawn from the project in the mid-1970's. Others support the view that there were errors and misperceptions on both sides, many of which were understandable in a first operation. Overall, project modifications contributed to fulfilling many of the project objectives as well as vastly improving the Bank's understanding of how these operations actually work in the field.

4.18 Revisions to Accommodate Higher Standards. When examining the evolution of standards, it is worthwhile to note that this project did not have a poverty focus as it is understood today. The appraisal report states clearly that standards were selected to "provide a level of services higher than that obtained in existing low and very low standard residential districts, while keeping costs low enough to enable a large section of lower income families to pay for and improve upon the serviced sites". Nevertheless, the upward shift in standards went beyond this interpretation and was the result of the incomplete preliminary design at appraisal. Sewerage and power are examples. During the 1973-1974 review of the development plan, Government raised objections to the appraised sewerage solution of pit latrines and septic tanks, maintaining that this system was inappropriate for a city of 140,000 inhabitants. The Bank subsequently agreed to the principle of a waterborne sewerage system. Standards shifted dramatically during implementation from an appraised solution which represented 4.4% of project costs to a solution which today represents about 18% of final project costs in 1982 CFAF.

4.19 In the case of power, quantities were not estimated at appraisal. It was assumed that power would be supplied from the existing distribution lines serving the area and that Government would finance the connections. However, there was no nearby network adequate to service 400 ha. In this case, there were not even indicative design guidelines and the power company applied its conventional and costly standards. The new project unit had no recourse to the practices of the longer established and politically powerful agency.

4.20 Revisions to Reduce Project Scope and Size. By 1975 it became evident that execution was in serious trouble. Up to that point, disagreements over standards overshadowed the major task of coordinating the servicing of 400 ha, which was the responsibility of an institution which barely existed. A joint Programs-Projects mission went to Senegal in mid-1975 to discuss this with Government and recommended that the project be trimmed, a proposal which met with stiff Government resistance. It was subsequently decided to reduce the Bank's disbursement percentage to 45% and to accelerate execution through streamlined local administrative procedures. The reduction in the disbursement percentage was done to preserve Bank leverage in the execution of all the components.

4.21 Clearly, the Bank should have taken a firmer position regarding the reduction of project size since conditions did not markedly improve.

By 1976, overruns were projected over 36% above appraisal estimates (see Tables 4.2a and 4.2b). A 1976 mission agreed with Government to reduce the project from 400 ha to 300 ha in Dakar and from 60 ha to 40 ha in Thiès. The disbursement percentage was raised to its original 67%, a change which somewhat relieved an already crushing burden on counterpart financing. The Bank also proposed the elimination of the Thiès component, but Government flatly refused.

4.22 The large size of the project compounded the other obstacles to execution which have been discussed above. It was therefore appropriate to propose the elimination of Thiès, which required considerable time and travel. In terms of institutional development objectives, the decision to execute the Thiès component had significant payoffs. The component was entirely designed and executed by the Senegalese staff which took over in 1977 at the departure of the consultants. Once started, it experienced a minimum number of difficulties. It is viewed today as a "Senegalese" component and, as such, has contributed significantly to the credibility of the DPA.

4.23 In 1977, the upgrading component was eliminated. A criteria study to identify appropriate areas for upgrading was completed in 1974 but languished in the Ministry for over a year. Its principal recommendations were consistent with cost effective upgrading solutions, recommending neighborhoods which were central, close to employment and community facilities and accessible to off-site infrastructure. Application of the criteria resulted in a choice which was politically unacceptable. Nevertheless, a proposal was prepared for Fass Paillette, a downtown Dakar neighborhood. The proposal was subsequently dropped when it was recognized that Government's position was firmly entrenched.

4.24 The loss of Fass Paillette was not unexpected. The scheme was premature in a context with little sympathy for the approach and a proven record of slum demolition which continued throughout project execution, notwithstanding Government-Bank agreements to the contrary. A less controversial location on the city's periphery in Pikine might have been more acceptable and would have provided the opportunity to demonstrate the principles involved in a less volatile environment.

C. Progress on Non-Physical Program

4.25 Execution of the non-physical aspects, such as the advertising of the project, development of selection criteria and the organization of the Association of Plottolders, up to consolidation and occupancy did not experience any delays. During appraisal considerable importance was attached to the participation of the population and start-up was immediate.

4.26 Plot Allocation. The elaborate focus at appraisal on the community development resulted in a comprehensive program. The consultants developed complicated interviewing, selection and allocation procedures, requiring a minimum of 25 staff to process applications and some 16 steps for the

applicant. During implementation, these procedures were simplified and the number of required documents reduced, but the system remains unnecessarily cumbersome and long.

4.27 Briefing of Communities. This component was exceptional in its detail and proved to be very successful. Well before civil works began, the Community Assistance Section organized prospective beneficiaries into groups, or associations, most frequently by profession or trade. Regular meetings were held almost immediately throughout the Dakar neighborhoods to publicize the project and to organize group members to save for a downpayment on a plot. By 1979, over 25,000 people belonged to these groups. Today, it is not unusual to find applicants who regularly saved 1,500 to 3,000 CFAF monthly for over five years in anticipation of purchasing a plot. Because of the numbers of disappointed applicants, and the problems posed by tying up family savings, the system was changed in Thiès where people are organized into associations but do not begin to save until they are selected for a plot.

4.28 The organization of plottolders evolved quickly into a cohesive community structure. All of the groups are organized into one large association which has its own elected board of directors. The board consists primarily of neighborhoods elders and other community leaders. The Government effectively used this tightly knit community structure for its own ends, disseminating information on its interpretation of project objectives, lobbying for higher standards and even distributing "appropriate" house designs. This was not one sided however. The association has successfully lobbied for improvements, such as better transport links to Dakar, more water taps, and schools. It has also made loans to the health dispensary for the purchase of medicines and other equipment when the Ministry of Health was unable to furnish the material and has assisted the women in the organization and improvement of the market areas.

4.29 Monitoring and Evaluation. Senegal was one of the countries selected by the Bank and IDRC for in-depth monitoring beginning in 1976. However, given the slow progress, there was little to analyze in terms of implementation results. By 1978, it was decided that the unit would focus on obstacles to occupation. The Bank viewed the Monitoring and Evaluation Unit as being independent of the DPA and reporting directly to Washington. This framework created an atmosphere of suspicion from which the Unit never recovered. The Senegalese viewed it as a police arm of the Bank and generally ignored its output. The unit produced over 20 evaluation reports as well as a series of monitoring reports with little support from the Senegalese. Some useful information did, however, result. At the close of the Monitoring and Evaluation Project, the Unit was incorporated into the DPA, but it is highly unlikely that it will survive.

D. Occupancy and Consolidation

4.30 Key indicators are shown in Table 4.3. The delay in occupancy and consolidation became the focus of intense concern beginning in June 1978.

Apart from unrealistic appraisal forecasts, the initial and most important problem was the availability of water for construction which was not resolved until mid-1976. It was hoped that occupation and consolidation would be rapid thereafter, but this was not the case. It was expected at appraisal that allottees would transport their baraques or wooden shacks to the site as shelter while constructing more permanent dwellings. However, the monitoring and evaluation showed that 67% of the allottees were renters and 23% were living with friends or relatives and paying no rent at all. These households did not have shacks to transport. Over 60% of these allottees already lived in houses built with permanent materials and were unwilling to invest in a wooden shack. Other causes for the delays are described below:

4.31 Unrealistic expectations: From the beginning, applicants believed that their participation in the project would bring them a standard of housing far superior to that which they were enjoying at the time. A survey conducted by the Monitoring and Evaluation Unit in 1976 revealed that project candidates believed that they would be able to build a four or five room house on the site, and that this would be made possible by a Government loan for the purchase of materials. OHLM did little to discourage this misconception. To the contrary, OHLM mounted a vigorous campaign for high standard construction, distributing, as early as 1975, standard house plans with 4-7 rooms which had been not until 1978 that the Bank and the Government agreed on a two room unit, but by that time allottees' aspirations were fairly well fixed. As the key indicators show, the two room unit has had only moderate success (38% of total construction).

4.32 Financial Constraints: At appraisal, it was assumed that the Banque Nationale de Développement du Sénégal (BNDS) would provide small loans to beneficiaries where needed. BNDS, however, was not interested in making loans, particularly to informal sector beneficiaries. Construction was also hindered by shortages and rapid increases in the price of building materials, particularly cement. In 1977, there was a scarcity of cement throughout Senegal, and in 1978 the price had risen 70%. Rising costs coupled with the high expectations of plot owners resulted in the stoppage of construction on many plots.

4.33 By September 1978, only 20 households had occupied their plots. Another 20 settled in between September and December, 1978. By November, 1979, about 300 households had settled on the site. Financial constraints were cited as the major obstacles. Those who had moved to the site faced additional problems, however, such as lack of transport to their jobs in central Dakar, no markets or schools, no electricity nor physical security.

4.34 Actions to improve occupancy and consolidation. In May, 1978, the DPA prepared an Action Plan to focus attention on priority problems hindering occupation and consolidation. It was agreed upon with a supervision mission in May, 1978 and was slightly revised in September 1978 to contain the following:

- (1) the establishment of a trial period up to May 1979, for accelerating consolidation and occupancy in Dakar and a hold on all civil works on the Thiès site, pending the results of the Action Plan;
- (2) BNDS ^{1/} and the DPA agreed to finance a loan program, with the former serving public sector employees and the latter serving the private and informal sector, using downpayments and monthly payments from beneficiaries;
- (3) the DPA agreed to publicize the freedom of choice of project beneficiaries to construct dwellings of their own design and standards. The loan ceiling was established at CFAF 275,000;
- (4) the DPA was to be reorganized to eliminate administrative bottlenecks: (a) the accounting section was to be strengthened to administer the loan program; (b) an employment section was established and (c) the technical section was to be strengthened to improve house construction;
- (5) administrative procedures from allocation to plot occupation were simplified, and
- (6) sites were to be sold, contracts signed, and loans granted at a rate of 300 per month after the DPA reorganization.

4.35 The Bank fixed the occupancy targets in the initial Action Plan at 650 households by September 30, 1978, and 1,500 by December 31, 1978. These efforts to legislate occupation and consolidation underestimated the difficulties and were largely unsuccessful. The focus of the Action Plan did result in some immediate progress in completion of physical works and led to an increased awareness on the part of Government of the problem.

4.36 From 1978 through the Closing Date, steady pressure was applied to accelerate the pace of occupancy through continued adjustments to the Action Plan. The results were mixed. Prominent among the Bank's efforts was promotion of the two room unit. Many claim that the failure to sell the two room unit was due to the absence of a surrounding wall, which the Senegalese consider to be essential for privacy in a polygamous context. Others criticized the absence of sanitary facilities. Most observers attribute the difficulties to the failure to use the Association of Plottolders to publicize the program.

4.37 There is also some evidence to suggest that the Bank was unreasonable in its insistence on a rapid timetable for settlement of the site. Indications from new town development in France as well as the observed settlement rate in a sites and services project in Abidjan suggest that the pattern in Dakar is not overly discouraging. In the case of Dakar, about 500 housing starts are now occurring each quarter, the equivalent about 2,000 houses or 20,000 people per year. This is a reasonable pace of development for a new town.

^{1/} The BNDS agreed, but never participated to the extent expected.

Table 4.2a

SENEGAL
SITES AND SERVICES PROJECT

(Credit 336 SE)

I. DAKAR AND THIES

Appraisal Estimates and Actual Expenditures

(Francs CFA Millions)

Item	Appraisal	Sept. 76	March 77	May 78	Sept. 78	April 80	Nov. 81	Project Closing
Land marking	40.0	75.5				78.4	76.3	76.3
Earthworks	700.0	524.3				509.5	507.7	507.7
Roads	92.8	40.0				157.0	157.0	157.0
Water Supply	108.2	240.8	1981.0	1981.0	1881.0	222.4	255.1	224.1
Sewerage	270.6	533.6				296.2	364.1	366.9
Electricity	200.8	368.2				524.5	584.7	576.8
Trees	8.0	26.7				5.4	5.4	5.4
Schools	508.3	762.5	1088.0	48.0	1177	143.1	160.0	131.0
Clinics	93.3	140.0				51.2	54.8	19.1
Upgrading	15.3	15.3	76.0		76.0	-	-	54.6
Consultants (ONLH)	112.6	112.6	350.0	361.0	361.0	361.0	362.0	362.1
Consultants (SMUH)	67.8	67.8				3.3		
Overruns	335.1	135.6	<u>1/</u>	<u>1/</u>		19.5	26.6	21.5
Price Escalation	221.9		-	-	-	-	-	
Compensation	100.0	100.0	100.0	100.0	-	-	-	
Primary Infra.	243.0	940.0	773.0	773.0	806.0	559.4	533.0	530.0
UNDP	30.8	30.8	-	-	-	1.0	-	
Sub total Dakar	3148.5	4113.7	4368	3263	4301	2931.9	3086.7	3032.5

1/ Included in other items

II. THIES
(Francs CFA Millions)

Item	Appraisal	Sept. 76	March 77	May 78	Sept. 78	April 80	Nov. 81	Project Closing
Land Marking	6.0	10.5				5.9	9.1	8.0
Roads	13.9	18.9				99.3	99.0	99.0
Water Supply	6.2	28.7				31.1	35.2	32.4
Sewerage	7.9	62.6	175.0	175.0	253	82.2	-	77.9
Electricity	30.1	67.5				90.0	50.0	
Trees	1.2	4.1						
Schools	52.0	88.7		-				
Clinics	11.7	20.0	102.0	-	102			
Earthworks	n.a.	3.3						
Overruns	19.4	15.2	<u>1/</u>					
Price Escalation	12.9	<u>1/</u>						
Primary Infra.	n.a	65.0	130.0	130.0	130.0	107.1	96.8	61.8
Sub total Thies	161.3	384.5	407.0	305.0	485.0	415.6	290.1	279.1
Grand total	3309.8	4498.2	4775.0	3568.0	4786.0	3347.1	3376.8	3311.6
Exchange Rate	255.8	225	230	235	230	225	232	238/240

1/ Included in other items.

Table 4.3

Key Indicators

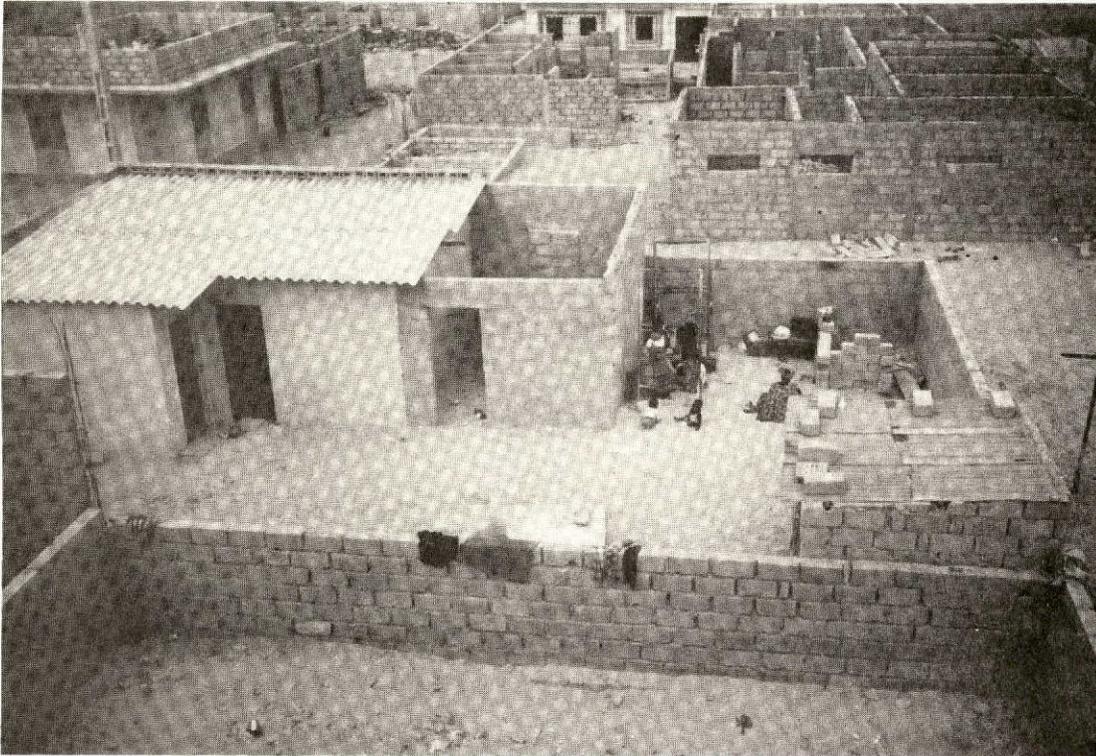
	September 1978	November 1979	November 1980	February 1981	November 1981	January 1982
Applications	20,168	25,162	32,307	35,000	42,000	42,000
Interviews	15,160	20,007	32,000	34,000	36,000	37,000
Allottees	4,505	7,585	7,585	7,585	7,585	10,085
Number of units completed or underway	1,000	1,700	2,310	2,533	4,000	4,500
of which:						
Completed units	56	250	1,018	1,131	1,570	1,840
Occupied units	13	310	716	777	1,260	2,000
of which:						
Completed two room units	-	-	452	508	513	702
Occupied two room units	-	-	239	267	369	499
<u>Loans</u>						
<u>BNDS</u>	52	310	357	-	-	-
Public Sector	52	310	339	-	-	-
Housing Cooperatives	0	0	18	-	-	-
<u>OHLM</u>	401	2,842 ^{a/}	1,744	1,800	1,900	2,500
<u>BHS</u>	-	-	5	25	22	-

a/ Several of these loans were to the same individual to complete a dwelling unit.

SENEGAL
SITES AND SERVICES PROJECT
(Credit 336 SE)



The first Tranche: A city under development.

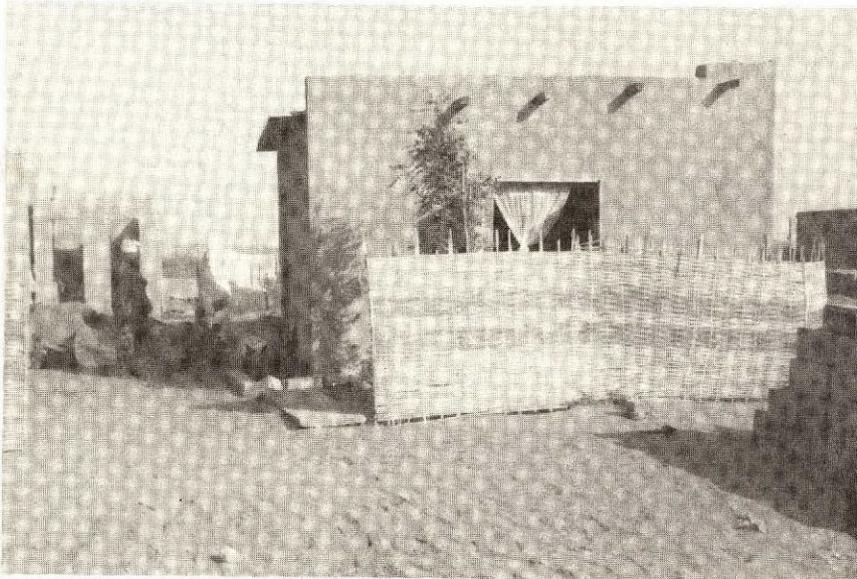


A typical plot layout: a Senegalese family settles in a two room unit financed by OHLM-DPA Loan Program. Extension of unit is underway.

SENEGAL
SITES AND SERVICES PROJECT
(Credit 336 SE)



A typical two room unit ready for occupancy.



A family settles in a two room unit and puts up a palm fence for privacy.

A house financed by
a Banque de l'Habitat
du Senegal Loan.



SENEGAL/SENEGAL
SITES AND SERVICES PROJECT/PROJET DES PARCELLES ASSAINIES
(Credit 336 SE)

Implementation Schedule at Appraisal/Echéancier prévu au rapport d'évaluation^{1/}

Implementation Exécution	Years Années Trimestres Quarters	1973		1974			1975				1976				1977				1978				1979		
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
DAKAR																									
Tranche 1 construction/travaux site occupation/occupation		***	***	+BB	BRR	III	III	SSS	SSS	SSS	SSS														
Tranche 2 construction/travaux site occupation/occupation		***	***							III	III	SSS	SSS	SSS	SSS										
Tranche 3 construction/travaux site occupation/occupation										***	***	+BB	BRR	III	III	SSS	SSS	SSS	SSS						
Tranche 4 construction/travaux site occupation/occupation										***	***							III	III	SSS	SSS	SSS	SSS		
THIES																									
Tranche 1 construction/travaux site occupation/occupation		***								III	SSS	SSS													
Tranche 2 construction/travaux site occupation/occupation										***								III	SSS	SSS					
TECHNICAL ASSISTANCE/ASSISTANCE TECHNIQUE																									
Project Manager/Chef du Projet																									
Civil Engineer/Ingénieur VRD																									
Accountant/Expert comptable																									
Savings and Credit Expert/Expert Financier																									
Community Organization Expert/Sociologue																									
COMMUNITY IMPROVEMENT/RENOVATION DES QUARTIERS SPONTANES																									
Criteria Study/Etude des Critères																									
Pilot Project/Projet Pilote																									

Legend/Légende

^{1/} Implementation starts at credit agreement signing/La date d'exécution commence dès la signature de l'accord de crédit.

- * Detailed Engineering/Projet d'Exécution
- + Review of Design and Contract Documents/Examen des Plans et Dossiers d'appel d'offres
- B Tendering of Bids/Lancement de l'appel d'offres
- R Review of Bids and Award of Contracts/Analyse des offres et attribution des marchés
- I Construction of Infrastructure/Réalisation des Travaux d'Infrastructure
- S Construction of Sanitary Facilities, Schools and Health Clinics/Réalisation des Equipements Collectifs
- Possible Extension of Technical Assistance/Rallonge Assistance Technique

V. INSTITUTIONAL DEVELOPMENT

5.01 The development of an institutional capacity to plan and execute sites and services projects in the future was a main project objective. At the national level, it was intended to build up a capacity to formulate urban policy and establish investment priorities. At the parastatal level, the intent was to develop an executing capacity. Principal responsibility for this task was vested in the OHLM through the DPA, which was created specifically for this purpose.

A. Central Government Agencies

5.02 At appraisal, the then Ministry of Public Works was the central government ministry with overall responsibility for the projects. In 1978, after a ministerial reorganization, the Ministry of Urbanism, Housing, and the Environment assumed overall responsibility. The Directorate of Urban Planning was the principal unit within the Ministry responsible for formulating national housing policy and related investment programs. It retains the same function today.

5.03 It was agreed at appraisal that a UNDP-financed expert in housing policy would be assigned to the Directorate for a two year period to assist in the reorientation of urban policy and investment programming. The expert was never hired, due probably to the wide gap in policy positions between Government and the Bank. The Ministry's inputs into project execution were negligible for the duration of project execution, apart from disagreements over the type of houses to be constructed on the project site and a steadfast refusal to consider appropriately lower standards. The failure of the Ministry to take a more participatory role in the project and in the resolution of its difficulties contributed to the isolation of the project unit. It also reinforced the widely held perception that the project unit was "extra-governmental" and had no political support.

B. The Office des Habitations à Loyer Modéré (OHLM)

5.04 At appraisal, OHLM was the principal Government agency for the construction of urban and rural housing for wage earners coming from the upper and middle income population groups. It sold and rented subsidized units utilizing Government grants obtained from a housing tax on all salaries. From 1960 through 1969, the end of the Second Four-Year Plan period, OHLM had built 3,760 units, 1,900 of which were in Dakar.

5.05 For the Third Four-Year Plan, it had a goal of 4,500 units. As part of the shift in policy emphasis from the upper and middle income groups to the lower income groups, it was agreed at appraisal that OHLM would reorganize into two directorates, one for the normal OHLM operations and one for sites and services. It was also agreed that standards would be reduced, by introducing

a "supereconomic unit", costing roughly half the US\$5,100 equivalent per conventional unit of the program under execution. To assist in this change, a UNDP-financed expert in building materials and low-cost construction techniques was to be brought into OHLM. The expert was never hired.

5.06 Few planned targets were met. Nearly half of the forecast OHLM production was to be "supereconomic" units of which over 80% were to be built in Dakar. Over 3,400 units were built during the Plan period of which over 90% were built in Cap Vert. Unit costs did not fall appreciably nor was there any real attempt to achieve the standards agreed upon during negotiations. Finally, there was no reduction in infrastructure subsidies.

C. The Direction des Parcelles Assainies (DPA)

5.07 Despite the well documented difficulties of the project unit, the evolution of the DPA is probably the most important project achievement. The DPA was created within OHLM for the purpose of project execution. This arrangement was agreed upon after careful consideration and rejection of the alternative proposal which consisted of creating a unit within the Ministry. The potential difficulties of introducing a unit within OHLM to implement a low-cost housing scheme were recognized at appraisal, but the appraisal team correctly concluded that fewer difficulties were involved in attempting to build a unit within an existing agency.

5.08 According to agreements at appraisal, the Sites and Services Directorate was to be of equal rank with a Housing Directorate which was to continue conventional OHLM operations and would use the existing divisions for the technical and financial aspects. A Community Assistance Section was to be created for the community development activities which would be new to OHLM. The Sites and Services Directorate was to have five counterpart staff and a team of technical assistants. The creation of two distinct but equal directorates was to contribute to a more coherent housing program, but this was not the case.

5.09 Firstly, the arrangement was never implemented. A Sites and Services Directorate was created within OHLM but was not given the autonomy originally foreseen. Secondly, Government experienced major difficulties in hiring counterpart staff. A Project Director was not in place until late 1976. The unit was not provided with a separate budget and its operations and funds were incorporated into the OHLM Budget. It was quickly absorbed by an agency which, itself was short staffed, had severe budgetary problems, and a flagging record of production. Frequent changes at the head of OHLM caused added setbacks, each new Director General calling into question the objectives of the project and, in particular the standards used. These circumstances progressively weakened the status of the project unit and eroded the institutional framework envisioned at appraisal. This institutional erosion quite naturally reinforced the political resistance to the proposed policy changes which together impeded progress.

5.10 At the same time, the "extra-governmental" perception of the DPA and the resultant neglect provided an opportunity for it to flourish and experiment. Besides the servicing of over 12,000 plots, the DPA developed an innovative and effective approach to community organization. It organized potential ploholders into associations which today have over 30,000 members, many of whom saved from CFAF 1,200 - 3,500 monthly for as long as four years for down payments on plots. It developed a program to advertise the project, interview applicants, and to select beneficiaries. When it became apparent that beneficiaries were not building because of a lack of funds, the DPA developed a construction loan program which has made over 2,500 loans using beneficiary down payments and repayments. It has overseen construction of over 2,000 units, organizing on-site, small scale contractors for the job. In six years, the DPA has outstripped the production of its parent agency, producing 2,000 sites per annum and providing housing for an eventual population of 140,000. From an inexperienced group of 5 it has grown to a team of 90 Senegalese which has performed quite satisfactorily, given the less than supportive environment.

D. Assessment

5.11 The execution of this project has had little substantive effect on policy formulation at the central ministry level, despite the commitment to a substantial sites and services program in the Sixth Plan. As far as overall institutional gains are concerned, the project has not had a major effect on the reorientation of OHLM's programs and policies, although there is a greater awareness of the major issues. Changes did occur in the focus and orientation of OHLM over the project period, but they were the result of depressed economic conditions rather than the result of enlightened policy making. OHLM built fewer units over the period because financing was not available to permit completion of the program. OHLM is only an executing agency; it is the Ministry of Urban Development which makes urban policy. In the absence of a shift in policy at the ministerial level, OHLM can only continue its present programs.

5.12 At the same time, the poor performance of OHLM compared to the DPA production of serviced sites has inevitably influenced the perception of OHLM's role and, this, in itself, could well provoke a reexamination of OHLM's mandate. Indeed, a review is underway as part of the contrat-plan process. Secondly, the project has created a capacity to prepare, implement, and deliver alternative solutions to conventional public sector programs in the country. Despite weaknesses in the technical and financial sections of the DPA, a team of capable Senegalese is in a position to replicate the sites and services concept, and indeed has done so in Thiès, which the DPA designed and implemented without technical assistance. It is also preparing a second sites and services project with KFW assistance in Kaolack.

5.13 If support for the sites and services project is less certain within the Ministry of Urban Development, the visible achievements on the site have convinced officials in other departments and ministries that the sites and services concept is a real and acceptable alternative to past housing projects--or

to no projects whatsoever. Furthermore, the population at all income levels has expressed continued interest in the project and is pressing for the accelerated production of serviced sites. These trends suggest that if policy changes do not come from within the Ministry, they could be imposed on it from without.

VI. COSTS, DISBURSEMENTS, AND FINANCIAL PERFORMANCE

A. Costs

6.01 Table 6.1 provides a summary of project costs as estimated at appraisal and final costs as of June 30, 1982. (Tables 4.2a and 4.2b provide detailed costs.) In terms of US\$ equivalents, final costs exceed appraisal estimates by 10%. The figure US\$14.3 million represents the total cost of the project as modified in 1976. These modifications were:

- (a) reduction in Dakar from 400 ha to 300 ha;
- (b) reduction in Thiès from 60 ha to 40 ha;
- (c) elimination of all community facilities in Thiès and all but four schools and one health clinic in Dakar; and
- (d) elimination of plot upgrading.

6.02 The delays, upward shift in standards, and inflation over the period had a major effect on the actual costs of the reduced project. At appraisal price escalation was estimated at 10% over the entire implementation period. According to the official price index (Table 6.2), price escalation averaged 10% per year between 1972 and 1981 for construction materials, fuel and wages. Cement prices quadrupled. The per ha cost at appraisal (460 ha) was an estimated US\$20,876. The actual cost per ha is US\$42,020, or over a 100% increase.

6.03 Abnormal delays due to frequent changes at the head of OHLM and the Ministry contributed to the significant overruns. These changes resulted in backsliding on design standards, and in particular, on power and sewerage, which were especially costly. In the case of power, electricity costs at appraisal amounted to US\$2,000/ha. As of June 30, 1982, the cost was US\$7,000/ha. Sewerage costs were estimated at US\$2,400 per ha at appraisal. The actual cost is approximately US\$6,400 per ha. ^{1/} In addition, land acquisition costs were severely underestimated. At appraisal, costs were estimated at CFAF 100 million for both sites. Approximately CFAF 62 million has been paid for Thiès. Dakar land compensation was never paid and amounts to CFAF 598 million. In the case of Thiès, the DPA was obliged to pay land compensation from its own funds. Government has not reimbursed the project account.

6.04 For the financial and economic analyses, the additional costs of civil works to be completed beyond June 30, 1982 (close of disbursements) were estimated. These costs include land acquisition for Dakar, some ongoing civil works in Dakar and Thiès, and those community facilities for Dakar and Thiès which were eliminated when the project was reduced. These costs amount to

^{1/} Reduced project. Sewerage component eliminated in Thiès so calculation made on basis of 300 ha in Dakar only.

CFAF 2,572 million. In addition, DPA operating costs up to 1995 (the end of the repayment period for the construction loan program) were estimated and amount to CFAF 1,242 million.

B. Disbursements

6.05 As of June 30, 1982, total disbursements amounted to US\$7.6 million. The actual and estimated disbursement profile is shown in Chart 23915. The actual and estimated disbursement schedule is given in Table 6.3. Overall disbursements are four years later than the forecast date of Project Completion which was June 30, 1978, and fall short of a 1980-81 revised estimate which called for the completion of all civil works on the Dakar site by December 31, 1981 and disbursement of the total Credit amount by March 31, 1982. All of the outstanding works, which include the construction of a primary school, completion of the sewerage network on the third tranche and power network on the second and third tranches on the Dakar site were in progress before the Closing Date but, at the earliest, could not be completed before June 30, 1982.

6.06 Delays in disbursements were due to many factors. Actual disbursements lagged immediately behind the appraisal forecasts because of an overly optimistic schedule at appraisal. Principal causes of disbursement delays are: (a) discontinuities in counterpart funding which delayed start-up throughout execution and resulted in a virtual stoppage of works in end 1980 and early 1981; (b) delays in completing detailed design and engineering; (c) delays during construction due to contractors' difficulties; (d) slow processing in the Ministry of Finance. Disbursements improved dramatically towards the end of the Credit life, when a Bank consultant worked directly with contractors to prepare bills and when the DPA assigned a staff member to follow up in the Ministry of Finance.

6.07 Towards the Credit Closing, the disbursement percentage was raised to 80% to accelerate disbursements. For a brief period, disbursement requests were still being forwarded at the original percentage and disbursements were made accordingly. Unless the Ministry of Finance and the OHLM communicate directly when such changes are made, valuable time and IDA funds can be lost, since forms must be resubmitted to correct the error. Approximately US\$458,000 of the IDA Credit was cancelled at June 30, 1982, or 5% of the total Credit amount.

C. Financial Performance

6.08 The original and actual financing plans stated in US\$ and CFAFrancs are shown below. These figures do not include the costs of completing the community facilities.

	Appraisal			Actual		
	CFA million	US\$ '000	%	CFA million	US\$ '000	%
Senegal	1,263.4	4,940	38	1,562.6	6,745	47
Credit 336 SE	2,046.4	8,000	62	1,749.0	7,542	53
Total	3,309.8	12,940	100	3,311.6	14,287	100

6.09 Because of implementation delays, the respective shares of IDA and Government participation were altered, with an additional US\$1.805 million or CFAF 299.2 million required in counterpart funds to complete the revised project. This 24% increase (CFAF) in Senegalese participation is particularly serious given the country's financial situation and is of more concern within the context of all projects under execution in the country. However, there appears to be no information available as to the cumulative effects of these overruns on local funding requirements.

6.10 Cost Recovery and Affordability. Project beneficiaries were expected to pay for detailed engineering, on-site infrastructure (except electricity) and management prior to lot sale. At appraisal, it was estimated that CFAF 1,406.9 million would be passed onto beneficiaries, based on assignable ^{1/} land area totalling 242.8 ha in Dakar and 36.3 ha in Thiès. With the reduced project, 180 ha in Dakar and 25 ha in Thiès will be sold, generating total revenues amounting to CFAF 1,790 million at present selling prices. Schools and health clinics were to be recovered through general revenues. Land was to be provided free. Repayment terms were 7% per year over a maximum period of 15 years. Allottees could pay a lump sum for their plot, an option which was exercised by nearly 20% of the beneficiaries.

^{1/} Total area minus roads and open space.

6.11 At appraisal, total plot costs were estimated to range from CFAF 74,000 (US\$290) to CFAF 220,000 (US\$863) for plots with a water and sewerage connection based on an average development cost of about CFAF 741/m². Actual development costs in Dakar are approximately CFAF 1,272/m² and CFAF 1,146/m² in Thiès, while the average selling price is about CFAF 834/m². Despite Bank requests to revise the selling price to reflect actual development costs (53% higher than current prices for plots), Government refused, arguing that the beneficiaries, and in particular, the lower income households, should not be penalized for the construction delays for which they were not responsible. Table 6.4 compares plot prices and monthly charges at appraisal with current levied charges and actual development costs per plot.

6.12 Affordability. At appraisal, the target population was defined as those families with incomes too low to qualify for OHLM housing but adequate to (a) meet monthly plot charges and (b) invest in house construction. However, no assumption was made concerning private savings required for house construction, it being assumed that everyone was able to mobilize the necessary funds. It was estimated that families with incomes between CFAF 14,500 and CFAF 37,900 would qualify, based on the generally held assumption that households are willing and able to pay up to 20% of their monthly income to acquire their own house. These families were between the 47th and 85th percentiles on the 1970 income distribution curve. Families with incomes below CFAF 14,500 were expected to be able to rent rooms on the site.

6.13 Research undertaken since this project underscores the difficulties in estimating project affordability. The situation is complicated by several factors which include the following: (a) investment in housing is shown to vary widely from project to project, with families often willing and able to invest considerably more than the 20% cited above; (b) frequently these additional investments are not made from current household income but rather come from loans or transfers from other family members. In the specific case of Dakar, the lack of reliable information on housing investment further clouds the issue. Under these circumstances, the best that can be done is to provide some very general indicators of potential project affordability. For the purposes of the PCR, the cost information which is used is based only on development charges and loan payment which is an underestimation of total costs to participants. It has also been assumed that households are only able to spend 20% of their income on housing, which again according to research information probably underestimates ability to pay.

6.14 Data on allocation show that beneficiaries fall between the 20th and 65th percentiles on the 1980 Dakar income distribution curve with CFAF 55,000 as the income ceiling. Because of the lack of serviced sites across income groups in Dakar, there has been some "seepage" of higher incomes into the beneficiary selection process, bringing in some families between the 65th and 85th percentiles. The current floor differs from that at appraisal because of modifications to the allocation criteria permitting larger numbers of lower income families to participate. As Table 6.4 shows, charges at appraisal for the least expensive plot represented about 6% of the monthly income of the lowest income beneficiary and 5% of the monthly income of the higher income

beneficiary for a fully serviced plot. Using the prices levied by the DPA, these figures are 5% and 4% respectively. At actual development costs, the figures are 7% and 5%. 1/ On the basis of the assumptions in paragraph 6.13, it is reasonable to conclude that, even if households made relatively heavy additional investments, the project was affordable by the project population.

6.15 However, few households began house construction before 1978, at which time a survey revealed that lack of funds was one of the principal reasons. Furthermore, it was shown that households with incomes similar to project beneficiaries spent over 60% of their monthly income for food and about 13% for shelter. 2/ Between 1972-1988, the price of basic food staples doubled in Dakar while the minimum wage increased by only 50%. The DPA, therefore, decided to start its construction loan program, which aimed to promote construction of a two-room unit costing CFAF 540,000 at 11% over 15 years, or a monthly charge of CFAF 6,260.

6.16 With a DPA loan, the percentage of monthly income allocated to shelter for the poorest beneficiary is 30%, while that of the higher income beneficiary for a fully serviced plot is 15% at DPA prices. Given the available data on monthly expenditure patterns of lower income families, the addition of the construction loan would appear to create affordability problems for low income households, if they have to meet the total payment out of current earnings. Unfortunately, there is no information on the amount of transfers from relatives which would reduce the repayment burden for some households.

6.17 If it is assumed that 20% of monthly income is allocated to shelter, all families above the median income level (CFAF 37,500) can afford a two-room unit, covering households falling between the 40th and 65th percentiles. All families (20th and above) could afford a one-room unit. If actual development costs are applied, only families earning more than CFAF 40,000 per month could afford a two room-unit, and families with monthly incomes of at least CFAF 28,000 could afford a one-room unit. If it is assumed that 13% of monthly income is allocated to shelter, only the population above the 40th percentile can afford a one-room unit; no families could afford a two-room unit.

1/ All percentages rounded.

2/ Research again suggests that this is probably a rental payment and that households might have been able and willing to pay a higher proportion to purchase a house.

D. Recovery Performance and Replicability

6.19 Repayment of plot charges has been generally good, with a 22% default rate. This compares favorably with other projects. In contrast, the default rate on the construction loan program is poor (88%). Of the 4,500 houses under construction, 2,000 have DPA loans. Therefore about 45% of the people constructing are in default. Reasons for the cost recovery problems include the following:

(a) An inadequate institutional framework.

Beneficiary accounts for both plot sales and construction loan are mechanized and processed by the Government's information center which handles all public sector enterprises. The center issues separate bills for the plot and the construction loan program which are mailed at different times to the beneficiaries. There are frequent delays in processing, sometimes up to six months or more and DPA's requests for modifications to the program or an acceleration in billings are generally ignored. The collections section in the DPA is also hampered by excessively complicated procedures and does not have adequate staff to collect late payments.

(b) Lack of political will and a system of sanctions.

Deduction at source is voluntary by law for civil servants (1/3 of project beneficiaries), and Government has been slow to enforce it for the project. Deduction at source for other salaried employees was only instituted in 1980, with the result that deduction at source covers a minimal percentage of the 40% of the beneficiaries who are salaried. Furthermore, no legal sanctions against overdue clients have been taken.

6.20 As of June 30, 1982, the following costs were not being recovered from project beneficiaries:

	<u>In million CFAF</u>
<u>Dakar</u> land acquisition	
(not including 4th tranche)	511.0
primary infrastructure	530.3
community facilities	280.9
technical assistance	181.6
DPA administration	158.0
<u>Thiès</u> land acquisition	61.8
	<hr/>
Total	1,723.6

This figure represents over 50% of total project costs as of that date. Of the CFAF 1,723.6 million, it can be assumed that primary infrastructure and community facilities would be recovered through general or municipal revenues, leaving 20% (US\$3 million) of project costs as non-recoverable (land acquisition,

technical assistance and DPA administration). Given the country's financial constraints, Government would have to recover more project costs than at present, if it expects to continue implementation of the Sites and Services Program. Under these circumstances, and with fewer delays, real economies in design standards and fewer pressures by Government on beneficiaries concerning the type of house to build, sites and services should be a viable housing solution for Government.

E. Financial Position of DPA and Results

6.20 It was assumed at appraisal that the DPA would yield an operating surplus which could be annually invested in new operations. Table 6.5 compares the forecast at appraisal with the DPA's current financial position without the loan scheme. Under this scenario, the DPA's financial position would be positive, once all plots are sold and the deferred payments recovered (1988/1989). As of June 30, 1982, the cash surplus would be CFAF 1,707.9 million compared to CFAF 790.6 million estimated at appraisal.

6.21 The introduction of the construction loan scheme in 1978 radically changes these projections. Table 6.6 gives the DPA forecast with and without the loan program. Originally fed by down payments and repayments from plot purchases, the loan program received an additional CFAF 575 million loan from Government to OHLM/DPA under the Structural Adjustment Loan (1981). The cash flow of the loan program is negative from 1982 to 1990/91, with the cash deficit peaking at CFAF 1,596 million in 1985/86. After 1993, the cash flow is positive. If the DPA financial results are consolidated to include plot repayments and loan reimbursements, the DPA cash flow is negative until 1986/87 reaching a maximum deficit of CFAF 321 million in 1985/86. If previously agreed measures to improve cost recovery are applied rigorously, the DPA would show a cash surplus of CFAF 283 million in 1987/88. At the end of the operation (1994/95), and after reimbursement to Government of the CFAF 575 million, the consolidated cash flow shows a cumulative surplus of CFAF 2,092 million, assuming a default rate of 20% on construction loans. Given central government funding constraints, this surplus represents an important source of counterpart funds for a future operation.

SENEGALSITES AND SERVICES PROJECT(Credit 336 SE)Price Variations in Basic Materialsand Labor during Project Execution

(Source: Bulletin Officiel des Prix)

Item	Unit	Prices (Tax Included) ('000 CFAF)						Nov. 81 change
		06. 72	75/76	77/78	79/80	80/81	%	
Cement	Ton	6,428	10,800	16,980	18,178	25,000	26,130	306
Cement Block	Unit	-	65	96	120	186	191	194
Sand	M3	425	650	750	1,000	1,000	1,000	
Shutters	M3	19,575	34,863	45,360	50,100	55,500	56,500	188
Asphalt	Ton	19,350	47,565	60,473	76,488	166,309	181,870	840
Gasoline	Liter	57	76	93	146	255	255	347
Diesel Fuel	Liter	42	63	75	96	150	150	
<u>Hourly Wages</u>								
Unskilled Labor	Hour	52.90	109.80	109.80	137.25	144.11	144.11	172
Foreman	Hour	266.95	339.18	359.18	416.64	437.47	437.47	64
Skilled Labor	Hour	94.15	170.60	170.60	206.42	216.74	216.74	130

NOTE: Tax variations

From 07/01/65 to 12/31/76 = Excise Tax 9%

From 01/01/77 to 06/30/77 = Excise Tax 11%

From 07/01/77 to 07/31/79 = Excise Tax + Surtax = 14.2%

From 08/01/79 to 07/31/81 = Value Added 18.5%

As of 08/01/81 = Value Added 20%

SENEGAL
SITES AND SERVICES PROJECT

(Credit 336 SE)

Forecast: Plot Sales and Construction Loans

(CFAF millions)

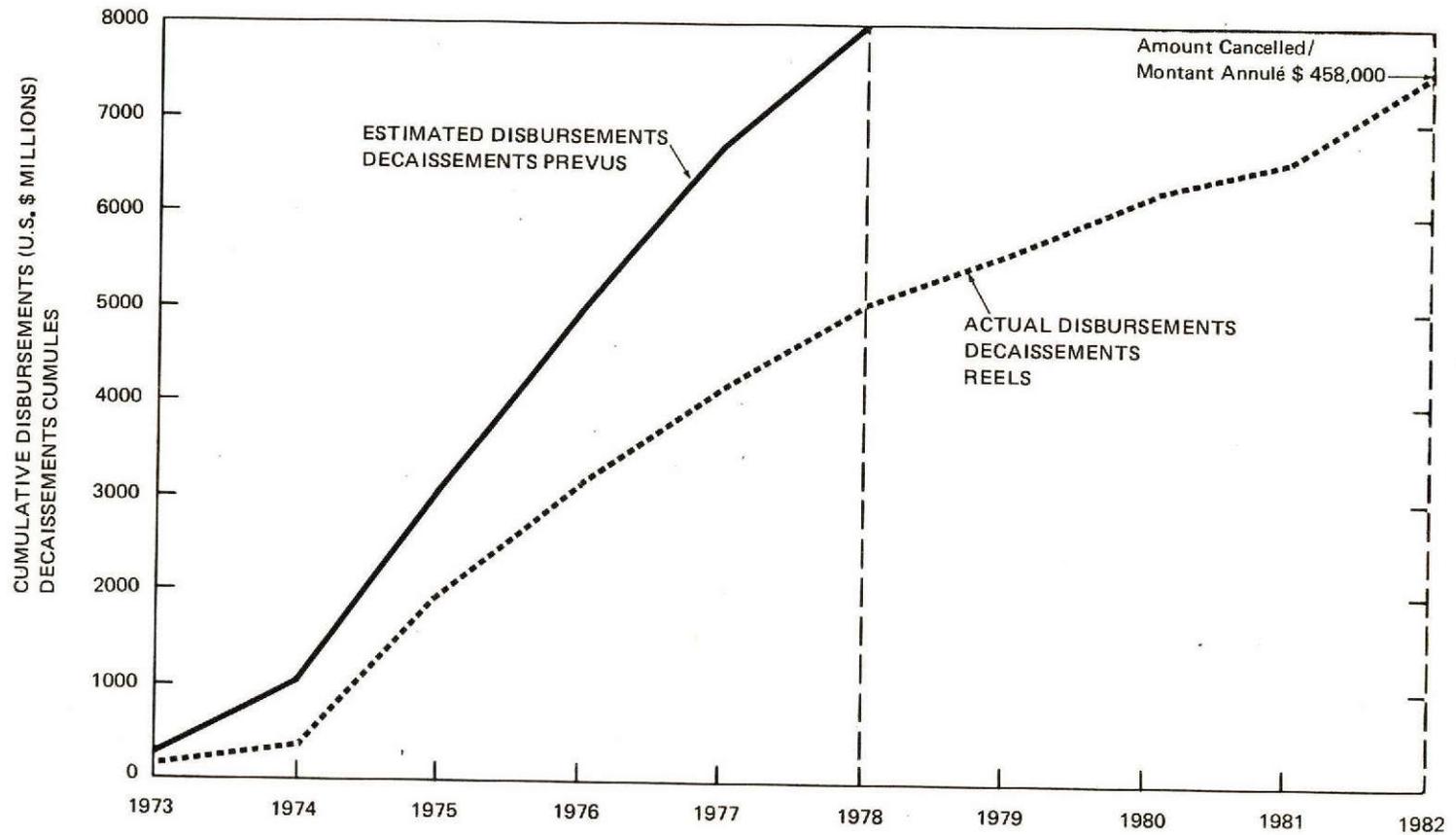
	<u>81/82</u>	<u>82/83</u>	<u>83/84</u>	<u>84/85</u>	<u>85/86</u>	<u>86/87</u>	<u>87/88</u>	<u>88/89</u>	<u>89/90</u>	<u>90/91</u>	<u>91/92</u>	<u>92/93</u>	<u>93/94</u>	<u>94/95</u>
<u>Plot Sales</u>														
Invoicing as of June 30	1,966													
Total net revenue without loan scheme	729	938	1,074	1,167	1,275	1,359	1,446	1,484	1,479	1,474	1,468	1,462	1,455	
<u>Loan Scheme</u>														
- <u>Sources</u>														
. Treasury	500	75												
. Repayment Construction Loan	48	165	219	306	343	317	371	404	382	331	297	201	140	74
TOTAL	548	788	1,007	1,313	1,656	1,973	2,344	2,748	3,130	3,461	3,758	3,959	4,099	4,173
- <u>Uses</u>														
. Construction Loans	748	523	462	508	559									
. Repayment . Principal			110	110	110	110	110	25						
Treasury Loan . Interest			50	41	31	22	13	4						
TOTAL	748	1,271	1,893	2,552	3,252	3,384	3,507	3,536						
Balance on Loan Program	(200)	(483)	(886)	(1,239)	(1,596)	(1,411)	(1,163)	(788)	(406)	(75)	222	423	563	637
Total net revenue with loan scheme	529	455	188	(72)	(321)	(52)	283	695	1,073	1,399	1,690	1,885	2,015	2,092

Table 6.6

FINAL PROJECT COSTS OF REVISED PROJECT AT COMPLETION 1995

	<u>as of Dec. 30, 1981</u>	<u>June 30 1982</u>	<u>beyond the Closing Date</u>	<u>Reimbur- sement to OHLM</u>	<u>Total</u>
A. <u>DAKAR</u>					
Land Acquisition	-	-	598.0	- 87.0	511.0
Primary infrastructure	530.3	-	-	- 80.0	530.3
Civil works	1,456.2	403.0	200.0	-	1,979.2
Community facilities	239.9	41.0	1,800.0	-	2,080.9
Technical assistance	<u>362.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362.1</u>
Total	2,588.5	444.0	2,598.0	-167.0	<u>5,463.5</u>
B. <u>THIES</u>					
Land Acquisition	61.8	-	-	-	61.8
Community facilities	-	-	100.0	-	100.0
Civil works	<u>123.8</u>	<u>93.5</u>	<u>40.0</u>	<u>-</u>	<u>257.3</u>
Total	185.6	93.5	140.0	-	<u>419.1</u>
C. <u>BPA OPERATING COSTS</u>					
as of 7/1/1995					<u>1,242.0</u>
D. <u>TOTAL</u>					
					<u>7,124.6</u>

**SENEGAL/SENEGAL
SITES AND SERVICES PROJECT
PROJET DES PARCELLES ASSAINIES
(CREDIT 336-SE)
SCHEDULE OF DISBURSEMENTS
(ESTIMATES AND ACTUALS)
ECHEANCIER DES DECAISSEMENTS PREVUS ET REELS**



VII. ECONOMIC REEVALUATION

7.01 At appraisal, quantitative economic benefits were measured in terms of imputed rental values for the housing units to be constructed under the project. Assuming a 20 year life of these units, the rate of return on the total investment, which included the land value and the value of self help labor was estimated at 18% at appraisal. Recalculation of the rate of return was hampered by data estimation and cost allocation difficulties, but under the method which is described below, the ERR is slightly above 19%. This rate of return supports the conclusion that this project was a sound investment from an economic point of view.

7.02 The Dakar and Thiès sites together account for 11,000 small (150 m²) and 1,220 large (300 m²) plots. As of June 30, 1982, about 1,570 housing units were occupied. The economic analysis in the appraisal report utilized the estimated rental value of completed units as the measure of benefits. However, there is no reliable data on the rental value of the houses which have been constructed on the site, and for the ex post analysis, the increase in land value arising out of the provision of services was utilized as a measure of benefits. This is in any case a more commonly used indicator in recent appraisals of sites and services projects. Ideally one would want to be able to compare the time series for the changes in value brought about in the project site with changes over time in comparably located raw land in Dakar. However, it has not been possible to obtain estimates of the latter because an appropriate index is not published and because data does not exist from other sources. In the absence of this more detailed information, the re-analysis used as a measure of benefits, actual observed increases in property values on the site and adjusted them for inflation to keep them in real terms. 1/

7.03 Field checks on average selling prices were done for purposes of reevaluation. Large plots are being sold at about CFAF 1,000,000 (US\$4,300). 2/ Some large plots are being sold at higher prices but there are few reported sales at lower prices. The resale price of the small plots ranges from CFAF 600,000 - 850,000. Spot surveys indicate that little distinction is made between service levels and/or location. A conservatively estimated average price per plot of CFAF 640,000 in 81/82 CFA Francs was used for the economic calculation.

7.04 For purposes of economic analysis, costs at appraisal included the value of land, the cost of materials and labor for the dwellings, and all on-site infrastructure costs with the exception of community facilities. Certain

1/ To the extent that prices of undeveloped land increased faster than inflation, the recalculated rate is an overestimate.

2/ Intervening year average CFAF 232.1 = US\$1.00

items were excluded but should have been included such as operating and management costs of the project unit. For the recalculation, these plus some additional costs were included. Infrastructure costs were expanded to include all costs of off-site infrastructure, although this biases the ERR downward, since a portion could have been considered to be of benefit to a larger population. Costs of community facilities were also included. This added cost also biases the rate of return downward since the benefits of such facilities are generally considered to be fully reflected in the purchase price of the housing. Operating and management costs of the project unit were included in the recalculation.

7.05 All costs are without taxes. The base year for the recalculation is FY82. Costs are actual costs between 1973 and 1982, inflated to 1982 price levels. The average inflation rate over the period is 10% per year. Beyond 1982, estimated costs are given in 1982 CFAF. All costs and benefits have been discounted at the opportunity cost of capital (11% between 1973 and 1993). The calculations which are provided in Table 7.1 show: (a) a net present value of CFAF 870.1 million and (b) a benefit/cost ratio of 1.10, and (c) an ERR of 19%.

7.06 By 1993, when it is expected that the outstanding community facilities will have been completed, each dollar of the IDA credit will have generated approximately US\$1.80 of public funds and US\$8.20 of private savings. 1/ Each IDA dollar will have had a multiplier effect of 10, indicative of a surprisingly robust project and a measure of the acceptability of the sites and services concept.

1/ At the end of the project, 12,220 houses would have been built at an average cost of US\$4,000. Total private investment has been estimated at US\$48.9 million. In addition, 1,800 medium standard houses costing approximately US\$7,500 would have been built by OHLM/BHS on the 4th tranche, adding US\$13.5 million of private investment.

ECONOMIC ANALYSIS

(in million CFA)

	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93
A. Costs Investments																				
1 - Current France	84.8	298.7	323.4	311.7	311.0	282.1	251.9	265.1	137.5	-	-	-	-	-	-	-	-	-	-	-
Inflation factor (10% per year)	(1.10) ⁸	(1.10) ⁷	(1.10) ⁶	(1.10) ⁵	(1.10) ⁴	(1.10) ³	(1.10) ²	(1.10)	1	-	-	-	-	-	-	-	-	-	-	-
1981/82 Fr. without taxes	181.5	582.5	572.4	823.8	454.1	375.2	304.8	291.6	137.5	852.8	206.4	230.4	250.4	232.0	255.2	280.8	308.8	339.2	373.6	-
2 - EPA Operating Costs																				
With taxes	-	-	9.1	10.0	10.0	20.0	25.0	30.0	35.0	42.0	35.0	29.0	13.0	7.0	4.0	4	5	5	6	6
Without taxes	-	-	7.2	8.0	8.0	16.0	20.0	24.0	28.0	33.6	28.0	23.2	10.4	5.6	3.2	3.2	4	4	4.8	4.8
Costs (without taxes, 81/82 Fr.)	-	-	12.7	12.9	11.7	21.3	24.2	26.4	28.0	33.6	28.0	23.2	10.4	5.6	3.2	3.2	4	4	4.8	4.8
3 - Total Costs in 1981/82 France	181.5	582.5	593.1	836.7	465.8	396.5	329.0	318.0	165.5	886.4	234.4	253.6	260.8	237.6	258.4	284.0	312.8	343.2	378.4	4.8
Total costs discounted at 11%	(1.11) ⁸	(1.11) ⁷	(1.11) ⁶	(1.11) ⁵	(1.11) ⁴	(1.11) ³	(1.11) ²	(1.11)	1	(1.11) ⁻¹	(1.11) ⁻²	(1.11) ⁻³	(1.11) ⁻⁴	(1.11) ⁻⁵	(1.11) ⁻⁶	(1.11) ⁻⁷	(1.11) ⁻⁸	(1.11) ⁻⁹	(1.11) ⁻¹⁰	(1.11) ⁻¹¹
(oppurtunity cost of capital)	417.4	1211.6	1112.8	1405.7	708.0	543.2	404.7	353.0	163.5	797.8	189.9	185.1	172.1	140.2	137.0	136.3	134.5	133.8	132.4	1.5
B. Benefits																				
No. of plots sold per year	-	-	-	2050	650	1400	1800	1900	700	2520	1200	-	-	-	-	-	-	-	-	-
Average market price per plot in 81/82 Fr.	-	-	-	1312	416	896	1152	1216	448	1613	768	-	-	-	-	-	-	-	-	-
Discounted at 11%	-	-	-	2204.2	623.3	1227.5	141.7	1309.8	448.0	1451.7	622.1	-	-	-	-	-	-	-	-	-
C. Present Value																				
At 11%	(417.4)	(1211.6)	(1112.8)	798.5	(75.7)	684.3	1012.3	996.8	282.5	653.9	432.2	(185.1)	(172.1)	(140.2)	(137.0)	(136.3)	(134.5)	(133.8)	(132.4)	1.5
The base year is 1981/82																				
Net present value	-	4860.5	- 3990.4	- 870.1	million CFAF															
Benefits/Costs ratio		9352.6		1.10																
		2482.5																		

VIII. BANK PERFORMANCE

8.01 Government's evaluation of the Bank's role can be found in its Project Completion Report which is attached as Annex 1. Bank reporting on the project and its difficulties was regular and frequent. There were 30 supervision missions between 1973 and 1981, 10 of which were before 1975. This extraordinary investment in staff time represents about 300 staff weeks over a ten year period, or double the normal supervision effort. Many of these missions were joint Programs/Projects efforts often with Director or Division Chief level participation.

8.02 The first of these major missions visited Senegal in 1975 to discuss the future of the project which was in serious doubt at the time. This mission was the first of several which would take an active role in the restructuring of the project:

- (a) 1975: a reduction in the IDA disbursement percentage to 45%;
- (b) 1976: reduction of the project size by 1/4; increase of disbursement to the original 67%;
- (c) 1977: postponement of community facilities;
- (d) 1978: series of Action Plans to improve consolidation and occupancy;
- (e) 1979: introduction of DPA construction loan scheme;
- (f) 1980: counterpart funding arrangements with Government and Caisse Centrale;
- (g) increase in IDA disbursement percentage to 80%.

The staffing and frequency of these missions unquestionably contributed to progress in implementation. This frequency, coupled with attention from the Department Director level, also injected an element of constant pressure on Government, focusing attention on the pressing issues and forcing a decision.

8.03 This intense supervision had its negative side. As the Senegalese point out in their PCR, the DPA was virtually ignored until the announcement of a supervision mission. At that time, previously agreed measures were acted upon and efforts made to accelerate implementation. Under these circumstances, the Bank unwittingly substituted itself for the Borrower, taking on increasing responsibility for implementation. The perception that the project was a "Bank project" can be traced to this situation and prevailed throughout the period.

8.04 As the implementation period progressed, the Bank's implementation role leaned heavily towards occupation and consolidation, indicators which were being closely monitored at Bank headquarters. This emphasis also had its positive and negative impacts. On the positive side, the focus led to the development of the construction loan scheme, which was a major element in accelerating the consolidation process. This focus also led to the modification of the selection criteria, opening the project to females living in a polygamous family unit who were excluded under the one household/plot criteria in the legal agreements. Criteria were modified to permit households down to the 20th percentile to qualify for plots and to allow more informal sector applicants to participate in the project.

8.05 At the same time, the Bank continued to underestimate the difficulties and the importance of providing a full range of services on the site. These problems surfaced concretely when ploholders cited the absence of services as a reason for non-occupation. The counterpart funding question did not receive adequate attention until the Bank tardily recognized that it was not a question of advancing the required funds but rather a cash squeeze affecting the national budget. Operational issues within the DPA such as the unwieldy functioning of the loan program, difficulties in cost recovery, and the lack of employment on the site did not receive adequate attention.

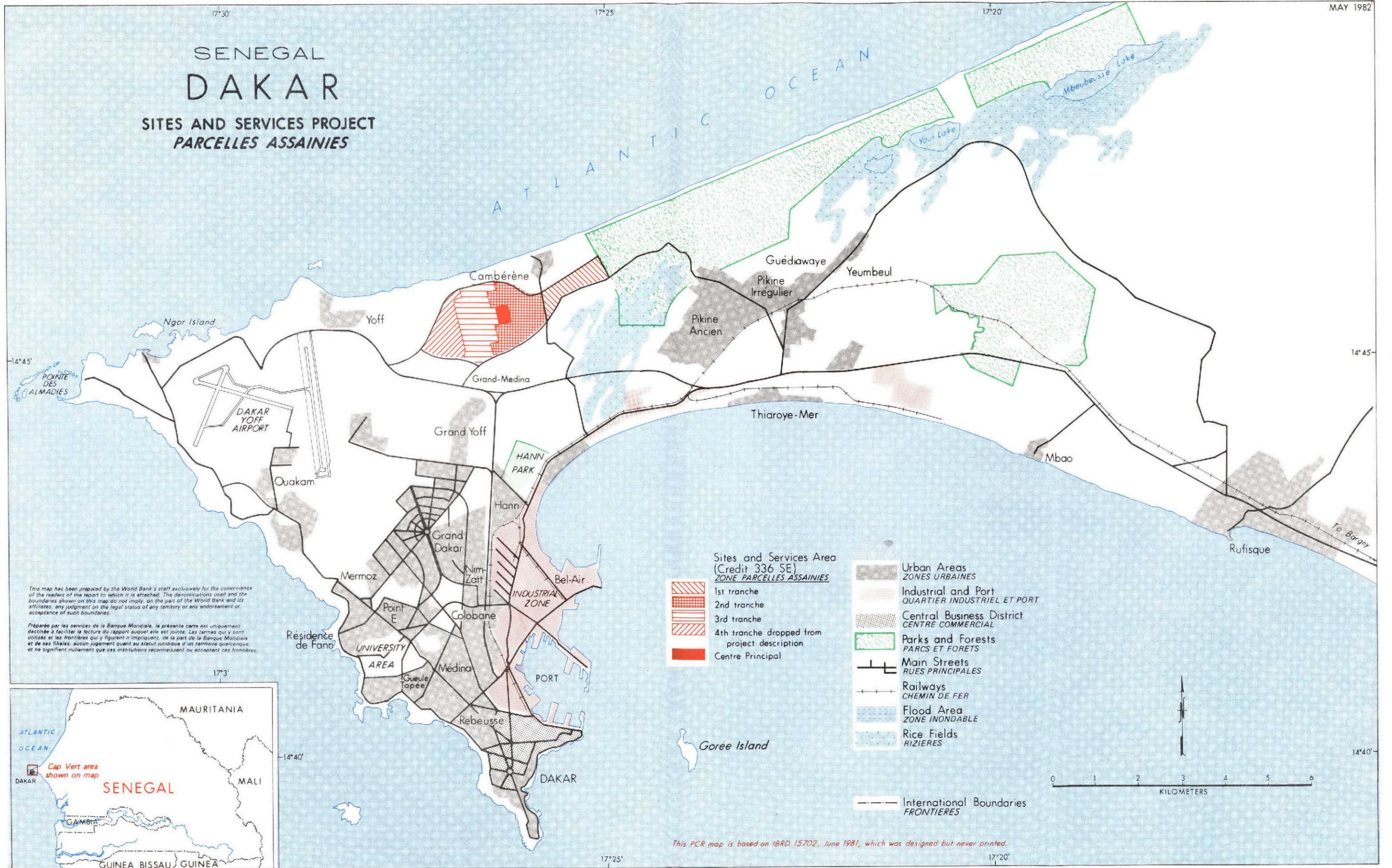
8.06 In the main, the Bank's performance in this project is perceived as positive. The inadequate attention to the country context is the most frequent criticism leveled at the Bank by Government. Assumptions about the rate of policy change, institutional development, the pace of occupancy and acceptable measures of performance all reflected the novelty of the concept and the inexperience of the Bank at the time. At the same time, it is acknowledged that the Bank played a key role in introducing a radical change in the perception of shelter policy and in resolutely pursuing removal of obstacles to its implementation. There appears to be little doubt that the sites and services approach is a real and acceptable alternative in the Senegalese context. A smaller project, backed by solid Government support, would have had a smoother implementation history. The Thiès experience would appear to support this conclusion.

8.07 The question frequently asked is whether, given the many difficulties, this project warranted the heavy investment in staff time and support. This was the Bank's first project and the first project in the Western Africa Region. It was also a test case for many Governments in the Region which were contemplating similar investments. It had a wide audience and continues to generate intense interest. Convincing results have been demonstrated on the ground which have attracted a steady stream of applicants. While the policy dialogue is far from that which has been achieved elsewhere, the Bank's participation beyond that forecast at appraisal has permitted the dialogue to be extended to other issues of the country's urban policy and is now

a vital element in the ongoing parastatal reform discussions. Against this perspective, it is premature to answer the question with certainty, pending the outcome of these discussions, more complete occupancy and consolidation results, and the more convincing evidence that a second operation would provide.

SENEGAL DAKAR

SITES AND SERVICES PROJECT PARCELLES ASSAINIES

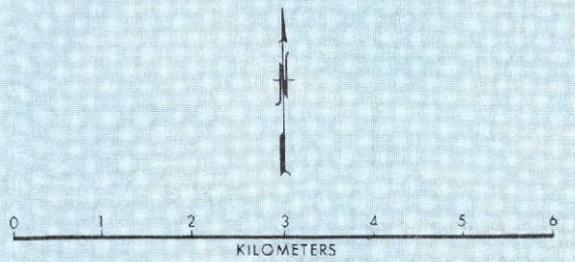


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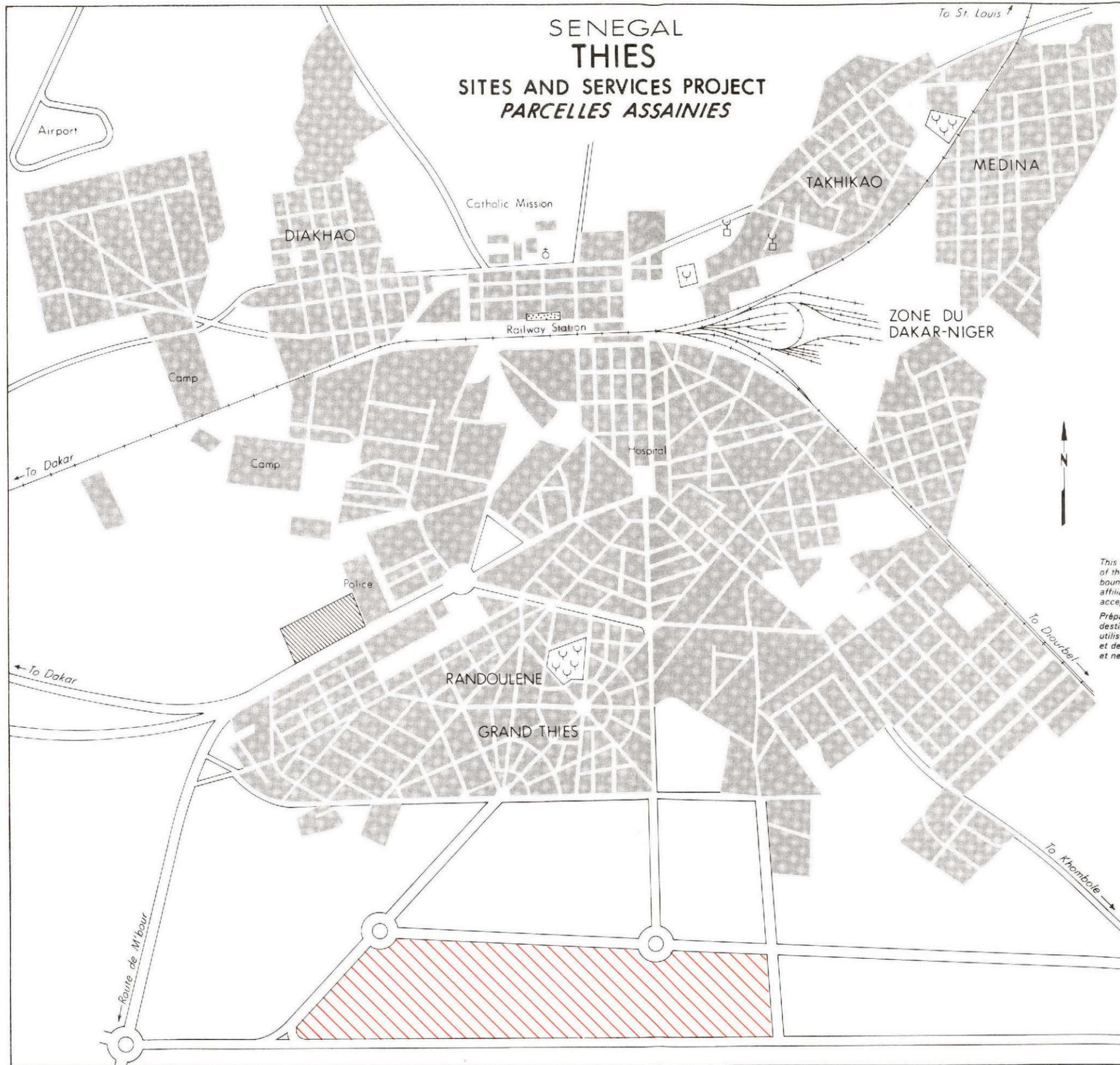


- Sites and Services Area (Credit 336 SE) ZONE PARCELLES ASSAINIES**
- 1st tranche
 - 2nd tranche
 - 3rd tranche
 - 4th tranche dropped from project description
 - Centre Principal
- Urban Areas ZONES URBAINES
 - Industrial and Port QUARTIER INDUSTRIEL ET PORT
 - Central Business District CENTRE COMMERCIAL
 - Parks and Forests PARCS ET FORETS
 - Main Streets RUES PRINCIPALES
 - Railways CHEMIN DE FER
 - Flood Area ZONE INONDABLE
 - Rice Fields RIZIERES
 - International Boundaries FRONTIERES

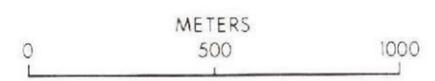


This PCR map is based on IBRD 15702, June 1981, which was designed but never printed.

SENEGAL THIES SITES AND SERVICES PROJECT PARCELLES ASSAINIES



-  SITES AND SERVICES
PARCELLES ASSAINIES
-  BUILT-UP AREAS
ZONES URBANISEES
-  MAIN ACCESS ROADS
AND STREETS
VOIES PRINCIPALES D'ACCES
-  RAILWAYS
CHEMIN DE FER
-  MARKET
MARCHÉ
-  SCHOOL
ÉCOLES
-  CEMETERIES
CIMETIERS
-  MOSQUES
MOSQUES
-  CHURCH
ÉGLISE



INTERNATIONAL BOUNDARIES
FRONTIÈRES

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WBG ARCHIVES**

SENEGAL

URBAN SECTOR MEMORANDUM

June 1, 1983

Western Africa Region
Urban Projects Division

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SENEGALURBAN SECTOR MEMORANDUM

APR 18 2023

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This report is based on the findings and recommendations of a mission of July 1982 composed of Ms. Tager (Mission Leader) and Mr. Delapierre, (WAPUR) assisted by Consultants I. Nahmias and J. F. Muzeau. Ms. K. Roffé typed the report.

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SENEGAL

URBAN SECTOR MEMORANDUM

SUMMARY AND CONCLUSIONS

1. The efficient management of growth and development of Senegal's urban sector has emerged as a major theme in the structural adjustment process. While the bulk of the country's population lives in the rural areas, they produce a relatively small and declining share of total output. Revitalization of the agricultural sector will remain the key challenge to Government, since it will continue to be the prime source of income for the majority of the population for some time to come.

2. Yet Senegal is at best modestly endowed with the resources required to permit significant improvements in agricultural production. Over the longer term, agriculture alone cannot boost the economy to a sustainable level of growth and development. With options limited, Government is pursuing the parallel development of a light industrial capacity, building upon a relatively extensive urban infrastructure network which is almost exclusively concentrated in the commercial/administrative/political capital of Dakar and in the Cap Vert Region. Worsening economic conditions and low agricultural productivity have fueled an already accelerated pace of urbanization, which is adding to existing pressures for basic services such as shelter, water supply, communications, transport and sanitation on the outskirts of Dakar. Here a skeleton, inadequately maintained network of infrastructure has long since been overwhelmed by the pace of growth.

3. Since an overwhelming share of Senegal's economic activity is either urban based or relies heavily on goods and services generated in urban areas,

the absence of these services or the inadequacy of existing networks interferes with productivity aims which are integral to the country's program of macroeconomic reform. Given the existing infrastructure network in Dakar, i.e. the port and international airport, telecommunications and road infrastructures, together with a readily available and well educated labor supply, the successful creation of an export-oriented industry will undeniably rely heavily on the efficient functioning of the Cap Vert Region.

4. According to the first phase of the Dakar Master Plan, the creation of an export-oriented capacity, centered in the industrial zone on the southeastern shore of the Cap Vert peninsula, would imply a population of 2.85 million for the Cap Vert Region by the end of the century. Under this scenario, the bulk of the urban population would shift eastward, in and around Pikine, the predominantly low income, poorly serviced zone 25 km from central Dakar adjacent to the new industrial zone. Pikine, which has until now been little more than a population receiving area would become a second administrative/commercial/industrial population center for the Region.

5. Government's approach to urban development has been inefficient and costly, promoting high cost, high standard programs which ultimately reach only a fraction of beneficiaries in need. The responsibility for these investments has been with the public and parapublic sector which has fallen short of meeting the requirements. Maintenance of existing investments, the responsibility of local authorities, has rarely been a consideration, and self-financing mechanisms have received an equally marginal amount of attention. Of increasing concern is the absence of a development framework which considers the role of urban infrastructure within the country's macroeconomic

context. This approach has resulted in a costly pattern of ex post installation of vitally needed infrastructure networks which quickly become overloaded and inadequate.

6. The economic restraint which will shape the future pattern of investments offers little possibility that present subsidies for urban activities will continue, let alone increase at the pace of urban growth. Even with a major reversal of previous policies aimed at a minority of the urban population, Government resources will not permit the parallel build-up of needed urban infrastructure in the secondary centers together with the consolidation of productive investments required in Dakar and the Cap Vert Region to expand its economic base. For these reasons, Government's urban development policy will need to focus in the short term on cost effective measures to maintain existing services levels in the Cap Vert while taking measures to generate internal resources to finance the expansion of networks and employment opportunities required to accommodate the long term projected increase in population.

7. The success of this approach will depend to a great extent on short and medium term structural and policy changes to ensure the efficiency of such investments over the longer term. It is therefore recommended that an Engineering Credit be considered as an initial step in defining an appropriate strategy for the management of urban growth. This Credit would support the policy and institutional analysis which is requisite to the definition of longer term interventions and would, at the same time, initiate a series of priority maintenance measures to prevent the further deterioration of the urban areas' physical assets. This coordinated approach, which would situate urban growth within the ongoing parapublic sector reform discussions, would be

the springboard for incorporating urban management considerations into the overall program of macroeconomic strengthening and reform.

8. The objectives of the proposed Credit would be to:
- (a) identify administrative/policy reforms which maximize public savings and improve the efficiency of local authorities and public entities involved in urban management and shelter delivery;
 - (b) consolidate the mandate of public sector housing authorities through a phased liquidation of SICAP and a reduction in housing subsidies;
 - (c) orient institutions and policies towards servicing urban land rather than delivering housing units; and
 - (d) ensure the rational selection of investment packages in support of productive sectors, with private sector participation.

It is expected that the implementation of the Engineering Credit will orient urban institutions and policies towards improving operational efficiency and increasing public savings. The achievement of these objectives will support Government's overall macroeconomic goal which seeks to concentrate investment in the productive sectors and thereby improve Senegal's economic performance.

9. Within a longer term perspective, the Bank should develop additional sector work as a follow-up to the resource mobilization studies now in progress. This work would aim to provide long term reinforcement to Dakar and the Cap Vert's role as a support of productive sector activity and as an engine of growth in its own right. Secondary centers in tourism zones which are managed efficiently and provide a reliable network of infrastructure services should be important in maximizing the benefits of a robust tourist industry to the country's economy. Tourism is currently the country's third largest foreign exchange earner. Sector work should therefore consider the role of tourism in the economic development of the various regions.

10. This report is divided into two parts. The first considers urban development within the country's overall development path in the light of three basic issues:

- (a) the role of urban services in meeting economic growth targets;
- (b) constrained public resources for development; and
- (c) the location of urban investment.

Against this background, the major constraints to an optimally functioning urban environment which supports economic activity will be analyzed and recommendations made. The second section of this report provides an overview of the trends in demography, employment and income, management and finance, land and housing, infrastructure, and social services and urban transport (see attachment).

I. GENERAL ECONOMIC TRENDS AFFECTING URBAN DEVELOPMENT

1.01 The economy of Senegal has been marked by stagnation and negative growth in real terms during recent years. Declining productivity in the strategic agricultural sector has been a major factor, weakened by unreliable climatic conditions and falling world prices for groundnuts, the backbone of the country's agricultural production. The effects of the deep slide of the agricultural sector rippled throughout the economy, triggering a 15% drop in production in the secondary sector during 1980-81 and a 6% fall in the tertiary sector.

1.02 Agriculture's dismal performance does not, however, tell the complete story. The country's economy is in transition from an overwhelmingly agricultural to a rapidly urbanizing economy, neither one of which is anchored in a solid, reliable resource base. This duality is best captured in the following figures. While 70% of Senegal's population lives in the rural areas, agriculture accounts for only 30% of GDP and its share is on the decline. Even with a large degree of cooperation from the weather, Senegal would still be obliged to import a substantial share of its total food requirements, especially cereals, to feed its rapidly growing population. In 1979, this amounted to 1/3 of its import bill. Thus, even under the most optimistic of scenarios which would bring about a significant increase in agricultural production, the country will continue to depend heavily upon its urban-based economic activity to furnish the bulk of GDP in the future.

1.03 These realities were not lost on the country's economic planners, who moved vigorously during the decade of the 70's to exploit the country's limited resources and diversify its economic base. Government decided that Senegal's ability to achieve a modest, long-term growth rate of about 4% per

annum would depend on the successful implementation of a three-pronged strategy which promoted rainfed agriculture, accelerated irrigation, and developed a labor intensive, export-oriented industry in Dakar. Accordingly, the Government borrowed heavily to improve farm productivity, to develop irrigation, output, and marketing in rainfed areas as well as to expand its urban infrastructure network. Many of the projects financed during this period were over ambitious in objectives and over designed in standards. Inefficient and wasteful policies and practices contributed further to disappointing results, with Government facing a crushing external debt burden and loss of creditworthiness.

1.04 A major share of the development expenditures referred to above were channelled through the Government's parapublic arm, which financed the bulk of the infrastructure and which today represents about 50% of modern sector output. While a key economic force, the parapublic sector has at the same time performed with growing inefficiency and at alarming costs to the public treasury. From the beginning, Senegal's parapublic enterprises have operated in a climate of pervasive subsidies, scarce managerial and technical skills, unwieldy administrative and financial procedures, and unrealistic and unclear objectives. Despite these circumstances, Government pushed hard until the late 1970's for expansion, growth, and diversification of parapublic enterprises. This policy hastened the deterioration of performance and the accumulation of deficits.

1.05 Following the 1977-78 drought, the Government faced serious financial shortfalls. Many critical projects were stalled and the future of others became a cause for increasing concern. Because of inadequate working capital

and current revenues, many parapublic enterprises postponed essential maintenance operations which were already inadequate. These conditions led to a Government decision to redress the situation through a short term program of austerity measures and a comprehensive medium term program of economic development.

1.06 Government has committed itself to the needed reforms and has requested Bank assistance. The rehabilitation program announced in late 1979 recognized the strategic importance of reform and rationalization of the parapublic sector. This program involves a series of measures to stabilize and control expenditures by public and parapublic enterprises, restrict credit and external borrowing, reduce domestic price controls and stimulate exports. The principal measures, which aim to improve longer term performance, are a shift towards productive investments as well as a more rigorous review of sectoral issues and priorities. While the accent is on productive investment potential, this cannot be fully exploited without a solid, well maintained infrastructure base. It is for this reason that the orderly growth and development of Senegal's urban areas becomes central to improved economic performance.

1.07 A number of urban parapublic enterprises are mandated to deliver basic services to commercial and residential users. The most important are the Office des Habitations à Loyer Modéré (OHLM), Société Immobilière du Cap Vert (SICAP), Société Sénégalaise d'Exploitation de l'Energie Electrique (SENELEC), Société Nationale d'Exploitation des Eaux au Sénégal (SONEES) and the recently created Banque de l'Habitat du Sénégal (BHS). Taken together, they represent 27% of modern sector employment and 32% of total government net fixed assets. Like parapublic enterprises in other sectors, these urban entities have been a considerable drain on public finance, advocating, in the

main, high cost, high standard program which reach few of those in need. In the absence of a coordinated program for service delivery to the bulk of the population, an inadequate number and an incomplete network of services have been provided ex post, reinforcing a pattern of sprawling low density growth reaching as far as 25 km from the center of Dakar. This raises the costs of economic activity and places a potentially heavy burden on the urban poor who work in the central area but are obliged to live on Dakar's periphery where housing is cheaper.

1.08 Local authorities, too, are plagued by the deteriorating performance and wasteful practices which are characteristic of the parapublic sector: technical and management skills are in short supply, productivity is low, financial controls are grossly inadequate, and objectives and priorities hazy at best. While parapublic enterprises play the prime role in service delivery, local authorities are legally responsible for maintaining the overwhelming proportion of capital investments made in the urban areas. However, municipal government in Senegal has been largely eclipsed by Central Government power and authority, with the result that Central Government has, de-facto, assumed some maintenance functions while leaving others to the local authorities. This ad-hoc approach has left responsibilities unclear and execution ignored entirely or on the decline. Failure to adequately maintain the existing secondary and tertiary network in a period of tight public finance has especially serious consequences for the existing level of economic life of these networks and cuts into the efficiency of ongoing operations.

II. URBAN GROWTH AND PROJECTIONS

2.01 The Concentration of Urban Investment. A sustained rate of rapid, uncontrolled urbanization directed mainly to Dakar and the Cap Vert Region has been fueled by a deliberate Government strategy to develop Dakar into a modern regional economy. From the 1960's until recently, this strategy intensified the build-up of import-substitution industries and processing industries for agricultural produce. At the beginning of the 1970's, Government shifted somewhat, and sought a complementary strategy for consolidating its economic base through the development of export-oriented activities such as tourism and manufacturing, the bulk of which is in Dakar.

2.02 Urban related public investment 1/ is higher than the share of urban population, but roughly proportional to the share of urban-generated GNP.

This pattern is reflected in the figures below:

- (a) an increase in the urban share of projected total public investment through five national development plans, starting from 23% in the First Plan (1961-1964) to 39% in the Fourth Plan (1973-1977) and 65% in the Fifth Plan (1978-1980);
- (b) a decline in the share of urban investment devoted to the secondary towns from 45% to 29%, and a corresponding increase in the share for Dakar from 53% to 71% throughout the period; and,
- (c) an absolute increase in projected public investment for Dakar from CFAF 11,076 million in 1961-64 to CFAF 24.5 million in 1970-73 to CFAF 89.1 million in 1973-77. 2/

1/ These figures include all urban investment contributing to employment and urban services such as handicrafts, community facilities, water supply and telecommunications, etc.

2/ Michael Cohen: Urban Growth and Economic Development in the Sahel.

2.03 During the Sixth Plan, adverse weather conditions crippled agricultural production, severely reducing rural incomes and depressing domestic demand. Government subsequently announced that it would be unable to generate adequate funds to finance the first two years of the national investment budget and approached its donors in 1981 to secure additional funding. A world wide recession dimmed prospects for the anticipated injection of funds, leading to a sharp scaling back of operations. Government subsequently moved towards a retrenchment and a re-examination of priority investment plans and the means to achieving the sought after results. This process is still underway.

2.04 Because of the above-described pattern of investment, Dakar and the Cap Vert today provide the cushion for a very fragile economy, contributing over 50% of GDP. The Cap Vert Region, which covers over .03% of the national territory, accounts for 20% of the population and 87% of formal sector employment. Of 270 modern sector enterprises surveyed in 1980, over 90% were located in the Cap Vert, half of which were agro-related. The tourism industry, the country's third largest foreign exchange earner, is also centered in Dakar and is an important contributor to employment, creating two indirect jobs elsewhere in the economy for every one in hotels. This availability of services and manpower, the prospects of important economies of scale, together with the limited resources elsewhere in the country make Dakar the prime magnet for continued growth.

2.05 Past Trends. High natural growth rates and an extremely mobile population are significant features of the evolution of Senegal's urban areas and given past trends, are expected to have a profound effect on development

prospects for years to come. Internal migration in Senegal is heavily tied to an essentially hostile climate and, indeed, shows dramatic swings in drought and off drought years as the rural population searches for improved economic opportunities. Today the urban population (cities with more than 10,000 people) represents over 30% of the total population of 6.0 million. Over 75% of the estimated 1.8 million urban residents reside in Dakar/Cap Vert, with the remainder scattered among sixteen cities and concentrated in six regional centers. Urban growth rates vary from about 6% in Dakar to a high 10% in the two small regional cities of Kolda and Velingara, located in the Upper Casamance Region. The overall urban growth rate is an estimate 4%.

2.06 Over the period 1960-70, about half of the migratory movements within the country were towards Dakar and the Cap Vert Region. This pattern of urban growth has been closely linked to Dakar's former role as colonial capital of French West Africa and subsequently the political/administrative and economic capital of the country. At Independence, Dakar was the largest urban agglomeration in francophone Africa and boasted an extensive infrastructure network installed to meet the needs of a predominantly middle/upper income population.

2.07 The next largest city in the Cap Vert is Thiès, with an estimated population of 120,000 in 1981. St. Louis, the country's administrative capital until the 1960's, had an estimated 1981 population of 160,000 and was growing at about 5.5% per annum. While its economic importance fell off after Independence, current efforts to develop the Senegal River Basin are expected to provide renewed opportunities to expand the economic base and will offer some prospects for decentralizing economic activity over the longer term. Ziguinchor, the capital of the Casamance, is another regional capital with

some prospects for economic expansion, tied primarily to the tourist potential of its hinterland. Its 1980 population was estimated at 86,300 and had been growing at 3% per annum since 1973. Growing at a modest 3-4% per annum, Kaolack is Senegal's third largest center with an estimated 1981 population of 160,000 people. Its economic position has all but disappeared, owing in large measure to the closing down of the port in 1965 and the proximity of the Dakar-Rufisque-Thiès industrial concentration. The intensification of ground-nuts agriculture in the Region offers some hope for improved economic prospects, but over a longer term perspective.

2.08 The Future. Although migration toward Dakar continued in the 1970's and remains strong today, there are some indications that the 6% rate could be levelling off. This trend is due to several factors: the general economic slump which has sharply curtailed employment opportunities, rising inflation, the increase in duties on rice/cereal imports which has triggered some movement back to the rural areas and into food production, and Government efforts to regionalize development. Nevertheless, projections suggest that, under any scenario, the growth of Dakar will be a force to be reckoned with for some time to come. The first phase of the Dakar Master Plan has worked out three alternative projections of national rural and urban population growth to the year 2001 which are shown below.

2.09 Hypothesis 1 reflects a continuation of the past trends. Hypothesis 2 is based on an accelerated policy of industrialization centered in Dakar. Hypothesis 3 is based on an investment policy which would shift the engine of development from Dakar to the secondary centers. Hypothesis 2 best corresponds with the Government's development strategy. This strategy, which combines the development of an export-oriented light industrial capacity in

Dakar with accelerated efforts to improve agricultural production, was adopted in 1981 following the Bank's recommendation and the results of the Donors' Conference. It implies a growth rate of 3% p.a. in the Dakar/Pikine districts and 8% p.a. in the Rufisque/Bambilor district. Under this highly probable scenario, a population of about 2.8 million is projected for the capital by the year 2001. The urban share of the population would climb from 35% in 1980 to 48% by the end of the century. One out of two Senegalese would be living in urban areas and one out of three would be residing in Dakar. This amounts to an additional 1.5 million new residents who must be provided basic services in the Cap Vert Region, most of them in the Pikine and Rufisque areas which currently have no basic infrastructure. Accommodating this growth is estimated at upwards of 1982 US\$1.5 billion in development costs, a figure which does not take into account the cost of maintaining existing facilities nor those of generating employment.

2.10 Conclusion. Urban growth in Senegal has been mainly directly at Dakar, owing to its pivotal, regional role prior to Independence and to deliberate Government policy to secure its economic base thereafter. Manufacturing, tourism, government, and other services located in Dakar and in the Cap Vert Region generate an overwhelming share of wage employment and GDP and, given discouraging climatic conditions and modest growth prospects, can be expected to do so over the longer run. The relatively few opportunities for economic expansion outside the capital would seem to support the view that it is unrealistic to expect the regional centers to be able to attract needed private investment. Over the short/medium term, Government resources will simply not permit the parallel build-up of the regions together with the consolidation of productive investments in Dakar and the Cap Vert. Given the

existing infrastructure network in Dakar, i.e. the port and airport, telecommunications and road infrastructure, as well as a readily available and well-educated supply of manpower, the success of Government's strategy will depend heavily on the efficient functioning of Dakar. Under these circumstances, the question is not whether to invest in the Cap Vert Region, but how best to plan for and manage the Region's expansion to the benefit of the entire economy. The remainder of this report will, as a consequence, focus on the problems of infrastructure and service provision and maintenance in Cap Vert.

SENEGAL POPULATION PROJECTIONS 1976-2001

(in thousands)

	1976	1980	1985	1989	1993	1997	2001
Total Senegal							
Hypothesis 1	5,085	5,607	6,345	7,000	7,735	8,555	9,475
Hypothesis 2	5,085	5,607	6,320	7,015	7,850	8,800	9,930
Hypothesis 3	5,085	5,607	6,130	6,765	7,470	8,250	9,130
Total Urban							
Hypothesis 1	1,675	1,987	2,225	2,860	3,340	3,890	4,525
Hypothesis 2	1,675	1,987	2,545	3,125	3,840	4,710	5,760
Hypothesis 3	1,675	1,987	2,230	2,625	3,075	3,585	4,180
Dakar-Rufisque							
Hypothesis 1	875	1,087	1,400	1,690	2,020	2,400	2,850
Hypothesis 2	875	1,087	1,515	1,985	2,595	3,365	4,300
Hypothesis 3	875	1,087	1,160	1,375	1,585	1,790	2,000
Other Urban							
Hypothesis 1	800	900	1,015	1,175	1,320	1,490	1,675
Hypothesis 2	800	900	1,030	1,140	1,245	1,345	1,460
Hypothesis 3	800	900	1,070	1,250	1,490	1,795	2,180

III. EXISTING CONDITIONS IN THE CAP VERT REGION

3.01 In 1981, Dakar covered a total area of some 535 km², of which 10% was residential. The capital can be divided into three distinct areas which correspond to the administrative boundaries:

- (a) the Dakar Plateau (82.5 km²) with a population of 620,000, comprising an industrial area near the harbor, a tourist complex along the coast, the international airport and the commercial and business district, the low income/traditional suburb of the Medina, high income areas and a medium income area near the Grand Mosquée;
- (b) the Dagoudane-Pikine District (92.5 km²) with a 1981 population of 490,000 comprising the free industrial zone (620 ha) under development, the low income/traditional suburbs of Pikine and Guédiawaye and the Sites and Services Project (400 ha) at Cambérène;
- (c) the Rufisque District (360 km²) with a 1981 population of 190,000 comprising the oil refinery, the cement factory and traditional African villages such as Keur Moussa.

Population growth is being absorbed in the Rufisque District to the east and around Pikine to the north, both areas presenting topographical conditions which are favorable to large scale urban development. Some primary infrastructure is already in place (mainly roads and some electricity) and the main water line supplying Dakar is close to both areas.

3.02 Employment and Income. Preliminary investigations carried out in 1980 by BCEOM/SONED for the purpose of the Dakar Master Plan reveal and/or confirm several trends:

- (a) unemployment is high, even by African standards, and after taking into account a measure of informal sector employment, and

(b) the spatial distribution of jobs which is already highly skewed is becoming even more so, with implications on the costs of economic activity.

3.03 According to BCEOM/SONED investigations, the gross rate of employment was 14.5%, or one inhabitant in seven in the formal sector, which is low by African standards. About 36% of employment is in the public and parapublic sectors and over 50% in the informal sector. The highest rate of employment is on the Dakar Plateau, decreasing from about 24% downtown to 16% towards the airport. Pikine has a rate around 12%, similar to that observed in the traditional villages on Dakar's outskirts. The concentration of employment on the Dakar Plateau, which accounts for 56% of all jobs in the Cap Vert is a prime contributor to increasing traffic congestion on the Plateau. Over 1/3 of the trips are between the second circonscription and the Dakar Plateau. Preliminary data from the Transport Plan show that these households spend a minimum of 55 to a maximum of 85 minutes of commuting time per bus trip.

3.04 With the incentive of proximity to the bulk of modern sector activity and the resultant demand for goods and services, informal sector activity can be expected to grow steadily. Government policies to foster and support small scale enterprise/artisans have tended to be overambitious, and complex plans for industrial zones are systematically included in regional development plans, only to be dropped for lack of adequate private investment. The proliferation of programs and external assistance in the area of "direct" employment generation, with oftentimes overlapping objectives and duplication of efforts have not helped matters. Initiatives to review and evaluate the past performance of policies and programs should precede further efforts along

these lines. While acknowledging the importance of designing effective programs to tap informal sector potential, this subject is beyond the scope of this report. It is, nevertheless recommended that Government consider the role of the informal sector in the design of an urban strategy.

3.05 Using the BCEOM/SONED data, the 1981 median income was an estimated CFAF 44,000 (US\$125) in the Cap Vert with an average income of CFAF 57,700 (US\$165). For the formal sector, the median income was estimated at CFAF 51,000 (US\$146), while the average income was CFAF 59,100 (US\$168). For the informal sector, the median income was an estimated CFAF 28,500 (US\$81) with the average approximately CFAF 36,500 (US\$104). Approximately one in four households have incomes below the minimum wage level (SMIG) which was CFAF 23,500 in 1981. The 1981 income distribution in the Cap Vert is shown below:

1981 Income Distribution

<u>Monthly Household Income (CFAF)</u>	<u>% Population</u>	<u>% Cumulative</u>
Less than 7,500	4	4
7,500 - 18,500	15	19
18,500 - 38,500	25	44
38,500 - 63,500	22	66
63,500 - 95,000	14	80
95,000 - 150,000	11	91
over 150,000	9	100

Given this income distribution, the problem of shelter and access to employment becomes especially acute. For example, the rental for one room in the Medina quartier located in central Dakar in 1980 was CFAF 12,000, equal to 50% of the monthly income of 25% of households in the city. Under these conditions, the majority of the lower income population is excluded from lodging in central Dakar and, therefore, has restricted access to the bulk of employment

opportunities located in or near the Plateau area. Remedying this situation will require careful attention to the spatial implications of economic growth and in particular to the development of industrial areas on the city's periphery.

3.06 Basic Services. While central Dakar benefits generally from a relatively extensive infrastructure network, there is a marked difference in quantity and quality of services between the city center and the lower income neighborhoods on the periphery such as Pikine and Guédiawaye. Given the finite resources available for service provision, the promotion of high cost, high standard development in central Dakar has clearly been at the expense of the estimated 52% of the population who reside in the outlying neighborhoods. The absence of an enforceable structure plan to guide growth in these areas has resulted in neighborhoods which stretch as far as 25 km from the city center, raising the cost of service provision considerably as the distances grow. For the most part, these areas have some services, although hardly adequate to accommodate even a minimum of present needs, and are unequivocally inadequate to anticipate future requirements.

3.07 Pikine-Guédiawaye, where most of the future migrants will settle, will have a major role to play in the implementation of Government's light industry strategy, given the location of the industrial free zone near South Pikine. The efficient movement of goods and the optimum productivity of the labor force are, therefore, of critical importance to Government planners and will be dependent on a minimum network of functioning infrastructure and other facilities and services. While public finances will not permit a duplication of the standards of central Dakar, a basic network will nevertheless be required to sustain productive activities in that part of the Cap Vert. The

following paragraphs provide a more detailed description of existing facilities in the Cap Vert.

3.08 Water Supply. Potable water is provided by SONEES (Société Nationale d'Exploitation des Eaux au Sénégal) a parastatal enterprise responsible for distribution of water and maintenance of the system. Private subscribers represented 21% of all households in 1981, which is low by African standards. Furthermore, this figure marks extreme variations in service levels. In theory, about 95% of the households in all the Cap Vert Region have access to a potable water supply. In Pikine-Dagoudane, nearly 86% get their water from standpipes or from itinerant vendors. Under the present tariff structure, SONEES is unable to keep up with the 6% growth rate in Dakar, permitting vendors to sell water from standpipe at 3 - 4 times the normal tariff. While there are 766 water taps throughout the city, many are not operating or are in limited operation because of the failure of the Municipality to pay its water bills.

3.09 Sanitation. Sanitation is a growing problem throughout Dakar. Overall, about 80% of households have in the first circonscription pit latrines or septic tanks (the majority relying on the latter), while only 20% are connected to a water-borne sewerage system. In Pikine-Dagoudane, these figures are lower still, with over 96% of the population relying on pit latrines. There are 118 public toilets for the entire city of which only 22 are maintained by the Municipality, and these only on an irregular basis due largely to lack of funds and equipment. Few such facilities exist in Pikine where higher densities and limited road access to areas of increasing numbers of spontaneous settlements have complicated already precarious health environment. Two sewage treatment stations are operational in Dakar with a

capacity of less than 10,000 inhabitants, requiring the disposal of the effluent directly into the Ocean. There have been numerous attempts to secure financing for an additional treatment station as well as for the extension of the existing networks.

3.10 The inadequacy of the present disposal system together with its continued deterioration constitute a real threat to the health of the population. Health officials confirm the prevalence of water-related diseases including diarrhea and malaria. More than 2/3 of the reported malaria cases occur in children below the age of 15. Many of the major health diseases which have been identified reflect a low level of personal hygiene and sanitation which is so for the majority of the population. Inadequate water supply and poor sanitation exacerbate transmission of these diseases with negative effects on the productivity of the labor force.

3.11 Central Dakar has a well developed open channel network drainage maintained by the Municipality. The Sites and Services Project did not provide for a storm drainage system in Cambérène because of favorable soil conditions (dune sand). In Pikine and Guédiawaye, where soil conditions are similar, drainage is not a major problem, apart from a few areas. In Rufisque, where sandy clay soils prevail, a drainage system was built during the colonial period, but major sections do not function due to lack of maintenance, and overall environmental conditions are poor. Population growth has long since rendered the system obsolete. While garbage collection is adequate for the Dakar plateau, areas such as the Medina are infrequently serviced resulting in chronically clogged drains and channels which abet the spread of disease. Pikine and Guédiawaye are not serviced, and the Sites and

of trash throughout the site together with overflowing pumping stations which are not maintained.

3.12 Roads and Traffic. The urban road network in the Cap Vert consists of 220 km of paved primary roads which are maintained adequately by the Ministry of Public Works, 710 km of paved secondary roads and about 200 km of earth roads whose maintenance is the responsibility of the local authority. An unknown mileage of dirt trails and paths are not maintained at all. In 1980, the Ministry spent CFAF 290 million for routine maintenance while the Municipality, which is responsible for 4 times the length, spent only CFAF 84 million. However, the Municipality borrowed CFAF 3 billion in 1977 to upgrade the Dakar paved network, following years of neglected maintenance. Since the Municipality has neither the trained staff nor equipment for regular maintenance, this cycle of disrepair and major capital investment is likely to continue. These conditions, together with grossly inadequate garbage collection for the peripheral, lower income neighborhoods of Pikine/Guédiawaye increase operating costs for an already financially troubled public transport system.

3.13 There are 700,000 m² of deteriorating sidewalks which are the responsibility of the Municipality. Large sections have disappeared, while others are severely deteriorated, constituting a serious hazard to pedestrians. Maintenance of this network is important, considering the choice of transport modes: 2 million trips are made daily in Dakar of which half are on foot. For motorized trips, 35% are by bus, 18% by car rapide, the private jitney bus system, and 11% by taxi and only 31% by private car. The inadequacy of the bus network is also of growing concern, given the prevalent pattern of long distances between home and place of work. In 1980 SOTRAC

carried 100 million passengers of which 70% were travelers between Pikine and Dakar.

3.14 Residential Development. Since the 1970s, Government has stated its intentions to provide adequate shelter to accommodate the growth in population, but the evidence suggests that Government has performed with increasing inefficiency and at considerable cost to the Treasury. Between 1970 and 1980, an estimated 210,000 units were constructed in urban areas, most of which in Dakar, representing an investment of CFAF 150 billion (1981 US\$430 million). While Government has taken the responsibility for housing construction it in fact accounted for only 10% (20,000) of the total.

3.15 The table below shows that scarce public funds have been inefficiently used for programs which exclude 85% of the population. More critically, if Government maintains the same standards ultimately used in the first Sites and Services Project and keeps the same level (30% of actual costs) of subsidies, this program (including costs of house construction) which aims at lower income households, would still be unaffordable by about 40% of the population.

AFFORDABILITY OF HOUSING TYPES (DAKAR 1981)

<u>Average Monthly Rent (CFAF) 1/</u>	<u>Unaffordable by (percent) 2/</u>	<u>Type</u>
23,100	95	High quality
19,000 (subsidized)	85	SICAP OHLM
6,000	40	Traditional housing
3,500	20	Shacks
2,140 (subsidized)	15	Sites and Services OHLM/DPA 3/

1/ Part of the secondary infrastructure costs is included. Often maintenance costs and financial charges are not included in the rents.

2/ Assuming a rental effort of 25% of the household income.

3/ Does not include housing construction.

3.16 Land assembly for public sector housing development has posed considerable obstacles to Government's shelter policy. Under a 1964 law, 97% of the national territory was declared part of the national domain, for which citizens are given occupancy permits for residential/commercial use. The 3% which was not incorporated consisted of those parcels designated as public land, private state land, or private land. While representing an almost insignificant percentage of the total territory, this land is situated almost exclusively in urban areas and, in particular, in the Cap Vert complicating development efforts. The leapfrogging pattern of privately held land in or near central Dakar has been a source of continued delays for public sector housing programs, because of protracted disputes over compensation and lengthy court battles, which in some cases have lasted as long as ten years. In several instances frozen parcels have remained undeveloped once compensation has been settled, due to insufficient funding. Apart from the compensation issue, land acquisition can be time consuming given the lengthy administrative procedures.

3.17 Estimates made by different Government institutions of the amount of land available for residential development in the first and second circumscriptions range from 30 ha to 900 ha, with the actual total located more probably in the lower ranges. Here again, however, the term available must be used with caution since the mix of titles and designated uses of the parcels in question impedes early development --if ever. Both OHLM and SICAP have designated land reserves for middle and higher income housing which have been frozen for over 10 years, a large portion of which is privately owned. Given the strategic location of the land, together with urgent requirements for shelter and services, it is recommended that Government move to resolve this

issue quickly. In the case of Pikine-Guédiawaye, the land belongs to the public domain and residents have an occupancy permit. If properly registered, this occupancy permit can be converted into a formal leasehold arrangement, permitting the plotholder to borrow within the formal banking system. In theory, such leases can be transferred, with 20% of the sale price reverting to Government. In practice, leases and properties are frequently sold outside the legal framework and, where the parties do carry out their transactions within the system, the quoted sales price rarely reflects the actual price, resulting in a considerable revenue loss to Government. In the 3rd circumscription, the land situation is equally murky, with some 2,300 ha in privately owned by a non-resident.

3.18 Housing requirements in Dakar are based on an estimate of annual household formation, replacement or rehabilitation of substandard units, and elimination of overcrowding. At an annual growth rate averaging 4.7% housing would be required for an additional 46,500 people in Dakar annually. Based on a density of 7.15 persons per dwelling recorded in 1980, this yields an annual requirement of 6,200 new dwelling units. In the past, the private sector has moved convincingly to fill the gap despite numerous obstacles which include, inter alia, inadequate serviced land, complicated and costly allocation procedures, the spiraling costs of imported building materials and the lack of housing finance. During 1970-80, some 20,000 units (consisting largely of mud-brick and cement) were constructed in Pikine alone, representing nearly US\$60 million, with costs for the private sector averaging US\$3,000 - 6,000 per unit, compared to OHLM costs as high as US\$20,000. Given this performance it is reasonable to recommend that Government shift its focus from housing to infrastructure provision, together with appropriate means to facilitate access to credit and materials by the private sector.

3.19 Conclusion. The above paragraphs have shown that present Government subsidized programs and policies fail to extend vital services to the majority of urban residents. The problems of the Pikine-Dagoudane district where 500,000 inhabitants were living in 1982 are so severe and the future role of the area such that they can no longer be dealt with on a sectoral basis, except for the primary infrastructure. A coordinated area approach is the only practical route. This requires the preparation of structure plans for individual sub-districts and implementation of packages of works. In the light of the foregoing, it is advisable that the Government direct its efforts towards improving mechanisms for land development, strengthening institutions and defining policies, leaving house construction to the private sector. This will require a series of studies covering the entire housing sector, leading to the possibility of a major restructuring of institutions.

IV. INSTITUTIONAL/POLICY FRAMEWORK IN THE HOUSING SECTOR

4.01 Planning for urban growth occurs via a diffuse network of central government agencies and entities, including supervisory ministries, parapublic enterprises, and local authorities. It is safe to say that there is little in the way of urban management. Responsibilities are often shared and overlapping with no viable coordinating or consultative mechanism bringing together all the actors in the sector. The result has been an ad hoc and an inefficient approach to urban development as outlined below.

A. Central Government Institutions

4.02 Several government entities are involved in the making of urban policy, including the Ministries of Finance, Planning, Interior, Equipment, Urbanism, and Industry, to cite but a few. The formulation and implementation of policies relating to town planning and housing in particular are the legal responsibility of the Ministry of Urban Development. Urban policy objectives and investment programs are defined by the Direction de l'Urbanisme within the Ministry in consultation with the Ministry of Plan. Financing for approved projects is agreed upon with the Ministry of Finance. Project implementation is carried out by OHLM and SICAP for housing, and, in some limited cases, by the Direction de l'Urbanisme itself for land development. The Ministry of Equipment is responsible for the construction of the primary roads. As for the provision of urban services, SONEES (drainage and water supply), SENELEC (electricity), SOTRAC (bus) and the Ministries of Health for sanitation and Education plan and execute projects and programs independently of any meaningful consultative process. The preparation of the Cap Vert Master Plan and Transport Plan for the year 2001 would have been a unique opportunity to

confront the respective views of all the agencies involved. Although many inter-ministerial discussions have been held on its preparation, the preliminary recommendations resulted in programs which continue to reflect the sectoral interests of the involved agencies, rather than a comprehensive development program which also considers available resources. As a consequence, the Bank is recommending that an investment programming study be undertaken and that the relationships between agencies involved in urban development be entirely reconsidered. Furthermore, it is recommended that a broad based legal body be established to debate the range of issues which concern urban management and development. This National Council for Urban Management would not supersede the Ministry of Urbanism but would improve coordination between all actors dealing with urban affairs and enable the definition of an urban strategy which reflects and supports national macroeconomic priorities (see para. 6.04).

B. Parapublic Institutions

4.03 OHLM: OHLM is a publically owned institution created in 1960 to build middle income housing units and to install the secondary and tertiary infrastructure to serve the dwelling units. It acts as a principal agent in housing projects and is involved in studies, supervision of works, and in the management of new housing units. Since its creation, it has built nearly 9,000 units under a variety of arrangements: lease purchase over five, ten, or fifteen years, simple lease, and direct purchase. Production has been uneven, due to the vagaries of available financing. About 3,500 units were built in the first five years of operation, half of them in the interior of the country. Roughly the same number of units were completed in the early

1970s. Since 1975, production has fallen off dramatically to about 1,500 units, owing primary to the evaporation of concessional financing when the French Caisse Centrale de Coopération (CCCE) withdrew from housing finance.

4.04 With time, the economic status of OHLM housing has moved systematically upward. Two projects are illustrative: La Patte d'Oie (1971-1972) and Nimzatt (1977-1978). Building costs doubled between 1973 and 1977, while the average price per unit quintupled: US\$4,300 at Patte d'Oie, and US\$21,500 at Nimzatt. The monthly rent for lease-purchase (ten years) for a three-room unit at Nimzatt is a minimum CFAF 45,000 (US\$130), requiring an income of CFAF 135,000 (US\$250). Less than 10% of the Cap Vert population qualifies for this type of project. The most recent OHLM housing project financed by BHS which was constructed on the fourth tranche of the Sites and Services Project achieved a major breakthrough in reducing standards, although this achievement is well below what is required to be within reach of the majority in need. Housing without infrastructure costs approximately US\$6,000, compared to previous projects averaging US\$20 - 25,000. Taking into account existing credit requirements (10% downpayment and 12% over 15 years), even this unit requires a monthly income of approximately US\$265, thereby excluding more than two-thirds of the Dakar population.

4.05 The Sites and Services Project: Appraised in 1972, this project was the first Bank project in the urban sector. It was completed in 1981 and is analyzed in detail in a separate Project Completion Report dated June, 1982. Amongst its very ambitious objectives was the lowering of standards to reach more residents at lower costs to the public sector. The project delivered affordable and socially acceptable services to over 12,000, to a population whose access to services had been previously limited. Standards could have

been lower, and must be lowered if such projects are to be replicable. Throughout the execution period, Government pressed for unrealistically high standards in isolation of affordability considerations for shelter and services. It also systematically eradicated slum neighborhoods in central Dakar, wiping out in the process real assets, representing major private investment which had been accumulated by lower income residents. This willingness of the private sector to finance its own shelter is reflected in the experience of the Sites and Services Project. By 1986, when the Sites and Services Project is completed, it is estimated that each IDA dollar invested will have generated about US\$8.20 in private investment. The latter figure confirms the viability of sites and services as an alternative to conventional shelter schemes involving 100% government finance. In addition, very rough estimates show that project applicants/beneficiaries saved at least US\$2.0 million over a six year period just to qualify for continued membership in allottee groups and to save for the down payment on a plot.

4.06 At the same time, the project was catalytic in developing a capacity to implement sites and services projects. DPA has delivered over 12,000 serviced plots between 1976-81, while its parent agency produced just over 2,000 houses for its traditional clientele during the same period. The success of the first project, although delayed, justifies the continuation of this type of project with appropriate refinements and adjustments by the Government. Bank support could in principle be considered for financing sites and services schemes, but would be contingent on suitable site(s) being found near employment zones and primary infrastructure networks, better efforts in cost recovery, completion of detailed engineering designs prior to appraisal, etc., together with a strengthened institutional and policy framework.

4.07 Financing OHLM Operations: Between the time of the CCCE withdrawal in 1974 and until 1981, OHLM relied on Government subsidies derived mostly from a housing tax on salaried wage earners to finance its operations. The Fonds d'Amélioration de l'Habitat (FAH) is an earmarked treasury account created in 1976 to finance public housing activities in proportions determined by the Ministry of Urbanism. Employers' contributions account for half of FAH's resources, with an additional 23% obtained from a portion of receipts from taxes on wages and salaries designated for housing and 10% from a surtax on real estate capital gains. The amount has ranged between CFAF 500 - 1 billion annually. Beginning in 1981, however, Government reallocated OHLM's traditional source of Government funding to the newly opened BHS, requiring OHLM to fund its own operations, a difficult proposition at best, given OHLM's financing practices. OHLM rental payments are not calculated to fully recover investment and recurrent costs of infrastructure. Maintenance and management charges attributable to monthly rental payments have declined over the past several years, from 5.5% to 2% of the initial cost of the building. Loan amortization is through lease-purchase contracts most often over 15 years, sometimes 10, whereas funds allocated to housing programs have been obtained via loans of 5-7 years maturity at most. Bringing all these factors together, rents charged by OHLM are subsidized at nearly 50% from the moment the unit is allocated. As a consequence, apart from the OHLM project on the 4th tranche (which got off the ground because of the proximity of the Sites and Services trunk infrastructure) construction by OHLM has been at a virtual standstill since 1978.

4.08 SICAP: Established in 1951, SICAP is a semi-public institution, 97% of whose capital stock is held by the State and by public enterprises. Its

initial objective was to manage and maintain civil servants' housing. Subsequently it undertook its own construction program, building about 10,500 units between 1951-1980. Like OHLM, construction has been irregular, increasing between 1951 and 1965 and declining thereafter. Unit costs in real terms have increased, while densities of units built have declined over the entire period. SICAP management is today at an extremely critical juncture. Its precarious financial position results chiefly from inadequate financing for the types of programs it has launched. Operating deficits, the result of having set rental charges well below costs and freezing these rents compound the basic problem. Monthly rent for a two-room unit in one of SICAP's projects was US\$18 in 1980, unchanged since its construction in 1958.

4.09 With the withdrawal of CCCE, SICAP turned to overdrafts and short term credit from the commercial banking system and even advances received from rental applicants to continue its operations. As a consequence, SICAP has had to delay loan repayments, put off suppliers, and has seen its cash deficits increase sharply in recent years. Of a total indebtedness of CFAF 11,277 million, in 1980, about 7.0 billion was short term debt. The working capital deficit (total current assets less total current liabilities) which was more than CFAF 5 billion (US\$20.4 million) in July 1980, has passed CFAF 6 billion, which is roughly equivalent to the budget of the Ministry of Health. By July 1980, the operating deficit (revenues less operating costs) increased from CFAF 1.5 billion (US\$4.3 million) to an estimated CFAF 2.4 billion (US\$7 million). To re-establish the viability of SICAP, an emergency plan was set in motion in early 1980 although the results to date have fallen well short of what was expected.

4.10 BHS: Established with the assistance of the International Finance Corporation (IFC), the Banque de l'Habitat du Sénégal (BHS) is a mixed company with a capital stock of CFAF 1.1 billion. It began operations in March 1980 in Dakar. The public sector directly or indirectly holds 40% of the capital stock, with 60% held by the private sector. The main objective in creating BHS was to develop an institution that would provide a larger and more regular supply of housing finance and contribute to increased domestic savings and the broadening of home ownership by low and middle income households. It also aims to promote the growth of local small scale construction enterprises. This objective has been achieved with good results. Today, such construction enterprises account for 83 of the 95 enterprises involved in BHS financing.

4.11 BHS' record in mobilizing savings deposits is good. By September 1981, it had US\$4.7 million in savings deposits and had raised US\$9.9 million in bonds. It had approved housing loans amounting to US\$10.3 million and disbursed US\$3.6 million. So as to give previously excluded social groups access to the banking system, it has attempted to tailor its procedures to the needs of the lower income groups. Thus, the minimum required for opening an account has been lowered to CFAF 15,000, instead of the normal CFAF 50,000 and regular deposits can be a relatively low (CFAF 3,000). Nevertheless, these savings requirements still restrict access to the BHS loan window to the salaried, most of whom come from the middle or lower-middle income brackets. The unsalaried, or informal sector applicants, who represented over 45% of the labor force in 1980 are excluded. Because of the absence of credit mechanisms for the informal sector within the conventional banking system, OHLM devised a loan scheme under the Sites and Services Project, which utilized downpayments and monthly payments to extend loans to

the informal sector. This program, was however only a stopgap measure and cannot be expected to continue, given the extra-legal nature of the operation together with OHLM's already extensive mandate.

4.12 Financing BHS Operations: BHS' funding sources and the programming of its operations rely on the proceeds from the FAH. For fiscal 1979-1980, FAH resources amounted to CFAF 2.25 billion (US\$6.5 million), of which BHS received 45%. In 1981 the FAH was incorporated in the Government budget and the Ministry of Finance reduced its 1982 allocation by CFAF 640 million. This irregular and unreliable source of funding constitutes a serious threat to future operations and is seriously impeding forward planning. One result will inevitably be the scaling down of its lending program, with lesser emphasis on large construction projects sponsored by OHLM and SICAP and more emphasis on loans to private sector developers and higher income households who can afford higher interest rates.

4.13 The problem of BHS funding has been enlarged to cover questions concerning the objectives of BHS and, indeed, its existence. The Ministry of Urbanism and Housing has indicated its concern that OHLM and SICAP have been downgraded from their role as housing finance institutions to that of contractors, and has proposed that BHS be placed under its responsibility. It has also argued that BHS' yearly lending program be subject to its approval and that OHLM and SICAP FAH allocations be restored to permit them to resume their previous level of construction activity.

4.14 Conclusion: This chapter has shown that the institutional/policy framework for the management of urban growth is ill-suited to tackle the increasingly urgent task of productively absorbing the increasing population into Senegal's urban centers. Indeed, isolated efforts to patch an inadequate

framework will only aggravate the problems. A move to dismantle the BHS would be an unfortunate step in this direction. The creation of BHS was an essential element in the organization of urban housing finance in at least two respects. By centralizing government funds allocated to housing, BHS is now in a position to improve the efficiency of their reallocation and use. It also constitutes a financial intermediary with the potential, in combination with project executing agencies, to recycle funds into other operations and to provide an alternative to the national budget as the sole source of local counterpart financing for such operations. Its operations to date have shown that, subject to reliable access to funding sources, BHS has a viable role to play in housing finance, and has demonstrated a growing capacity.

4.15 While some fine tuning is undoubtedly required to make BHS a better vehicle for extending shelter to the population, its problems and potential should be examined within an overall perspective of policy objectives and institutional and staffing needs and requirements. In the particular case of housing finance, for example, thought must be given to solutions for informal sector shelter finance requirements. One possibility is the development of financing arrangements between groups such as the Association of Plottolders acting as a housing cooperative and the BHS. As shown in the Project Completion Report on the Sites and Services Project, the Association demonstrated dramatic resourcefulness in mobilizing over 30,000 candidates to save for plot purchase. Today the Association is lending on the Cambérène site for the construction of schools, markets, and mosques as well as taking the lead in neighborhood community development projects.

4.16 Looking at the housing sector from a broader perspective will also require fresh thinking on institutional arrangements which would link the

housing finance function of the BHS up to a reliable funding mechanism for the associated infrastructure and services. These arrangements must consider the potential role of the local construction industry in shelter provision, which has heretofore been neglected. The future of SICAP and OHLM must also be addressed by Government. Given SICAP's financial problems and the fact that it is delivering essentially the same product to the same income group as OHLM, the feasibility of a merger must be considered. In light of the generally inefficient performance of OHLM in house construction, it is recommended that Government give careful consideration to a shift in OHLM objectives from house construction to the servicing of land for eventual construction by the private sector. Mobilizing private capital for housing construction may require a change in approach to infrastructure provision, including the creation of a land development agency. The DPA is a step in this direction. As outlined above, it will also require innovative thinking about housing finance and financial institutions. Bank support through a line of credit to a financial institution which is part of a restructured housing sector could be considered. Such an effort would be especially appropriate if a mechanism were found under which Bank funds were used to attract otherwise unavailable private sector funds.

4.17 Legislation governing the housing sector is both inadequate and outdated. Building codes have been maintained virtually intact since Independence, and are heavily oriented towards costly, imported building materials. Building permits are complicated and difficult to obtain, with land titles and registration of properties requiring cumbersome and expensive formalities for the bulk of a population with neither the skills nor the funds to negotiate the system. As a consequence, much housing, particularly in the

lower income zones, is built without regard to the existing codes, making it more costly to provide services. In public sector projects, the absence of laws permitting a system of co-ownership has complicated the maintenance of existing units which is, in any event, virtually non-existent. More critically, this maintenance does not cover the units themselves, but rather the surrounding public space. This situation has serious implications for future programming, since replacement costs have skyrocketed, and pressure for competing investments in other sectors is severe. Finally, there are no tax incentives to stimulate house construction by private developers, in contrast to the tourism sector, for example, where hotel construction is tax exempt.

V. LOCAL AUTHORITIES

5.01 Local government has a prime role to play in the efficient operation of urban infrastructure. It is responsible for all but major capital investment, including maintenance of all secondary roads, drains, markets, parks and buildings, primary schools, issuance of plot occupancy and building and vehicle permits. In theory, they pay for street lighting and standpipe water, perform garbage and street cleaning operations and a number of other health-related services. They depend on central ministries for:

- (a) provision and operation of health, education, and police services;
- (b) financing major capital investments;
- (c) a number of critical financial services, such as collection of some 80% of their tax receipts including the property tax, covering cash flow shortfalls; and
- (d) the normal administrative review and approval of budgets and accounts.

Because central government collects the taxes with the highest yields and replenishes the municipality irregularly, the maintenance of existing services outside the central business zone has received little attention. It has been estimated that the inadequate maintenance of Dakar's network would involve replacement costs of upwards of US\$390 million, without any extension of existing services, a condition essential to improved economic performance. It is equally important to note that the policy of high standards and subsidies practiced at the central level of government is followed closely by local governments, which means that the limited services they do provide reach relatively few of the population at higher costs. This is especially true for Dakar. Garbage collection, for example, is done with the latest compactor

type trucks which transfer the garbage to roll-on trucks at the port, which then haul the compacted garbage to a dump located 30 km to the East. Garbage pick up is frequent, but limited to the Plateau and a part of Pikine.

5.02 While data gathering ^{1/} on local government is incomplete and available data unreliable, three areas appear to be trouble spots:

- (a) resource mobilization;
- (b) financial management; and
- (c) efficiency of sub-contracted services.

Resource Mobilization

The most disturbing trend for the 79/80 - 80/81 period as indicated in the following table is the growing share of debt service, salaries, and of sub-contracted services, and a corresponding decrease in investment from 30% to 14% and from 34% to 27% for equipment, materials and for maintenance. Total annual expenditures in 1982 prices over the 1979/82 period averaged about US\$20 per capita for Dakar, US\$11 for Kaolack and St. Louis, of which about 23% for investment in Dakar and 20% in St. Louis, Kaolack and Ziguinchor. These figures are low by developed country standards, but appear to be representative of other cities in the Region. The trend away from investment further widens the gap between population growth and infrastructure requirements.

5.03 On the other hand, the revenue structure (see table) has evolved more favourably, although falling well short of what is needed to keep up with projected growth. Over the 1979/82 period, Dakar barely generated sufficient resources to meet its annual budget (CFAF 8,849 million in 1981/82), including a small investment program of CFAF 1,232 million in 1981/82. The share of

^{1/} Resource Mobilization Study (URBOR) will provide detailed analysis.

Government transfers increased from 42% in 1979/80 to 53% in 1981/82, while the share of local receipts from direct and from indirect taxes in Dakar and service fees increased from 26% in 1979/80 to 46% in 1981/82. Between 1979/82, municipal revenues collected centrally or locally grew in virtually all categories but not by enough to meet the growth in population.

Expenditures of the Dakar Municipality

Designation	1979/80 Amount	1980/81 Amount	1981/82 Amount
<u>Recurrent Expenditures</u>			
Debt Service	136	877	830
Subcontracted Services	1,188	1,492	1,914
Salaries	1,184	1,436	1,706
Equipment and Materials	2,901	2,375	2,410
Insurance and Miscellaneous	231	362	500
Operating Costs of the Municipal Council	<u>286</u>	<u>190</u>	<u>257</u>
Sub-total	5,926	6,732	7,617
<u>Investment</u>	<u>2,604</u>	<u>2,235</u>	<u>1,232</u>
Grand total	8,530	8,967	8,849

5.04 The main constraint on increasing revenues is the Central Government which collects and retains the higher yielding taxes such as the center city property and excise taxes. These taxes amounted to CFAF 5 billion in 1980/81, representing an unknown percentage of the total amount recoverable. As for taxes recovered by the Municipality itself (amounting to CFAF 1.1 billion in 1980/81), these are generally low yielding and more difficult to recover. There is no reliable data on whether such taxes cover the cost of services provided. Permanent individual and business rolls are computerized as part of

Central Government's ongoing program to increase yields from centrally collected taxes. However, the rolls are not updated regularly and many potential taxpayers fall through the system.

5.05 The property tax is the one with the poorest collection record (50% of billings), and, according to preliminary results from URBOR's Resource Mobilization Study, is the only tax with reasonable revenue potential. With related taxes, all proceeds from the taxation of property amounted to about 21% of all city revenues in 1980-1981. The tax on improved property constitutes the bulk of the property tax. The tax is based on the annual rental value of the property with a deduction of 40% for houses and 50% for factories. The rental value is the price that is annually paid to the owner, or would be paid to the owner if he were renting out the property. The value of properties devoted to industrial or commercial use is calculated on the basis of the use for which they are intended; the rental value of the land is also taken into account. The rate of the tax is fixed at 30% of the annual rental value (after the 40% or 50% deduction mentioned above) of non-rented properties and 15% of the annual rental value (also after deduction) of rented properties. The tax on improved property is subject to permanent exemptions (essentially, public properties, private properties used for public purposes, e.g. educational or health facilities) and temporary exemptions for new constructions, re-constructions or added constructions. Temporary exemptions are as follows:

<u>Building Use</u>	<u>Length of Exemption</u>
Other than factory and housing	5 years
Factory, housing	10 years
Low income housing (OHLM, SICAP)	15 years

5.06 The tax on unimproved property is also paid annually. Assessment is based upon the capital value of the property. Measurement of the capital value is usually done on the basis of the transfers of the property that may have occurred in less than three years. The rate of the tax on unimproved property is fixed at 15% of the capital value. Exemptions to payment of the tax affect public properties, private properties affected to public use and also industrial or commercial use (especially when the land is adjacent to already taxed improved properties). Although no specific data is available, it is generally estimated that assessment of the property tax (improved and non-improved property) is made at about 50% of market value. The collection rate also averages 50%. 1/

1/ Preliminary Data: Resource Mobilization Study.

Resources of the Dakar Municipality

Designation	1979/80 Amount	1980/81 Amount	1981/82 Amount
<u>1. Current Revenues</u>			
<u>A. From Government</u>			
Transfer from Government	2,228	3,333	3,093
Surcharges	<u>1,270</u>	<u>1,351</u>	<u>1,632</u>
Sub-total	3,498	4,684	4,725
<u>B. From Municipality</u>			
Municipal Taxes	1,451	1,554	2,056
Service Fees	613	882	1,100
Miscellaneous	<u>100</u>	<u>121</u>	<u>961</u>
Sub-total	2,164	2,557	4,117
<u>2. Special Receipts</u>			
Participation Funds	405	407	-
Borrowings	2,057 ^{1/}	859 ^{1/}	-
Miscellaneous	<u>3</u>	<u>11</u>	<u>7</u>
Sub-total	<u>2,465</u>	<u>1,277</u>	<u>7</u>
<u>Grand total</u>	8,127	8,518	8,849

1/ Allocation of the 1977/78 municipal borrowing amounting CFAF 3 billion from the Worms Bank.

5.07 Potential Revenue Sources: The FEC, the Fonds d'Equipement des Collectivités Locales, is one financing instrument with as yet unexplored potential. It was created in 1977 as the financial intermediary for municipalities without access to commercial borrowing to finance a number of priority municipal works. It was originally financed by the proceeds of a surtax on gross income collected by Central Government. In 1977-1978, total allocated funds amounted to CFAF 2.7 billion. Because this mechanism was extremely sensitive to economic conditions, the municipalities requested a modification to permit better planning. Subsequently, the FEC was fed by a budgetary transfer from the Ministry of Finance. This source provided CFAF 1.5 billion in 1980-81 and 1.3 billion in 1981-82. However, this arrangement proved no more reliable than the initial funding mechanism, given the country's financial situation and Central Government's tendency to channel uncommitted funds from Special Accounts to the General Treasury. Thus to date the FEC has had very limited operations.

5.08 FEC provides two types of financing: grants and interest-free loans for 15 years. Projects are submitted to the Ministry of Interior and reviewed by the Ministry of Finance. In 1982, 34 municipalities received a total amount of CFAF 674 million. In Ziguinchor, construction of a bus terminal, the remodeling of the city hall, and some limited renovation of the central market were completed. In Kaolack, some road resurfacing works were financed. Interior officials appear to feel that the FEC has considerable potential not only for the larger regional centers, but also for the smaller rural towns. Officials have recommended that its structure and operations be seriously reviewed and subsequently strengthened. One possibility would be to charge interest to permit replenishment and expanded operations. Another avenue to

be explored is that of commercial borrowing. It is recommended that Government gives close attention to this mechanism.

Financial Management

5.09 Forecast transfers from the Treasury are extremely erratic, and frequently below projected amounts, making financial management extremely difficult, if not impossible. As a result there is very little budgetary planning. Rather, programmed investments are dropped in response to revenue shortfalls and projects are executed partially or not at all. On the expenditure side, there is no cost accounting which would permit an analysis of expenditures by item. The absence of even the rudiments of financial planning is a severe handicap to catching up with, let alone anticipating the required expansion in urban services necessary to support economic activity.

Sub-Contracted Services

5.10 Nearly 26% of the local budget is allocated to various sub-contracted services which are handled by both public and private enterprises. Inflation and the rapid increase in Dakar's population account, in part, for the growing claim of these services on the municipal budget. More critically, the lack of technical staff has severely handicapped the municipality both in the negotiating of contract renewals as well as in the supervision of works performed. In effect, the municipality has proven to be at a crippling disadvantage during these discussions, permitting the sub-contractor to have a virtual free reign in imposing operating and financial conditions.

5.11 The breakdown of these sub-contracted services is shown below:

(in CFAF million per year)

- garbage collection	1,461
- garbage collection	270
- public pit latrines	182
- cleaning of open channels	23
- maintenance of traffic lights	6
- refrigeration and air-conditioning	5
- maintenance of public parks	<u>3</u>
Total	1,950

Even with these sub-contracting arrangements which accounted for 23% of total expenditures in 1981-82, Dakar still employs over 2,300 persons at an annual cost of CFAF 1,706 million, or some 20% of total expenditures.

Conclusions

5.12 The poor performance of the local authorities is due to a range of problems which they share with the parapublic agencies: cumbersome and inadequate administrative and financial controls; shortages of technical and managerial personnel; revenue shortfalls; poor recovery of client billing and unclear objectives and priorities. While remedies are clearly needed, and can be introduced at the municipal level, they will be ineffective without a Government commitment to a viable local authority. Government must re-examine its attitude to permit local government greater latitude in the execution of its affairs, exploiting its revenue earning potential and retaining adequate revenues to perform the desired tasks. Otherwise, there is little justification for pursuing local government reform.

5.13 Given that Central Government has restricted, and is likely to continue to restrict its financial support to local government, the municipalities themselves, must seek measures to reduce operating costs, while

increasing revenues to permit expansion of maintenance operations and other municipal activities. This will involve, at a minimum, a system wide effort to closely monitor expenditures and to increase yields of existing revenue sources, beginning with reassessment of the potential financial base for major revenue sources (commercial and land taxes), and extending through improved billings and collections procedures. A special monitoring unit should be created within municipal government for the purpose of financial management. Local authorities must take a look at the scope for reducing the heavy burden of administrative costs and the efficiency of current maintenance operations by improving staff productivity. In the short term, it is recommended that the Municipality of Dakar develop measures to more closely control the execution of sub-contracted services. At contract expiration, bids should be called from several contractors to encourage local competition. Competition should also be encouraged in areas not currently covered by the present contractor. Finally, a technical unit should be established to oversee maintenance functions and responsibilities, to negotiate contracts and properly supervise works.

VI. A PROPOSED STRATEGY

6.01 Reversing the generally ineffective performance of shelter and service delivery will not be achieved by piecemeal adjustments to existing policy and institutions. An urban strategy which supports present levels of economic growth through the delivery and maintenance of urban services and stimulates and supports future expansion will require time to define and far reaching consultation among agencies and entities which have remained on the periphery of the debate or have long operated independently. The objectives of this strategy would be:

- (a) facilitate access to basic services and employment opportunities for the bulk of the urban population;
- (b) promote operational efficiency in the delivery and maintenance of urban services; and
- (c) generate public savings to make the urban institutions self-supporting.

6.02 Even under the most optimistic projections, investment requirements to productively absorb the urban population are far in excess of available public resources. Indeed, it is unlikely that, in the short/medium term, large enough capital investments can be made to relieve present pressures on urban services. In any case, the past performance of the sector suggests that remedying institutional and policy constraints in the short term is fundamental to efficient investment over the longer term. It is therefore recommended that Government consider a phased approach as follows:

- (a) short/medium term: institutional and policy reforms and consolidation of existing investments in Dakar;

(b) longer term: expansion of urban infrastructure in the Cap Vert and implementation of a Regional Economic Development Strategy.

A. Short Term: Institutional and Policy Reforms
and the Consolidation of Existing Investments

6.03 These reforms are critical to any meaningful change in the way cities promote and support economic activity. The first step will necessarily require open discussion at the decision making level of fundamental policy questions. Some issues such as design standards, affordability, slum removal, and subsidy/cost recovery, seriously impeded execution of the Sites and Services Project and have eluded realistic discussion since the beginning of the 1970's. Others, such as the availability of land, the role of the private sector in housing, access to housing finance, building codes, etc. require a collective approach and an active participation of all actors from the decision making level to the technicians.

6.04 Resolution of the above issues amongst others will require a Government-wide debate on the role of urban development in the economic reform process and on appropriate policies which will ensure that urban services support productive investment. It is recommended that a National Council for Urban Management, (Conseil National pour la Gestion Urbaine) be legally established by decree to debate the range of issues which concern urban growth and management. This task force would be co-chaired by the Ministers of Plan and Finance and would have as its permanent members the Ministers of Urbanism, Equipment, Interior, Industry, Health and Education and representation of urban agencies and municipalities. Technical sub-committees would be established to examine and make recommendations on the most important issues, with a view towards reforming the process of programming investments for urban

development and instituting a meaningful strategy. This would constitute the first phase in defining a strategy for the management of urban growth.

6.05 In parallel, the Government must develop an institutional framework which will ensure the continued maintenance of the existing network in Dakar, and eventually for all the urban centers. For instance, the creation of a Traffic Bureau would permit studies and implementation of the traffic management measures recommended in the Transport Master Plan for the Cap Vert. The weakness of the local institutions and their beleaguered finances must also be addressed within this framework. There is room for major reform in this area which would generate substantial savings for these financially strapped authorities. Financial and management functions require particular attention to introduce improved systems of cost accounting, better client billing and recovery amongst other measures. Institutional reform must be considered to streamline and reorganize municipal authorities to improve performance of assigned tasks in particular to control the sub-contracted services and to adequately plan for the maintenance and expansion of infrastructure and community facilities over the longer term. While a contrat-plan is not the appropriate management tool in this case, the longer term objectives are the same, permitting a similar in-depth analysis. Some form of memorandum of understanding, linking the municipality with other agencies responsible for service delivery is probably a reasonable proposal, and as an example, could take the form of a written agreement between OHLM and the municipality concerning their respective responsibilities for the development and maintenance of a new area or for the upgrading of an existing neighborhood.

6.06 The public finance constraint will be a major issue in the debate. There are several possible scenarios for Government to explore which would aim

to minimize the infusion of public sector funds. In the case of higher and middle income housing, public investment should be limited to the primary, or off-site infrastructure as well as to selected community facilities such as primary schools and health posts. To reach more of the lower income population a formula of cross-subsidy and differential pricing should be explored which would require, for example, that a beneficiary of a completely serviced plot pay a portion of the cost of servicing plots for the lower income groups. Public funds would be used to service land, which could subsequently be sold at market prices to private developers. The superstructure for middle and high income housing could be financed through commercial borrowing. In addition, incentives in the form of tax breaks and bridge loans during the construction and sales period should be considered to encourage participation of private promoters.

6.07 Costs of secondary and tertiary infrastructure and markets and secondary schools, etc., should be recovered from the final beneficiaries. This will require a government commitment to the principles of cost recovery and to removing obstacles to its effective implementation (e.g., the Government law which prohibits automatic deduction at source for public sector employees to pay for housing). While the costs of primary schools and health posts are typically recovered through general taxation and should probably continue to be so in the future, a rigorous review of standards for such facilities should be undertaken to ensure more efficient utilization of public funds.

6.08 Mobilization of private savings must also receive careful attention. The most likely institution to take over the financing of the bulk of shelter requirements is the BHS. Even for lower income groups, a system could

be envisaged whereby the BHS would provide financing for housing cooperatives whose individual members are otherwise denied access to the commercial banking system. Eventually, if the framework is adequately strengthened, BHS could also provide the prefinancing for construction of civil works and superstructures in the case of private promoters, subsequently transforming such loans into individual mortgages for potential beneficiaries. These and other extensions of BHS operations will require a relaxing of statutes which today are excessively rigid, restricting access to the public sector and private salaried applicants. Even in this instance, eligibility criteria have sharply limited the number of those who can qualify. The BCEAO regulation which excludes housing from access to its discount facilities is another obstacle severely cutting into the pool of funds the BHS could potentially mobilize for program development. For any expansion of BHS operations, the problem of long term money must be faced and resolved.

B. Longer Term: Expansion of Urban Services in Dakar
and Implementation of a Regional Development Strategy

6.09 Over the longer term, investments in the extension of infrastructure will be required in Dakar and investments developing the economic potential of the regional centers must be designed and implemented. The first dimension can be addressed initially through the second phase of the Dakar Urban Development and Transport Plans which will look at alternative strategies for development and propose investment programs. The proposed Engineering Credit could provide financing to complete these Plans. As for the second, there appears little doubt that the bulk of productive investment will continue to be centered in the Cap Vert Region. At the same time, it will be necessary for Government to pursue a diversification of economic activities, if it is to

achieve forward progress in its macroeconomic development goals. This implies a consideration of alternative investments in the secondary towns. The Ministry of Urban Development has several master plans under preparation for the major regional centers, and, together with Planning officials, can propose a suitable regional development strategy. Any effective strategy must realistically consider the economic potential of each Region, linking this analysis to the macroeconomic framework, and promoting to the maximum possible private sector participation and regional self-sufficiency. The start-up of studies for this strategy could also be considered for financing in the proposed Engineering Credit.

6.10 The Bank should also develop additional sector work which would focus on the regional centers as a follow-up to the ongoing resource mobilization studies. One dimension of a regional development strategy in the Senegalese context which cannot be overlooked is the role of tourism. As stated elsewhere, the weather and the water are two of the country's most important natural resources and tourism is considered to be a priority sector by Government. The demand for unskilled labor in tourism is higher in the dry season when employment opportunities are scarce elsewhere in the economy for this category of worker. This is especially important for the regions outside Dakar where employment opportunities outside agriculture are relatively few. Secondary centers in tourism zones which are managed efficiently and provide a reliable network of infrastructure services should have important benefits to the country as a whole.

D R A F T

URBAN SECTOR STRATEGIES FOR AFRICA:

THE NEXT TWENTY YEARS

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URBAN SECTOR STRATEGIES FOR AFRICA: THE NEXT TWENTY YEARS

I. INTRODUCTION ^{1/}

1. Despite its predominantly rural character, Africa is experiencing rapid urban growth. Spurred by high rates of natural increase and rural-urban migration, cities and towns in all African countries are expanding in population, settled area, and complexity. In less than a generation, towns which were previously small colonial capitals have become cities approaching one million persons, while rural villages have become regional marketing centers. While increasing urbanization has been a largely post-independence phenomenon, the public and private responses to the need for urban shelter and infrastructure have continued to reflect colonial policies, standards, institutions, and practices. This colonial legacy proved to be ill-suited to the quickening tempo of urban growth from 1960 to 1970. As a result, African governments found themselves confronted with "urban problems" which were not addressed by earlier colonial policies and conceptions and which quickly appeared outside their effective control.

2. By the late 1960's, most governments were seeking new policy directions in housing and urban infrastructure in order to face the realities of expanding squatter settlements and urban sprawl. Policy discussions focused on finding mass solutions for urban services, reducing their financial burden on the public treasury, and productively integrating the urban population into the national economy. While these discussions varied a great deal across countries, it is now apparent that a dramatic shift has occurred in the policy debate concerning urban housing and infrastructure since 1970.

^{1/} The analysis and opinions contained in this paper are the sole responsibility of the author and do not represent the Urban Projects Department of the World Bank. The author, however, wishes to acknowledge comments from the following colleagues: Carolyn Tager, Nicolas Lethbridge, Callisto Madavo, Zmarak Shalizi, and Donald Strombom. Barry Blake provided statistical assistance.

This shift is reflected in almost two dozen World Bank-assisted urban development projects and others financed by governments and other donors which reflect new policy objectives and methods including greater realism in the role of the public sector, increased attention for the needs of the urban poor, reduced standards and costs, and a desire to reduce public subsidies to the urban sector through cost recovery. While it is premature to evaluate the full impact of this shift, given the lengthy period of policy discussion and project preparation which precedes implementation, it is nonetheless clear that this important trend in policy is well underway and should be reinforced wherever possible. It should be noted that the World Bank has played a major role in this debate, in discussions with individual countries and in its willingness to finance pilot projects which seek to address central policy issues in the urban sector.

3. While acknowledging their importance and Africa-wide character, these promising directions in policy should be evaluated in relation to the scale of the urban problem likely to develop in Africa in the next twenty years. In 1980, in 80% of the African countries, at least 50% of the urban population live in slums without basic services. Projections of urban growth in African countries indicate that the urban population will triple by the year 2000 and create enormous demands for housing, infrastructure, and employment in almost every country. If the new directions are more sensible than past policies, how are they consistent with decisions by some governments to build new capital cities, such as Dodoma in Tanzania or Abuja in Nigeria? Can national subsidies continue to flow to urban areas, even at a modest level, as African financial conditions become more difficult? If the urban sector is to cease being a privileged enclave within the national economy, how can public policies

address the needs of the urban population without exacerbating disparities between the rural and urban sectors? While recent policy trends appear to move in the direction of improving these imbalances, how can they be strengthened and broadened in light of needs to increase the scale of urban service provision in the future? Given current efforts to redirect policy and to find less expensive methods to provide urban services, are there lessons from recent project experience concerning opportunities and obstacles to increasing this scale in the future?

4. This paper will address these questions which are central to the formulation of long-term urban sector strategies in Africa by the following steps:

- a) Part II will review past patterns of urban growth and projections for the future, examining data concerning population growth, the availability of shelter and infrastructure in urban areas, and the incidence of urban poverty.
- b) Part III will evaluate public and private efforts to provide urban services during the first decade of African independence, from 1960 to 1970, in order to establish the context in which the shift in urban policies has occurred during the 1970's.
- c) Part IV will examine the process of policy change and program development during the 1970's, focusing particular attention to three issues in shelter and infrastructure provision in which change has occurred: choice of beneficiaries, standards and costs, and cost recovery. The resolution of these issues reflects the beginning of a shift from public to private sector solutions and a recognition of the weak performance of public institutions in providing urban services.

- d) Part V will review some of the preliminary lessons of the experience of urban projects which are based on the new policy directions and indicates areas which deserve attention if pilot projects are to be expanded to a scale commensurate with projected urban growth.
- e) Part VI will conclude with proposals for future policy directions in the formulation of urban sector strategies in Africa. These proposals will address issues of policy, institutional development, and the division of labor between the public and private sectors in the provision of urban services.

II. PAST PATTERNS AND FUTURE PROSPECTS FOR URBAN GROWTH ^{1/}

A. Demographic Evidence

5. On the basis of census studies and numerous surveys of individual African cities, it is possible to put together a reasonably reliable set of data on patterns of urban growth in Africa. Although only about 26% of its population was classified as "urban" in 1975, Africa has a growing "urban problem", with an urban population of about 104 million out of a total African population of 406 million. According to 1978 United Nations projections,

^{1/} This section draws heavily on data collected by Reena Racki and the author and presented in a paper by Reena Racki entitled "Urban Growth Patterns and the Supply of Shelter in Africa", Economic Development Institute, May 1980.

The urban population is expected to grow to 352 million by the year 2000, as the urban share of total population increases to about 43%. The projected increase of about 248 million persons represents the creation of about 60 cities the size of Lagos or about 200 new centers on the scale of Nairobi. Even if these demographic projections are questioned, although they are confirmed by individual country data, and even if reduced by half, the size of the urban population represents an important new addition to the African landscape in the next two decades.

TABLE 1: URBAN GROWTH PROJECTIONS IN AFRICA

Geographic Area	Year 1975		Year 2000		Absolute Increase in Urban Population and %
	% Urban	Total Population Urban	% Urban	Total Population Urban Population, % Increase of Urban	
African Continent	25.7	405,845,000 104,302,000	42.5	828,050,000 351,920,000 337%	247,618,000 +237%
Middle Africa	29.7	46,733,000 13,879,700	57.6	86,282,000 44,521,000 320%	30,642,000 +220%
Northern Africa	40.1	94,071,000 37,722,471	58.3	183,666,000 107,077,200 283%	69,354,730 +183%
Eastern Africa	13.2	115,290,000 15,218,280	29.4	242,780,000 71,377,320 469%	16.2% +369%
Western Africa	19.6	120,983,000 23,712,668	35.9	261,358,000 93,827,522 395%	16.9% 70,114,854 +295%
Southern Africa	44.8	28,767,000 12,887,600	57.9	53,964,000 31,245,156 242%	13.1% 18,357,556 +142%

SOURCE: Derived from U.N. Statistical Abstracts - Urban - Rural Projections Medium variant (N.Y. 1978).

6. This summary view shows a substantial 237% increase in the African urban population between 1975 and 2000. Table 1 shows that Eastern and Western Africa will experience the largest proportional increases, based on their relatively low levels of urbanization, while Northern Africa will have the largest increase in absolute terms, reflecting the already large urban population in Egypt. While such future urban concentration may appear unlikely, given the colonial origins of most large African cities, the demographic evidence indicates

that about 30% of the continental urban population is concentrated in large cities, usually the capitals. A sample of 35 capital cities shows that they are growing at about 8.5% annually, compared to average national urban growth rates of about 6% and national population growth rates of 2.7%. While analysts believed that such growth rates were statistical anomalies a few years ago, i.e., high growth rates on low bases, there is no evidence that rates have declined as bases have grown. In fact, the contrary appears true in places such as Dakar, Abidjan, or Kinshasa where such predictions were made. It is thus likely that existing large cities will become much larger, while substantial growth will also occur in secondary urban centers. The contrast between urban and national growth rates is demonstrated in Graph I.

7. Despite rapid growth, the size of most African cities remains relatively small, with only six cities over a million persons. These are Cairo (5 million, 1973), Ibadan (4 million, 1977), Lagos (3.5 million, 1976), Kinshasa (2 million, 1977), Abidjan (1.5 million, 1980), and Addis Ababa (1.3 million, 1979). Most African cities are below the 500,000 range, with at least one quarter of the capitals under 200,000 people. Annex Table II presents capital city sizes and growth rates.

B. Spatial Patterns of City Growth

8. One of the results of rapid demographic growth has been the spatial extension of African cities beyond jurisdictional boundaries. This phenomenon has been observed throughout the continent. Squatter settlements such as Pikine in Dakar or Abobo-Gare in Abidjan have grown to over 200,000 persons each by 1980. Yet they are outside the official

municipal boundaries of the cities and thus have had no claim on municipal services such as water, sanitation, and social services. Spatial extension, in pursuit of inexpensive land for settlement away from the heavy hand and bulldozers of public authorities, has thus created extremely expensive urban areas to service. Expansion of infrastructure networks and transport systems will be expensive for these cities. Kinshasa has about 10,000 hectares of poor quality housing without piped water supply. Existing land use patterns, and particularly the shortage of adequately serviced land, indicate that urban land management will be a critical aspect of overall urban policy both for individual cities and towns and for the urban sector more generally.

C. The Lack of Urban Services

9. As noted above, in 80% of the African countries, more than half of the urban population, or about 8 million households, lives in slums or squatter settlements. Table 2 presents the percentage of city population living in slums in 15 countries.

TABLE 2: SLUM POPULATIONS IN AFRICAN CITIES

<u>City</u>	<u>Country</u>	<u>% of City Population in Slums or Squatter Settlements</u>	<u>Estimate of City Population living in Slums or Squatter Settlements</u>
Addis Ababa	Ethiopia	90 (68)	1,080,000 (79)
Maseru	Lesotho	76	45,600 (79)
Mbabane	Swaziland	90	27,000 (76)
Kigali	Rwanda	90	45,000 (70)
Lome	Togo	76 (70)	159,600 (75)
Kinshasa	Zaire	60 (69)	1,200,000
Abidjan	Ivory Coast	60 (64)	390,000 (75)
Dakar	Senegal	60 (71)	366,000 (73)
Lusaka	Zambia	48 (64)	182,000 (72)
Dar Es Salaam	Tanzania	46-77 (77)	184,000 (72)
Monrovia	Liberia	50 (70)	80,000 (74)
Accra	Ghana	50 (68)	285,000 (70)
Tananarive	Madagascar	33 (69)	148,500 (75)
Bamako	Mali	25 (78)	117,500 (77)
Gaborone	Botswana	27 (75)	8,100 (75)

10. A sample of another 15 countries in Table 3 demonstrates that an average of 65% of population have access to potable water, of which only 22% have taps within their housing units. While the access figure appears relatively high, the quality of service is still low, primarily through public standpipes.

TABLE 3: ACCESS TO WATER IN AFRICAN CITIES

<u>Country</u>	<u>% Population with Access to Internal Running Water</u>	<u>% with Standpipe</u>	<u>% with Access to Nearby Running Water</u>	<u>Total % with Access to Running Water of Some Kind</u>
Tanzania (urban)	4	7 (70)	96 (77)	100
Mauritania (urban)	91 (70)	7 (70)		98
Senegal (urban)	29 (70)	69 (70)		98
Zambia (Lusaka)	39 (69)	51 (69)		90
Mauritius (Port-Louis)	17 (72)			79
Chad (Ndjamena)	11 (76)	65 (70)		76
Ghana (urban)	12.6 (70)	58.3 (70)		70
Niger (urban)	12 (70)	56 (70)		68
Upper Volta (urban)	20 (70)	48 (70)		68
Togo (Lome)	13 (71)	50 (71)		63
Cameroon (urban)	11 (76)	47 (76)		56
Mali (urban)	23 (76)		19 (76)	42
Malawi (urban)	21.6 (67)		21.1 (67)	42
Algeria (urban)	22.7 (66)		15.2 (66)	37
Nigeria (Lagos)	14 (75)		19 (75)	33

11. The lack of interior water is usually accompanied by poor sanitation facilities. In Freetown, 95% of the population uses shared pit latrines, while in Abidjan, about 65% of the residents use open pits or unlined water courses. Only 20% of the Abidjan population is served by a sewerage system, which is a relatively high proportion when viewed in continental terms.

12. The lack of services is compounded by serious overcrowding in many housing units. Seventy-five percent of the households in Lagos live in one room. Fifty-four percent of the dwelling units in Lusaka have more than two persons per room, with gross densities of about 40 units per hectare. While the African densities are certainly lower than those found in Asia, they are nonetheless serious as population continues to increase faster than new housing units. The process of renting, very uncommon during the 1960's, is now found in many cities as households of 5 and 6 persons squeeze into single rooms within a tight rental market. An interesting feature of this process is that, due to poor housing conditions, many households spend less than they are able to for housing. The slum populations frequently appear to have relatively high incomes, such as an average of CFAF 45,000 (US\$225) per month per household in Abobo-Gare. The lack of public infrastructure layouts, and most importantly, secure land tenure arrangements, i.e., a framework for urban investment, inhibits private investment while also reducing the quality of urban services consumed for the majority of the population. When such a framework is in place, high rates of investment in housing follow almost immediately.

D. The Incidence of Urban Poverty

13. Although urban populations are considered in general to be better off than their rural counterparts, there are nonetheless significant segments of the urban population whose incomes are below the urban poverty thresholds, as classified by the World Bank. An average of about 25-30% of the urban population in each country falls into this category, which is defined as having less than one-third of the national average household income. For the continent as a whole, about 25 million persons are "poor" in this sense. Half of this number are concentrated in the top six countries as listed below in Table 4.

TABLE 4: AFRICAN COUNTRIES WITH GREATEST CONCENTRATIONS OF URBAN POOR

Country	No. Urban Poor ('000)	Year	Urban Poor Below Poverty Level %	Urban Per Capita Income Levels	
				Absolute	Relative
Nigeria	3,768	1975	33		175
Egypt	3,526	1976	19	148	
Morocco	2,472	1977	34	288	189
Ethiopia	2,000	1977	61	115	
Zaire	1,712	1977	25		76
Algeria	1,400	1977	20	406	195
Madagascar	700	1977	50	150	86
Ivory Coast	637	1977	25	217	387
Tunisia	553	1977	20	204	193
Ghana	511	1975	16		143
Zambia	480	1977	25	213	
Kenya	460	1977	25	122	125
Cameroon	353	1977	15	189	95
Senegal	334	1975			151
Tanzania	320	1977	25	117	97
Guinea	283	1975	33		52
Burundi	180	1977	45	213	
Upper Volta	176	1975	35	108	
Togo	158	1977	35	201	100
Chad	157	1975	27	61	
Mauritania	155	1975	50		125
Sierra Leone	110	1975	25		78
Liberia	59	1975	23		137
Rwanda	60	1977	30	148	
Botswana	46	1977	40	235	
Gambia	24	1975	25		133

SOURCE: World Bank, April 1979

14. Although rural-urban migrants were largely successful in their quest for urban employment during the first two decades of African independence, urban unemployment and underemployment will become increasingly severe as population grows. With few exceptions, such as Nigeria, most African cities are populated by households who depend on one or more wage earners whose individual salary is not sufficient to meet the costs of urban life. Urban poverty will

become more prevalent, particularly as public investment and industrial development slow down in response to the international economic situation. While studies of African labor markets and urban employment have not yet generated reliable estimates of the level of unemployment in more than a few countries, it is nonetheless clear that overall levels are rising and are in part reflected in nascent crime problems in cities like Nairobi and Abidjan.

15. The conditions described above have, in most countries, developed since 1960. Although there were unserviced African quarters housing a significant number of unemployed, la cité, in many cities during the colonial period, these were relatively small areas. Only after the increased migration to the cities after independence did the squatter areas expand substantially to the point where they represent more than the majority of living area of most cities. This process was in large measure a result of inappropriate policies inherited from colonial administrations and the inability of newly independent African governments to formulate and implement realistic urban policy.

III. POLICY FAILURE AND PROGRAM COLLAPSE: 1960-1970

16. Newly independent African governments had high hopes in 1960 that they could expand public housing and infrastructure programs. In both the former French and British colonies, housing corporations had been established during the 1950's, with substantial colonial financing and technical assistance, which were designed to build modern apartment units and villas for public servants and other upper income clientele. In the francophone countries, these sociétés immobilières were usually owned in part by the Caisse Centrale de Coopération Economique (CCE) and their major stockholders included public and private French banks. They were largely staffed by French personnel and eventually recruited trained African architects to

assist in the design of their programs. Despite the high cost of European-style construction, these corporations were able to meet their costs through the use of highly subsidized loans from the CCE, sometimes as low as 3%, regardless of the higher rates in the Eurodollar markets. In the Ivory Coast, the Société Ivoirienne pour la Construction et Gestion Immobilière (SICOGI) managed to expand its program quite rapidly, reaching an annual output of 3-4,000 apartment units by the mid-1960's. Its Senegalese counterpart, the Société Immobilière du Cap Vert (SICAP), functioned in a similar manner, building extensive upper income residential areas in Dakar. Smaller, and less successful housing corporations were initiated in Mali, Upper Volta, and Niger during this period, but never attracted sufficient quantities of CCCE finance to launch their programs.

16. This experience was repeated in the anglophone countries, where the Commonwealth Development Corporation (CDC) played a similar role, assisting the British colonies and later the newly independent states in creating national housing corporations and building societies, along British models, using British staff and finance, to build European style housing for the same clientele as the CCCE was assisting in the francophone countries. These experiences were quite analogous, with the difference that a greater number of African technical staff were trained in the anglophone countries.

17. In addition to pursuing conventional housing programs oriented to middle and upper income groups, most African countries discussed "low-cost housing" extensively during the mid-1960's. It quickly became apparent that the housing corporations were unable to meet the quantitative needs of the growing urban populations and that the costs of the various types of housing under construction were far beyond the financial means of the public sector. Faced with these problems, the francophone countries organized a second public

housing organization, the Société pour la Gestion et le Financement de l'Habitat (SOGEFIHA) in the Ivory Coast and the Office pour l'Habitat des Loyers Moderés (OHLM) in Senegal. These institutions were supposed to construct cheaper housing for lower income groups. Their task, however, was made even more difficult than that of their predecessors because they did not have access to subsidized CCCE finance nor did they have expatriate technical staff to design programs appropriate to lower income groups. Neither worked particularly well, although both institutions built a large number of units up to about 1973 when external sources of housing finance dried up almost completely. A parallel development with the creation of these institutions was the establishment of financial institutions which were supposed to channel national tax revenue into housing. The Ivory Coast established the Office pour le Soutien de l'Habitat Economique (OSHE) which received several earmarked taxes, while Senegal instituted a housing fund fed by a portion of national income tax revenue. Neither source, however, was sufficiently large to finance large-scale construction programs.

19. In the anglophone countries, following well-established traditions of municipal government, efforts were made to encourage local municipal councils to build low-cost housing for the lower income groups. This was carried out in Nairobi, Lusaka, Accra, and in some Nigerian towns, with the municipal councils building rental units at relatively cheap costs. These investments, however, subsequently faced the problems of maintenance and cost recovery by the councils, both of which continue to be major problems. The advantage of the anglophone experience, however, has been that despite the relatively small number of units built, there was greater African involvement in the design and execution of such programs and thus a larger pool of trained, experienced

local personnel was created. Municipal housing development departments have now been established in Nairobi and Mombasa and an Africanized project unit in Lusaka, which stand in contrast to still expatriate-dominated staffs in the francophone housing institutions.

20. Probably the most important aspect of this experience, in both the francophone and anglophone countries, is the fact that, even at the time of greatest housing production in the best performing country, public housing construction never passed 10% of total annual housing construction. Urban growth outstripped public efforts by a wide margin, leaving at least 90% of the urban population to find private sector solutions to housing. The physical manifestation of this fact were the extensive squatter settlements found in most African cities, as indicated in Table 2.

21. The failure of post-independence urban policy and its evidence in the squatter settlements was in part caused by the fact that it was largely "housing" policy and not directed to broader "urban" needs. This was reflected in the general inability of local institutions to provide even minimal infrastructure services for the population. The consequence was that the majority of urban population in most African cities lived almost entirely outside the legal jurisdiction of municipal authorities. Households received no municipal services, paid no taxes, did not register with municipal institutions, and ignored regulations governing informal sector trade, health, transportation, or sanitation. While this trend was worse in francophone countries than in anglophone countries, the vast squatter communities found in Nairobi (Mathare Valley, Kibera, or Kawangare) or Lusaka (George Compound and many others) indicated that the weakness of urban policy and local institutions existed regardless of colonial backgrounds.

22. As in many cities elsewhere in developing countries, informal mechanisms of service provision developed in these squatter areas, with the archetypical example of private water vendors selling water to households living in unserviced areas at prices many times higher than the cost of water coming out of taps in middle- and upper-income neighborhoods. This once again demonstrated that while urban households could afford better services, public authorities had not created a framework in which such services could be provided at reasonable prices. The private sector response was to exploit the situation, as in the water supply example, creating large inefficiencies and high costs of urban residence.

23. Another trend which developed in West Africa in the late 1960's was the handing over of the responsibility for municipal services to private enterprises. As municipal authorities, particularly in the francophone countries, found themselves with static, if not declining revenue, they decided that it was financially impossible to provide all of the municipal services for which they were responsible. By the late 1960's, municipal authorities of the Commune of Abidjan had signed contracts with private companies to collect garbage, manage the water supply company, and to manage the bus transport system. This same process occurred in Dakar. In Ouagadougou, garbage was collected by a private firm. Notably, in both Abidjan and Dakar, these firms were French-controlled and managed. While they provided a relatively high standard of service, they did not reach out into the squatter areas and sought to adopt restrictive definitions of the areas and populations they were supposed to serve.

24. A major aspect of this failed policy was the financial burden on the public sector and its inequity for the country as a whole. As suggested above, public housing policy was not in fact "urban" policy, but rather a limited

program of providing highly subsidized, high standard housing for a small minority of the population. The benefits of policy were thus enjoyed by a few, while they were financed from tax revenues collected from the many. Much of this revenue came from rural areas, as taxes on rural incomes and agricultural products were transformed into subsidies for expensive urban infrastructure. African cities could not pay for themselves as governments insisted on public investment programs based on slogans such as "Build big, beautiful, and forever," as one government proposed in 1963. A consequence of this policy was that municipal governments in both francophone and anglophone Africa were not encouraged to develop financial self-sufficiency, but were permitted to rely on annual subsidies from the national treasury. Local tax revenue actually in absolute terms in some francophone countries from 1960 to 1970, even though the number of potential taxpayers tripled during the same period. This lack of local financial responsibility was also reflected in ineffective budgeting and financial planning, so that by 1970, most municipal governments were in worse straits than during the colonial period.

IV. POLICY CHANGE AND PROGRAM DEVELOPMENT, 1970-1980

25. By the end of the first decade of independence, many African governments were beginning to feel both the political pressures from a failed housing policy and its financial burden. Housing policy papers were prepared in many countries, often linked to master plans for the national capitals or in support of the second or third national development plans. Many sought new approaches to housing provision and methods for reducing the financial cost for the public sector. One of the earliest policy discussions occurred in Senegal in 1968-69, leading to a government request for World Bank assistance in a low-cost housing program to provide shelter and services for the thousands of persons displaced from slums in central Dakar. This led to the first World Bank-assisted sites and services project in

Africa, in fact the first worldwide, which consisted of some 14,000 serviced sites in Camberene, a peripheral area of Dakar. Similar processes occurred in other countries, such as Tanzania whose government prepared a cabinet paper on housing and sites and services in 1972 which also led to a request for World Bank financing of sites and services project. Zambia, which had experimented with sites and services in 1965, following a long tradition of sites and services which can be traced to South Africa at the beginning of the century, requested World Bank financing in 1972-73 for sites and services and the improvement of squatter areas in Lusaka as part of a two-pronged strategy for shelter improvement. By 1975, requests for external assistance in formulating low-cost housing policy were made by most African governments. From 1975 to 1980, these requests led to World Bank financing of projects in Ivory Coast, Upper Volta, Mali, Nigeria, Botswana, Lesotho, Burundi, Liberia, Kenya, Cameroon, and Ethiopia. These projects, amounting to about US\$ 533.0 million in total project costs and US\$269.5 million in World Bank/IDA assistance are convincing indicators of a shift in policy objectives and project design.

26. The major components of these "new style projects" were the following:

- a) Sites and Services: The provision of serviced land upon which households could build their own houses. Infrastructure included water supply, roads, drainage, sanitation, electricity, and street lighting. Households were provided with loans for house construction but expected to use low-cost, self-help construction methods to build houses which could be improved over time. Sites and services areas included community facilities such as schools, clinics, community centers, markets, and other services.

- b) Slum Improvement Programs: The provision of infrastructure to unserviced areas, including services mentioned above according to the needs of existing areas. Households in slum areas would be eligible for home improvement loans to make modest improvements in existing dwellings. As in sites and services, households would receive secure land tenure which would encourage them to invest their private savings in housing.
- c) Employment Generation Programs: The provision of serviced sites for small- and medium- scale enterprises, credit for these enterprises, training programs, assistance in marketing and processing products from the informal sector.

TABLE 5: URBAN PROJECTS IN AFRICA
1972-81

	<u>Project</u>	<u>Total Project Cost</u>	<u>Loan Amount</u>	<u>Credit Amount</u>
<u>72</u>	Senegal	12.9		8.0
<u>74</u>	Botswana I	4.4		3.0
<u>75</u>	Tanzania I	16.8		8.5
	Zambia	41.3	20.0	
	Kenya I	29.5	8.0	8.0
<u>77</u>	Ivory Coast	122.3	30.0	
<u>78</u>	Tanzania II	29.3		12.0
	Upper Volta	10.8		8.2
	Kenya II	69.4	25.0	25.0
	Botswana II	12.5	8.0	
	Mali	15.3		12.0
<u>80</u>	Nigeria	36.6	17.8	
	Lesotho	7.1		6.0
	Burundi	16.7		15.0
<u>81</u>	Mauritius	24.5	15.0	
	Ivory Coast	83.6		40.0
	TOTAL	533.0	123.8	145.7

1/27/81

27. The design of these components raised many issues which were central to urban policy and sought to shift the attention of decision-makers away from "housing projects" to a broader approach to urban problems, and particularly the needs of the urban poor. This approach focused attention on the "integrated" character of urban services, the locational implications of investment in urban areas, and the importance of adopting strategies which permitted progressive improvements over time, rather than ultramodern one-time investments which could only be financed through large-scale public subsidies. As indicated in Table 5, this approach has led to multi-sectoral investment projects financed in part by the World Bank in some 20 countries and similar projects financed by the United States Agency for International Development and other bilateral donors.

28. Government decisions to go ahead with new approaches to urban service provision did not, however, exclude continuation of previous policies nor initiation of new, expensive ventures such as the building of new capital cities or "new towns" around industrial or mineral developments. The new-style projects were launched on a pilot basis while other investments in the urban sector were supported even if they involved substantial subsidies, ignored the poor, and were unrealistic in terms of existing execution capacity. Almost every African country has such a project as well as its supporters. Not surprisingly, many of these "prestige projects" are facing problems in execution, cost overruns, and increasing political criticism. Most importantly, however, they are proving that their premises and consequences have negative results for the urban population and the national economy as a whole. Their difficulties are thus supporting governmental interest in the results of the new style projects which are less expensive and reach more people. Their experience is thus adding momentum to the positive shift from housing projects to urban policy.

29. While acknowledging the changes in the housing and urban policy debate since 1970 in most African countries, it is important to also emphasize that this process has been difficult, with substantial disagreements between external donors and African governments. This disagreement has largely focused on three major issues: choice of beneficiaries of housing programs, standards and costs of services to be provided, and the need for recovery of costs to avoid subsidies and to permit replicability. These issues have taken different forms in various countries, but what has been most significant has been the similarity of the terms of the policy debate over these issues. This similarity in housing conditions in post-colonial Africa and the record of failed urban policy during the 1960's. These major issues are discussed below.

A. Choice of Beneficiaries

30. Taken in sequence, probably the first major policy issue which was raised in the early 1970's was the choice of beneficiaries of public sector activity in housing and urban services. Although many middle-income households did not have access to acceptable housing and services in African cities, public authorities worried most about "the squatter problem". By the late 1960's, squatter settlements were growing faster than public efforts to demolish them with bulldozers, which had become the most widely-used instrument of public policy. Terms such as "habitat spontané", meaning housing built overnight in the francophone countries, reflected the tempo of creation of illegal settlements and growing official frustration at their inability to control residential construction. While there was relatively little political articulation by the urban poor for better housing--most were recent migrants who focused on employment and income generation as their first priorities--government perceived a growing political problem with masses of squatters in most cities.

31. This concern was supported by increasing attention from the international community and aid agencies on "poverty" as a major development issue and emphasis on the "equity" aspects of public investment. Parallel to these general concerns was the growing consensus among urban specialists that public housing programs throughout the world tended to be ill-suited to the needs of the urban poor, that architectural designs of public agencies rarely satisfied most clients, and a more effective means to provide services would be to reduce the role of the public sector to providing major infrastructure and social services, while permitting individual households to be responsible for housing design, finance, and construction. This policy thrust, best articulated in the work of John F. C. Turner^{1/} and embodied in the concept of "sites and services", provided an interesting alternative to conventional public housing programs and particularly for the poor, by suggesting that governments could provide serviced land and infrastructure while households would design, finance, and build their own houses. A major advantage of this approach was that it permitted scarce public finance to reach many more people and, if unit costs were low, to respond to a large share of the demand of the lower income groups. This concept changed the policy debate, by opening up many new alternatives which could be flexibly applied in different national and urban circumstances according to cultural, physical, and climatic variations.

^{1/} John F. C. Turner and Robert Fitcher (eds.), Freedom to Build, (New York: The McMillian Company, 1972).

32. Despite the introduction of the sites and services concept, there was frequently significant political opposition to allocating public resources for the poor. The analysis of most African cities and the lack of urban services frequently indicated that up to 70% of the population could qualify as "poor", in contrast to the dramatically better living conditions which the upper 30% enjoyed. This opposition was expressed, however, not through directly attacking assistance for the poor, but through more technical subjects such as standards, costs, and cost recovery.

B. Standards and Costs

33. The major area in which opposition to policy change was expressed came on the question of reducing officially acceptable standards for housing and related infrastructure. Most programs during the 1960's had continued to use European standards from the colonial period, if not larger and more expensive standards as demonstrations of African independence. These, however, were unaffordable to the public treasury and certainly to low-income urban households without major public subsidies. Building codes which required the use of high cost materials in large quantities effectively priced a large number of African households out of the legal housing market, forcing them to settle in squatter areas. Some required materials had to be imported, with the result that building codes had negative effects on foreign exchange and balance of payments as well. The application of inappropriate standards for building materials, water supply, road widths and materials, drainage, and sanitation was thus a major aspect of the failed urban policies of the 1960's.

34. Proposals to change these standards, however, faced major obstacles. The first obstacle often came from the African professionals themselves who could not accept the idea that newly independent African states should use anything less than the most modern approaches to housing and infrastructure. Trained in Europe to provide services at European standards, many African

architects and engineers rejected efforts to reduce standards and costs, even if high costs meant that only a minority of the urban population could be served within the legal framework for housing and infrastructure construction. They were often successful in convincing their political masters that the reduction of standards to "below what was acceptable for our people" was out of the question. This position is still common in some countries, despite eventual political decisions to go ahead with reduced standards on a pilot basis in sites and services and slum improvement projects.

35. A second obstacle often more difficult to resolve, came from potential beneficiaries of the new low-cost programs. Accustomed to seeing high standard public housing during the colonial period and the first decade of independence, many urban households had high expectations of public programs. They often balked at suggestions to reduce standards. Their own expectations were later reflected in overly ambitious housing designs, delays in construction for lack of funds, and various efforts to invest in housing at levels higher than their incomes might normally indicate. The assumption in the sites and services concept that housing construction would be progressive through time, with additional rooms added on as income increased, was frequently bypassed with efforts to build more substantial structures from the outset.

36. A third obstacle to reduced standards came from the debate over whether low investment costs would lead to higher maintenance costs at a later stage. Projects which emphasized the reduction of standards for roads, to take a common example, led to concern from municipalities responsible for maintenance that maintenance would be more costly in the long run. This issue is particularly difficult, given the generally weak capacity of municipal organizations.

C. Cost Recovery

37. A major reason for reduced standards and costs was the growing consensus for the need to recover the costs of urban housing and infrastructure from beneficiaries. Almost all African governments eventually agreed during the 1970's that they were no longer able to subsidize urban housing and services to the same extent as before, even though there were strong political reasons for doing so. Colonial traditions of free water supply, for example, and subsidized rents for housing built by municipal councils were well-established in the minds of politicians as well as in their constituents. It therefore was extremely difficult to politically justify, in the short run, decisions to increase charges for municipal services or worse still, to introduce systems of cost recovery where none had existed before. Efforts to introduce cost recovery for low-cost projects for the poor, however, were made even more difficult, given that middle- and upper-income groups continued to benefit from highly subsidized housing and infrastructure in better-served parts of African cities. Cost recovery for the poor, therefore, appeared to discriminate against the poor and was perceived to be unfair. Efforts to combine such policies with city-wide and sector-wide policies to increase cost recovery, such as increases in property taxes or water tariffs proved to be much more difficult in the short run. Despite these difficulties, most accepted the principle of limited cost recovery for urban services, usually on a pilot basis in the context of World Bank-financed projects. It remains to be seen, however, whether this political commitment will be maintained over time as project scale is increased.

38. While the debate over the three issues of choice of beneficiaries, standards and costs, and cost recovery monopolized much of the attention of policy-makers during the 1970's, these discussions also raised many broader issues of urban policy at the national level. Decisions concerning the choice of beneficiaries led to analysis of the annual government housing

program and its place in the national budget and development plan. Examination of standards of service provision focused attention on long-term needs not just, for example, water distribution, but also increasing long-term water supply sources for urban areas. Analysis of household incomes and affordability of programs led to questions about income generation and employment, focusing renewed governmental attention on urban employment strategies and the role of the informal sector. The projects which were designed during the 1970's attempted to address many of these questions, as "integrated urban projects" providing a model for integrated "urban policy" in contrast to the failed policy of the 1960's. The variation in the projects reflect differing circumstances found in the respective African countries, including existing conditions, policies, and receptivity to external advice. As suggested below, however, the projects are only the first step in many countries towards coherent strategies for the development of the urban sector. As serious efforts to address the fundamental questions of strategy, their experience provides an important guide to thinking about strategy from a long-term perspective.

V. PRELIMINARY LESSONS OF PROJECT EXPERIENCE 1/

39. Given the recent policy shifts and the initiation of urban projects in Africa, it is premature to draw definitive conclusions about the impact of these policies and projects on the urban sector. Projects have experienced delays in their start-up phase and execution, due to a combination of scarcity of trained staff in executing agencies, unfamiliarity with project concepts and procedures, scarcity of local counterpart funds, and

1/ This section is based on observations contained in papers by Carolyn Tager and Praful Patel on project experience in East Africa and by Carolyn Tager on West Africa prepared in 1980 in the Urban Projects Department.

difficulties in coordination among the various institutions responsible for execution. Experience with early projects led to simplification in the design of subsequent projects and modification of components to meet local circumstances. Early governmental and external enthusiasm to apply new policies and project concepts led, in some cases, to the design of overly-ambitious projects.

40. Within this recent experience, there have been some significant differences between the countries of anglophone and francophone traditions in Africa. In general, the anglophone countries have been much more able to design and implement projects for low-income households. Anglophone institutions appear better staffed with higher levels of local competence than their francophone counterparts. There also appears to be greater flexibility on questions such as infrastructure standards. The extreme centralization of urban policy institutions in francophone Africa hinders the development of local responsibility, with the result that small issues are elevated to the ministerial level much more quickly than in the anglophone countries, where local municipal councils have the legal responsibility for executing projects within their jurisdictions. Decisions concerning the allocation of serviced plots, for example, tend to be resolved at the local level in the anglophone countries, while national plot allocation committees have been established by ministries of public works and housing in the francophone states.

41. In addition to these colonial and linguistic differences, there have also been major differences between Eastern and Western Africa in the execution of low-cost housing projects. The Eastern African projects have been much more successful as a group in meeting their objectives. Projects in Botswana, Zambia, Tanzania, and Kenya have started execution more quickly, with physical components being implemented more effectively,

than any projects in West Africa, including Nigeria as the anglophone exception. There are a significant number of trained East Africans in the urban sector who are fully able to design, implement, and manage urban development projects. While this number is not sufficient to meet the demand for large-scale projects, this fact has explained the relative success of Eastern Africa projects which have in turn trained additional people. There is thus a major difference in the quantities and experience of professionals between East and West Africa.

42. One of the conclusions from the first five years of African urban project implementation has been that projects which rely on large numbers of public sector professionals to perform various roles are frequently delayed by manpower shortages. This suggests that projects should be designed to minimize the public sector role, where possible, in favor of creating frameworks in which private individuals, groups, and firms can perform required functions, such as design, construction, supervision of construction, and even collection of charges. This conclusion is consistent with the initial thrust of the argument for sites and services in 1970 that the financial burden for housing and urban services must be shifted from the public to private sector. It is now apparent that the responsibility for organization and implementation should, to the extent possible, also be shifted in this direction. This assertion depends of course on the existence of a private sector capable of performing these functions. In most countries, there is an absolute scarcity of trained manpower and skills in either sector, so the responsibility for urban services will have to be fulfilled wherever personnel is available in the short term. However, given the existing distribution of trained professionals between the public and private sector--with greater numbers in the private sector in Nigeria, Ivory Coast, or Kenya, to cite a few examples--it is probably correct that private sector capacity to perform this role will

increase at a faster rate than the public sector, which is unlikely to offer salaries and working conditions which are attractive to scarce professionals in the fields of architecture, urban engineering, financial analysis, and related disciplines.

43. Another lesson from the initial years of World Bank-financed urban projects concerns the utility of exclusively targeting project benefits to low-income households. The first two decades of African independence suggest that it is unlikely that the poor will receive benefits from projects until the recently-created middle-income groups also receive benefits. Most projects under implementation have experienced the following to some degrees:

- a) seepage of middle-income groups into the designated group of beneficiaries;
- b) efforts of middle-income households to "buy out" poor households, either in sites and services or upgrading areas;
- c) dramatic increases in squatting (by people of all income groups) on land designated for project uses; and
- d) grumbling by civil servants and the private sector that they have been ignored by the new projects.

While some of this behavior simply reflects the entrepreneurial instincts of the African middle and upper income groups, it is apparent that there has been a gap in the range of beneficiaries of public programs. While conventional programs have assisted the upper income groups and civil servants, and the new projects are addressed to the poor, the middle income groups are not receiving assistance from either the public and private sectors. Many lower middle-income groups are effectively priced out of the

housing markets in most African cities. Their resentment and demands are thus legitimate, even if the poor may have, in the first instance, a stronger case for limited public resources. Recent projects have sought to capitalize on this problem by including middle income households in order to develop a surplus to use in differential pricing, thereby permitting lowest income groups to participate in the project. This decision may have important political benefits as well, assisting governments to undertake more "progressive" policies while at the same time addressing the demands of a politically vociferous group.

44. Another all-important lesson is that while the new projects have sought to be "urban" rather than "housing" projects, their detailed attention to housing and the early experience of implementation have demonstrated that broader urban issues are more critical for developing long-term urban sector strategies. Surveys of slum communities have demonstrated that land tenure and infrastructure are higher priorities for most people than housing. Attempts to institute cost recovery systems for individual projects through user charges have indicated that the overall weakness of municipal financial institutions and the absence of serious tax assessment and collection are more critical on a city-wide basis than whether an individual project recovers its costs. The absence of financial management of individual cities and the sector as a whole appear to be of paramount importance. Experience with individual project sites in specific cities has illustrated the importance of urban transport, access to employment, and land use management. Taken together, these observations suggest that while the achievements of a decade of policy dialogue and five years of project implementation are considerable and represent a dramatic shift from the 1960's, the formulation of urban sector strategies requires detailed examination of the full range of urban development issues, particularly as the scale of urban growth increases in the future.

VI. FUTURE DIRECTIONS IN URBAN SECTOR STRATEGIES IN AFRICA

45. The most important single dimension to formulating urban sector strategies in African countries is time. It is difficult to describe in detail a desired state of the urban sector by the year 2000, but it is nonetheless possible to establish general objectives towards which national urban policies should be addressed. These objectives, to be realistic, should reflect current conditions and reasonable expectations about the level of public and private resources which can be devoted to the sector in the next two decades. Central to such a formulation are expectations about the rate of change, which in this case may be as important as the direction of change. As noted earlier, and certainly reflected in the failures of urban policy during the 1960's, institutional capacity and the availability of financial resources may be more important than formulating policy objectives. In the African context, policies of all kinds face severe implementation constraints which, through the delays which result, change the character of the situation which was to be addressed by policies and projects. These constraints are more than parameters of policy, but are factors central to policy itself.

A. Long-Term Objectives

46. Given the above, the following policy objectives for the urban sector for the year 2000 might be proposed:

- a) The urban policy and institutional frameworks should be sufficiently developed to permit the provision of basic urban services to the African urban population.
- b) The financial mechanisms for financing investments in urban housing and infrastructure should be strong enough to permit a substantial degree of cost recovery so that such programs can be replicated on an increasingly larger scale.

- c) Countries should have developed urban spatial strategies which include promotion of secondary centers located in areas of economic potential in order to support rural development.
- d) Countries should have strengthened local municipal institutions to perform a variety of local-level functions which are essential for maximizing the benefits from urban investment.

While these objectives focus attention on the strengthening of institutions, both public and private, this process cannot be the only activity over this period. Simultaneous with efforts to organize and mobilize institutions will be efforts to provide housing, water supply, sanitation, transport, and social services. As noted earlier, the existing shortages of these services are severe in most African cities. Longer-term institutional strategies should be linked to immediate action plans and medium-term service delivery programs to respond to present needs. The varying combinations of these approaches, with different time horizons for each, constitute the strategic choices facing each African government. How much should and can they do? This concluding section will attempt to identify principles to apply in making such strategic choices.

B. Underlying Principles in Formulating Strategies

47. A first principle proposed for linking these short-, medium-, and long-term objectives is phased intervention. This principle could operate at many different levels within the urban sector, according to the urban conditions, resources, and institutional capacity available in individual countries. The principle could apply in the following ways:

- a) within a given country, not all urban centers can be provided with infrastructure improvements in the short term;

- b) within selected urban centers, not all neighborhoods can be included in immediate action programs, some should be postponed for future operations;
- c) within selected neighborhoods, not all improvements to housing, social services, and infrastructure such as water supply, sanitation, drainage, roads, electricity can be introduced at once, they should be gradually phased according to their urgency and the size of population served;
- d) within programs of infrastructure improvement, standards should be minimal in the first stage, but should provide for progressive upgrading;
- e) institutional development and training should be intensive, but phased, building on initial experience to develop the basis for increasing execution capacity to plan and implement programs.

While many policy-makers and project designers might argue that such principles are already applied in many development programs, and this is in fact true, it seems necessary to explicitly reiterate such working principles in order to avoid the many overly-ambitious programs which are beyond the capacity of urban institutions in the African context.

48. Taken from another perspective, the principle of phased intervention is an instrument for establishing and organizing objectives through a series of policy decisions and project operations over a designated period of time. Careful analysis of present circumstances is a prerequisite for formulating longer-term sectoral strategy. This sectoral analysis can be of many types, as has been undertaken in various African countries, and as discussed in paragraphs 55-56 below. What is essential, however, is that

an effort be made to program sectoral objectives in relation to the increasing scale of demand. This analysis should suggest both the priorities for investment and the division of responsibilities between public institutions and between the public and private sectors.

49. A second principle which should be central to urban sector strategies is a realistic division of labor between the public and private sectors. In view of the documented weakness of most public sector institutions, both national and local, which work in the urban sector in African countries, a concerted effort should be made to redirect the role of the public sector in urban service provision and to create frameworks in which private sector groups and enterprises can take on increasing responsibility for the design, organization, and implementation of programs to improve urban services. The implication of this principle would be a narrowing-down of the functions currently performed by public institutions and the adoption of a more limited definition of their responsibilities. These might include:

- a) the formulation, approval, and monitoring of urban sector strategies, including spatial plans for the development of the system of cities and towns within specific countries;
- b) the formulation, approval, and monitoring of urban investment programs, with particular attention to the role of investment in determining the spatial form of cities and towns;
- c) the formulation of policies concerning the standards and methods of service provision, including policies governing cost recovery and maintenance;

- d) the strengthening of existing housing finance institutions to significantly increase the amount of credit available for housing and infrastructure development for individuals, groups, and private enterprises.

These public roles would not include the implementation of projects such as housing construction, but would rather focus on the establishment of an environment relatively free of constraints so that individuals, groups, and firms can provide required services. Government would perform a regulatory function in a legally-defined manner which would be deliberately limited.

50. The performance of the above functions could be either national or local responsibilities, depending on the francophone or anglophone traditions. At the same time, local municipal institutions should be strengthened in essential functions such as maintenance, cost recovery, and garbage collection. Whether they also provide water supply and sanitation services varies across countries, but they should nevertheless be strengthened through financial and organizational means to permit the sufficient capacity to meet these minimal responsibilities.

51. While recognizing that ministries of public works and housing, or even the housing corporations, will be unable to carry out all of the technical work required to mount large-scale housing programs, it is important to identify precisely what they can do. If units responsible for "aménagement du territoire", in the French sense, formulate urban sector strategies, the executing agencies such as ministries of public works and housing should be strong enough to supervise the execution of large-scale

infrastructure programs which will continue to be a public responsibility. They must therefore have engineers, urban planners and architects, quantity surveyors and construction managers. The present shortage of technical staff in these fields underlines the urgent need for training programs in these disciplines in all of the African countries. Even if many graduates of such training programs leave public service to work in the private sector, the important objective is to rapidly increase the pool of trained staff. As noted earlier, this task is probably more urgent in the francophone countries than in their anglophone neighbors.

C. Special Issues

52. Three issues deserve special attention during efforts to operationalize the above principles: the need for financial intermediaries, the need for training, and urban sector analysis. These are discussed in the following paragraphs.

53. One of the specific needs which emerges from this overview of urban strategies for Africa is the lack of financial intermediaries in most countries which can provide the required financing for housing and infrastructure investment. Although most countries have development banks and housing corporations, few African states have institutions which have the combination of sufficient financial strength and urban expertise to perform the function of an effective financial intermediary in the urban sector. An institution such as the Federal Mortgage Bank of Nigeria is moving in this direction, with a large capital base, a growing technical staff, and financial/organizational relationships with a range of clients from state governments to private entrepreneurs to individuals. World

Bank support for FMBN has led to the appraisal of two state-wide urban development projects in three years and preparation of an additional five-state projects for future lending. Similar arrangements are anticipated in Kenya. In the francophone context, the Banque de l'Habitat in Senegal is supposed to act as a major financial intermediary, primarily oriented towards low-income clients for sites and services development. While many African institutions could be transformed to play a joint financial/technical role over the medium term, there is presently a great gap in this type of institution in Africa compared to other continents. Public sector intermediaries can also play key roles in controlling national/local financial relations. If the private sector is to play a growing role in urban investment, it is probably necessary for public sector financial institutions to provide some of the capital on a non-subsidized loan basis which could eventually be recycled over time in a revolving fund.

54. This paper has made repeated mention of the lack of manpower in the urban sector. The only way to address this probably is through intensive training efforts in every country to increase the number of architects, engineers, financial analysts, and the many other disciplines required for effective urban management. Such efforts should be supported at the regional and national levels, using individual country experiences as the basis for developing curricula which respond to the operational requirements of the full range of skills. While training is a priority in every sector in Africa, there are not sufficient incentives to governments and external donors to support training. A training strategy to create attractive programs needs new momentum if sufficient numbers of Africans are to be trained over the next decade.

55. A third special issue involves urban sector analysis. It was earlier argued that such analysis should be a prerequisite for a long-term strategy. It should also be noted, however, that the time taken to

prepare overly detailed strategies is frequently so great that conditions change while the analysis is underway. It is therefore necessary to combine a program of long-term sector analysis, which would include preparing inventories of the distribution of urban centers within a country, their infrastructure facilities, projected demand for services, and other town-specific problems, with shorter-term action plans which might address specific policy issues and immediate investment programs. A great many different types of analysis should be undertaken depending on the level of urbanization in the country and the type of problems facing it. Table 6 presents the type of studies which have been undertaken by the World Bank since 1972 in Africa.

50. Of particular importance in this sectoral analysis is the need to understand rural-urban relations within a national context. If urbanization is rapid, recent, and continuing in most countries, it is essential to understand the effects of migration on rural areas, the costs to the economy as a whole, and the consequences for nascent cities in order to determine how the development of the urban sector can be supportive to national development efforts. An important issue here is the rural-urban dichotomy itself, with the perception of great disparities in income and living conditions between rural and urban areas. National authorities should decide whether such disparities deserve remedy or not, and if so how to reduce urban subsidies and make cities self-sufficient. The link between investment in secondary towns and rural development should be better understood to permit the best use of scarce resources. As the least urbanized continent, Africa has the opportunity to consciously determine its pattern of urbanization to a far greater extent than other parts of the world. This can only be done with careful analysis and vigorous implementation of decisions once taken.

TABLE 6: URBAN SECTOR STUDIES OF AFRICAN COUNTRIES *

- 1972 Zaire (country-wide review of urban conditions, policies, and institutions) (Keare, Grimes, and English)
- 1973 Zambia (country-wide review) (English and Cohen)
- 1975 Ivory Coast (country-wide review as part of Basic Economic Mission) (Cohen)
- Upper Volta Sector Paper (Agunbiade and Cohen)
- Mali Urban Sector Paper (Agunbiade and McNeil)
- Cameroon Urban Sector Report (Carrere)
- 1976 Senegal (Migration and Employment Report) (deLeede)
- 1979 Urban Growth and Economic Development in the Sahel (Cohen, Antelin, Mautort, and Agunbiade)
- Mauritius Urban Sector Report (Kahnert, Lethbridge, Gouveia, Courtney, and Kozlowski)
- 1980 Nigeria Urban Sector Review (Lethbridge and Shalizi)
- Senegal Urban Sector Report (Grimes, Sarly, et al)

* The above studies do not include sector studies undertaken within project feasibility studies for preparation of urban development projects.

D. Concluding Note

57. This paper has argued that an important policy shift has begun to occur in the urban sector in African countries over the past decade. Continued pressures for urban services require that these policy shifts be institutionalized to permit public and private efforts to increase in scale as quickly as possible. While significant achievements have been won in the urban policy debates in two dozen countries, these achievements have only begun to be concretized through projects and programs for the urban population. Weak institutions, scarce manpower, and a lack of financial resources have delayed projects designed to reflect new policy directions. Sector and city-wide issues such as urban financial management and land development affect project performance. These constraints, therefore, must be addressed as part of the effort to expand national programs. The need to increasingly shift responsibilities for urban services away from the public sector in African countries is also apparent. Private individuals, households, groups, and enterprises should play, where possible, an increasing role in the design, organization, implementation, and financing of housing and infrastructure services. In fact, such a division of labor is essential if the required scale of services is to be achieved over the next two decades. There is no way that the public sector can meet this need along with all of its other development responsibilities. Urban sector strategy in this context thus becomes a task of limiting government responsibilities, reducing institutional obstacles, and turning over cities to the people who have come from the villages to build a new future. Government can guide urban development, but with few exceptions can it create integrated urban environments itself on the scale required for the future.

URBAN POPULATION BY COUNTRY

ANNEX I

Eastern Africa

Country	1975			2000		
	Population	% Urban	No.	Population	% Urban	No.
Burundi	3,934,000	2.2	86,548	7,832,000	4.1	321,112
Comoros	300,000	9.5	28,500	445,000	22.9	101,905
Ethiopia	25,450,000	11.7	2,977,650	55,347,000	28.2	15,607,854
Kenya	13,531,000	12.0	1,623,720	33,624,000	26.2	8,111,040
Madagascar	7,675,000	16.1	1,235,675	15,115,000	31.5	4,761,225
Malawi	5,250,000	19.6	1,029,000	11,928,000	68.0	8,111,040
Mauritius	903,000	47.2	426,216	1,319,000	67.3	887,687
Mozambique	9,206,000	7.1	653,413	3,282,073	18.1	18,133,000
Reunion	482,000	49.5	238,590	686,000	70.0	480,200
Rwanda	4,120,000	3.7	152,440	9,009,000	8.8	792,792
Somalia	3,170,000	26.5	840,080	6,260,000	46.2	2,892,120
Zimbabwe	6,247,000	19.8	1,236,906	13,987,000	38.2	5,343,034
Uganda	11,337,000	9.8		24,607,000	23.5	5,782,645
Tanzania	15,393,000	9.2	1,416,156	33,794,000	25.0	8,448,500
Zambia	4,810,000	33.0	1,630,590	10,407,000	54.1	5,630,187

Middle Africa

Country	1975			2000		
	Population	% Urban	No.	Population	% Urban	No.
Angola	6,260,000	17.8	1,114,280	11,874,000	36.2	4,298,388
Central African Republic	1,985,000	36.0	714,600	3,597,000	57.8	2,070,060
Chad	4,030,000	14.4	580,320	7,422,000	33.4	2,474,948
Congo	1,352,000	35.7	482,664	2,468,000	49.5	1,221,660
Equatorial Guinea	323,000	46.6	150,518	561,000	70.9	397,749
Gabon	521,000	30.6	159,426	752,000	53.7	403,824
Cameroon	7,528,000	27.2	2,047,616	13,054,000	56.4	7,362,456
Zaire	24,655,000	34.9	8,604,595	46,446,000	56.3	26,149,098

Western Africa

Country	1975			2000		
	Population	% Urban	No.	Population	% Urban	No.
Benin	3,043,000	23.0	699,890	6,529,000	54.4	3,551,776
Cape Verde	298,000	5.8	17,284	427,000	9.3	39,711
Gambia	524,000	16.6	86,984	1,012,000	30.7	310,684
Ghana	9,990,000	32.3	3,226,770	21,231,000	51.2	10,870,272
Guinea	4,416,000	16.3	719,808	8,214,000	33.2	2,727,048
Guinea-Bissau	525,000	20.7	108,675	845,000	38.6	326,170
Ivory Coast	6,710,000	32.6	2,187,460	13,955,000	52.5	7,703,160
Liberia	1,574,000	29.4	462,756	3,464,000	48.6	1,683,504
Mali	5,807,000	17.2	998,804	11,632,000	33.8	3,931,616
Mauritania	1,421,000	23.1	328,251	2,919,000	66.1	1,929,459
Niger	4,587,000	10.3	486,634	9,670,000	24.5	2,369,150
Nigeria	65,663,000	18.2	11,950,666	148,889,000	33.4	49,728,926
Senegal	4,977,000	24.2	1,204,434	9,632,000	36.7	3,553,294
Sierra Leone	3,045,000	21.4	642,495	6,056,000	40.2	2,434,512
Togo	2,325,000	15.1	351,075	5,014,000	30.3	1,519,242
Upper Volta	6,074,000	7.5	455,550	11,814,000	15.8	1,866,612

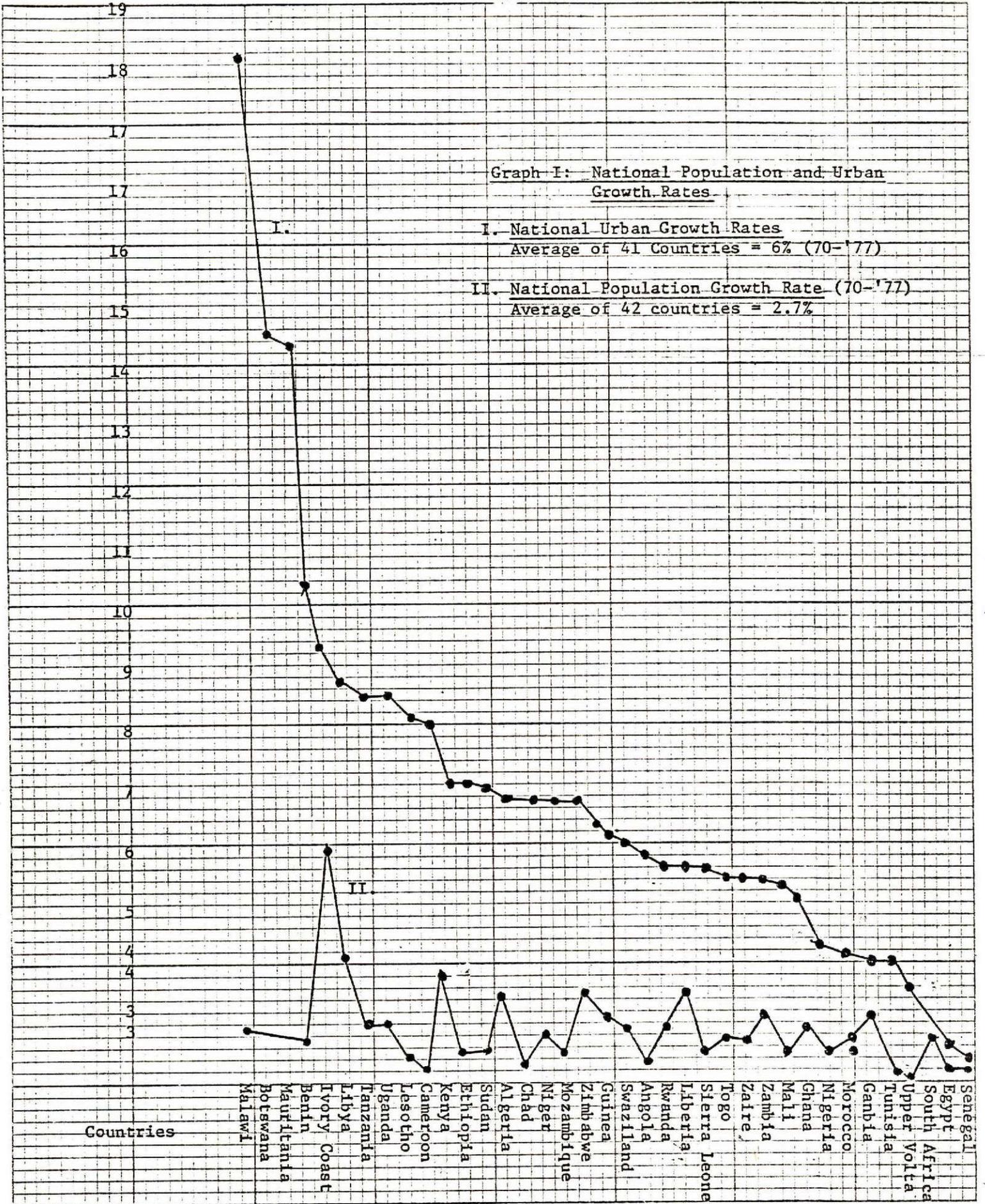
Northern Africa

Country	1975			2000		
	Population	% Urban	No.	Population	% Urban	No.
Algeria	15,680,000	53.7	8,420,160	27,516,224	76.4	36,016,000
Egypt	36,916,000	43.5	16,058,460	6,467,200	57.4	37,121,728
Libya	2,430,000	43.7	1,061,910	5,768,000	71.9	4,147,192
Morocco	17,305	37.4	6,472,070	36,149,000	54.9	19,845,801
Sudan	16,015,000	20.4	3,267,060	31,270,000	42.5	13,289,750
Tunisia	5,608,000	47.6	2,669,408	9,563,000	65.8	6,294,540

Southern Africa

Country	1975			2000		
	Population	% Urban	No.	Population	% Urban	No.
Botswana	716,000	17.3	90,657	1,439,000	63.0	906,570
Lesotho	1,192,000	3.5	41,720	2,089,000	10.7	223,523
Namibia	878,000	39.6	346,500	1,697,000	62.9	1,067,413
South Africa	25,500,000	48.4	12,342,484	47,803,000	60.3	28,825,209
Swaziland	483,000	8.1	39,123	936,000	15.9	148,824

Sources: UN Statistical Office - Urban Rural Projections 1975-2000 (1978)



Grimes
M. de Ferranti

FORM NO. 75
(6-83) THE WORLD BANK/IFC

ROUTING SLIP		DATE: May 11, 1984
NAME		ROOM NO.
A. Pellegrini, T. Husain, M. Cohen,		
R. Gusten		
Re: <u>Notes from Today's Discussions</u>		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
<input checked="" type="checkbox"/> COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS: Please review and send your comments to Andrew Hamer, N-844.		
FROM: P. C. Patel (Sandy Joseph)	ROOM NO.: E-1039	EXTENSION: 72765

1. Role of City in Development in Africa

- (a) Determinants of the graduation function of non-rural estimates. What is necessary to support productive processes. Need to decide sources of product. There are two production functions, urban and rural, distinguished only by density.

$f(x_1, x_2 \dots x_n)$ n_i = power, water, transport, telecommunications, housing, drainage, schools, administration.

- (b) What is relative contribution to growth of these elements identified in (a).
- (c) What is the linkage of urban based activities with rural production function (in what ways do urban development promote agriculture).

2. Migration

- (a) What is happening in Sub-Sahara Africa and what are the determinants that influence migration; update African profile, s_i^e ratios, etc., develop consistent definition in profile.
- (b) What are the impacts of migration on sources and destinations--rural to urban; rural to rural; cross-countries, e.g., movement of dynamic population; transfer payments; lower fertility rate; effect of rural

productivity; effect on urban productivity; impact on reserve price; investment behavior; consumption behavior.

3. Other Macro-Economic Considerations

- (a) Analysis of government expenditure patterns (to include expenditure on recurrent costs) by sector to assist in investment programming analysis.
- (b) Effect of macro-economic policies (such as wage exchange rate, tariffs, interest rate policy) on the production structure within cities and effect on rural areas.
- (c) Show the linkage effects and multiplier effects of various types of investments in different sectors.
- (d) Role of secondary cities in support of agricultural production.
- (e) Multi-country study of the structure of production. Both the magnitude and composition of the non-agricultural share of GDP.
- (f) creation of markets for internal production; what can towns do (marketing development, processing, etc.,) proximity to infrastructure.

4. Resource Mobilization

The dynamics of how it takes place and how to improve it (mostly multi-country comparisons):

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE April 4, 1985

TO Mr. Anthony Pellegrini, Chief WAPUR

FROM C. Tager, WUDOR

281
de Ferranti
FYI
wide

EXTENSION 61516

SUBJECT SENEGAL: Public Investment Program Review/Urban Development

1. Please find below my comments on the preliminary draft VIIth Plan for the urban sector. While the document reflects more thoughtful analysis concerning the reasons for poor performance under the VIth Plan, than has previously been the case, this is, unfortunately, not translated into a realistic VIIth Plan action program. As in the past, it is primarily oriented towards master plan preparation and public sector (OHLM/SICAP) house construction. Rehabilitation is not raised as an issue, although given the traditional housing orientation of the Ministry of Urbanism, this is not surprising.

2. There is no overall urban strategy nor ranking of investments in the document. Rather the analysis is divided into the sub-sectors of urbanism and housing, with each addressing constraints to reaching targets, past performance, and VIIth Plan proposals. Nonetheless, Government's overall intentions are relatively easy to divine, by comparing the sub-sectors, looking at performance under the VIth Plan, and knowing the longstanding Ministry focus to provide houses for its citizens.

3. Urbanism. This sub-sector, which Government considers to be largely a physical planning exercise, receives a slightly different emphasis and justification for investment than in previous Plans. The Ministry argues that the secondary centers, which developed to support and stimulate groundnut production, experienced accelerating out-migration to Dakar as agriculture began its decline in the late 1960's. To both control urban development, and, hopefully, to induce some migrants to make a longer intermediate stop on the way to Dakar, the main objective of the urbanism sub-sector of the VIIth Plan would be the continuation of the program of master plan preparation for the major secondary centers and the servicing of plots.

4. Obstacles to reaching VIth Plan targets and to improving performance in the VIIth Plan are identified as follows: (i) no external interest in funding the master plans, and inadequate internal funding from the FAUH (the Fonds d'Amelioration de l'Habitat et de l'Urbanisme). A hopeful note here is the mention, in passing, that present cost recovery practices for existing residential plots do not permit replicability of these programs; (ii) lengthy and complicated procedures for expropriation and transfer of land for development; and (iii) poor coordination between ministries, among departments, and with parapublic enterprises involved in urban development.

5. The next two sections provide an analysis of sector performance under the VIth Plan and an Action Plan for the VIIth Plan. The total projected investment for the VIth Plan was CFAF 4,081 million, with actual expenditures amounting to only CFAF 1515 million. The investments were made

in: (i) mapping; (ii) master plans and general studies; (iii) "operational urban development", (production of residential plots which would seem to have been financed 100% by the FAUH, although this is not clear from the documentation), and (iv) research and development. The document notes that the best performance was registered in plot production, with 7,600 delivered over the Plan period. According to the document, however, an annual production of 17,200 plots is required to reach the 275,230 needed between now and the year 2000.

6. The VIIth Plan proposed action plan includes the same areas as listed in paragraph 5 above, with the addition of the cadaster. The production of residential plots is again priority # 1, although there is no way to know how many plots would be built, given the data provided. The projected cost of the program is CFAP 2,314 million, with the residential plots accounting for 1,180 million CFAP. Mapping and master plan preparation amount to CFAP 750 million, the rest allocated to research and development, open space, and the cadastre with no supporting documentation is estimated at CFAP 200 million.

7. To sum up this section, past experience has shown that, despite efforts to discourage excessive or unnecessary mapping and physical planning exercises, the Ministry has resisted any change. In any event, given the limited data which we have been provided, we have no grounds for arguing otherwise. What I would convey to Government is the slim possibility that donors would reverse their position vis-a-vis this type of financing, and that the FAUH will probably continue to be an unreliable source of funding until at least mid-Plan (The Technical Assistance Project for Urban Management and Rehabilitation will be taking a look at ways to revive this funding mechanism). Therefore, while they have made an admirable attempt to scale down their proposed investments, the obstacles which plagued the VIth Plan will continue to affect performance under the VIIth Plan, and that, as a consequence, their proposed program is still unrealistic.

8. Housing. We have the most difficulty with this sub-sector. Government is committed to providing low-income shelter for the bulk of the population in need, but the costs implied by their program and the mechanisms to deliver it make this objective no more than a pipe dream. The introduction to this section acknowledges (with refreshing candor) the failure of the public sector to produce an adequate number of houses for the population. The main, but incorrect, reason, which Government has cited for years, is the withdrawal of the CCCE from the sector. Without this support, it is argued, the difficulties of OHLM and SICAP in meeting production targets are understandable. The paper further notes that in 1979, Government policy was reoriented to take into account the past difficulties and is now rooted in three principles: (i) development and strengthening of the BHS; (ii) contract-plan preparation for OHLM and SICAP and (iii) encouragement of private sector participation in the production of housing. Despite this reorientation, several obstacles remain: (i) the houses are accessible to only 10% of the population; (ii) coordination is poor amongst the various entities involved (iii) expropriation and land transfer procedures are long and complicated; and (iv) SONESS and SENELEC standards are too high for the target population.

9. Some 4,000 houses were built by the public sector over the Plan period for a total of CFAF 1,150 million or an average cost of US\$ 6,000; some 35,000 names are on OHLM/SICAP waiting lists. What is extremely interesting here is the introduction of a table noting the performance of the private sector in housing production: seven Senegalese developers and three housing cooperatives invested CFAF 8,752 million to produce 2,000 units^{1/}, with most execution rates between 95 and over 100% of projected levels, as compared to 51% for OHLM, 33% for SICAP, and 0% for Sites and Services.

10. The VIIth Plan proposed action program aims to continue the same programs which were developed under the VIth Plan. Without identifying the sources of financing or actions which would remove the obstacles noted in paragraph 8 above, OHLM would construct 2,400 units, 720 more than were projected to be built during the adjusted VIth Plan, and 1600 more than were actually built. SICAP is projected to build 800 houses, the same number projected for the readjusted VIth Plan, and 500 more than were actually built. About 5,500 sites and services plots would be built at Kaolack, Dakar, and Thies, compared to 4,400 under the VIth Plan, which was not new construction but a wrap-up of the Sites and Services Project.

11. The total cost of the housing program is estimated at CFAF 107,032 million, the VIIth Plan share being CFAF 15,665 million, of which only CFAF 414 million has been secured in external financing. Given the well-known reluctance of donors to finance such programs in the past, this program is, in my view, unrealistic. However, in previous discussions with Government we have conveyed our views on this heavy-- and inefficient-- reliance on the public sector for shelter delivery, and, indeed, have demonstrated in our sector work that it is the private sector which has accounted for the overwhelming share of construction, notwithstanding OHLM and SICAP efforts. Nonetheless, given the longstanding sensitivities within the Ministry of Urbanism, I doubt that much would be gained by challenging the validity of this program at this time. Rather, I would suggest that we aim for a reorientation of the program at mid-Plan, at which time there would hopefully be sufficient output from the initial studies of the Technical Assistance Project to justify the required changes.

cc: Messrs. Cohen, Hamer, WUD
Gattoni, Delapierre, WAPUR
Gorjestani, Benjamin, Redfern, WA2DB
Guislain, WAPPE
Kaps, Res. Rep., Dakar

^{1/} The reason for the higher per unit costs will have to be examined.

OFFICE MEMORANDUM

Mr. J. B. Buky, Chief, EAPWU

DATE August 19, 1985

Carollee Carr (EAPWU) and Andrew Hamer (WUDOR)

BURUNDI: Proposed Secondary Towns Project
Identification Mission
Back-to-Office and Full Report

1. In accordance with Terms of Reference dated July 29, 1985, we visited Burundi from August 13 - 20, 1985 to identify the above project. Specific visits were made by the mission to Gitega (August 13), Ngozi and Kayanza (August 16), and Rumonge (August 18). A list of persons met is attached, Annex I. An Aide-Memoire was left by the mission, copy is attached, Annex II, as well as telex confirming Aide-Memoire and approving Terms of Reference, Annex III.

Macroeconomic Performance and Constraints

2. Burundi is a small, landlocked country with a population of 4.5 million and a per capita income of only US\$255. Ninety-five percent of the population lives in rural areas, where most households are poor subsistence farmers with limited links to the market economy. Nevertheless, historically, Burundi has been able to rely on the agricultural sector to guarantee food self-sufficiency, using traditional technology; as well as an adequate level of foreign exchange, built around the export of high quality coffee. Recently, unfavorable external developments, leading to a sharp deterioration in the terms of trade, have underlined the structural inflexibility of the economy and the importance of having a sound macroeconomic environment in place.

3. Burundi's billion dollar economy is built upon a very limited resource base. Its population is largely illiterate, natural resources outside agriculture are scarce, additional cultivable land is of low quality and the domestic market is small, undeveloped and undiversified. Under these circumstances, the economy's potential is very sensitive to the environment created by the public sector. The crisis of the early 1980s forced the government to increase the mobilization of domestic sources of revenue, prune the budget of certain low priority investments, restructure some inefficient parastatals, devalue the currency, and work towards dismantling administrative controls in foreign trade. Beyond these short-term adjustments, however, the public sector needs to improve the institutional capacity of a pared-down bureaucracy to support the diversification and growth of the productive sectors, especially agriculture and the small-scale industry and services sector. This means restricting the public sector to activities that only it can perform efficiently, improving public investment selection programming and monitoring and ensuring that these functions are adequately funded - both in terms of investments and of recurrent expenditures. The results of these actions should be, among others, a) the increase of food production to levels that at least match the high population growth rate of 2.7% per annum; b) the diversification of food output, especially with regard to proteins and fats provided by small livestock and fisheries products; c) the harnessing of the nonagricultural sector, including labor-intensive and foreign-exchange saving, small-scale operations to support the development and modernization of agriculture by providing inputs and processing outputs; and d) improving the quality of human resources through initiatives in education and health, so that the limited supply of non-labor inputs can be used to maximum efficiency.

Bank Priorities in Support of Macroeconomic Policy Changes

4. The Bank has targeted the productive sectors, particularly agriculture and small-scale industry and services; human resource development and certain sectoral initiatives (e.g. local energy production), for special support. The Bank plans to collaborate with the government and other donors to achieve these objectives through such measures as: increased reliance on market prices, encouragement of private sector initiative, parastatal reform, more stringent public investment selection criteria, and greater reliance on domestic resource mobilization. These policy adjustments should help, over time, to roll back the structural constraints facing the economy and bring about an increase in the living standards of the rural and urban population.

The Urban Sector

5. At first blush, the urban sector does not appear to play a strategic role in the development of Burundi. Only about 220,000 persons live in the cities, with 165,000 in the capital, Bujumbura, and the rest scattered across a handful of centers with less than 20,000 residents. In fact, their role is critical. Sixty-five percent of GDP is unmarketed, and urban activities account for about two-thirds of the marketed total. Thus, five percent of the population is responsible for about 20 - 25% of GDP. This urban-based activity is growing rapidly, at about seven times the 1% annual rate of the subsistence sector.

6. Not only is the urban sector part of a relatively successful monetized economy, it also holds great potential as an important complementary tool to foster the growth of commercial agriculture. Agricultural production for autoconsumption is a low-risk, low-income solution that provides few incentives to specialize and

trade on the market. Subsistence production also requires few inputs purchased from cities and towns; it creates few demands for urban goods and services. By contrast, entrepreneurial individuals who might consider becoming specialized, commercial farmers, require new incentives to offset new risks. They need to have improved access to buyers and they need to acquire non-traditional inputs and incentive consumer goods and services. These factors are best provided where many sellers can meet regularly with many buyers, i.e. in urban centers.

7. Burundi's farmers face difficult choices. Traditional export crops encounter demand conditions ^{which} ~~which~~ are largely insensitive to consumer income growth. In addition, such crops are marketed under restrictive international agreements fixing market shares. At the same time, food-producing subsistence farmers are doubly constrained by unrelenting rural population growth and rapidly declining supplies of high quality, uncultivated land. One of the most likely avenues for long-term, sustainable development is conditioned on a shift by an increasing number of subsistence farmers to commercial cultivation. These farmers would provide the basis for a mutually profitable trade between the urban population buying produce and a rural population buying inputs, services and consumer foods made in and/or marketed through these cities. The well-connected set of cities spread across Burundi could provide an ideal marketing chain bringing improved inputs to the farmer regardless of where these inputs are produced. In addition, relying primarily on the small-scale sector, which economizes on very scarce inputs (capital, foreign exchange) and uses labor intensively, the urban sector can produce such items as small farm implements, household utensils, furniture, and building materials; while processing and preserving fruits, vegetables, meat and dairy products, and providing key repair, transport, and marketing services. In recognition of these factors, the government has committed itself to strengthening the role played by the secondary urban centers scattered across the national landscape.

8. The urban sector can perform these tasks and do so without drawing on central government managerial and financial resources. Burundi's cities, though modest in size and growing at a moderate rate of 5% per year, are jointly capable of providing the necessary stimulus to both agriculture and the small-scale industry and services sector. Bujumbura, which accounts for two-thirds of the urban sector, however defined, is linked by a strategic network of 1100 kilometers of paved highways to several urban centers, varying in size from 5,000 - 20,000. This places all the various farm regions of Burundi within a few hours' access to the bulk of the market economy and, beyond that, to any potential foreign buyers.

What is required is a set of mechanisms that deal with urban growth as it occurs, both in terms of investments and upkeep, and in terms of financial resources. As the work force expands and enterprises increase in size and number, provisions must be made for land markets that work and for infrastructure services that are affordable. All this can be done largely with resources generated from the urban areas themselves, even though half of that population is rated by the Bank as living in absolute poverty.

9. The way to achieve this has already been demonstrated by the Bank's first urban project, in Bujumbura. Prior to 1980, when the project began, Bujumbura was faced with a typical set of urban ills. The resources of the local public sector amounted to about US\$3 per capita, drawn largely from market area fees, and other commercial licences. Land markets were characterized by a confused mix of formal leases and sales of land in the public domain, along with land held through "customary" leases or without any authority at all. Streets and drains were in place in many neighborhoods, along with public lighting, but all infrastructure, other than main roads, suffered from poor maintenance compounded by the consequences

of inadequate solid waste collection and disposal.

10. With the Bank's help, in the form of a US\$15 million IDA credit, Bujumbura was able to redress the most urgent deficiencies in existing developments, while laying the foundations for efficient future growth. This involved, among other things, small-scale demonstration of the feasibility of sites and service projects; and of small housebuilding loan programs. Neighborhood upgrading was initiated through the building of simple community facilities and modest levels of infrastructure (standpipes, public lighting, street improvements). Efforts were made to improve the recording of land leases, to expedite the sale of lots, and to improve the process of land registration. Overall, 85% of Bujumbura's population and virtually all poverty households experienced a marked improvement in living standards. The maintenance of streets, drains, and solid wastes was ensured through the establishment of a new Technical Services Department, properly staffed and equipped.

11. The local economy was also the object of attention. Market areas were provided with grading and drainage improvements. Measures were taken to create neighborhood training units and credit to assist artisans who suffered from a range of inadequacies, including inappropriate tools and deficient raw material supplies.

12. Finally, the project was able to put Bujumbura's finances on a sounder footing. A Municipal Collection Bureau was established to collect project-related charges for on-site infrastructure, artisan credits, and home loan repayments. More importantly, it was called upon to administer a new infrastructure maintenance and solid waste collection tax levied on dwelling market rental values, and determined progressively by the size and quality of construction. This urban tax was broad enough to cover costs associated with such expenses as standpipes and public

lighting. From virtually non-existent levels, this tax now contributes to about 80% of Bujumbura's local revenues which, at US\$2 million, have reached US\$12 per capita, representing an increase of 300% over the 1980 level.

Key Institutions in the Urban Sector

13. The principal institution in the urban sector is the Ministry of Public Works, Energy and Mines. It controls most urban development planning in Burundi, with responsibility for the construction of infrastructure, roads, and public buildings. Water, electricity, sewers and street lighting are the responsibility of the Ministry's REGIDESO. Two public housing corporations and two entities that finance, respectively public and private housing, also fall under the Ministry's control.

14. By contrast, the municipalities (communes) have little power outside Bujumbura. In the latter case, much of the enhanced institutional and financial resources have flowed directly from the cited Bank project. Other municipalities still rely on limited market and commercial fees, and have few responsibilities, although they do have fee collection mechanisms in place. Strengthening the urban management functions of these secondary centers has now become an important issue, given Burundi's commitment to decentralized urban development.

Bank Involvement in the Sector

15. With the exception of a 1966 IDA credit supporting major improvements in Bujumbura's water system, the cited 1980 IDA credit is the only urban project undertaken to date in Burundi.

Proposed Bank Strategy in the Sector

16. The Bank's urban strategy can only be developed after taking into account the priorities suggested for the economy as a whole. As mentioned above, these include fostering the small-scale private sector in agriculture, industry and services, while improving the quality and utilization of human resources. The public sector would then be responsible for creating macroeconomic environment where market forces are given greater leeway and where government provides complimentary inputs through rigorously selected projects paid for largely by the beneficiaries.

17. In order to maximize the urban sector's contribution to rural development, human resource improvements, improved planning and resource mobilization, a strategy is proposed that would strengthen the economic and institution base of Burundi's secondary centers. This would create an efficient means to achieve the government objective of decentralizing urban development to serve the rural economy. This strategy parallels that suggested by the 1984 Economic Memorandum, namely:

" to date the(urban project)efforts have focused only on Bujumbura. Their extension to smaller towns, in support of rural investments, would be more difficult but, in the end, probably more useful."

18. In sum, the Bank's urban strategy relies on encouraging private initiative and secondary cities' efforts to help themselves, to contribute to agreed upon macroeconomic objectives.

Other Donor Activity in Secondary Towns

19. U.N. Habitat proposes to undertake a technical assistance support project to secondary towns beginning April 1986, for a period of four years.

This project will emphasize institution strengthening to fifteen centers, including Bujumbura, Gitega, Ngozi and Bururi and will include training in computers and collection of economic data on these centers. The estimated cost of this project totals US\$1.9 million of which approximately US\$1 million equivalent (in personnel and facilities) would be Government's participation and US\$900,000 million financed by Habitat. In addition, Habitat proposes to undertake certain small pilot projects in the above centers which would include: road maintenance and drainage, markets, abattoirs and upgrading; US\$100,000 per town has been budgeted for this, or a total of US\$1.5 million; however, funding has not yet been found. In view of the overlap of towns and objectives between the Habitat projects and the proposed Bank project, the Government and consultant firm in charge of the feasibility study would need to coordinate their efforts, and future Bank preparation mission would seek to liaise with Habitat in this respect.

Objective Proposed Project

20. The project would expand the experience of the first urban project in improving the living conditions of the urban population in Bujumbura to the following five secondary centers: Gitega, Ngozi, Kayanza, Rumonge and Bururi by (a) upgrading existing low-income neighborhoods and (b) by laying a foundation for more efficient future growth of these urban centers. The project would seek to establish an institutional and financial environment which will enable these secondary centers to provide employment, infrastructure and services which would have a regional impact and could thus benefit both the urban and neighboring rural centers.

Proposed Project Content

21. To achieve the above objectives, the project would include for each urban center a package of investments which, while not identical for each town, might include such components ~~such~~ as: low-income neighborhood upgrading, markets, abattoirs, shops, commercial site development, commercial truck parking facilities, commercialization support of fisheries, agricultural products and agricultural inputs as well as other non-farm employment activities, construction and improvement of health centers and primary schools, technical assistance, training and credit for non-farm employment activities and institutional support. In view of its centralized location, some of the employment activities may need to be located in Bujumbura, provided they maintain a close linkage and benefit these secondary centers.

Proposed Action Program

22. The mission finalized the Terms of Reference prepared by the Government for the feasibility study which would last a total of twelve months and entail fifty-five man/months of work. The Bank has already cleared the shortlist of six international consultant firms which will be invited to make proposals for the study which will be financed by the first urban project.

Timetable Project Preparation

23. Upon formal approval by the Bank of the Terms of Reference (end of August) a copy of which is attached as Annex IV, the following timetable is envisaged:

<u>ACTION</u>	<u>DATE</u>
Government invites proposals	by September 1, 1985
Proposals due	by October 15, 1985
Review and Ranking proposals	by October 31, 1985
Bank approval	by November 10, 1985
Government/Consultant conclude negotiations	by November 25, 1985
Bank approval	by November 30, 1985
Feasibility Study starts	January 1, 1986
Report first phase	April 30, 1986
Draft final Report	September 30, 1986
Final Report	December 31, 1986

The preappraisal mission is envisioned in October 1986 and appraisal November/December 1986 which would coincide with consultants' concurrent presence in Burundi.

BURUNDI

Liste des Personnes Rencontrées

M. Nyaboya	Ministre Travaux Publics, Energie et Mines (MTPEM)
M. Buyoya	Directeur de Cabinet, MTPEM
M. A. Niyongere	Directeur, Projet DUB, MTPEM
M. Ndayishimiye	Directeur Général de l'Urbanisme et de l'habitat, MTPEM
M. A. Bizindavyi	Urbaniste, MTPEM

GITEGA

M. Jean-Baptiste Basomingera	Gouverneur de Province, Gitega
Conseiller au Gouverneur	

KAYANZA

M. Antoine Marie Buhungu	Gouverneur de Province, Kayanza
Jean Karonkano	Premier Secrétaire Provincial du Parti
Léonard Kabwebwe	Administrateur Communal de Kayanza
Barthélemy Barutwanayo	Conseiller du Gouverneur
Come Nyavihungu	Chef, Périmètre Nord Projet Cultures Villageoises en Haute altitude (CVHA)

NGOZI

M. Murengera	Gouverneur de la Province de Ngozi
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RUMONGE

M. Boniface Vyamanga	Gouverneur de la Province de Bururi
Administrateur de la Commune de Rumonge	

International Bank for Reconstruction and Development

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WBG ARCHIVES

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FROM: Vice President and Secretary

March 12, 1986

Institutional Development in Africa: A Progress
Report on Recent Bank Work

During the discussion on May 8, 1985 of the Management's response to the OED review of Institutional Development in Africa, the Executive Directors requested that a further progress report be prepared. That report, covering the period from mid-1984 to date, is attached.

Questions on this paper, if any, may be addressed to Mr. Israel (X76805).

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
Senior Management Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC

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INSTITUTIONAL DEVELOPMENT IN AFRICA:
A PROGRESS REPORT ON RECENT BANK WORK

Operations Policy Staff
Projects Policy Department
February 28, 1986

INSTITUTIONAL DEVELOPMENT IN AFRICA:
A PROGRESS REPORT ON RECENT BANK WORK

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INSTITUTIONAL DEVELOPMENT IN AFRICA:

A PROGRESS REPORT ON RECENT BANK WORK

A. Introduction

1. In May, 1984, OED issued an operational policy review entitled "Institutional Development in Africa: A Review of World Bank Project Experience."^{1/} This review, based on an evaluation of projects in agriculture and transport in a number of countries, commented on several aspects of the Bank's work in institutional development (ID) in Africa, and concluded with two main recommendations. First, "Bank management should reaffirm that ID is a major objective of Bank-financed projects in Sub-Saharan Africa," and second, "management should draw up a phased action plan for expanding and upgrading the Bank's project supported ID work in Africa."

2. Management's response^{2/} to the OED study acknowledged the analysis and conclusions of the review and accepted the need to improve the Bank's effectiveness in ID work in Sub-Saharan Africa. It pointed to the particular difficulties of ID in the policy and institutional environment in many African countries--difficulties which had not been the focus of the OED inquiry. The management response summarized the efforts the Bank was making to improve institutional performance in Sub-Saharan Africa and elsewhere, and noted the increased attention in Bank lending and analytical work to institutional development. The paper described the establishment of specialized units devoted exclusively to institutional development, and the development of new approaches and lending instruments to assist countries to tackle critical institutional problems, such as those discussed in the 1983 World Development Report on Management in Development. Further details of work being undertaken in this field were given to the Board in April 1985 in the Tenth Annual Report on Project Implementation and Supervision,^{3/} which contains a review of Bank experience in institutional development, emphasizing public enterprise reform and macro economic management in the context of structural adjustment. During the discussion of the management response to the OED operational review on May 8, 1985, Executive Directors requested that a progress report be prepared on developments in Bank assistance for

^{1/} "Institutional Development in Africa. A Review of World Bank Project Experience," SecM84-457, OED, May 22, 1984.

^{2/} "OED Operational Policy Review. Institutional Development in Africa: A Review of World Bank Project Experience. Management Response" SecM84-957, November 12, 1984.

^{3/} "Tenth Annual Report on Project Implementation and Supervision," PPD, SecR85-48, February 27, 1985.

institutional development in Sub-Saharan Africa, to cover national-level activities as well as project and sector institutional development, and to report on relevant developments in Bank work in other Regions besides Africa.

3. This progress report covers the period roughly from mid-1984 to date, which coincides with a major expansion of activity on institutional reform within the Bank, in developing member countries, and in the donor community. The economic crises of the 1980s highlighted the need to manage resources more efficiently. The Bank responded by increasing lending for structural and sectoral adjustment, which further accentuated the need for institutional reform. Many of these developments can be directly traced to initiatives taken at the Bank in earlier years, summarized in the documents mentioned above, which have induced governments, multilateral and bilateral development agencies and the academic community to become more active in ID. The size and productivity of the public service, the role and performance of public enterprises, the management of key economic policy functions, and the efficiency of state institutions in the provision of productive and social services are subjects which are now inextricably part of any discussion of development issues.

4. Although this report focusses mainly on recent experience in Sub-Saharan Africa, Section B contains an overview of developments in ID work elsewhere in the Bank during the period covered. Section C summarizes the main elements of the ID strategy in Sub-Saharan Africa. Section D deals with activities at the national or macro level in Sub-Saharan Africa, and Section E with those related to public enterprise reform. Section F summarizes salient developments at the sector level, and Section G briefly describes the organizational changes made in the two Africa regional offices. Finally, Section I is a conclusion, focussed on the future directions of ID work at the Bank, particularly in Africa.

B. The General Context: Evolution of Institutional Development Work at the Bank since 1984

5. Definition and Approach. "Institutional development" may be defined, for present purposes, as the strengthening of the capacity of institutions to use human and financial resources effectively in the pursuit of development objectives. In its broadest sense, ID encompasses improving capabilities at all levels: central and sectoral government agencies, special program and project entities, public enterprises, regional and local agencies, private institutions. Typical issues which are the concern of ID are: (a) management systems, including monitoring and evaluation; (b) planning (c) staffing and personnel management; (d) staff development and training; (e) financial management, including budgeting, accounting and auditing; (f) organizational structures; (g) institutional structures of subsectors and sectors; (h) interagency coordination. Institutional development should be understood as including not only the building and strengthening of institutions but also retrenchment or liquidation in the pursuit of institutional rationalization.

6. The field is vast and all or parts of it are referred to through different labels: "Institution-building"; for example, is synonymous with

ID. "Public sector management" covers the same field, but with reference to the public sector. Until recently, ID was the purview of specialists in fields such as Public or Development Administration, Management or Business Administration. More recent work has been more multidisciplinary, with an important participation of economists, political scientists and sociologists.

7. Institutional development is conditioned by overall progress in the modernization of developing countries' economies and societies, and is affected by less tangible factors of history, culture and politics. The Bank's role in supporting institutional development efforts by member countries is therefore necessarily limited in two respects. Firstly, the impact of Bank intervention will always be modest relative to the scope and time scale of overall institutional modernization. Secondly, effort is therefore best focussed on areas in which the Bank has or can acquire expertise, which are closely related to its other activities (e.g. policy reform, sector restructuring or specific investments) and for which appropriate instruments of change can be devised in collaboration with borrowers.

8. In African countries as elsewhere, Bank investment projects have been the main vehicle for ID efforts aimed at strengthening project management, utility companies, financial institutions, units within sector ministries, and so on. In recent years, the Bank's broadened agenda of policy and institutional reform and the corresponding development of new lending instruments have led to increased emphasis on institutional problems at national level--especially with respect to the public enterprise sector and to economic management. This broadened agenda makes it especially important that the Bank defines its institutional development priorities with great care, and devotes special attention to learning from experience.

9. The main focus of Bank operations in support of institutional development is public sector management: that is, improving the management of government agencies and of state-owned enterprises. Further selectivity is then required, as the discussion below explains (see especially Sections C to F). Currently priorities are those institutional reforms which are critical to the adjustment process and to equitable growth--for example, the management of economic policies, public enterprise reform, and management of activities in social sectors, especially those involving delivery of economic and social services to large numbers of beneficiaries.

10. The approaches to reform in these areas derive directly from operational experience. For example, in public enterprise reform the Bank has emphasized improving the policy and institutional framework of relations between central government and public enterprises as an essential condition for enterprise-level reforms. In macro management, the Bank is concentrating efforts on institutionalizing better economic policy-making processes and supporting functions to sustain the achievements of policy reform, and on programs to improve the productivity of public administration, e.g. by reducing over-employment and rationalizing the structure of public service incentives. Illustrations are given below.

11. Use of Additional Lending Instruments. ID is not addressed only through special components in investment projects. These continue to be central to the Bank's contribution in the institutional field, but the range of instruments has broadened considerably. The portfolio of operations other than investment projects containing important ID elements has increased substantially: there are at present about 60 free-standing TA projects for public sector management under preparation or implementation, compared with 20 or so two years ago; over 40 SALs with a substantial public sector management component approved or under preparation, more than double the number early in 1984; and a growing number of sectoral adjustment operations with an important institutional focus. ID has thus rapidly grown in importance as a component of most operations, in addition to emerging as a significant operational activity in its own right.

12. Additional Units and Staff. As a consequence, several specialized units have been set up in the last 20 months and a substantially larger number of staff is working full-time in this field. The Institutional Development, Training and Technical Assistance Division in Eastern Africa began operations in mid-1984. On July 1, 1985, the Public Enterprises Unit in Western Africa was upgraded and its terms of reference broadened to become a Public Sector Management Division. In September, 1985, the Industry Department set up an Industrial Restructuring and Efficiency Division, dealing mainly with public enterprises in the industrial sector. On January 1, 1986, the LAC Region established a Public Sector Management Unit; EDI has a new division dealing with development administration and a greatly expanded program in this field; EMENA has established a central advisory position on ID in addition to the division on public enterprises and on technical assistance already in operation. Staff specialized in ID are also being hired to work directly in the project divisions. The Legal Department has gradually developed its capabilities in ID, focussing particularly on public enterprise reform, especially in Western Africa. In order to satisfy increased demand in that field, the Department has recently created a specialized position in ID. The Public Sector Management Unit in OPS, as the leading unit with Bankwide responsibilities, has nearly doubled in size since the start of FY85. In the course of FY87 management will review experience with these organizational initiatives and decide on any necessary changes.

13. Expanded Policy Work and Staff Training. The rapid expansion of ID in the Bank, and the fact that it must be a concern of all operational staff, have necessitated increased attention to review and dissemination of the accumulating experience, and the development of Bank policies on institutional development. This task is the responsibility of the Public Sector Management Unit in OPS, which has expanded its policy work and staff development activities, alongside its responsibility for direct operational support. In policy work, it has concentrated on the conceptual development of the new approaches mentioned above, and on reviews of Bank experience in this area, for example on institutional components of structural adjustment lending, public enterprise reform, administrative reform, and sector lending. The results of some of these reviews were summarized in the Tenth Annual Report on Project Implementation and Supervision referred to in paragraph 2. The Unit has also allocated considerable resources to the dissemination of experience, using the accumulating experience to provide guidance to staff.

14. The description above refers to developments within the Bank. There has also been a major expansion in ID activities in this period in the development community more generally. Perhaps the most striking change has been the increasing awareness in a number of developing countries of the need to improve institutional capabilities and the performance of the public sector, and to support and finance ID improvement programs. The growing number of operations in this field (para. 11) supports this assertion. More importantly, this commitment often comes not only from a few high level executives, but from the political establishment and from sectoral and regional agencies. To a large extent, the increase in public sector management operations by the Bank and other development agencies reflects this new interest within the countries, although the Bank has helped in raising the level of international awareness.

15. The rest of the development community has also stepped up its activities in institutional development. Several bilateral and multilateral agencies have initiated special programs, including important research efforts (USAID), and there is a renewal of interest on the part of major foundations. To facilitate coordination in technical assistance for public sector management, OECD is sponsoring a meeting of donors in March 1986. The Bank has played an important role in its preparation. The United Nations system has officially designated public management as one of its main priorities and has appointed a special task force, expected to report shortly, to plan its activities in Sub-Saharan Africa. A large number of consulting firms in developed and developing countries are reorganizing to establish a capacity in this area. The amount of academic work being undertaken has increased substantially. A number of universities in the U.S. and Western Europe have had to establish special courses in public sector management due mainly to pressure from students from developing countries.

C. Strategy for ID Work in Sub-Saharan Africa

16. All the previous points have been particularly applicable to Sub-Saharan Africa. The weakness of the institutional infrastructure in countries in this region led the African Regional offices to take an early lead in developing systematic ID programs, and to establish special units to manage them.

17. The task in Sub-Saharan Africa is particularly daunting. The institutional structure has proved extremely fragile under economic and political strains in many countries; moreover, complex legal structures and an inconsistent policy framework have often further overloaded public institutions while discouraging private initiative. Fiscal pressures have seriously damaged both operating budgets and staff incentives at managerial and technical levels, while aggregate public employment has continued at very high levels. In this environment, it has become clear that it is not enough to tackle institutional weaknesses with an agency-by-agency approach, or to try to isolate a few development activities by creating institutional enclaves. What is required are strategies which address key problems at all levels of the institutional structure within the country, but which at the same time are sufficiently focussed to achieve effective institutional change. The Regions are developing such strategies for

selected countries, increasingly on the basis of systematic country institutional development assessments. Negotiations with UNDP for joint financing of these institutional assessments are in an advanced stage.

18. The emerging key areas or "building blocks", including the building up and training of local skills are:

- (a) Public management at national level, in particular aimed at improvements in the management of economic policies and in the performance of the public service. Effective policy management requires an institutional structure capable of designing, implementing and monitoring a minimum set of economic and administrative activities.
- (b) Public enterprise reform. Public enterprise deficits and inefficiencies are major constraints to growth: African governments therefore need to redefine the role of public enterprises and provide them with a clear framework for operation.
- (c) Strengthening and redesign of institutional structures at the sector level. These structures are often ineffective, overlapping and confused, in part due to proliferation of multisectoral programs and agencies beyond countries' administrative capacities. Streamlining these structures is an important aspect of sectoral adjustment programs.
- (d) Strengthening of delivery systems at the local level, in areas such as agricultural extension and health delivery services. Improving the effectiveness of service delivery, especially in rural areas, is essential for achieving objectives of poverty alleviation, increased agricultural production, reduction in the rate of population growth and improved health standards.

19. Emphases on these components of ID vary within and between the Africa Regions according to country circumstances and the priorities of the governments concerned. The Africa Regions have been active in the use of new lending instruments in pursuit of institutional development objectives, including economic rehabilitation credits, structural and sector adjustment operations, and especially free-standing technical assistance projects aimed at public enterprise reform or strengthening of central government agencies (sections D and E below). There are 25 technical assistance operations in Sub-Saharan Africa, and there are 13 more under preparation. There are also more than 20 structural and sectoral adjustment operations with a heavy institutional component under preparation or implementation. The Bank has also been devoting attention to techniques and approaches aiming at involving country officials more closely in the design of public sector management programs, policy work and country-related activities more generally. This has involved organizing specially designed workshops; financing local task forces; inviting senior government officials to participate in country team retreats; and expanding EDI activities.

D. Developments in Macro-Management in Sub-Saharan Africa

20. Bank support for reform of national-level government institutions in Sub-Saharan Africa is increasingly linked to Bank lending in support of economic adjustment programs. The major objectives of institutional work are thus to strengthen the capacity of governments to formulate and implement programs of economic policy reform, and to assist in a re-structuring of public administration which takes account of fiscal constraints and which strengthens governments' capacity to execute the public functions essential for renewed growth--functions which have suffered severely in recent years.

21. Much of the activity on the first objective has concentrated on support for core economic functions and agencies--for example, to strengthen economic planning and public investment programming; to improve budgeting systems and streamline linkages between recurrent expenditure control and public investment decisions; to strengthen aid co-ordination mechanisms within government; and to improve debt management. Latterly, additional attention is being paid to overall governmental structures and organizations, basic administrative functions, and personnel management as a way of tackling the problems of inefficient civil services. For example, in technical assistance to Guinea Bissau and Uganda, and in recent reports on these issues for Senegal and Mauritania. As an adjunct to the Bank's structural adjustment efforts, support is also being provided to assist governments in setting up the appropriate institutional mechanisms for monitoring execution of their structural adjustment programs.

22. The Bank's long-standing program of planning assistance (much of it jointly with UNDP) has lately emphasized monitoring of public investment programs while the composition and management of public investment programs is increasingly the subject of Bank review. Planning assistance is currently underway, for example, in Kenya, Sudan, Burundi, Zambia and Malawi. Notable examples of Bank support for budgeting improvement include Kenya and Zambia--the former through financing technical assistance personnel and computing facilities, the latter through an extended program of Bank staff work which will shortly be followed up by a public sector management lending operation. Comparable assistance, through both economic and sector work and lending for technical assistance, has been extended in West Africa, e.g., in Senegal and Mali.

23. Considerable assistance has also been provided to improve the effectiveness of African countries' external debt management, including improvements in debt reporting, the development of centralized debt data systems and better coordination of borrowing decisions. This program is currently underway in more than a dozen countries; a number of other countries have benefitted from Bank advisory missions on debt management. The Bank has also seconded debt advisers to some countries--e.g. Zaire and Zambia--and has included debt management components in TA projects.

24. All of these activities have implications for the management of technical assistance. Several activities are underway to help strengthen the institutional capacity to improve the productivity of the substantial but often poorly used technical assistance which African countries receive. One has been the first Technical Cooperation Assessment Mission in Somalia, jointly with UNDP, and other such exercises are planned.

However, follow-up and implementation of recommendations is a more uncertain process. Another initiative has been two seminars on the management of technical assistance organized jointly by EDI and the Projects Policy Department, with participation by donor agencies, recipient country officials and consultancy firms.

25. In a number of cases assistance has been wider in scope, designed to strengthen governments' capacity to formulate and execute programs of policy reform and structural adjustment. In Uganda for example, the Second Technical Assistance Project provides broad support for planning, economic management and the reconstruction of administrative capacity in both core agencies and sector ministries. In Ghana, the Bank is working with the government to identify the institutional requirements of the country's ambitious economic recovery program, and expects to follow up with lending to strengthen economic and financial policy making, debt management, and public enterprise supervision. Another example is the Niger Technical Assistance Project which supported much of the preparation of Niger's structural adjustment program. This included assistance to core ministries to improve the information base, prepare policy reform and strengthen monitoring functions.

26. Economic recovery and structural adjustment also often demand rapid improvements in the fiscal position and productivity of the public sector. Aside from public enterprise reform--covered elsewhere in this paper--this has necessitated Bank assistance in tackling problems in public employment and pay in a number of countries. For example, in Guinea, the Bank is supporting the Government's efforts drastically to reduce the level of civil service employment, and to work out equitable pay structures for those who remain and compensation for employees leaving the service. A comparable program, based on a review of government functions and audits of existing staff levels, is underway in the Gambia supported by British technical assistance. In other instances, the restructuring of public employment has so far been confined to the sectoral level--e.g., in the agricultural sector in Sierra Leone under a Bank sector credit--or is only at a preparatory stage because of political or technical constraints (e.g., Uganda).

27. The Bank is also initiating the preparation of public sector management assessments, to help improve the understanding of African countries' institutional structure and problems, and as a way of jointly identifying issues and reaching preliminary agreement on reform actions with the government concerned. A number of such assessments have been undertaken or are under way--for example, in Senegal, Mauritania, Uganda, Botswana and Central African Republic--and more are planned under the proposed joint program with UNDP of institutional development assessments.

E. Developments in Public Enterprise Reform

28. Throughout its history, the Bank has dealt with hundreds of public enterprises in different countries, focussing on them individually (or on small groups of them), and helping to design programs to improve their performance and reduce losses. It has become increasingly evident, however, that often only a small proportion of the factors determining the performance of a public enterprise is directly under the control of the enterprise's management. Another important proportion is in the hands of

the central agencies that define the framework under which those enterprises operate. The Bank has therefore been giving increasing emphasis to reforming government/state enterprise relations. The objective of this effort is to help define an appropriate framework or "rules of the game" for the operation of the enterprises free of day to day intervention, under which the public enterprise sector operates on a competitive and cost-effective basis, and phases out activities for which it is ill-equipped.

29. Twenty countries in Sub-Saharan Africa have embarked on a program of parastatal reform with Bank support. Typically this involves: restructuring of the government's relations with its parastatals including legal and institutional changes; changes in pricing, trade, investment and borrowing policies affecting parastatals; financial and physical rehabilitation of potentially viable state enterprises; and the liquidation, sale, merger or reabsorption into the government of selected parastatals.

30. Although the details are tailored to fit the circumstances of each country, there is a striking consistency in the approaches to public enterprise reform being pursued in Sub-Saharan Africa and in other regions. These efforts focus on ways to:

- set clear and attainable objectives through corporate plans, negotiations and contracts between governments and their enterprises;
- hold managers accountable for results by translating these objectives into monitorable targets and evaluating performance;
- give managers the necessary autonomy to achieve their targets by building legal and institutional barriers to undue ministerial intervention, compensating enterprises for government-imposed costs, etc.;
- create a managerial corps with the skills to operate autonomously in a competitive commercial environment by establishing a depoliticized selection process, adequate compensation, and training and technical assistance; and
- improve the viability of the public enterprise sector by selective liquidation of nonviable enterprises and by tapping private sector skills through sales of state enterprises, leases, management contracts, putting private businessmen on boards of directors, and the like.

31. In Western Africa, the Bank is supporting public enterprise reform activities in 13 countries; 13 free-standing TA operations including such support are underway or being prepared in nine countries (CAR, Congo, Guinea, Guinea Bissau, Ivory Coast, Mali, Mauritania, Senegal and Togo); public enterprise reform is one of the central components of five SAL operations (Ghana, Ivory Coast, Niger, Senegal and Togo); and there are six public enterprise rehabilitation projects, one approved (Mauritania) and five under preparation (Benin, Congo, Ghana, Mali and Niger). In Eastern

Africa, there are similar operations under way or planned in seven countries: six TA operations (Madagascar, Mauritius, Rwanda, Somalia, Sudan and Zambia) and three SALs (Mauritius, Burundi and Malawi).

32. A couple of examples illustrate the type of programs involved. In Guinea, as part of the government's economic reforms program, the public enterprise sector is being fundamentally restructured. Many enterprises are being closed or sold to the private sector and core public enterprises are being restructured. This program is partially financed by assistance provided through a TA credit. In Mali, a recently appraised Public Enterprise Project will support (a) rationalization of the size of the sector through divestiture/liquidation; and (b) improved performance of remaining enterprises through institutional reforms, financial restructuring and macro-economic policy changes. In Niger, a project is under preparation to help the country reduce the burden of the public enterprise sector through divestiture and liquidation of a number of enterprises and to improve the efficiency of the remaining ones through rehabilitation and additional institutional and legal reforms, complementing those reforms being put into place through Niger's structural adjustment program.

33. While in many countries these reform efforts are recent, noteworthy progress has been achieved in some areas. Diagnostic studies and audits have increased understanding of the parastatal sector, and the introduction of improved management information systems and accounting practices has laid the basis for more informed management and expanded accountability in, for example, Mauritania, Senegal, Rwanda and Madagascar. Contracts between the state and its enterprises, which have been introduced in Senegal, Benin and the Congo, for example, are becoming an important tool to clarify and re-order government/state enterprise relations. For instance, contracts in Senegal have had positive results, evidenced by a growth in revenue, better control over the wage bill and reduced deficits in six state enterprises with contracts in comparison with the other state firms. Progress in divestiture has, not surprisingly, been slower. Nevertheless, in Mali, seven state companies have been closed and the Government plans to sell another ten firms; and in Benin, two nonviable state enterprises have been liquidated. In Niger, four enterprises have been closed; three sold in whole or in part to the local private sector; management of three formerly State-run hotels has been turned over to the private sector and three more state firms are up for sale.

F. Developments at the Sectoral Level

34. The broadening focus of ID work at the Bank has influenced activities at the sectoral level, particularly in agriculture, the crucial sector in Sub-Saharan Africa. In this sector, the main developments have been a redirection of the institutional concerns (and of project and program design) from project entities to the institutional structure of the sectors or subsectors. This has entailed increased emphasis on institutional support for countrywide functional programs such as agricultural research and extension, in addition to investments in agricultural development in specific areas. There has been, in other words, a movement from a project to a sector perspective, and from a regionally oriented, integrated development focus towards national functions and institutions.

35. A corollary of these changes is a movement towards agricultural sector adjustment operations which have important institutional components as well as policy reform objectives. For example, a program soon to be appraised in Kenya will focus on institutional aspects of sector management and aid coordination, farm input supply, parastatal management and agricultural credit. Activities in other countries are leading towards sector adjustment operations by using sector work and TA projects in a mutually reinforcing manner to promote better planning, policy analysis and implementation, and sector management (Madagascar, Tanzania and Kenya). In addition, institutional changes in the agricultural sector are being pursued under structural adjustment programs. The SAC in Niger, for instance, supports institutional development as well as policy reform in the area of cereals marketing and storage, agricultural credit and research.

36. The emphasis on strengthening institutions at the national level has been particularly important for research and extension, both key areas in current efforts to increase agricultural production (Zimbabwe, Ivory Coast, Kenya, Burkina Faso, Rwanda, Nigeria, Malawi). A number of programs are attempting to streamline the overly complex and costly "integrated" entities left from the seventies (Rwanda, Burundi). Considerable effort is devoted to improving the efficiency of agricultural public enterprises and to assisting countries define appropriate roles for public and private sectors, following the approach described in Section E (Ghana, Senegal).

37. Special emphasis is being placed on the development of local capabilities by helping to strengthen the institutions which will train future managers and policy makers. For example, an EDI/IFAD program in agricultural management training is underway in association with several regional training institutions and many national training centers. The approach emphasizes on-the-job training of project teams and development of local trainers. Another example is the recent joint EDI/World Bank mission to assist the Commonwealth Development Corporation and Southern Africa Development Co-operation Conference (SADCC) to transform the Mananga Agricultural Management Institute in Swaziland from a national into a regional institution. Special efforts are being made to associate staff of client organizations more closely with Bank supervision and sector work, both as a training mechanism and as a way of improving program quality (Ghana, Cameroon, Nigeria, Ivory Coast). The Bank is also helping a number of countries coordinate external financing in agriculture.

38. In the transport sector, there has been an increasing emphasis on the policy framework for the sector, focussing on the relations between the central government and the public enterprises, and on the role of the public and private sectors (Kenya, Senegal, Madagascar, Cameroon, Mali). In railways in Western Africa, special programs are underway to establish performance contracts aimed at increasing railway managements' autonomy and accountability. Weaknesses in staffing and management are being more systematically addressed, with a special emphasis on improving the institutions' personnel management function, as contrasted with the more traditional mechanism of financing "project-related training" needs (Madagascar, Rwanda, Zaire). Support for regional training capabilities has increased, for example, to the Eastern and Southern African Management

Institute (ESAMI) to help set up a Transport Staff College. At a higher level, a Region/EDI sponsored roundtable for ministers and senior government staff took place in February 1985 focussing on aspects of transport policy.

39. As in other sectors, many initiatives in transport aim to prevent further deterioration of the network or to rehabilitate existing assets in the wake of the acute financial crisis. Several transport projects have been almost exclusively oriented towards strengthening institutional capabilities in this area. Highway maintenance operations continue to be an important element of this effort. In Nigeria, a transport parastatal project now being processed will aim at strengthening two key parastatals--the railway and the port--with further assistance to the Government to rationalize its holdings in five other state transport companies.

40. In energy, the main new orientation is similar to those described above--that is, towards strengthening the management of sector policy. The objective of institutional work is thus to improve structures and staffing dealing with energy policy planning and investment decisions. Such operations are under appraisal or preparation in seven countries. In water supply, a promising innovation has been to assist in the preparation of water sector master plans to address institutional issues and to facilitate coordination of aid to the sector. In addition, responsibilities for sector development are increasingly being transferred from government departments to financially responsible water corporations. Their management capabilities continue to be strengthened with Bank assistance (Senegal, Togo, Niger, Guinea, Ghana, Nigeria) while more attention is being paid to an overhaul of their statutes, water acts, and regulations. An option being pursued in Ivory Coast is to transfer full responsibility of the financial management of the sector to a privately owned company. Another vehicle for ID of water corporations is twinning arrangements with more advanced water utilities in other countries.

41. Similar endeavors are taking place in the power sector with the goal of revising the concession system commonly found in francophone countries in West Africa, in order to give power companies more responsibility for sector development. There has also been a growing realization that the very critical financial situation faced by many power companies in Africa can no longer be redressed by continued upward adjustments of tariff levels. This has led the Bank to focus on achieving gains in efficiency through improvements in management and productivity, reductions in losses, and more cost effective operations combined with better systems for billing and collection of client accounts. Almost all Bank financed projects now include components for staff development, which is badly needed in the sector to improve motivation, job satisfaction and incentives. In telecommunications, particularly in francophone countries in West Africa, major efforts are being made to reorganize the sector and to establish rational financial relationships between governments and the sector enterprises. The splitting of deficit ridden postal operations from profit making telecommunications activities and the clarification of the status of postal financial services have been goals achieved thus far in Senegal, with a similar program to be carried out in Mali.

42. In industry, the main innovation from the viewpoint of ID is the increase in industrial sector adjustment operations with a heavy emphasis on policy and institutional reform (Ghana, Madagascar, Zambia). Another innovation is the industrial sector technical assistance operation (e.g., Nigeria) aimed at helping countries set up and operate institutions charged with formulating and implementing industrial policies. Also, in the present difficult economic environment, an important thrust has been to preserve past achievements and prevent further deterioration of ID institutions, by helping them to improve their economic analyses of projects, financial programming, supervision and loan collection activities, and sometimes by assisting with comprehensive financial and organizational restructuring programs.

G. Organizational and Staffing Changes in the Africa Regional Offices

43. All operational divisions in the Regions are involved in ID work as a matter of course. The objectives of the two specialist divisions (the Public Sector Management Division in West Africa and the Institutional Development, Training and Technical Assistance Division in Eastern Africa) is to build a locus of expertise in institutional development for each Region, particularly in areas such as macro management and public enterprise reform. Both have broadly the same functions, and both manage their own projects in macro management and public enterprise reform and provide support to other operational divisions on institutional matters. In the agricultural sector, the Bank's experience with the Training and Visit approach to the management of agricultural extension has led Western Africa to establish a special unit in its regional mission in Abidjan to promote T&V in the region. This unit presently has four Bank staff plus local staff, and is likely to expand further.

H. Future Directions of Institutional Development Work at the Bank and in Sub-Saharan Africa

44. The importance given to ID in development strategies has increased substantially and Bank programs in this area have acquired considerable magnitude. The ordered presentation of these activities in the previous sections of this paper should not, however, give an unwarranted impression of singleness of purpose. While new approaches have been initiated and ID work is treated more systematically throughout the Bank, this is a long-term and difficult enterprise requiring substantial effort. The Bank's commitment of considerable resources to this work is a significant service in support of developing countries' own efforts, but must necessarily be flexible in both substance and organization.

45. Despite the inherent difficulties and long time horizon of institutional reform and its susceptibility to political factors, early indications are that the new programs and approaches are having a positive impact. For example, the program of public enterprise reform in West Africa shows signs of achieving important financial and managerial objectives; the focus on improving the management of key policy functions has permitted some successes in specific areas such as debt, financial and personnel management; the introduction of new approaches to service delivery such as the Training and Visit system for agricultural extension has already had a positive impact in several African countries.

46. If the Bank is to discharge its responsibility for maintaining momentum and providing leadership in this field, this initial promise must be deepened and extended. Aside from continuing to promote innovation and to undertake its own ID work more systematically, this entails several other initiatives. First, special attention will be devoted to monitoring and evaluating experience with the new programs, so that lessons are learned as early as possible and disseminated within the Bank, to member countries and to the development community more generally.

47. Second, the Bank will expand current contacts with donor agencies working in this area, to exchange experience and improve donor coordination. This is a field in which coordination is vital, so that countries are not burdened with contradictory programs and advice dealing with the same problems. A precondition is for the Bank to ensure internal consistency on ID issues among its own project and program units dealing with the same country. The specialized units in the regions and in OPS, as well as the Legal Department, have a crucial role to play in this respect. An additional important feature of collaboration with other agencies will be closer work with the International Monetary Fund--for example through expansion of already existing contacts with Fund departments (such as the Fiscal Affairs Department) which share common institutional concerns, and co-operation in country operations on issues such as public employment and economic management institutions. This is already happening in a number of countries specially identified for Bank/Fund collaboration, notably Ghana and Zambia, and in cases such as Mali, where there has been a high degree of complementarity between the Bank and Fund programs and close cooperation on a number of institutional issues.

48. Third, the Bank will continue to bring an objective and professional view to issues of ID. Discussion of many of these problems is often ideologically charged, and they are not always analyzed with the care and objectivity that is required. Notwithstanding differences in the political orientation of different governments, problems such as the size and productivity of the government sector, appropriate solutions to poor performance of public enterprises, the level of employment and salary structures in the public sector, etc., are common to most countries. These matters require analysis and prescription which takes account of both economic efficiency and country circumstances, including administrative traditions and political constraints. Given the importance, sensitivity and technical difficulty of many institutional problems, the Bank will continue to develop the skills and aptitudes of its staff, notably through increased emphasis on staff development programs, in order to combine extensive country experience with the mix of economic, managerial and institutional disciplinary skills which has worked well in launching the recent rapid expansion of the institutional development program.

49. Fourth, the Bank will expand its program of analytical work in the institutional field, both through economic and sector work and through formulation of a research program on selected topics--for example, those identified by the recent Bank-sponsored conference on African research priorities. This is important in a field whose recent expansion has been largely driven by urgent needs among our borrowers, so that the Bank has had to meet those needs without the benefit of a long tradition of

undertaking institutional analysis or of readily available and appropriate work outside. The proposed institutional development assessments mentioned earlier are promising tools for these purposes.

50. Fifth, the Bank will ensure that the predominantly "macro" or national-level preoccupations of recent institutional work are balanced by a concern with increasing the effectiveness of institutions directly related to poverty alleviation, such as those delivering services to poor people--a point emphasized by a distinguished external advisory panel convened in September 1985 to review Bank activities in this area. This will require renewed thought and effort to design institutional arrangements aimed at increasing the access of the poor to market opportunities, productive inputs and social services.

51. Finally, the Bank needs to give support to efforts by African countries to build up their own institutional development capacities. This may entail investing in institutes and training programs to produce policy analysts, managers and administrators and facilitating exchanges of experience with institutional reform between African countries. Such initiatives involve direct Bank staff work with African institutions and promotion of involvement by donor agencies and international professional bodies, as well as normal lending operations.

52. As this work develops further, the task of the Bank and the development community is to ensure that the quality of these activities continues to improve--particularly in Sub-Saharan Africa, where the need for ID is most acute--and that governments and donors sustain their commitment to institutional reform over the necessarily long haul.

OFFICE MEMORANDUM

DATE: May 2, 1986

TO: Mr. Ismail Serageldin

FROM: Tariq Husain *Tariq Husain*

EXT: 76367

SUBJECT: Preliminary ideas for a research proposal on urban/rural
development issues in West Africa

1. During the March 28, 1986 lunch you created a working group (Messrs. Westebbe, Pellegrini, Anderson, de Ferranti, and T. Husain) to develop some preliminary ideas. The attached Annex-1 presents the group's consensus. If you agree with the approach Mr. de Ferranti's division can proceed with developing a more detailed outline over the course of the next three months.

2. Your comments/concurrence is requested.

cc: Messrs. Fuchs, Alisbah, Bouhaouala, Eccles, Al-Khafaji, O'Brien, Isenman, D. Singh, Landell-Mills, Aiyer

Messrs. Pellegrini, de Ferranti, D. Anderson, Westebbe

PRELIMINARY IDEAS FOR A RESEARCH PROPOSAL
ON URBAN/RURAL DEVELOPMENT ISSUES IN WEST AFRICA
(By The Working Group 1/)

BACKGROUND

1. At a March 28 lunch arranged by WA staff^{2/} to discuss urbanization issues, an ad-hoc working group was identified and asked to prepare a research agenda for addressing several issues raised during the discussion. The working group met on April 1 and, before proceeding further, is circulating for comment this note outlining preliminary ideas for a proposed approach.

2. The issues raised at the lunch discussion ranged widely from fundamental questions about the causes and consequences of urbanization, to strategic questions about priorities for correcting inappropriate policies and investment programs. The working group first noted the following:

- A. On some issues, considerable research has been done already and at least some knowledge exists (for example, rural/urban migration; agricultural/industrial linkages; resource mobilization and cost-recovery experiences). This knowledge has been easy to overlook because few good summaries exist that high-light the main policy-relevant messages emerging from the technical and economic analyses. Also, where summaries exist their dissemination is inadequate. Preparation and active dissemination of short overview notes (say, 1 to 2 pages each) on selected topics would be highly beneficial. The effort required would be modest. Regional urban divisions in association with the central urban department should develop a list of topics and a schedule.
- B. On many other issues, new research clearly is needed and could make important contributions. Care must be exercised, though, to avoid (i) the pitfalls that have plagued some past research efforts and (ii) the temptation to try to address too many issues and using too elaborate a methodology.

1/ Present were T. Husain (chair), D. Anderson, D. de Ferranti, T. Pellegrini, and D. Westebbe.

2/ Present were I. Serageldin (chair), T. Husain, D. de Ferranti, T. Pellegrini, M. Aiyer, D. Westebbe, A. Bouhaouala, P. Landell-Mills, G. Ingram, and D. Singh.

Bearing these considerations in mind, the group concluded that an attempt be made over the next three months (by September 30, 1986) to explore the possibility of proceeding along the lines sketched briefly below. The objective during this period would be to produce a more elaborate outline of what would be done, how, when, by whom, at what cost, and with what expected outputs. This would include a list of topics for "A" (above) and a research proposal for "B". The current working group would review the proposed outline at that time and recommend next steps for consideration by regional management.

APPROACH

3. The approach would be to have a country-specific focus and to consider the economy as a whole rather than to define issues in terms of competing urban vs rural interests. A small number of countries - perhaps just two - should be selected. Structured case studies, using a common framework, could be done in each. The case studies would:

- (i) Carry out a fund-flow analysis and estimate the magnitudes of the subsidies and taxes that rural and urban areas receive or pay through public revenue and expenditure policies (see para 4 below).
- (ii) Select and analyze the important existing general or urban policies that appear to be seriously inappropriate from the perspective of eliminating distortions and biases generally. Estimate the effects of these policies as they impinge on both rural and urban areas. Identify policy changes that would correct the problem and estimate the effects that those reforms would have. For example, one policy issue addressed might be cost recovery. ^{3/} Part of this may be covered under "Partly-known issues - (para 2-4 above)".

^{3/} In a recent conference on improving the effectiveness of Bank's urban assistance the following comments were made by country representatives about cost recovery and subsidy. "Many delegates took issue with what they perceived to be the Bank's across-the-board insistence on full cost recovery, arguing that this blanket approach failed to consider local conditions and political imperatives. Continued insistence on full cost recovery, they argued, would inevitably lead to the exclusion of the urban poor, the very population which these interventions aimed to reach. At the same time, all conference delegates acknowledged that, without an adequate level of cost recovery in urban projects, governments will be unable to afford to carry out programs on the scale required. They also recognized that programs with built-in, large scale subsidies for the urban poor were unsustainable over the longer term. Of special interest were the opinions expressed by those Borrowers who had a relatively long experience with Bank

(Footnote Continued)

- (iii) Select and analyze a few urban sector specific investment strategies. For example, investment strategies for infrastructure improvements in market center towns (or secondary cities), or regional spatial planning efforts which are of importance from both rural and urban perspectives, might be selected. The effects of actual strategies on the economy (not just urban areas) would be assessed. Then alternative strategies could be identified which would better accomplish national goals of efficient economic growth;...5...
- (iv) Identify priority actions that the countries being studied could take to reduce the costs and improve the efficiency of urban service delivery, and estimate the gains that those steps would yield. Steps (i) to (iii) above should produce actions and policies for this phase.

Additional Elaboration

4. On item (i) (fund-flow analysis), a French economist, Prud'homme, has developed some methods and experience from doing this sort of analysis for Morocco. After spending three or four months collecting and looking at data, he was able to ask the question: Is Casablanca taxing or is being subsidized by the rest of Morocco, and by how much? He concluded that Casablanca, on a net basis, is subsidizing the rest of the country. He expects that this is not a general rule. He thinks the technique would work in French West Africa, particularly Abidjan or Dakar. Obviously, it provides only a partial picture, since it looks only at flows of public funds (expenditures and revenues). Nevertheless, the estimates obtained would provide a beginning step toward gaining a better understanding of the nature and magnitude of biases (both urban and rural). Later, the effort could be broadened to include induced private responses of public sector actions (expenditures, taxation) and policies.

(Footnote Continued)

urban lending. In many of the early projects, there was frequently heated debate about the Bank's cost recovery policies and its interference with country policies and programs. A number of countries in this category expressed the view that experience over time had convinced them that cost recovery was indeed essential and had to be dealt with quickly and effectively. They cited a number of approaches including cross-subsidization, lower design standards, and increased community participation from project design through implementation. Shelter and services had to be provided to the urban poor, they argued, but Government could not bear the full costs alone; cost recovery becomes all the more urgent in the light of the high level of urbanization across the Third World. A number of these countries had taken initiatives to improve cost recovery performance in their urban development projects, including the use of sanctions where compliance was not met - a move they had resisted in the past."

5. On (ii), the underlying aim would be to develop and test better ways to evaluate current or proposed government policies. In a sense, the work here would be similar to what is done on macro policy issues such as trade, debt, etc.; only in this case, a different set of policies would be examined (e.g., local finance as opposed to national fiscal strategies) and there would be more attention given to where the impacts are felt - in cities, towns, or rural areas. We would not try to trace all impacts precisely, but, as with macro issues, a careful empirical look would help in making some progress in sorting out what happens and why. Recently completed research on urban policies in Korea, in which the deadweight efficiency losses from government attempts to influence the location of new development are estimated, suggests a few lines to pursue in conceptualizing an approach. Also, work in Indonesia under the integrated infrastructure development program (IIDP) which provides central government an inroute to municipalities in areas of programming, project planning, ranking of investments, and improving the effectiveness of delivery systems, may provide a useful framework. The IIDP concept places strong emphasis on expanding local financial participation and improved systems of cost recovery, and on improving operation and maintenance of local services.

6. On (iii) (urban sector investment strategies), the aim would be to develop and test better ways to quantify the costs and benefits of investment options such as infra-structure improvements. It is unlikely that rate-of-return calculations will ever be able to incorporate estimates for all the benefits of the relevant options in urban (and rural) development work, but there are possibilities for doing a better job of understanding some benefits and costs which under present practice are either overlooked or treated as nonquantifiable. Preparatory work that has been done for the Lagos study on infrastructure and productivity offers some leads on where to start.

7. On (iv), the goal would be to use the techniques and findings developed from the preceding steps to address the question, "given that cities are not about to disappear and, indeed, are growing fast in West Africa, what can be done to minimize waste and maximize the positive contributions they can make to development?" The Indonesian IIDP (above) experience would be useful.

8. For sites for the case studies, Nigeria, Ivory Coast and Ghana have been mentioned, in part because there has already been some research in those countries, which a new effort could build on, and in part because their principal cities are growing at 7+% per annum.

Summation

9. The approach proposed is to concentrate on questions with immediate practical relevance, where actions that governments take or should take are directly in view. Nevertheless, the research would also provide insights indirectly on a number of broader questions related to the roles of urban and rural areas in economic development generally, including considerations about rural/urban differentials in value added and foreign exchange generation. If for some reason the proposed effort falls short it would, at least, provide an enriched information base of the particular countries selected as case studies.

The World Bank

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INTERNATIONAL DEVELOPMENT ASSOCIATION

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June 25, 1985

Mr. Salif N'Diaye
Chief, Division for the
Regional Program
Regional Bureau for Africa
1 UN Plaza
New York, NY 10017

Dear Mr. N'Diaye:

Re: Africa Urban and Regional Development Facility

During the past 18 months, preliminary discussions have taken place between your office and various staff of the World Bank including Messrs. Claude Bourgin, Elkyn Chaparro, and myself, about the possibility of establishing an African Urban and Regional Development Facility.

Based on these discussions, I am happy to transmit to you, on an informal basis, a draft Preparatory Assistance Document. We have also attached for information, internal strategy papers that outline the approach to urban development taken in the Eastern and Western Regions of the Bank. These papers provide more detail about the role of urbanization in African development than is contained in the Draft Preparatory Assistance Document.

We would appreciate the opportunity for an exchange of views on the content of the Preparatory Assistance Document. If the schedule of your staff permits, I would propose that Mr. Pellegrini, Chief of the Western Africa Urban Division visits UNDP in two or three weeks for this purpose. Mr. Mike Potasknik has seen an earlier draft and has also indicated his willingness to contribute to the discussion.

We will contact your office by telephone to arrange a meeting.

Sincerely,

M. Cohen
Michael Cohen
Chief Operations Support
& Research Division
Water and Urban Department

Attachments

UNITED NATIONS DEVELOPMENT PROGRAMME

.....

Preparatory Assistance Document

Title : African Urban Project Development Facility
Number : Duration : 5 months
Primary Function : Direct Support (I-0)
Sector : Urban Sector
Governments Involved : Sub-Saharan African Governments
to be identified
Executing Agency : IBRD
Estimated Starting Date : September 1985
UNDP Input : U.S. Dollars 61,000

Approved: _____
On behalf of the Executing Agency Date

Approved: _____
On behalf of the United Nations
Development Programme Date

PART I. LEGAL CONTEXT

This Agreement will become effective when signed on behalf of the World Bank and the United Nations Development Programme

PART II. THE PROJECT

Rates of urbanization in sub-Saharan Africa are now among the highest in the world. This is creating enormous pressures on national and local government officials responsible for management of urban development. The demand for skilled staff far outstrips available personnel. The result is that investment analysis is done in a wholly inadequate manner. Where development plans do exist, there is a need to make them operational by conducting feasibility studies of individual projects. Often governments lose opportunities for obtaining external support for development projects because of they lack the ability to carry out the detailed sector and project analyses that are required by international institutions. Similarly, because of this lack of capacity to conduct the analysis required, even when local funds are found, these funds are often spent on projects insufficiently thought through.

Discussions with Governments of the Western and Eastern Africa Regions during the past two years have revealed a concern that existing planning mechanisms do not sufficiently lead to the formulation of specific projects which are urgently needed to alleviate the strains of rapid population growth.

A need exists for the establishment in West and East Africa, of an African Urban Project Development Facility that would address these concerns.

PART III.

A. IMMEDIATE OBJECTIVE

The immediate objective of the preparatory assistance work is to assess the feasibility of establishing an Urban Project Development Facility for Africa. This would involve discussing highest priority urban needs with representatives of a number of countries in sub-Saharan Africa, reviewing the capacity for project preparation that exists within these countries, and formulating a proposal for such a Facility.

B. BACKGROUND AND JUSTIFICATION

The World Bank and UNDP believe that it is vital for the economic development of sub-Saharan Africa that particular efforts be made to improve urban infrastructure, finance, and management so that African cities can better fulfill their function of promoting economic and social development. This view results from IBRD's years of operating experience in Africa and an ongoing consultative process in the Western and Eastern Africa Regions. Through this process, the Bank and its borrowers have evolved new approaches to the problems of urban growth and have established

a good dialogue on appropriate strategies and sectorial policies. As part of these efforts to expand and strengthen the policy dialogue, IBRD and UNDP are considering the creation of an Urban Project Development Facility which can assist Governments in the formulation and preparation of cost effective urban projects that would facilitate long term economic growth. The facility would be staffed by experienced professionals with past exposure to Bank operations and familiar with the operations of other international donors, who can assist in the formulation and preparation of urban projects and project documentation that would be suitable for World Bank or other donor financing.

The underlying objective is to develop better policies and projects in sub-Saharan Africa where the role of urban development in these traditionally agricultural societies is often not well understood. Individual country studies show that currently some 40-60% of GDP is produced in the urban areas of Africa, and this percentage is growing. It is thus essential to ensure that basic urban infrastructure is available to provide an environment in which productive economic activities can be operated efficiently and in which social development can take place smoothly.

Basic elements of urban projects for Africa, therefore are:

- Developing the institutional capacity and appropriate policy response to deal with urban problems;
- Providing improved infrastructure and urban services which will support industrial and business activities;
- Developing programs in secondary towns supporting agricultural productivity;
- Helping define the role of local governments and parastatals;
- Assisting in mobilizing local resources through better administration of property and other local taxes;
- Assessing the Government's role in housing finance, with emphasis on shifting public expenditure in the subsector to the private sector;
- Assisting public sector resource management, including cost recovery, focused priority investment and allocation of appropriate investment in maintenance;
- Developing training programs for local government officials;
- Developing innovative technical twinning arrangements to transfer expertise between cities; and

- Alleviating poverty through measures to improve living conditions and to generate income and employment.

A Project Development Facility would be a useful tool to enhance the efforts of donor coordination and would contribute to round-table dialogues on sector strategy and project financing as recommended by the Joint Program of Action for sub-Saharan Africa. It would be especially useful for identifying cofinancing opportunities among donors for projects that have been developed in the context of an appropriate country policy framework. The proposed facility would likewise be supportive of the objectives of the International Year of Shelter for the Homeless and the upcoming meeting of the Development Assistance Committee on the urban sector.

IBRD has gained experience in managing such a project development facility as executing agency for the UNDP in the Water and Sanitation Sector (see Project Document RAF/82/004/A.01/42). That facility has proven to be effective in assisting Governments, the World Bank and the donors in identifying, preparing and appraising projects in the eighteen months of its operation. In Western Africa, to date these actions include project briefs for Ivory Coast, Cap Vert and Togo; project preparation in Niger, Ivory Coast and Togo and studies leading to funding with other donors including an Ivory Coast Management Study to be financed by UNDP. In Eastern Africa, the facility has helped to prepare projects in Ethiopia, Kenya, Malawi, Tanzania, and Uganda. The Urban Projects Facility is envisioned to be similar in scope and operation, and closely coordinated under World Bank Management.

C. OUTPUTS

The end product of the preparatory phase will be a Project Document describing the structure and operations of the African Urban Project Development Facility and a background document that will provide further information on the rationale of the project and the technical basis underlying the proposal.

The preparatory assistance work will also develop criteria and format for typical sub-projects, including:

- (i) project documentation providing sufficient technical, economic, financial, and institutional information to enable project appraisal by national and international lending/donor agencies;
- (ii) project designs and cost estimates, construction documents and monitoring guidelines;
- (iii) model sector policies, appropriate alternative institutional arrangements, and community participation;

- (iv) training of local consultants and sector agency staff in project selection and design; and
- (v) identification of sources of finance to implement investment projects.

D. ACTIVITIES

A consultant familiar with operations of the World Bank and its urban sectorial policies will be engaged to carry out these activities. The work would be supervised by the Western and Eastern Africa Urban Projects Divisions respectively and coordinated by the Water and Urban Department. Terms of reference will require the following:

1. Diagnostic of Urban sector priorities in selected East and West African countries, including analyses of obstacles to balanced urban development;
2. Analysis of key institutions and management capabilities including needs for training and strengthening management in the urban sector;
3. Assessing needs for improvement in country sector policies, strategies, and investment programs;
4. Consultations with major donors and UN agencies including the African Development Bank and Habitat with a view to coordinating policies and programs and exploring cofinancing possibilities;
5. Determination of inputs required by the facility including definition of technical expertise and staffing needs, as well as the administrative arrangements for managing the facility; and
6. Definition of a preliminary three year work program and budget.

To accomplish the above tasks, the consultant will rely on extensive documentation that already exists within the World Bank, and other UN agencies, including Habitat. The consultant will work closely with the UNDP resident representative in each country visited to take into consideration the on-going and planned country program. the consultant will visit the Africa field offices of the water and sanitation facilities with a view to determining appropriate administrative linkages with those offices. In addition, the consultant will discuss the Project with Governments and initiate the process leading to Government approval of the project documents.

E. INPUTS

(a) IBRD Inputs

IBRD will provide two months of staff time to work on the documentation needed, and to negotiate, formulate and carry forward the Project Document for the establishment of an African Urban Project Development Facility. Staff of the World Bank would participate in missions of the consultant and in discussions with Governments and UN agencies, to ensure that this work benefits from the ongoing dialogue with Governments in the sector that has been established since 1970.

(b) UNDP Inputs

Four man-months of consultancy for preparation of the Project Documentation are required. This will require an estimated three months of field work and one month of report writing in Washington. Field work will be divided into two parts, the first part to develop the diagnostic, and the second part to initiate the approval process and to discuss the draft project documents.

F. WORK PLAN

The work will be carried out between September 1985 and January 1986 as shown below. The consultant will do preliminary work in September with field work in October and December. Final write-up of the project document should be completed by January 1986.

Proposed Work Plan for IBRD/UNDP
African Urban Project Development Facility (AUPDF)

Period August through December 1985

PRIMARY COUNTRIES

Western Africa

Cameroon
Ghana
Ivory Coast
Nigeria
Senegal
Mali

Eastern Africa

Ethiopia
Kenya
Madagascar
Mauritius
Zimbabwe
Botswana

JANUARY 1986

Prepare final project proposal.

MARCH 1986

Project proposal submitted for signature.

JULY 1986

Commence implementation of Facility.

G. INSTITUTIONAL FRAMEWORK

IBRD will be the Executing Agency for this project and will act as coordinator for the consultant.

H. BUDGET

A project budget covering the UNDP contribution is attached as Annex I.

EXCERPTS FROM
URBAN SECTOR STRATEGY

FOR
WEST AFRICA

OUTLINE

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1. BACKGROUND

Demographic Trends

1.1 Human settlements the world over are becoming increasingly concentrated. By the year 2000 most developing countries will be half urban. Between 1975 and the year 2000 the cities of the developing world will be expected to absorb 70% of the projected population increases - 1.3 billion people.

1.2 The urban population of West Africa (1980) is estimated at about 40 million, or 22%, out of a total population of 180 million. Over 20 million - more than half - is in Nigeria, 4 million in Ghana, 3 million in Ivory Coast and nearly 3 million in Cameroon. There are at least twelve cities in the West Africa Region with a population exceeding 500,000. Among these, Lagos has more than 5 million, Ibadan around 2 million, Abidjan 1.5 million and Kano and Accra at least 1 million.

1.3 While even the largest cities of West Africa are not now very large by world standards, they are growing at very rapid rates. The average urban population growth rate in West Africa is estimated at 5.3% per year. In many urban centers and principally in the region's key cities like Lagos and Abidjan, growth rates are significantly higher and reach as much as 10% per year.

1.4 Surprisingly, the countries with the most rapid urbanization rates are the smaller countries, with populations under 6 million. Benin, Liberia, Mali and Mauritania are illustrative. Urban growth rates for the 1970-75 period ranged from 5.3% in Mali to an explosive 10.4% in Benin and 14.5% in Mauritania. In absolute numbers, Benin's urban population will experience an increase of 400% by the year 2000; Liberia's urban population will grow by over 250% by the end of the century; and Mali's absolute increase in its urban population will approach 300%.

1.5 Two main factors account for this astounding growth: first, a high rate of natural increase, and second, a heavy and continuous influx from both the national hinter-land and the neighboring countries. Migration from rural areas to urban centers is a phenomenon not restricted to West Africa, but found throughout the world. In many African countries, it is accelerated by conditions which are unfavorable to agriculture or cattle farming such as climatic adversity and poorness of soils. In the Sahelian countries, where prospects for an expanding and flourishing agriculture are small, migration is one of the only realistic courses of action available to the rural population to better earning opportunities and living conditions.

1.6 Migration in West Africa is mainly directed toward two countries, Nigeria and Ivory Coast. The rapid economic growth and employment opportunities in these two countries, which in the case of the latter has led to a GNP ten times higher than in some of its surrounding countries,

is the predominant cause for these population movements. Studies of migration in almost all parts of the world confirm that migration is motivated by opportunities for improved employment and is not motivated by the availability of better infrastructure. In West Africa, transnational migration seems to have benefitted not only the host countries — large sectors of the Ivorian economy are heavily dependent on the supply of foreign manpower — but also the home countries, where remittances by migrants contribute substantially to improvements in balance of payments. The evidence in Africa has been confirmed by a recent more general study which shows that migration from economically depressed regions to urban areas generally has improved the standard of living of both those who leave and those who stay.^{1/}

1.7 There is no simple and effective way to reduce the pace of urbanization, either in the short or the medium term. Little hope can be placed on a rapid decrease of birth rates or a significant slow down of migration, within the next twenty years. Even under optimistic assumptions about the absorptive capacity of agricultural areas over the next 20 years, some 65% of the total increase in West Africa's population will have to be absorbed in urban areas. If current growth trends continue, the urban population in West Africa will reach about 110 million by the turn of the century, and will represent 35 to 40% of total population. With an average growth rate of 5.3%, the overall urban population will double every 14 years. In the Region's major metropolitan areas, under current growth rates, such a doubling would occur every 7 years. The possibility of Greater Lagos having a population of 16 million and Greater Abidjan more than 6 million by the year 2000 should not be discarded as unrealistic or unthinkable.^{2/}

1.8 Providing services to land will be a major undertaking. By the year 2000, for example, Abidjan alone will need to provide 330 square km of additional land with infrastructure in order to support, industrial, commercial, residential, institutional and other uses. Lagos will have to provide at least 800 square km of additional land with infrastructure.

1.9 This startling expansion will be a source for major and complex development problems, not only within the concerned urban areas, but also at the level of national economies — unless these countries begin preparing themselves financially and institutionally to meet the needs associated with these demographic trends.

1.10 Instead of focusing on policies aimed at a reduction of urban growth — a utopian endeavor — efforts should be directed towards policies making reasonable the management of such growth. Perhaps one of the few things even more surprising than the rapid rates of urbanization in West Africa are the indications that even in the poorest countries the costs of accommodating this growth in reasonable manner are affordable. (See paras. 2.6 to 2.10.)

^{1/} Equity and its Relation to Efficiency in Urbanization, William Alonzo, July 1978.

^{2/} These are median projections which assume substantial reductions in the rate of growth; in the case of Lagos it also assumes that the capitol is moved to Abuja.

KEY ISSUES

1.11 In West Africa, as elsewhere in the world, the development and growth of towns and cities is an integral part of the development and growth of national economies. Over half of West Africa GDP is produced in the industrial and service sectors which are currently the most rapid growing ones.

1.12 Despite the key role they play within the national economies, most towns or cities in West Africa are ill-prepared to cope with their development problems. In fact, urban areas have become victims of their own relatively successful role in the National Economy. It is not often realized, for example, that the urban economies of West African cities have by and large been relatively successful in employing their growing populations. While good region-wide data on employment trends in urban areas is lacking, it appears that despite very high rates of population growth, urban unemployment levels have not increased sharply and the population is being absorbed into the urban economy. The continued high levels of migration are evidence of this very success. The infrastructure and management needs of the accompanying growth however, are not being realistically faced up to.

1.13 The towns and cities of West Africa act as a kind of market place where the private sector tends to be dominant and relatively dynamic. With few exceptions, however, the towns and cities have been fulfilling their critical economic function as employment centers in spite of rather than because of Government support. For example, it has been estimated that basic infrastructure and municipal services cover on an average only about half of the area of towns and cities of West Africa. The deficient areas lack not one, but most facilities considered essential, i.e. drainage, a water reticulation network, excreta disposal, paving of central and secondary routes (which is necessary for public transport, for solid waste management, and for drainage) solid waste facilities, etc. (The fact that a substantial "package" of infrastructure is lacking has implications for organizational structure. See para. 2.13.)

1.14 To a large extent, the facilities that do exist were built many years ago during the colonial period, for much smaller populations, and have not been extended in any significant way since then. Most towns and cities thus operate with levels of infrastructure so low as to stifle rather than promote efficient materials processing, location choice, industrial and manufacturing development and services. This is especially true in Lagos, Ibadan, Yaoundé and Lomé.

1.15 At the same time, lack of sanitation infrastructure in both large and small towns results in severe costs in human resource terms. For example, average life expectancy at birth in sub-Saharan Africa is 45, which is 8 to 10 years less than the average of all developing countries, infant mortality rates of about 25-30 per thousand live births are more than three times higher. Conditions are particularly severe in the unserved sections of West African towns and cities. Prevention of two of the three major health hazards — malaria, enteric diseases, and measles — is directly related to the presence of basic sanitation infrastructure.

1.16 In developing countries, and especially in West Africa, the central urban issue is increasingly being recognized as the lack of metropolitan services and infrastructure. The provision of such infrastructure may be the best way to enhance urban efficiency and to promote the private sector. Given reasonable macro-economic policies, and in some cases despite the absence of such policies, the economic functions of towns tend to take place rather efficiently on their own if this basic support is provided. In fact, urban development in a given country is generally perceived to be either positive or negative depending on the extent to which Governments are able to provide basic infrastructure and services.

1.17 At the same time, the frustration of those who are employed (albeit at low incomes) when their incomes will not buy better living conditions because Government supplied services and facilities are not being provided, can be destabilizing. Recent problems in the Gambia, for example, have been attributed to such discontent, and the contrast in Nigeria between the level of national income and the poor living conditions of the people is sharp and increasing.

1.18 Economic development cannot take place without minimally efficient towns and cities. The proper equipping of these cities with the facilities necessary to serve their economic function and the proper operation and maintenance of these facilities is an essential ingredient of any strategy designed to promote economic growth. Through the provision of basic infrastructure and its efficient maintenance it is possible to improve the living conditions of the urban work force thereby contributing directly and positively to economic development.

II. SECTORAL BALANCE

Is a Balanced Approach Compatible with the Agricultural Based Strategy Adopted for West Africa?

2.1 In proposing an agriculture-based export oriented strategy for sub-Saharan Africa, the African Strategy Report emphasizes that this strategy is a transitional one and that during the process of transformation, specific actions should be taken "now (emphasis in original) if urban resources are to be effectively marshalled and future urban crises headed off".^{/1} It further cautions that urban based economic activities, which now produce about half of national output, will become less efficient, and labor productivity and economic growth will decline, unless these urban flows are channeled productively.^{/2}

^{/1} Accelerated Development in Sub-Saharan Africa: An Agenda for Action, August 1981, page 6.

^{/2} Op. cit., p. 115.

2.2 The regional response to the ASR makes the point that mistakes in design and project selection by urban authorities can lead to macro-economic financial difficulties and inefficiencies. Some indication of the types of savings possible is shown by an Investment Programming Review undertaken in Abidjan as part of preparation for the second urban project. This review significantly increased the efficiency of urban expenditures in that city. In the transport sector alone traffic engineering measures resulted in savings estimated to be on the order of \$135 million, of which 120 million are deferred infrastructure projects (including a bridge) and 12 million as a result of reduced design standards. Although as a general rule we have difficulty in quantifying potential efficiency gains and cost savings arising out of an appropriate urban development strategy, the difference in efficiency between Abidjan, where the Government has focused on the provision of key infrastructure networks, and Lagos, where the former military government focused on excessively high standard national projects and ignored basic infrastructure in Lagos is striking to the most casual observer. Staff of the IDF Division have used as a working hypothesis, that the lack of infrastructure in Nigeria increases the cost of doing business by 30%. Another study which looked at a number of large cities of the developing world concluded that without adequate traffic engineering and control measures, traffic accident losses alone can account for 1% of GNP. Unfortunately, throughout West Africa, such losses as well as those caused by flooding, very high levels of work absences induced by sickness, travel times of two hours each way to work, and failure of public transport are becoming increasingly common.

2.3 Such conditions discourage outside private investors. They also result in significantly higher unit costs for processing and manufacturing, thereby affecting competitiveness.

2.4 A further point supporting a balanced approach is that the impact of Bank efforts in other sectors, such as those aimed at increasing labor productivity, and at improving education, for example, are much less effective under conditions in which large percentages of the labor force and of school age children suffer from diarrheas caused by lack of sanitation.

2.5 Many cities which at one point had reasonable infrastructure such as Accra, Cotonou are now facing crises of maintenance and will incur high rehabilitation costs if urban streets, drainage and other facilities do not receive routine maintenance. The high cost of rehabilitation can be avoided, and the economic life of most facilities can be lengthened through proper routine and periodic maintenance.

2.6 Is a balanced approach feasible given resource constraints? Can West African countries afford to both begin to ameliorate the worst of the physical inefficiencies in towns and cities and at the same time promote agriculture? Although specific analysis and sector work on a country-by-country basis is needed to answer this question, some observations can be made, based on project experience gained during the past five years.

2.7 First, the analysis of income distribution data in the project areas of countries where we are working (i.e., the Ivory Coast, Cameroon, Nigeria, Mali, Liberia, Senegal and Ghana) indicate that basic infrastructure is affordable by residents in the lowest income neighborhoods when finance for capital investment is available. These analyses show, and the first urban projects demonstrate, that basic infrastructure, at a level which would eliminate the worst inefficiencies and also provide basic sanitation, is affordable at current incomes.

2.8 This suggests that at least for the towns and cities of West Africa, (where 20% soon to be 40% of the population lives) it is not necessary to wait for future economic "growth" to deliver essential services and facilities. This is not to say that incomes are not now too low; incomes are never high enough. What it does suggest is that current incomes can already support significantly improved conditions.

2.9 Secondly, at the city wide level, there are indications that substantial opportunities exist for local resource mobilization through improved administration of taxes, to cover basic development expenditures. In Mali, for example, the first urban project financed maintenance improvement and sanitation schemes in Bamako, the costs of which are being covered by a tax on buildings instituted under the project. The project is also assisting in property registration, and other steps to help initiate a general property tax. Additional municipal revenues attributed to the project were estimated at about 1 billion MF in 1981 (US\$1.7 million) and are projected to grow to 2 billion MF in 1982. This is a considerable achievement for a country like Mali which should serve in a limited way to lessen national budget pressures. The Liberian project also involves innovative support to local resource mobilization efforts through the land adjudication process, which is an essential prerequisite to expanding the tax rolls. Often, the constraints to more effective mobilization appear mundane. But steps such as numbering streets and conducting cadastral surveys can have important impact because they are prerequisites to developing important revenue sources. These projects indicate that even in the poorest countries, it is possible to develop additional revenue sources to finance essential services if the motivation is sufficiently strong and if assistance is provided. Generally people are willing to pay for services if they are convinced that they actually get them.

2.10 The development of opportunities for resource mobilization is important not only for urban projects per se, but also for Bank efforts in many sectors where counterpart funds and funds for operations and maintenance are a clear constraint.

2.11 While the above analyses are partial and incomplete, we believe they deserve fuller development, discussion and thought since they deal with fundamental questions relevant to the overall regional development strategy. They suggest, for example, that a modified growth strategy for the Region may be more appropriate than a strategy that focuses too exclusively on growth.

Why Hasn't More Been Done Already By Countries Themselves?

2.12 The more important reasons for the inadequate response to date of countries in the region have to do with the post-independence framework, inadequate institutional development, and poor access to capital market facilities. First, until relatively recently, post-independence policies were such that with respect to residential infrastructure, for example, slum and squatter neighborhoods were considered to be a temporary phenomenon to be razed by the bulldozer. In their place were constructed higher cost, higher standard units, ultimately benefitting the higher income population. The failure to link standards to affordability resulted in the spread of slums and squatter settlements, the only alternative for low-income groups in the absence of affordable solutions. More recently, countries such as the Ivory Coast, Nigeria, Mali, Liberia and others, including Senegal, have recognized that with limited resources the earlier approaches are futile. They have begun to adopt more realistic views towards standards, affordability and cost recovery. There has not been a wholesale change in view, but there is in most countries, an active, open interest, based on a better understanding of resource constraints. This is reflected by an openness in dialogue with Bank staff on appropriate approaches that is more pronounced in West Africa than, say, in countries of the East Asia and Pacific Region at a comparable stage in program development.

2.13 Secondly, institutions with responsibility for urban development, as in other sectors, often have been weak, unsuitably organized, and provided with an uncertain mandate. The staff of institutions have lacked experience, training and exposure to methods being adopted in other countries. Institutional development of a fairly straightforward kind has thus proven to be critical. This inexperience is accompanied in most cases by patterns of organization molded after those in developed countries which are inappropriate to the needs of large scale area development that exists in most West African cities. The organizational structures of West African cities, inherited from the British and French, in which one municipal department or separate agency is responsible for street works, a second is responsible for drainage, a third for water, etc., are not appropriate for extending infrastructure networks under conditions where an entire package of facilities is lacking. Under these conditions an area development approach is more appropriate than a functional approach. While the adjustments in organization required to effect a change in approach are often not substantial, they are important.

2.14 Finally, access to credit facilities for capital expansion has been lacking. The mathematics of high rates of growth are such that borrowing is necessary to finance the infrastructure required for new growth. When the annual growth rate of population is high, the tax base that exists at any one time cannot, in general, support new capital investments for infrastructure to handle the increased population (since this might amount to 5-10% of the value of the existing stock) without borrowing. Limited access to credit facilities by local governments means that even under ideal circumstances, a backlog is building up.

- 5 -

III. EXPERIENCE TO DATE

3.1 Urban projects in the past have focused on the provision of basic infrastructure and services to the urban poor. Special attention has been given to cost recovery, affordability, replicability and to the need to spread low cost services as widely as possible.

3.2 Projects have generally included one or more of the following types of components:

- (i) Area Upgrading: the provision of basic sanitation infrastructure including drainage, water reticulation, excreta disposal, streets to selected areas, and community facilities including schools and clinics emphasizing affordable costs and standards. Upgrading can encompass considerable variety in approach between intensive upgrading of a relatively small area with infrastructure plus tenure, and extensive upgrading covering a wider area with less attention to tenure and perhaps less infrastructure;
- (ii) New Land Development (Sites and Services): the provision of new building plots through the extension of infrastructure to vacant land. This implies a shift by Government away from house construction to service provision with a concomitant reliance on the private sector to construct the buildings themselves. In addition, where the spread of illegal settlements in fast growing communities is a problem, the sites and services approach is one of the only financially feasible ways for governments to provide for orderly development of new land;
- (iii) Urban Transport: the provision of traffic engineering measures (which are low cost and have high benefits in comparison with new road construction);
- (iv) Municipal Services: the provision of equipment, vehicles and facilities for improved maintenance and operations focusing on solid waste, drainage and streets, as well as support for property registration and administrative systems; and
- (v) Other Institutional Support: the provision of technical assistance, training and studies to assist institutional development.

3.3 Six of our projects are at an advanced stage of implementation/ completion. Annex I summarizes the main project elements completed or in progress as well as the policy changes achieved for each project.

3.4 Area upgrading and sites and services have received the most attention in early projects, and these have been shown to be correct approaches for the problems they have addressed ^{1/}. The concepts underlying these efforts are fundamentally quite simple. However, they have represented for a number of governments, substantial changes in policy and standards from those that had been attempted in the 1960s.

3.5 After a slow start (see para. 8.3 for discussion of lessons learned) the status of our relationship with key borrowers in the Region is quite good. Our country dialogues go back at least five years in Nigeria, Senegal, Ivory Coast, Upper Volta, Mali, Ghana and Cameroon, and we have considerable, but more recent, experience in Liberia. These countries are now familiar with the kinds of standards and policies embodied in our projects and through the experience of the first projects are now beginning to incorporate such policies into other programs.

3.6 The achievements of the first round of urban projects are, in retrospect, not inconsiderable. This is especially so since these projects tended to tackle the most difficult urban problems in each country first.

- (a) Relative to amounts of money lent, the policy impact has been large. Most countries have now incorporated in their housing policy a focus on infrastructure for low-cost building plots (sites and services) as a means of dealing with housing. Slum demolition programs which were common in the early 1970s have been significantly reduced in favor of upgrading;
- (b) Cost recovery is an important element of all urban projects and exists at a higher level than in other sectors. This has been a major change for most governments. As a result of involvement with first urban projects, cost recovery and affordability is becoming an explicit objective in national housing and urban development policies; as a consequence, in places as disparate as Mali, Nigeria and the Ivory Coast, lower, more affordable standards for infrastructure are under active discussion;
- (c) Considerable adjustments in the understanding of the relative roles of the private sector and public sectors have been achieved with a recognition that the private sector has the major role to play in housing construction, while the Government can best stimulate the private sector through extension of infrastructure; and

^{1/} See monitoring reports.

- (d) Urban institutions have been considerably strengthened in countries where there has been a project. The type of impact varies considerably from project to project and has to date, been most advanced in the Ivory Coast. In Mali, support to municipal services and the development of local capacity to register and value buildings and property is having significant payoffs; in Senegal the Government has declared its intention to use the Project Unit to implement its new national policy of sites and services. In Upper Volta, where there have been considerable delays in project implementation, the municipal assistance component comprising vehicles, equipment and training for garbage collection and for road maintenance is 100% complete.

IV. STRATEGY FOR THE FUTURE

4.1 Urban projects are evolving. Broadly speaking, the chief areas of focus of the Division will be:

- (a) assisting local governments in their wider responsibilities for extending and maintaining urban infrastructure; and
- (b) initiating (with the help of Programs divisions) efforts to increase local revenues, not only for investment but equally important, for operations and for maintenance.

4.2 Local Authority Focus - Our "counterpart" institution is local government. In those countries where local governments are not well established we would also work with those ministries responsible for providing local government functions. However, the latter would generally be transitional arrangements and the strengthening of local government will remain a key objective.

4.3 In the future, as part of a balanced strategy in support of country-wide development objectives, we plan to address the broader infrastructure needs of towns and cities rather than focus exclusively only on those services provided to the poor. This should enhance our institutional development objectives, by establishing a wider range of common interest with local authorities. It would also enhance our ability to assist governments in improving urban efficiency by removing bottlenecks and thereby contributing to macroeconomic goals. Urban projects will continue to have a high impact on the urban poor—this is natural since the poor live in the areas most deficient in infrastructure—but our concern will be broader.

4.4 Fewer Components - As a general rule, our future projects will be more focused and have fewer components; this should permit doing them better, and improving the capacity to replicate important programs in the area of focus. In countries where institutions and policies are weak,

the first step should be to have one thing done well at a time. Urban development is not a one-project process; it needs to evolve. The best way is to start modestly and to tackle the mechanism over time. Upgrading and sites and services efforts have traditionally included additional elements involving construction of community facilities such as primary schools, health clinics and also provision of credit for small scale business. We have not to date developed useful experience in employment promotion through small scale business components and we propose to let IDF handle credit and technical assistance to small business in the future. While the experience in provision of community facilities has been reasonably positive, we propose to have fewer such components in the future except under special circumstances, in the interest of reducing coefficients and improving our ability to be more effective in those areas where we concentrate our attention. Of course, urban development is by its nature complex; it is not a single "sector" as other sectors, but is an area focus and therefore multifaceted. Where complexity has been a difficulty in the past, this has been associated more with multiple implementing agencies, or with policy complexity than with multiple types of works. ^{1/} We will seek to work primarily with one key agency in future projects and to deal with policies in a more incremental manner.

Broader Institutional Impact

4.5 The first project in each country tended out of necessity to focus on technical aspects of the development of particular project sites as demonstrations of what could be achieved. Because of this, they could give only limited attention to the broader context within which the projects were found. We are now in a position to deal more explicitly with long-term institutional impact and program needs. For example, when we choose to do upgrading in countries where we already have an on-going upgrading scheme, subsequent projects will take a more programmatic approach to upgrading, i.e., will move towards support to a "time slice" of a long-term program. Countries will be encouraged to plan their long-term needs for such infrastructure, and to work out a feasible financing plan. Similarly, if we do a project involving support to housing finance rather than have a project focus on a single site, we will look more broadly at the nature of the housing sector and attempt to fit our project better into overall housing policy (as is beginning to happen with the FMBN in Nigeria).

4.6 In summary, our traditional sub-sectoral emphasis will evolve in a manner designed to better institutionalize the concepts developed in the first projects. The following adjustments would be made in our traditional areas of interest:

- (a) Municipal Development - More attention to the broader needs of local government with the aim of improving urban efficiency:

^{1/} The first Nigeria project is a good example: the project unit has been able to act as a general developer and is able to construct schools and clinics along with the more basic water supply, drainage and street facilities under the auspices of the Bauchi State Development Board.

- (i) special attention to maintenance and rehabilitation (as in Ghana, Lagos and Mali);
- (ii) greater attention to municipal finance and local resource mobilization (as in Liberia, Mali);
- (iii) more overall investment programming and budget planning (as in Abidjan); and
- (iv) projects that finance broader packages of basic infrastructure in conjunction with the above to promote efficiency and reduce bottlenecks.

(b) Land Development

- (i) In upgrading we will move from a project-specific focus to a program approach in assisting local governments to deliver basic services. This will involve identification of total city needs; preparation of a financing plan and establishing institutional arrangements; and
- (ii) We will try to put sites and services in the overall context of land development needs. In the past, we tended to discuss sites and services only with housing agencies. Since sites and services is land development rather than housing per se, this has often led to confusion and questions of responsibilities of various units of Government.

(c) Housing - We will continue to finance infrastructure for housing, while de-emphasizing the construction of buildings by the public sector. When circumstances arise, we will deal more with broader housing policies, housing finance and institutions. Such an effort would focus on institutional development. The role of the private sector will be further emphasized in our policy and program dialogue.

(d) Urban Transport - Continued emphasis on those measures that have high payoff and relatively low capital expenditure to foster efficiency in goods and passenger movement in the larger towns and cities.

New Lending Tools

4.7 There are a number of new approaches to lending which will be explored in the course of our project work:

- (a) Development of Intermediaries - With a limited number of project interventions in each country, the role of intermediaries will be increasingly important:
- (i) in the field of housing, for example, there may be circumstances where we might focus directly on housing finance institutions rather than focus on specific projects, e.g., BES in Senegal, CFC in Cameroon and FNMB in Nigeria; and
 - (ii) another type of intermediary with which we might become involved is a municipal development bank. In Cameroon, Senegal and other francophone countries such institutions exist at least notionally. Working through such institutions may be the most efficient way of dealing with smaller, widely dispersed secondary centers.
- (b) Making Use of Cofinancing - The Ivory Coast and Cameroon projects involve cofinancing with bilateral institutions. Technical assistance and certain forms of municipal assistance (e.g., solid waste) are often attractive to bilateral institutions. Cofinancing with private sector banks, while less likely, should not be ruled out.
- (c) Support to SALs and Technical Assistance Projects - A new but potentially interesting avenue to explore would be to incorporate local government financial performance objectives as part of SALs in countries where counterpart funding is a constraint. Togo and Senegal may be examples for the future. Similarly, our experience with urban transport and housing parastatals might also be incorporated into SAL type lending. Investment programming studies could also be part of an SAL or technical assistance operation. Such studies have had an important impact in Abidjan and are about to start in Mali, Cameroon and Benin. These could have spill-over benefits to improving aid coordination.
- (d) Maintenance Projects - Given the importance of maintenance, there may be some countries, e.g., Ghana and other small countries where a focus on rebuilding a capacity to maintain existing infrastructure and/or rehabilitate obsolete facilities may warrant separate project focus. The first Lagos project will likely focus on maintenance in the solid waste and drainage sub-sectors as a way of providing a fairly straight forward entrée into Lagos and of assuring that the foundation exists for a substantial infrastructure program.
- (e) Technical Assistance and Engineering Projects - Another means of assisting governments to take the first steps in developing more comprehensive programs is through technical

assistance and engineering credits. Much of our project preparation and supervision in the past has in fact been technical assistance. We have not done separate technical assistance projects in the past because of constraints on the number of lending operations, but could consider doing so in Nigeria and perhaps in certain smaller countries such as Niger if we were to have an involvement there.

- (f) Reconstruction Projects - Staff of the Division have developed experience in the few reconstruction projects that the Bank has financed in other regions (earthquake and war reconstruction) and remain available for this type of work which requires careful planning.

V. COUNTRIES OF FOCUS

5.1 The countries on which we will focus are generally the larger, more urbanized countries along with only a selected few smaller countries where a positive dialogue has been established. The seven countries that will receive priority attention by the Division are Nigeria, Ivory Coast, Cameroon, Senegal, Liberia, Ghana and Mali. These are countries in which a positive dialogue has already been established and where our future program involves mostly repeater projects. Given the size, the backlog of investment needs, and the positive relationship we have established in Nigeria, it is the most important country for our program.

5.2 We would like to emphasize however, that even small countries have serious infrastructure deficiencies and the Bank can play a role in meeting these deficiencies just as it can in other sectors. Sometimes the problems are easier to deal with in smaller countries where they are not yet out of control, and where there is less institutional complexity. In fact, experience suggests that the Bank is likely to be more effective with basic infrastructure projects in these countries than with certain softer sector projects such as health, or even education, where operational issues are more difficult to deal with, or with inefficient public enterprises, where reforms will be difficult to achieve. Nevertheless, the frequency of repeater projects (in any sector) in the smaller countries will be low. Recognizing this, urban projects would only be proposed in such countries when it can be shown that the long-term institutional impact of the project would justify our involvement. The selection of a smaller country for inclusion in the program and the nature of our involvement would depend on the outcome of country CPP and other sector work.

5.3 In the larger countries, it is perhaps more true for urban than for other sectors that smaller, more frequent projects are more appropriate than larger, less frequent projects. Institutional development and a dialogue on policy issues can be best achieved by dealing with such issues sequentially, in small steps, rather than tackling several at a time in a single project.

STATUS OF PROJECT IMPLEMENTATION

1. In the Senegal Project (FY72) 11,000 serviced plots (for a population of 100,000 people) have been provided in Dakar, and 1,600 lots in Thiès. In Dakar the following community facilities have been built: one health center, one retail market, three schools and one police station.
2. The project was too large in scale for a first operation in Senegal and implementation was very slow. With the site development works now complete however, major complementary development has been stimulated. The Government is highlighting sites and services as a key element of its new national housing policy and intends to use the Project Unit (which has performed relatively well) to implement this policy. Broader institutional development within the OHLM has yet to be addressed.
3. In the first Ivory Coast Project (FY77) in Abidjan 8.6 km of urban express roads with bus lanes and connecting feeder streets have been built; 57 streets intersection have been equipped with traffic lights and 3 km of reserved bus lanes constructed in the city center. The upgrading of 215 ha (where about 100,000 people live) is 40% completed, 10 km of the main trunk sewer in the city constructed; 240 class rooms, 1 health center and 1 community center have been built; 1930 low cost dwelling units have been built with USAID co-financing and about 25 staff/year of technical assistance provided for project execution and for studies.
4. With the provision of the construction loans, which have not yet started, the project will be fully completed. Policy changes have been important with this project. On the transport side the Government has fully accepted a traffic management (restraint) policy including parking policy, one-way street system, and introduced the first reserved bus lanes in sub-Saharan Africa. On the shelter side the Government passed a law recognizing the importance of upgrading and defining mechanism for its implementation through all the country. The Abidjan investment programming study has developed a much greater awareness to coordination and restraint of urban investment and better use of existing infrastructure which has resulted in substantial savings.
5. In the Upper Volta Project (FY78) the municipal service department (garbage collection and street maintenance) has been reorganized and provided with new vehicle/equipment/tools (and training) both in Ouagadougou and Bobo-Dioulasso. Ten schools and three health centers have been rehabilitated and about nine staff/year of technical assistance has been provided for project execution. Upgrading of about 400 ha (50,000 people) and development of 50 ha (1,200 plots) of serviced sites has just started with plot demarcation and should be completed within two years. All project elements will be completed with delivery of construction loan and the remaining technical assistance. The main achievement of this project so far has been the improvement of the sanitary conditions of Ouagadougou and Bobo-Dioulasso due to the shaping up of their municipal services department.

6. In the Mali Project (FY79) 200 ha land development (sites and services and upgrading) for 50,000 people is 50% completed, 80 km of main drainage ditches have been cleared and repaired, 15 vehicles and 150 containers for garbage collection have been received and have started operating in Bamako and Mopti. Repair and construction of the water supply production and distribution system is 80% completed in Kayes. The regional directorate of land registry and taxes has been reorganized and a new property tax system is being set up. Thirteen staff years of technical assistance have been provided for project preparation and execution and about the same remains to be provided for carrying out project execution/preparation of an investment program for Bamako and preparation of a second project. The construction of the community facilities: two primary schools, one health center and three markets will start this summer. The sanitary conditions of the city will be further improved with the construction of about 120 public standpipes, and ten public toilets.

7. The main policy impact of the project so far has been the improvement of the sanitary conditions of Bamako, Mopti and Kayes, the mobilization of local resources for financing the recurrent cost of these programs and the strengthening of the District of Bamako both technically and financially.

8. In the Nigeria I Project (FY80) construction of about 2,000 serviced lots and upgrading of about 100 ha is 50% completed. The construction of six health clinics and five primary schools is 75% completed and about 35 staff/year of technical assistance provided for project preparation and execution to the local and federal level.

9. The project will be completed with provision of some more technical assistance and processing of construction loans. The main impacts of the project have been the demonstration that upgrading can be accomplished in an affordable way, the development of a new national housing policy statement, and long term institutional support to the Federal Mortgage Bank.

F. OUTPUTS

1. The outputs of the project are expected to be:
 - (i) project documentation providing sufficient technical, economic, financial, and institutional information to enable project appraisal by national and international lending/donor agencies;
 - (ii) project designs and cost estimates, construction documents and monitoring guidelines;
 - (iii) model sector policies, institutional arrangements and community participation for water supply and sanitation projects;
 - (iv) training of local consultants and sector agency staff in project selection and design; and
 - (v) identification of sources of finance to implement investment projects.

G. ACTIVITIES

1. The full-time planner/municipal engineer/financial adviser teams assisted by seconded national staff will have experience in urban project development. They will provide staff of operating entities and local consultants with advice and assistance on all aspects of design and implementation of projects. Local consultants engaged by governments will perform design work and work with local communities and implementing institutions in project preparation.
2. Meetings of the project teams, governments, and local consultants will be held to determine methodology, design, report format, and monitoring criteria. Detailed project designs, cost estimates and documentation for project implementation will be prepared. Meetings will be held with local institutions to determine operational arrangements, including service charges.
3. Detailed project implementation and monitoring proposals with cost estimates will be prepared for consideration by funding agencies.

H. INPUTS

- (a) By government: The project teams will conduct activities through the ministries and local government authorities responsible for urban infrastructure, services and housing. These authorities will be requested to identify specific

counterparts whose role will be to work with the project teams to identify investment projects and to follow through in all phases of the project preparation cycle. In addition, the ministries and water authorities will be asked to nominate government personnel to participate in on-the-job and in formal training activities. In-kind and cash contributions by participating governments will be defined in an exchange of letters between the government and the executing agency.

(b) By UNDP:

For East Africa Office:

Personnel

Urban Planner/Municipal Engineer, 24 months at \$----/month	US\$---
Financial Analyst, 24 months at \$----/mo.	US\$---
Consultants (to be seconded by bilateral donors)	
Support staff, 36 months at \$-----	US\$---
Travel, 24 regional trips	US\$---

Subcontracts

Identify investment financing US\$

Training

Fellowships (to be funded by country IPF)
Training materials

Equipment

Expendable supplies
Non-expendable
Premises

Miscellaneous

Reports and sundry

36 month total for East Africa Office US\$.

For West Africa Office:

Personnel

Urban Planner/Municipal Engineer, 24 months at \$----/month	US\$---
Financial Analyst, 24 months at \$-----	US\$---
Consultants (to be seconded by bilateral donors and IFIs)	

Support staff, 36 months at \$
Travel, 24 regional trips

Subcontracts

Identify investment financing US\$

Training

Fellowships (to be funded by country IPF)
Training materials

Equipment

Expendable supplies
Non-expendable
Premises

Miscellaneous

Reports and sundry

36 month total for West Africa Office US\$

I. WORKPLAN

A workplan for each of the two offices will be prepared within three months of arrival in the field of the first advisers.

J. FRAMEWORK OF NATIONAL PARTICIPATION

While preparing the workplan, the teams will propose ways of fully integrating national staff into the project.

K. DEVELOPMENT SUPPORT COMMUNICATIONS

Major development support materials will be prepared to promote broad community participation in project design and operations. These materials (technical handbooks, brochures, manuals, films, etc.) will be widely distributed to both technical people and participating communities.

L. INSTITUTIONAL FRAMEWORK

1. Counterpart institutions will be identified in each of the participating countries.

2. The international team for East Africa will work out of offices in Nairobi and the West Africa team out of Abidjan.

They will coordinate activities with the various regional offices of other international organizations.

M. PRIOR OBLIGATIONS AND PREREQUISITES

None.

SCHEDULES OF MONITORING, EVALUATION, AND REPORTS

A. Schedule of Reviews

The project will be subject to periodic reviews by UNDP and the World Bank in accordance with policies and procedures established by UNDP.

B. Evaluation

The project will be subject to evaluation in accordance with the policies established for this purpose by UNDP.

C. Progress Reports

Technical papers will be issued as appropriate. Semi-annual progress and financial (PDR) reports will be prepared.

URBAN DEVELOPMENT IN EASTERN AFRICA

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MAP

Eastern Africa Region - Growth in Urbanization; 1960-80

URBAN DEVELOPMENT IN EASTERN AFRICA

I. A REVIEW AND STRATEGY NOTE

1. The first strategy note on urban lending in Eastern Africa was circulated in May 1981 and subsequently discussed in a meeting of the Regional management group. The strategy note summarized the record of experience up to that time as follows:

- (a) In almost all countries where we have been active, we have had a considerable impact on government policies regarding affordable standards for shelter and infrastructure. Site and services programs and slum upgrading have been demonstrated to be technically feasible means of providing satisfactory shelter for a wide range of income groups at affordable costs;
- (b) Cost recovery has been difficult because of the long tradition of subsidized urban services in most countries. Nevertheless, encouraging starts have been made in a number of countries, and much greater awareness of the principles of cost recovery has been engendered;
- (c) Labor-intensive construction methods have been shown to provide significant employment for small contractors, suppliers of construction materials, and artisan labor. However, our experience with more direct involvement in employment creation components has had only limited success; and
- (d) While some progress is being made, urban institutions in the Region remain weak, posing a serious constraint to the replication of low-cost shelter programs on a major scale.

2. In light of this experience, the 1981 strategy note outlined our future program as one of continuing with the type of shelter projects we had been doing, but with greater emphasis on policy, urban management, and institutional development and training. Selective efforts at bolder employment and income components would be attempted, especially those targeted on building materials supply and small-scale contractors, and more urban transport schemes would be supported. Finally, projects in secondary towns would be carried out to strengthen the interaction between urban and rural areas.

3. The 1981 strategy note provided the basis for an active expansion of the urban program over the subsequent period, encompassing six projects in as many countries (five of which were new countries for the Bank's urban program) and several major sector reports. However, questions have continued to be raised within the Eastern Africa Region concerning the scope and direction of the Bank's involvement in urban development. This concern arises partly from a greater appreciation of the depth of the economic problems facing sub-Saharan Africa and the need to focus the Bank's priorities for assistance during a period of constrained resources.

Current Bank strategy, as set forward in the recent report "Toward Sustained Development in Sub-Saharan Africa: A Joint Program of Action," draws attention to the need for medium-term policy reforms to restore economic growth and for increased Bank assistance in the key areas of agriculture, energy, and human resource development. In this context, it is appropriate to reevaluate the earlier strategy put forward for the urban sector, to determine whether and how the Bank should maintain its involvement in this sector over the coming period.

A. Urbanization and Policy Priorities in Eastern Africa

4. Eastern Africa is urbanizing on a percentage basis at the most rapid rate of any region in the world. (See attached map for data on urbanization rates in Eastern Africa.) The most recent projections by the UN indicate that the 1975 urban population of about 40 million is expected to grow to 160 million by the year 2000. This four-fold increase in 25 years represents an average annual growth rate of 5.7%, or more than twice the overall population growth rate of 2.6% per annum. These high growth rates derive predominantly from the historically low levels of urbanization in the region, so that on an absolute basis (by measures such as the percentage of the total population living in urban areas), Eastern Africa is under-urbanized by global standards. Nevertheless, given the strain that this growth will produce on relatively weak and inexperienced urban institutions, it is clear that rapid urbanization will continue to be an important development issue for many years to come.

5. Most studies of the development prospects for sub-Saharan Africa agree that severe urban dislocations of the type already seen in other areas of the world will occur in many African cities before the end of this century. The human cost of this prospect is already evident in spreading slums, deficient urban services and employment, and smoldering discontent which can threaten the stability of any government. In economic terms, also, urban breakdown can impose serious deadweight losses on the economy. For example, a recent Bank study of agricultural development in the Kivu region of Zaire traced the failure of various agricultural projects partly to shortfalls in the urban marketing, distribution, and service delivery systems, due to an advanced state of disrepair in the main towns of the region.^{1/} Less obvious costs in cities where service deficiencies are not so extreme include long periods wasted waiting for inefficient public transport, disruptions to production cycles due to unpredictable cuts in water or electricity supplies, and low productivity of urban workers due to poor sanitation, overcrowding, and inadequate shelter.

6. Few people would deny that urban growth is an important long-term development issue in Eastern Africa. Beyond this, however, there is a lack of consensus on what the Bank's role should be in this process. There are three major arguments which have been advanced to justify a diminished need

^{1/} "Zaire: Regional Development Problems - The Case of Kivu," World Bank Special Economic Report, May 31, 1984.

for Bank assistance in urban development. There are those who maintain that with IDA resources constrained, the Bank cannot afford the considerable effort required to turn urban policies around and have an impact on a scale commensurate with the problems. In countries which require assistance in their urban strategies, it is suggested that the Bank can maintain an adequate presence through small technical assistance type projects, and that traditional urban lending of the type practiced until now can be virtually eliminated. The second argument against urban lending is of a more philosophical nature and is based on the presumption of widespread "urban bias" in the policies of our member countries. In this view, the political power of African urban elites promotes economic policies which bias the distribution of income and investments against the rural majority. The net effect of these policies is to retard economic development by hindering the growth of agriculture and promoting inefficient industrial development behind protective trade barriers. Related to this argument is a lingering concern about the marginal effects of urbanization programs on encouraging rural-urban migration, contributing to the impoverishment of the countryside. The third argument against urban lending, which is addressed and dismissed in the subsequent sections of this paper, is that urban projects are unduly complicated or that they have failed to achieve their basic objectives. With the exception of the third argument, these unresolved policy concerns have constrained the development of a coherent urban program in Eastern Africa, so that appeals for increased urban lending based on projections of high urban growth rates have received little credibility within the region.

7. These arguments must be seriously and conscientiously addressed. Concerning the requirements for achieving policy reforms, much of the persuasion needed to achieve initial policy changes, particularly with regard to shelter programs, has already borne fruit. Most countries of the region now accept the basic premises of affordable services, slum rehabilitation, and cost recovery. The next stage of policy reforms must address measures to carry out such operations on a scale which matches the severity of the problems. In achieving this goal, IDA and Bank funds are clearly insufficient as a primary source of funding. Greater use needs to be made of domestic resources, either through improvements in financial intermediation, greater involvement of the private sector in project activities and, above all, increased utilization of revenue flows arising from cost recovery mechanisms and municipal taxation. Technical assistance projects may provide one means of achieving this goal, particularly through the strengthening of urban local authorities and improvements in local taxation procedures. Nevertheless, it must be recognized that a greater array of instruments will be necessary to mobilize opinion for policy change and to iron out implementation problems before large-scale replicability is obtained. Our experience to date shows that even limited Bank or IDA participation can help provide the catalyst necessary to achieve policy objectives which are otherwise impossible to gain by technical assistance alone.

8. Regarding the issue of urban bias, this situation exists in virtually all of the countries of the region. However, the problem is neither uniform within the region nor limited in extent to sub-Saharan Africa. A recent staff working paper on pricing distortions indicates that

Eastern Africa contains examples ranging from the most severe levels of distortion (Tanzania) to the least (Malawi and Kenya).^{2/} However, other regions show a range of distortion patterns equally as wide as Eastern Africa, and several major borrowers have pricing distortions more severe than Tanzania. Furthermore, if the pattern of pricing distortions is compared to the Bank's lending program for urban development, it appears that the urban bias argument has not affected the Bank's participation in urban lending except in Eastern Africa. The Ivory Coast, Pakistan, Peru, and Nigeria are all countries with severe pricing distortions in their macroeconomic policies and active Bank-financed urban development programs. While these examples do not by themselves justify further urban lending, they do indicate a general willingness in other regions to consider the urban program on its own merits as well as within a general country framework.

9. Regarding concerns about the effect of urban infrastructure investments on rural-urban migration, there is an abundant literature that demonstrates that the availability of jobs and increased income-earning opportunities in urban areas are the primary determinant of migration, not the availability of urban amenities. In fact, careful studies of demographic growth in countries such as Kenya and Zimbabwe demonstrate that even under the most optimistic estimates of growth in agricultural yields, a substantial amount of rural-urban migration will be necessary in order to bring about improvements in rural per-capita living standards. Many developing countries have accepted the fact that migration can provide net benefits both to the migrant and to his place of origin, such as through remittances to rural areas to finance smallholder investments. However, even beyond the positive features of urban migration, it would be morally difficult to justify policies which consign the least fortunate of urban inhabitants to an unhealthy and wretched environment in the hope that such a demonstration effect would convince equally destitute farmers to remain in their current location. The principal concern therefore should be to establish sound policies in both rural and urban areas which do not influence migration choices through hidden subsidies, and which also provide a positive basis for servicing the needs of the population in all areas.

10. Given that the conventional arguments provide little support for neglecting urban development problems, what arguments can be advanced to justify a more active position for the Bank in promoting sound urban policies in Eastern Africa? First of all, there is a need to ensure that existing investments in urban areas are used efficiently. This concern covers not only requirements for adequate maintenance of urban infrastructure, but also the continuing financial and institutional ability of municipalities to provide services required by residents and businesses in order to operate efficiently. A second concern of urban policy is to plan new additions to urban infrastructure in such a way as to minimize waste and spread the benefits as widely as possible. Our existing projects demonstrate that low-cost investment programs can be formulated and

^{2/} R. Agarwala, "Price Distortions and Growth in Developing Countries," World Bank Staff Working Paper No. 575, July 1983.

implemented successfully. More work is needed in extending these concepts to provide a widely-accepted alternative to the "showcase" investments often offered by politicians in the absence of sound planning. Finally, urban policy reforms need to stress that urban areas can be made self-reliant for their financial and institutional needs. Policies which subsidize urban residents are unnecessary and can become a serious drain on government revenues if they are not curtailed. Similarly, overstretched central government ministries are generally a poor place to plan urban programs, particularly when there is a sound tradition of viable local government authorities in many of our member countries. By continuing to stress the basic principles of cost recovery, municipal taxation, improved urban administration and training, and realistic investment planning, a sound basis of support can be provided to the countries in Eastern Africa for managing their urban growth in a satisfactory manner.

11. In summary, prospects for the urban sector in Eastern Africa can be characterized as follows in terms of the development framework and as pointers for the potential role for the Bank:

- (a) Urbanization at the rapid rates of the past will continue in the future. Realistic policies consistent with limited resources are the key to managing this growth;
- (b) The urban sector comprises critical areas of developmental needs of African countries (resource mobilization, industrialization and marketing functions, basic needs services, and poverty alleviation); and
- (c) Given the constraints on the availability of IDA resources, the Bank's role in the urban sector needs to be catalytic in stimulating sufficient resources and achieving sound policy reforms.

The underlying theme of the Bank's approach must therefore be that emphasis must be placed on the efficient utilization and management of urban investments and, complementary to this approach, the urban areas themselves must generate the resources needed to address urban problems on an ongoing basis.

B. The Urban Program in Eastern Africa

12. Although the bank has traditionally been heavily involved in urban areas through lending for industrial, water supply and power projects, direct involvement in urban development only began in the early 1970s. The Bank's approach in addressing urban problems was to (i) help governments shape sound urban policies and create the institutional capacity to manage and plan for urban growth over the long term; and (ii) respond directly to the problem of urban poverty.

13. Projects. During the period FY74-84, a total of 14 urban projects in ten countries have been approved for Eastern Africa, for loans/credits totaling some US\$250 million or 3.2% of total Bank lending for this period. The specific projects financed, their costs, loan amounts and status, as well as the current urban lending program for FY85-88, are shown in the table on the following page.

EASTERN AFRICAN URBAN PROJECTS (FY74-88)
(US\$ millions)

Fiscal Year		Loan/Credit Amount	Total Project Cost	Status
1974	Botswana: Francistown Urban Development I	3.0	4.5	Completed.
1975	Kenya: Nairobi Site and Services Project	16.0	32.7	Completed.
	Zambia: Lusaka Squatter Upgrading and Site and Services	20.0	41.8	Completed.
	Tanzania: National Sites and Services	8.5	18.0	Completed.
1978	Botswana: Urban Development II	8.0	12.5	Under implementation.
	Kenya: Second Urban Project	50.0	62.0	Under implementation.
	Tanzania: Second National Sites and Services	12.0	33.3	Under implementation.
1980	Lesotho: Urban Development I	6.0	7.1	Under implementation.
	Burundi: Urban Development I	15.0	16.7	Under implementation.
1981	Mauritius: Urban Rehabilitation and Development Project	15.0	24.5	Under implementation.
1983	Ethiopia: Urban Development I	20.0	27.7	Under implementation.
	Kenya: Secondary Towns Project	29.0	37.4	Under implementation.
1984	Madagascar: Urban Development Project	12.8	18.0	Just under implementation.
	Zimbabwe: Urban Development I	43.0	112.6	Just under implementation.
		<u>258.3</u>	<u>445.9</u>	

EASTERN AFRICAN URBAN PROJECTS (FY74-84) (continued)
(US\$ millions)

<u>Fiscal Year</u>		<u>Loan/Credit Amount</u>	<u>Total Project Cost</u>	<u>Status</u>
		<u>PROPOSED</u>		
1985	Djibouti: Urban Development Project	5.0	15.2	Board Presentation in Sept. 1984
	Malawi: Urban Development I	15.0	18.2	Board Presentation in November 1984
1986-1988	Botswana: Selebi-Phikwe Technical Assistance	3.0	3.0	Sch. for appraisal FY85

14. Eastern Africa urban projects have included one or more of the following components:

- (a) Provision of essential urban services to slum and squatter communities emphasizing affordable costs and standards; these projects have also included community services such as primary schools, clinics, community health services and markets. Upgrading has been of two types: intensive (services plus tenure) and limited to specific neighborhoods; and extensive, covering many neighborhoods with minimal infrastructure;
- (b) Low-cost housing (shelter) in the form of sites and services, including housing construction loans, at costs and standards affordable by families down to about the 20th percentile of the urban income distribution;
- (c) Employment and income generation through promotion of small and cottage enterprises, credit schemes, small industrial estates and market facilities;
- (d) Urban transportation improvements with emphasis on low-cost measures and public transport services; and
- (e) Institutional support and training for urban management agencies, both at the central and local levels.

15. As part of our lending, considerable attention has been paid to policy and institutional objectives. In our early attempts to modify urban policy, we sought to convince our Eastern Africa borrowers that conventional public housing programs for low-income groups had failed because the standards were too high and required significant subsidies, creating a serious drain on Government funds. Because low standards and self-help construction were new ideas, much convincing was required, and strenuous objections from politicians, architects and engineers had to be overcome. We also emphasized that previous programs had failed because there had been little effort to recover costs from final beneficiaries.

16. With respect to institutional development, the Bank has sought to assist governments in transforming local government institutions (municipalities, town councils, etc.) into organizations with the capacity and expertise to plan and manage urban growth on a scale required by the new realities of massive urban growth. Technical assistance and training for project implementation and general urban management has formed an integral part of our projects. Especially important has been our developing expertise in assisting local governments improve their general revenue base through improvements in property revaluation, debt collection, and financial management.

17. Finally, an important vehicle for maintaining our dialogue with the borrowers and for assimilating the results of experience within the urban division has been our extensive sector work program. Since 1980,

five major sector reports have been completed or are under preparation (Mauritius, Kenya, Zimbabwe, Malawi and Uganda) and five informal sector reviews have been undertaken with divisional resources (on cost recovery, employment generation, project economic analysis, institutional development, and transport components in urban projects). In addition, individual urban projects provide support for studies to be undertaken by the borrowers, including revision of building bylaws legislation (Kenya), urban land legislation and tenure regulation (Madagascar), and the role of housing subsidies in civil service compensation policies (Malawi). This effort has contributed to the development of a substantial body of knowledge on urban policy and conditions in Eastern Africa, to serve as a base for continuing operations in the sector.

C. Achievements

18. Four projects in the Eastern Africa portfolio have been completed, with the rest in various stages of implementation. Given this early stage, it is premature to draw definitive conclusions about long-term achievements. Nevertheless, the project completion reports for Botswana I, Zambia I, Kenya I and Tanzania I, as well as our ongoing review of our existing portfolio, permit an interim gauge of successes and a highlighting of areas requiring further attention.

19. All of the completed projects were successful in achieving the majority of their original objectives. Economic rates of return have been satisfactory, ranging from 11% in the case of Botswana to 18% in the case of Zambia. Start-up problems owing to the newness of project concepts and the scarcity of trained staff in the implementing agencies were overcome to allow the projects to be completed within a reasonable time frame. Within this general perspective, some significant results have been demonstrated:

- (a) Our involvement in serviced sites and upgrading projects has been instrumental in achieving region-wide acceptance of these concepts. Affordable shelter for the urban poor can be provided at a fraction of the cost of previous programs and can promote private investment and savings many times the public investment (Kenya, Botswana, Tanzania, Burundi). One measure of our success is the growing involvement of the private sector in providing housing finance to low-cost housing projects (Zimbabwe, Malawi);
- (b) The major principles of cost recovery have been convincingly demonstrated. This has been a much harder area to crack than we initially assumed, and our experience (analyzed in a divisional paper in 1982) demonstrated how ambitious the goal was and the extent of our partial inroads. The experience in Burundi and Kenya confirms that cost recovery can be achieved, given a reasonable commitment by the local implementing agency;
- (c) Upgrading projects are especially effective in achieving poverty alleviation objectives, often reaching the lowest

income groups. Upgrading costs on the order of \$50 per capita have been realized and are well within the means of households in the poorest decile of the income distribution curve (Tanzania I and II);

- (d) Small-scale contractors, often consisting of only one individual, have played an important role in reducing costs of housing construction, developing or refining construction techniques, and providing employment; and
- (e) Community development activities are especially important in extending project benefits to the very poorest beneficiaries. The experience of the Kenya, Zambia and Botswana projects demonstrates that outreach activities such as formation of building groups and community participation in project decisions can significantly enhance the attainment of project goals and increase the benefits and community support of project activities.

20. On the basis of the successful record of the Bank's initial projects in the urban sector, subsequent projects have expanded their scope to include many of the institutional and financial issues which must be addressed to achieve full-scale replicability. These areas include:

- (a) Strengthening of municipal finance and administration, focusing on, first, improvements in recurrent revenue generation (e.g., projects in Tanzania, Burundi, Kenya and Madagascar emphasize reforms in the property tax system and other sources of local revenues); second, the balance between recurrent and capital financing requirements for new projects (e.g., Tanzania II was reshaped to focus on maintenance of local infrastructure, and Ethiopia I includes an urban maintenance program); and third, strengthening of urban management in smaller towns as well as in the capital city (e.g., Kenya III and Zimbabwe I);
- (b) Institutional development efforts have moved from the widespread use of specialized project units in earlier projects, to greater emphasis on integrating project activities within the existing structure of urban local authorities and clarification of the role and functioning of institutions on both the central and local governmental levels (e.g., the Lesotho project assisted in the establishment of urban authorities to take over the provision of local services, and the Tanzania projects provided a basis for commenting on the statutory provisions reestablishing local authorities in urban areas);
- (c) Much greater emphasis has been placed on the training of local authority staff (e.g., the Zimbabwe project contains the largest training effort yet incorporated into an urban project, focusing particularly on requirements for staff training at the technician level); and

- (d) In view of the widespread scarcity of local counterpart funds, the most recent projects have emphasized greater involvement of the private sector in financing urban development activities, either through the existing system of domestic housing finance institutions (Zimbabwe, Malawi) or by direct involvement of private developers in carrying out project activities (Kenya III). In other countries, work has focused on strengthening parastatal financial institutions to play a larger role in the financing of urban development (Ethiopia I, Kenya III).

21. In expanding the scope of urban operations on both the project and policy level, urban sector work has played a leading role. Particular examples include the substantial reduction in public housing investment in Mauritius which was recommended by an urban sector study, the improvements in municipal finance in Kenya resulting from the IMF study of local authorities sponsored under Kenya I, adoption of affordable standards for housing and greater involvement of the private sector recommended by the Zimbabwe study, and agreement to phase down the provision of subsidized staff housing and institute a comprehensive review of the civil service compensation system in Malawi. Other reports and sector work have focused on longer term issues for urban development. Examples of these reports include the emphasis on urban spatial development strategies and institutional arrangements required to support decentralized urban growth which was covered by the sector report for Kenya, and the internal divisional review of cost recovery which established comparative targets for cost recovery and identified critical problem areas to be addressed in achieving adequate performance.

D. Problem Areas

22. Despite this overall positive interim assessment, we cannot yet claim to have established a fully replicable model to support urban development in Eastern Africa. The innovative policy advances in affordable standards and cost recovery have often been dependent on the momentum of project activities and the prestigious backing of the donor community for their initial acceptance and implementation. However, conflicts between highly visible project agencies and established institutions, political "back-sliding" on standards and cost recovery during project implementation, and failure to establish a sustained flow of financial resources into urban development activities are all too common failings of our urban operations. These problems may perhaps be expected as part of any effort to change attitudes and policies in a highly politicized environment such as urban development. However, they do raise the question of the lasting effect of the Bank's efforts, particularly if the lending program does not allow enough continuity to consolidate difficult policy gains which have been achieved at an earlier stage.

23. Project management has generally been the weakest link in project implementation. This fundamental institutional constraint underlies such problems as delays in implementation schedules and inadequacy of the subsequent operation and maintenance of projects. Problems of obtaining qualified technical staff, often owing to deficient salary scales at the

local level, have been a persistent issue. In part, this reflects the fact that urban projects rely heavily on local staff, with expatriate assistance limited to a few critical project areas. Efforts to address problems of project management include a substantial emphasis on training of local authority staff in Zimbabwe I, improved monitoring and evaluation procedures to identify implementation problems at an earlier stage, and efforts to have the private sector assume a greater role in project implementation. Those efforts will need to be modified and refined over time to arrive at a more satisfactory model of local institutional strengthening.

24. Financial replicability is a concern which goes beyond the traditional emphasis on cost recovery procedures and underlies many project problems ranging from inadequate maintenance funds to lack of counterpart financing and persistent overruns on project management costs. Our divisional review of cost recovery demonstrated that success in this area is directly linked to the overall efficiency and commitment of the implementing body to financial management. Since our last review, progress has been made in several countries (Botswana, Burundi and Tanzania) which were facing the most serious difficulties in cost recovery. Nevertheless, increasing levels of arrearages and inadequate provisions for maintenance and administration are still too common project features, especially since the high economic rates of return obtained by the projects demonstrate that the capacity to meet project charges is there if the will to collect is present. To address the broader issues of financial replicability, we are starting to implement measures to tap domestic capital markets for local counterpart funds, primarily through the involvement of domestic housing finance institutions. Efforts to improve recurrent revenue sources have been successful in some cases (e.g. Burundi) in achieving a realignment of taxing authority between the central Government and the local level, thereby improving the incentives for sound financial control. Finally, cofinancing of project costs is being initiated in two new projects (Djibouti with USAID and Caisse Centrale de Cooperation Economique, and Zimbabwe, with the Commonwealth Development Corporation).

25. Municipal management is the one area where we have not been able to demonstrate sustained success as yet. Our major effort in this area has been with Nairobi, where the Bank invested substantial effort over a number of years to improve the recurrent revenue base of the city, institute forward investment planning, and carry out various reorganizations to improve operating efficiency. A number of successful achievements can be recorded, such as the doubling of Nairobi's tax revenues in 1982 due to the introduction of a revised property valuation roll. Nevertheless, continuing problems of political mismanagement and inadequate financial control in the city caused the central Government to dissolve the elected council in 1983 and establish an appointed commission to manage Nairobi's affairs. After ten years of Bank involvement with Nairobi and four projects (two urban, two water), we have yet to demonstrate a coherent program for assisting the city develop a sound financial base and expand its essential services efficiently.

26. In summary, the current status of urban operations in Eastern Africa is one of transition from the successful demonstration of innovative project concepts to the development of a framework for consolidating these

gains. Using a relatively modest share of the Regional lending program, the Bank has established a widely recognized reputation for advocacy of sound urban policies and investment programs designed to reach the urban poor. Nevertheless, this position of authority on urban development will be dissipated unless it can be demonstrated that individual project successes can be translated into sound programs for the longer term. Whether the Bank will meet the challenges of a maturing policy dialogue depends critically on the continuity of the urban program and its ability to focus available resources, both intellectually from the sector work program and financially from the lending program, on the most critical elements that constrain widespread acceptance of the investment principles established so far.

E. The Future: Urban Strategy for Eastern Africa

27. We believe that in order to meet the challenges of urban development, countries in Eastern Africa should seek to meet the following objectives over the next twenty years:

- (a) The urban policy and institutional framework should be sufficiently developed to permit the provision of basic urban services to the majority of the urban population. This will require development of stronger mechanisms for physical and economic planning, financial forecasting and control, land management, and training in relevant skills;
- (b) The institutions involved in financing investments in urban housing and infrastructure should be strong enough to obtain a substantial degree of cost recovery and greater use of domestically generated capital resources. This will require the further development of financially sound shelter and service delivery programs for low-income families, and greater efforts to mobilize resources from the private sector; and
- (c) Local municipal institutions should be able to provide a range of essential services and maintain and operate existing and new investments, using locally-generated funds to the greatest extent possible.

28. Bank assistance through individual projects and sector work will be tailored to respond pragmatically to specific country and city situations in achieving these objectives. In those countries where we are further along in demonstrating low-cost urban solutions, we would focus on making these solutions replicable, with the possible objective of sector loans eventually. In those countries where we are at the starting stage, we would concentrate on well-defined initial operations to create the conditions for larger operations later on. By being flexible in our approach and concentrating our efforts on the most critical problem areas, it should be possible to maintain progress in achieving urbanization objectives, despite the serious constraints on project lending in the medium-term.

29. Proposed Strategy. We propose to develop an urban program based on the following principles:

- (a) Use urban sector work to develop the necessary policy framework to address such issues as urban employment, urban infrastructure, and municipal management, and link them to macroeconomic concerns;
- (b) Continue with urban lending where appropriate, with heavier emphasis on policy development, municipal finance, and institutional development, including training. In addition, other methods for assisting with urban problems will be investigated, such as participation in technical assistance projects, coordination with other donors to maintain continuity of aid programs, etc.;
- (c) Direct our supervision resources increasingly into technical assistance activities as the local implementing institutions develop more familiarity with project concepts; and
- (d) Contribute to the development of country economic strategies in all cases where urban concerns can contribute meaningfully to current development priorities.

The remainder of this section provides greater detail on how the urban program would be developed in each of these areas.

30. Policy Dialogue and Sector Work. We are recommending a sector work program focusing on three types of sector analysis:

- (a) Country studies, which may consist either of relatively brief country reviews of urban conditions as an input to the development of country assistance strategies (for countries where only limited urban involvement is anticipated), or more in-depth studies focused on sector-specific issues as a basis for developing operational strategies and specific policy recommendations (e.g., Uganda urban sector review, Kenya municipal finance study);
- (b) Comparative reviews of experience on topics such as housing finance, property taxation and institutional development. These studies would generally be carried out using divisional resources, and would focus on synthesizing project experience and providing insights across different countries on ways in which our future operations can be improved; and
- (c) Special studies and/or research. We intend to continue our collaboration with WUD and the West Africa Urban Division in order to improve our understanding of factors with long-term implications for the direction of urbanization in sub-Saharan Africa, including such topics as defining the contribution of urban development to macroeconomic growth, improving the function of secondary cities in promoting rural-urban trade flows, and measuring the contribution of urban infrastructure to increasing the productivity of urban areas.

31. Lending Program. Urban lending would consist of a relatively few highly-focused operations which address major sectoral issues. The specific areas of project emphasis would include:

- (a) Shelter Projects. Our first and second generation projects in low-cost shelter have been effective vehicles for focusing on specific aspects of cost recovery procedures and affordable investment strategies. Where our borrowers have accepted these principles, new projects should seek to consolidate these policy gains on a sector-wide basis. Therefore, except for possible first projects in new countries, we will undertake new initiatives in the shelter sector only when we can effectively address major sectoral issues which have a clear relationship to country economic strategies and/or where good progress has been made through past projects in addressing major policy issues and where continuity of Bank involvement is required to complete the process. Examples of policy issues which would be addressed through new shelter projects include:
- (i) major subsidy issues (e.g. Malawi) where we receive government agreement on overall issues facing the sector, not just on a particular Bank-financed project;
 - (ii) substantial involvement of the private sector (e.g., Zimbabwe, Kenya, Malawi);
 - (iii) significant institutional changes, such as the restructuring of housing finance institutions to improve the financial solvency of the organizations (e.g., Ethiopia); or
 - (iv) agreement on major changes in public investment programs to reduce the burden of housing programs on the government budget and to distribute resources on a more equitable basis (e.g., Mauritius, Zimbabwe).
- (b) Municipal Management Projects. Our experience with Nairobi indicates that project-focused lending may not be the best means to address overall problems of municipal management and finance. Many of the major problems experienced by Nairobi (decline of financial discipline, collapse of maintenance services, etc.) took place in a context where the Bank-financed projects continued to be implemented efficiently within their defined domain of operations. In such cases, it is difficult to justify major new capital investments without addressing the underlying management and financial problems which affect the overall administration of the city. This consideration applies also to countries which are attempting to establish new urban authorities (e.g., Tanzania, Ethiopia, Lesotho) to take over the delivery of services on the local level. In such cases, projects focusing on the strengthening of municipal revenue sources, improvements in maintenance planning and administration, training of urban personnel, and strengthening of urban management systems can have high benefits in terms of improving the efficiency of local service delivery and strengthening of local revenue bases. In some cases, it may be possible to achieve these objectives

through free-standing technical assistance projects (e.g., the FY86 Botswana technical assistance project). In most instances, however, at least some investment financing will be required to address the immediate service priorities and to ensure the commitment of the municipality in carrying out the desired management reforms.

- (c) Urban Infrastructure Projects. None of the urban areas in Eastern Africa has been able to achieve balanced growth of their infrastructure. Even where the Bank has had a substantial involvement in the development of particular cities, it has almost always been in the context of individual sectors (water supply, shelter, electricity, etc.), with little attempt to integrate investment planning or to determine priorities between sectors. The value of taking a more comprehensive look at urban priorities is particularly evident in situations where long-term neglect of maintenance and forward planning has contributed to a collapse of most urban services (e.g., Dar es Salaam and Kinshasa). The development of secondary towns and smaller urban centers provides another example where integrated planning can assist in ensuring that urban areas are able to perform their necessary role in regional development. The success of the integrated approach in other regions (e.g., Calcutta) indicates that selective attempts to coordinate urban development planning would be warranted in Eastern Africa. This integration will be facilitated in many cases by the merger of the water supply and urban divisions in the Eastern Africa region. Other methods of achieving greater coordination may be through urban infrastructure sector reviews to determine investment priorities and identify projects in particular sectors. In situations where the institutional framework is appropriate or where development priorities warrant closer sectoral coordination (such as the expansion of serviced industrial land), integrated projects combining two or more sectors could be an efficient mechanism for ensuring balanced urban development.
- (d) Other Types of Project Assistance. While project lending has been the primary vehicle for achieving urban policy reforms, this mechanism may not be available in particular countries due to macroeconomic constraints on the lending program and/or other priorities for assistance. In order to maintain the momentum of urban development programs in these countries, especially where the Bank has been previously engaged in urban lending, other means of providing assistance will have to be explored. Participation in technical assistance projects is a possibility, although considerable resistance to this approach may be expected if the Bank is unwilling to commit resources for priority investments. Other mechanisms need to be explored, and we will take a flexible attitude in trying various alternatives to project lending.

32. Supervision. Urban projects often address multiple agencies and more than one city in their implementation. For this reason, supervision of urban projects has required extra staff resources, particularly as new

project concepts are being put into place. In suggesting a sectoral focus for new urban operations, it is recognized that the technical assistance requirements on Bank staff during supervision will increase. We intend to absorb these extra responsibilities by increasing the efficiency of our supervision of ongoing projects to the greatest extent possible. Work has already been initiated in cooperation with WUD to design an improved project monitoring system for multi-city projects in order to improve capabilities for project monitoring and control at the central Government level. Joint supervision missions including Bank staff in a team with Government representatives have become standard practice in projects such as Kenya II. As our borrowers gain additional experience with Bank procurement and disbursement procedures, we expect Bank supervision work can be shifted increasingly to broader sectoral issues, while maintaining adequate control over the funds-flow aspects of our projects.

33. Country Assistance Strategies. In some countries (particularly Madagascar and Malawi), urban staff have been involved in the development of country economic strategies and the planning of CESW and lending programs. We propose to expand our input into country strategies where urban issues can contribute to meaningful policy reforms. This input would take various forms, such as written submissions for country strategy papers and CPP's, participation in public investment reviews, and participation on individual country teams. Through these means, we would hope to educate regional staff on the relationship of urban development to overall economic growth and to provide a wider perspective on long-term development priorities within various countries.

F. Implementation of Proposed Strategy

34. Looking at future prospects for the urban work program in Eastern Africa, we note that the current lending program contains one small technical assistance project (Botswana) for the FY85-88 period, in addition to the two projects listed in Table 1 as scheduled for Board presentation early in FY85. There are two sector studies currently planned for this period, both of which (Kenya and Malawi) represent a continuation of substantial sector involvement which has already begun. On this basis, it would appear that the scope for new initiatives in the urban sector are very limited. However, this perspective ignores the fact that the urban program has maintained a very active schedule over the past three years, encompassing six new projects (five of which were in countries new to the Bank's urban program), the completion of three major sector reports, rationalization of two existing projects, and supervision of a substantial existing portfolio. The current hiatus in the forward work program for the urban sector arises primarily from a lack of agreement within the region on the priorities for urban involvement, rather than an inability to define worthwhile projects. While it is accepted that the size of the urban program should be determined by country priorities for overall assistance rather than by the availability of individual projects, the very limited size of the urban program does suggest that there is scope to review individual country strategies in more detail, to determine possible areas where urban involvement can contribute to country assistance priorities.

35. To initiate this review process, draft country strategy statements have been prepared for sixteen of the twenty-one countries in the Eastern Africa Region; these statements are attached as part II of this

efficiently (such as Mauritius and Rwanda); and (iii) an expansion of urban projects on the reserve list to provide a more flexible pipeline in the event that country conditions warrant changes in the lending program. The proposed lending program would need to be backed up with an expanded CESW program to define sector strategies in detail and to expand knowledge of the urban sector in countries where this could contribute to the development of country assistance strategies. Table 4 shows an indicative CESW program which would complement the suggested lending program in Table 3 and provide a sound basis for developing sectoral strategies in individual countries.

37. The urban program recommended here will require staff with experience in developing sector strategies and relating them to overall country economic priorities. It will also require an investment of staff resources to maintain familiarity with country conditions in cases where urban operations are a possibility, as well as some investment of time to develop an inventory of urban conditions where this knowledge can contribute to the development of country assistance strategies. To justify the commitment of staff resources, reasonable consistency over time in the forward urban lending and CESW program would be highly desirable. In this regard, the merger of the water supply and urban development divisions should provide greater flexibility in responding to variations in immediate work priorities. On the other hand, a narrow focus on existing work assignments (such as total projects under supervision) would almost certainly leave little room to maintain the continuity of the urban program except on a phase-down basis. For this reason, some flexibility in budgeting for staff time and resources will be a necessary investment in order to maintain the Region's capacity for effective urban operations.

G. Conclusion

38. In our previous strategy note of 1981, we asked for endorsement of an urban program that built on the experience gained by the urban division before it joined the Regional management structure. Continuing experience with urban operations in Eastern Africa has demonstrated that the project concepts are well-founded and can make a significant impact on promoting sound investment policies. The strategy put forth in this note outlines a continuing evolution of the urban program as we begin to integrate the social concerns of the 1970s with the financial discipline of the 1980s. While difficult country economic conditions and constraints on lending resources will limit the extent of the Bank's participation in urban development programs in the medium-term, rapid urbanization will remain a critical development problem for our member countries throughout the foreseeable future. The strategy recommended in this paper is intended to preserve the continuity and experience in the urban sector which has been developed so far, in order to maintain a commitment that the Bank will extend selected assistance to our member countries in translating sound urban policies into effective action.

Table 2: URBAN LENDING AS COMPARED TO REGIONAL TOTALS

Project	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Botswana-Urban I	3.00															
Kenya-Urban I		16.00														
Zambia-Urban I		20.00														
Tanzania-Urban I		8.50														
Botswana-Urban II					8.00											
Kenya-Urban II					50.00											
Tanzania-Urban II					12.00											
Lesotho-Urban I							6.00									
Burundi-Urban I							15.00									
Mauritius-Urban I								15.00								
Ethiopia-Urban I										20.00						
Kenya-Urban III										29.00						
Madagascar-Urban I											12.80					
Zimbabwe-Urban I											43.00					
Djibouti-Urban I												5.00				
Malawi-Urban I												15.00				
Botswana-TA													3.00			
Kenya-Urban IV																35.00
Malawi-Urban II																5.00
Total No. of Urban Projects (X of Region)	1 3.3X	3 8.6X	-	-	3 0.6X	-	2 5.1X	1 2.5X	-	2 4.7X	2 4.7X	2 4.8X	1 2.3X	-	-	2
Total Region (No.)	30	35	31	39	35	35	39	40	42	43	43	42	42	42	44	-
Total Urban Lending (X of Region)	3.00 0.7X	44.5 6.8X	-	-	70.0 12.5X	-	21.0 2.6X	15.0 1.7X	-	49.0 4.3X	55.8 4.8X	20.0 1.9X	3.00 0.2X	-	-	40.00
Total Regional Lending (US\$ m)	408.4	658.5	440.6	572.2	560.1	645.8	821.5	874.1	716.4	1,129.8	1,167.1	1,076.9	1,265.0	1,312.0	1,228.6	

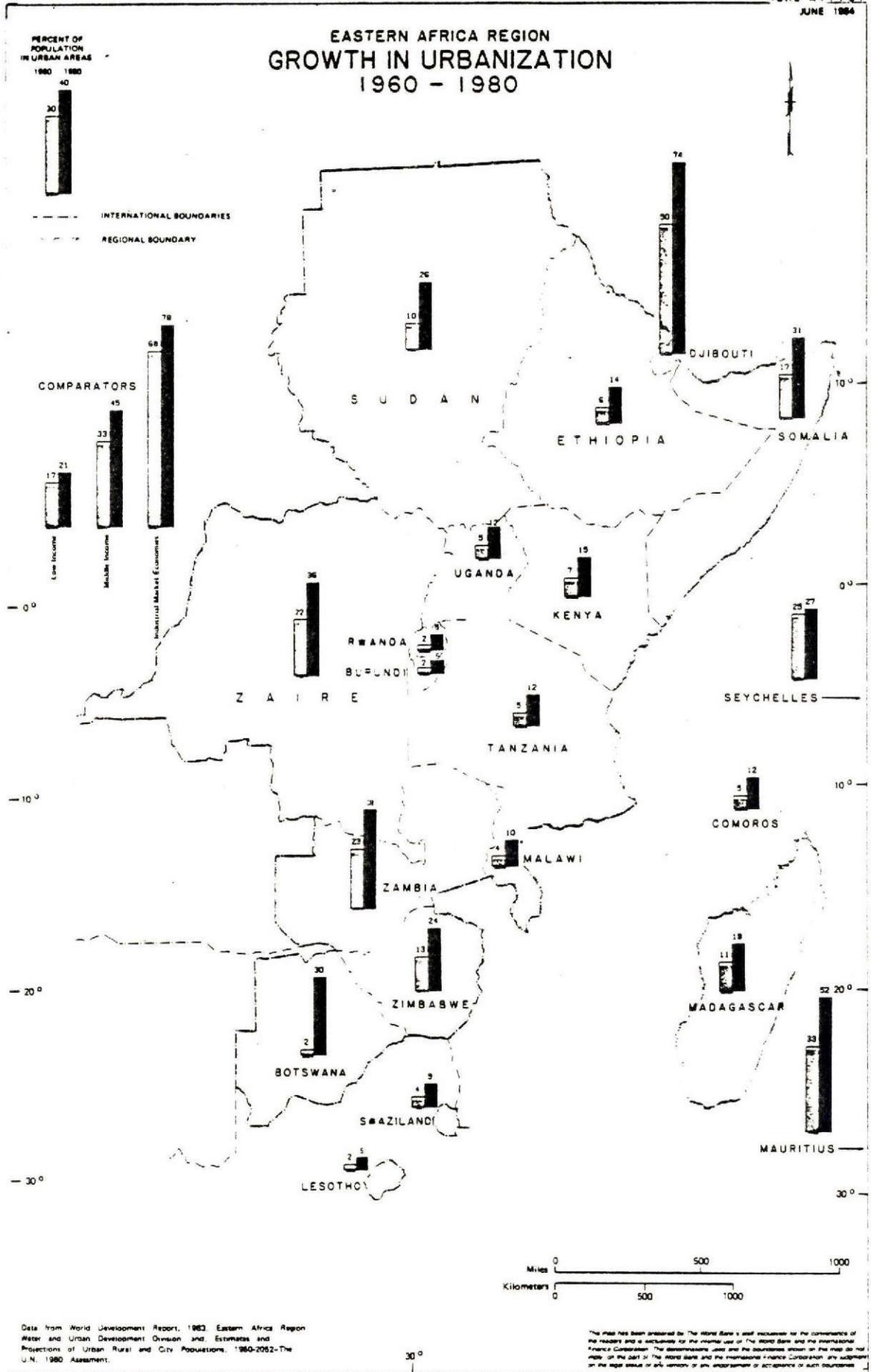
Table 3: An Indicative KAPMU FY85-90 Lending Program

	FY85		FY86		FY87		FY88		FY89		FY90	
	Project	Bank IDA	Project	Bank IDA	Project	Bank IDA	Project	Bank IDA	Project	Bank IDA	Project	Bank IDA
Projects included in EI Table of November 13, 1984	MAG CYCLONE REHAB - 15		BOT TA (URBAN) 3 -		*MAL WS II - 15		*KEN NBI WS IV 30 -		*MAL URB II - 5		*TAN WATER & URBAN - 30	
	KEN NBI WS ENG - 5		BUR WS II - 9		MAG FLD. CONTROL - 10		MIS WATER & URBAN 10 -		*KEN URBAN IV 20 15		ZIM URBAN II 50 -	
	MAL URBAN I - 15		LES H. WATER ENG - 4		BOT WS IV 20 -		UAN WS II - 30		*KEN RURAL WS II 10 30		RWA WS II - 15	
	DJI URBAN I - 5								LES H. WATER 50 -		SEY WS 5 -	
	UAN W.S. - 28											
* = Standby												
Changes proposed			MAL WS II (advance) - 15				ZIM URBAN II (adv) 50 -					
							RWA WSII (advance and review) - 15					
Suggested additions (projects in advanced stage of preparation and/or of high priority)			SOM WS II - 15		ZAI WS III - 30				ETH URBAN II - 20		DJI URBAN II - 5	
					BUI URBAN II - 10						MAG URBAN II - 15	
					LES URBAN II - 10							
Desirable Lending Program	MAG. CYCLONE REHAB - 15		BOT TA (URBAN) 3 -		LES URBAN II - 10		*KEN NBI WS III 30 -		*MAL URBAN II - 5		*TAN WATER AND URBAN - 30	
	KEN NBI WS ENG - 5		BUI WS II - 9		MAG FLD CONTROL - 10		MIS WATER AND URBAN 10 -		*KEN URBAN IV 20 15		DJI URBAN II - 5	
	MAL URBAN I - 15		LES H. WATER ENG - 4		BOT WS IV 20 -		UAN WS II - 30		*KEN RURAL WS II 10 30		SEY WS 5 -	
	DJI URBAN I - 5		SOM WS II - 15		ZAI WS III - 30		ZIM URBAN II 50 -		LES H. WATER 50 -		MAG URBAN II - 15	
	UAN WS - 28		MAL WS II - 15		BUI URBAN II - 10		RWA WATER AND URBAN - 15		ETH URBAN II - 20			
Reserve Projects					ZAM URBAN II - 15		SUD WATER AND URBAN - 20		MIZ WATER AND URBAN - 20		ETH WS - 20	
					ZIM WS 20 -		ZAI SEC. TWNS - 20		SWA URBAN I - 10			
					UAN URBAN I - 10		TAN URBAN III - 10					

Table 4: An Indicative RAFMI Sector Work Program

	FY85	FY86	FY87	FY88	FY89
Economic and Sector Work Program (ESW Indicative Statement, Feb., 1984) Figures indicate staff weeks allocated	TAN URBAN SECTOR 10 KEN MUN FINANCE 12	MAL URBAN SECTOR 20 KEN MUN FIN 20	MAL URBAN SECTOR 10		SEY WATER & SAN 6
Suggested additions		SUD URBAN INFRA 15 ZAI URBAN SECTOR 20 ZAM URBAN SECTOR 20	SUD URBAN INFRA 15 ZAI URBAN SECTOR 10 ZIM WATER SECTOR 25 SWA URBAN SECTOR 15	ETH URBAN INFRA 20 TAN URBAN INFRA 20 MOZ URBAN INFRA 20 SWA URBAN SECTOR 10	ETH URBAN INFRA 10 TAN URBAN INFRA 10

EASTERN AFRICA REGION GROWTH IN URBANIZATION 1960 - 1980



Data from World Development Report, 1983 Eastern Africa Region
Water and Urban Development Division and Estimates and
Projections of Urban Rural and City Populations, 1960-2052-The
U.N. 1980 Assesment.

This map has been prepared by The World Bank's staff exclusively for the convenience of
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ROUTING SLIP		DATE: Nov 23, 85
NAME		ROOM NO.
H. de Vernalte		N 852
APPROPRIATE DISPOSITION		NOTE AND RETURN
APPROVAL		NOTE AND SEND ON
CLEARANCE	X	PER OUR CONVERSATION
COMMENT		PER YOUR REQUEST
FOR ACTION		PREPARE REPLY
INFORMATION		RECOMMENDATION
INITIAL		SIGNATURE
NOTE AND FILE		URGENT
REMARKS:		
FROM: A Pellegrin	ROOM NO.: C302	EXTENSION: 72662

OFFICE MEMORANDUM

TO: Those Listed Below
FROM: Anthony J. Pellegrini, Chief, WAPUR
SUBJECT: West Africa Urban Division Sector Strategy Paper

DATE: September 16, 1982

Attached is the final version of the West Africa Urban Strategy paper. This version takes into account comments by Projects and Programs representatives received at the review meeting chaired by Mr. El Darwish.

Attachment

Distribution:

Vice President, Senior Staff, WANVP
Directors, WAP, WA1, WA2
Assistant Directors, WAP
Programs Division Chiefs, WA1, WA2
Projects Division Chiefs, WAP
CPS Advisors, URB
WAPUR Staff
Messrs. Willoughby, Kalbermatten, TWT

APellegrini:mcp

URBAN SECTOR STRATEGY

FOR

WEST AFRICA

OUTLINE

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Annex: Status of Project Implementation

1. BACKGROUND

Demographic Trends

1.1 Human settlements the world over are becoming increasingly concentrated. By the year 2000 most developing countries will be half urban. Between 1975 and the year 2000 the cities of the developing world will be expected to absorb 70% of the projected population increases - 1.3 billion people.

1.2 The urban population of West Africa (1980) is estimated at about 40 million, or 22%, out of a total population of 180 million. Over 20 million - more than half - is in Nigeria, 4 million in Ghana, 3 million in Ivory Coast and nearly 3 million in Cameroon. There are at least twelve cities in the West Africa Region with a population exceeding 500,000. Among these, Lagos has more than 5 million, Ibadan around 2 million, Abidjan 1.5 million and Kano and Accra at least 1 million.

1.3 While even the largest cities of West Africa are not now very large by world standards, they are growing at very rapid rates. The average urban population growth rate in West Africa is estimated at 5.3% per year. In many urban centers and principally in the region's key cities like Lagos and Abidjan, growth rates are significantly higher and reach as much as 10% per year.

1.4 Surprisingly, the countries with the most rapid urbanization rates are the smaller countries, with populations under 6 million. Benin, Liberia, Mali and Mauritania are illustrative. Urban growth rates for the 1970-75 period ranged from 5.3% in Mali to an explosive 10.4% in Benin and 14.5% in Mauritania. In absolute numbers, Benin's urban population will experience an increase of 400% by the year 2000; Liberia's urban population will grow by over 250% by the end of the century; and Mali's absolute increase in its urban population will approach 300%.

1.5 Two main factors account for this astounding growth: first, a high rate of natural increase, and second, a heavy and continuous influx from both the national hinter-land and the neighboring countries. Migration from rural areas to urban centers is a phenomenon not restricted to West Africa, but found throughout the world. In many African countries, it is accelerated by conditions which are unfavorable to agriculture or cattle farming such as climatic adversity and poorness of soils. In the Sahelian countries, where prospects for an expanding and flourishing agriculture are small, migration is one of the only realistic courses of action available to the rural population to better earning opportunities and living conditions.

1.6 Migration in West Africa is mainly directed toward two countries, Nigeria and Ivory Coast. The rapid economic growth and employment opportunities in these two countries, which in the case of the latter has led to a GNP ten times higher than in some of its surrounding countries,

is the predominant cause for these population movements. Studies of migration in almost all parts of the world confirm that migration is motivated by opportunities for improved employment and is not motivated by the availability of better infrastructure. In West Africa, transnational migration seems to have benefitted not only the host countries -- large sectors of the Ivorian economy are heavily dependent on the supply of foreign manpower -- but also the home countries, where remittances by migrants contribute substantially to improvements in balance of payments. The evidence in Africa has been confirmed by a recent more general study which shows that migration from economically depressed regions to urban areas generally has improved the standard of living of both those who leave and those who stay.^{1/}

1.7 There is no simple and effective way to reduce the pace of urbanization, either in the short or the medium term. Little hope can be placed on a rapid decrease of birth rates or a significant slow down of migration, within the next twenty years. Even under optimistic assumptions about the absorptive capacity of agricultural areas over the next 20 years, some 65% of the total increase in West Africa's population will have to be absorbed in urban areas. If current growth trends continue, the urban population in West Africa will reach about 110 million by the turn of the century, and will represent 35 to 40% of total population. With an average growth rate of 5.3%, the overall urban population will double every 14 years. In the Region's major metropolitan areas, under current growth rates, such a doubling would occur every 7 years. The possibility of Greater Lagos having a population of 16 million and Greater Abidjan more than 6 million by the year 2000 should not be discarded as unrealistic or unthinkable.^{2/}

1.8 Providing services to land will be a major undertaking. By the year 2000, for example, Abidjan alone will need to provide 330 square km of additional land with infrastructure in order to support, industrial, commercial, residential, institutional and other uses. Lagos will have to provide at least 800 square km of additional land with infrastructure.

1.9 This startling expansion will be a source for major and complex development problems, not only within the concerned urban areas, but also at the level of national economies - unless these countries begin preparing themselves financially and institutionally to meet the needs associated with these demographic trends.

1.10 Instead of focusing on policies aimed at a reduction of urban growth -- a utopian endeavor -- efforts should be directed towards policies making feasible the management of such growth. Perhaps one of the few things even more surprising than the rapid rates of urbanization in West Africa are the indications that even in the poorest countries the costs of accommodating this growth in reasonable manner are affordable. (See paras. 2.6 to 2.10.)

^{1/} Equity and its Relation to Efficiency in Urbanization, William Alonzo, July 1978.

^{2/} These are median projections which assume substantial reductions in the rate of growth; in the case of Lagos it also assumes that the capitol is moved to Abuja.

KEY ISSUES

1.11 In West Africa, as elsewhere in the world, the development and growth of towns and cities is an integral part of the development and growth of national economies. Over half of West Africa GDP is produced in the industrial and service sectors which are currently the most rapid growing ones.

1.12 Despite the key role they play within the national economies, most towns or cities in West Africa are ill-prepared to cope with their development problems. In fact, urban areas have become victims of their own relatively successful role in the National Economy. It is not often realized, for example, that the urban economies of West African cities have by and large been relatively successful in employing their growing populations. While good region-wide data on employment trends in urban areas is lacking, it appears that despite very high rates of population growth, urban unemployment levels have not increased sharply and the population is being absorbed into the urban economy. The continued high levels of migration are evidence of this very success. The infrastructure and management needs of the accompanying growth however, are not being realistically faced up to.

1.13 The towns and cities of West Africa act as a kind of market place where the private sector tends to be dominant and relatively dynamic. With few exceptions, however, the towns and cities have been fulfilling their critical economic function as employment centers in spite of rather than because of Government support. For example, it has been estimated that basic infrastructure and municipal services cover on an average only about half of the area of towns and cities of West Africa. The deficient areas lack not one, but most facilities considered essential, i.e. drainage, a water reticulation network, excreta disposal, paving of central and secondary routes (which is necessary for public transport, for solid waste management, and for drainage) solid waste facilities, etc. (The fact that a substantial "package" of infrastructure is lacking has implications for organizational structure. See para. 2.13.)

1.14 To a large extent, the facilities that do exist were built many years ago during the colonial period, for much smaller populations, and have not been extended in any significant way since then. Most towns and cities thus operate with levels of infrastructure so low as to stifle rather than promote efficient materials processing, location choice, industrial and manufacturing development and services. This is especially true in Lagos, Ibadan, Yaoundé and Lomé.

1.15 At the same time, lack of sanitation infrastructure in both large and small towns results in severe costs in human resource terms. For example, average life expectancy at birth in sub-Saharan Africa is 45, which is 8 to 10 years less than the average of all developing countries, infant mortality rates of about 25-30 per thousand live births are more than three times higher. Conditions are particularly severe in the unserved sections of West African towns and cities. Prevention of two of the three major health hazards -- malaria, enteric diseases, and measles -- is directly related to the presence of basic sanitation infrastructure.

1.16 In developing countries, and especially in West Africa, the central urban issue is increasingly being recognized as the lack of metropolitan services and infrastructure. The provision of such infrastructure may be the best way to enhance urban efficiency and to promote the private sector. Given reasonable macro-economic policies, and in some cases despite the absence of such policies, the economic functions of towns tend to take place rather efficiently on their own if this basic support is provided. In fact, urban development in a given country is generally perceived to be either positive or negative depending on the extent to which Governments are able to provide basic infrastructure and services.

1.17 At the same time, the frustration of those who are employed (albeit at low incomes) when their incomes will not buy better living conditions because Government supplied services and facilities are not being provided, can be destabilizing. Recent problems in the Gambia, for example, have been attributed to such discontent, and the contrast in Nigeria between the level of national income and the poor living conditions of the people is sharp and increasing.

1.18 Economic development cannot take place without minimally efficient towns and cities. The proper equipping of these cities with the facilities necessary to serve their economic function and the proper operation and maintenance of these facilities is an essential ingredient of any strategy designed to promote economic growth. Through the provision of basic infrastructure and its efficient maintenance it is possible to improve the living conditions of the urban work pace thereby contributing directly and positively to economic development.

II. SECTORAL BALANCE

Is a Balanced Approach Compatible with the Agricultural Based Strategy Adopted for West Africa?

2.1 In proposing an agriculture-based export oriented strategy for sub-Saharan Africa, the African Strategy Report emphasizes that this strategy is a transitional one and that during the process of transformation, specific actions should be taken "now (emphasis in original) if urban resources are to be effectively marshalled and future urban crises headed off".^{/1} It further cautions that urban based economic activities, which now produce about half of national output, will become less efficient, and labor productivity and economic growth will decline, unless these urban flows are channeled productively.^{/2}

^{/1} Accelerated Development in Sub-Saharan Africa: An Agenda for Action, August 1981, page 6.

^{/2} Op. cit., p. 115.

2.2 The regional response to the ASR makes the point that mistakes in design and project selection by urban authorities can lead to macro-economic financial difficulties and inefficiencies. Some indication of the types of savings possible is shown by an Investment Programming Review undertaken in Abidjan as part of preparation for the second urban project. This review significantly increased the efficiency of urban expenditures in that city. In the transport sector alone traffic engineering measures resulted in savings estimated to be on the order of \$135 million, of which 120 million are deferred infrastructure projects (including a bridge) and 12 million as a result of reduced design standards. Although as a general rule we have difficulty in quantifying potential efficiency gains and cost savings arising out of an appropriate urban development strategy, the difference in efficiency between Abidjan, where the Government has focused on the provision of key infrastructure networks, and Lagos, where the former military government focused on excessively high standard national projects and ignored basic infrastructure in Lagos is striking to the most casual observer. Staff of the IDF Division have used as a working hypothesis, that the lack of infrastructure in Nigeria increases the cost of doing business by 30%. Another study which looked at a number of large cities of the developing world concluded that without adequate traffic engineering and control measures, traffic accident losses alone can account for 1% of GNP. Unfortunately, throughout West Africa, such losses as well as those caused by flooding, very high levels of work absences induced by sickness, travel times of two hours each way to work, and failure of public transport are becoming increasingly common.

2.3 Such conditions discourage outside private investors. They also result in significantly higher unit costs for processing and manufacturing, thereby affecting competitiveness.

2.4 A further point supporting a balanced approach is that the impact of Bank efforts in other sectors, such as those aimed at increasing labor productivity, and at improving education, for example, are much less effective under conditions in which large percentages of the labor force and of school age children suffer from diarrheas caused by lack of sanitation.

2.5 Many cities which at one point had reasonable infrastructure such as Accra, Cotinu are now facing crises of maintenance and will incur high rehabilitation costs if urban streets, drainage and other facilities do not receive routine maintenance. The high cost of rehabilitation can be avoided, and the economic life of most facilities can be lengthened through proper routine and periodic maintenance.

2.6 Is a balanced approach feasible given resource constraints? Can West African countries afford to both begin to ameliorate the worst of the physical inefficiencies in towns and cities and at the same time promote agriculture? Although specific analysis and sector work on a country-by-country basis is needed to answer this question, some observations can be made, based on project experience gained during the past five years.

2.7 First, the analysis of income distribution data in the project areas of countries where we are working (i.e., the Ivory Coast, Cameroon, Nigeria, Mali, Liberia, Senegal and Ghana) indicate that basic infrastructure is affordable by residents in the lowest income neighborhoods when finance for capital investment is available. These analyses show, and the first urban projects demonstrate, that basic infrastructure, at a level which would eliminate the worst inefficiencies and also provide basic sanitation, is affordable at current incomes.

2.8 This suggests that at least for the towns and cities of West Africa, (where 20% soon to be 40% of the population lives) it is not necessary to wait for future economic "growth" to deliver essential services and facilities. This is not to say that incomes are not now too low; incomes are never high enough. What it does suggest is that current incomes can already support significantly improved conditions.

2.9 Secondly, at the city wide level, there are indications that substantial opportunities exist for local resource mobilization through improved administration of taxes, to cover basic development expenditures. In Mali, for example, the first urban project financed maintenance improvement and sanitation schemes in Bamako, the costs of which are being covered by a tax on buildings instituted under the project. The project is also assisting in property registration, and other steps to help initiate a general property tax. Additional municipal revenues attributed to the project were estimated at about 1 billion MF in 1981 (US\$1.7 million) and are projected to grow to 2 billion MF in 1982. This is a considerable achievement for a country like Mali which should serve in a limited way to lessen national budget pressures. The Liberian project also involves innovative support to local resource mobilization efforts through the land adjudication process, which is an essential prerequisite to expanding the tax rolls. Often, the constraints to more effective mobilization appear mundane. But steps such as numbering streets and conducting cadastral surveys can have important impact because they are prerequisites to developing important revenue sources. These projects indicate that even in the poorest countries, it is possible to develop additional revenue sources to finance essential services if the motivation is sufficiently strong and if assistance is provided. Generally people are willing to pay for services if they are convinced that they actually get them.

2.10 The development of opportunities for resource mobilization is important not only for urban projects per se, but also for Bank efforts in many sectors where counterpart funds and funds for operations and maintenance are a clear constraint.

2.11 While the above analyses are partial and incomplete, we believe they deserve fuller development, discussion and thought since they deal with fundamental questions relevant to the overall regional development strategy. They suggest, for example, that a modified growth strategy for the Region may be more appropriate than a strategy that focuses too exclusively on growth.

Why Hasn't More Been Done Already By Countries Themselves?

2.12 The more important reasons for the inadequate response to date of countries in the region have to do with the post-independence framework, inadequate institutional development, and poor access to capital market facilities. First, until relatively recently, post-independence policies were such that with respect to residential infrastructure, for example, slum and squatter neighborhoods were considered to be a temporary phenomenon to be razed by the bulldozer. In their place were constructed higher cost, higher standard units, ultimately benefitting the higher income population. The failure to link standards to affordability resulted in the spread of slums and squatter settlements, the only alternative for low-income groups in the absence of affordable solutions. More recently, countries such as the Ivory Coast, Nigeria, Mali, Liberia and others, including Senegal, have recognized that with limited resources the earlier approaches are futile. They have begun to adopt more realistic views towards standards, affordability and cost recovery. There has not been a wholesale change in view, but there is in most countries, an active, open interest, based on a better understanding of resource constraints. This is reflected by an openness in dialogue with Bank staff on appropriate approaches that is more pronounced in West Africa than, say, in countries of the East Asia and Pacific Region at a comparable stage in program development.

2.13 Secondly, institutions with responsibility for urban development, as in other sectors, often have been weak, unsuitably organized, and provided with an uncertain mandate. The staff of institutions have lacked experience, training and exposure to methods being adopted in other countries. Institutional development of a fairly straightforward kind has thus proven to be critical. This inexperience is accompanied in most cases by patterns of organization molded after those in developed countries which are inappropriate to the needs of large scale area development that exists in most West African cities. The organizational structures of West African cities, inherited from the British and French, in which one municipal department or separate agency is responsible for street works, a second is responsible for drainage, a third for water, etc., are not appropriate for extending infrastructure networks under conditions where an entire package of facilities is lacking. Under these conditions an area development approach is more appropriate than a functional approach. While the adjustments in organization required to effect a change in approach are often not substantial, they are important.

2.14 Finally, access to credit facilities for capital expansion has been lacking. The mathematics of high rates of growth are such that borrowing is necessary to finance the infrastructure required for new growth. When the annual growth rate of population is high, the tax base that exists at any one time cannot, in general, support new capital investments for infrastructure to handle the increased population (since this might amount to 5-10% of the value of the existing stock) without borrowing. Limited access to credit facilities by local governments means that even under ideal circumstances, a backlog is building up.

III. EXPERIENCE TO DATE

3.1 Urban projects in the past have focused on the provision of basic infrastructure and services to the urban poor. Special attention has been given to cost recovery, affordability, replicability and to the need to spread low cost services as widely as possible.

3.2 Projects have generally included one or more of the following types of components:

- (i) Area Upgrading: the provision of basic sanitation infrastructure including drainage, water reticulation, excreta disposal, streets to selected areas, and community facilities including schools and clinics emphasizing affordable costs and standards. Upgrading can encompass considerable variety in approach between intensive upgrading of a relatively small area with infrastructure plus tenure, and extensive upgrading covering a wider area with less attention to tenure and perhaps less infrastructure;
- (ii) New Land Development (Sites and Services): the provision of new building plots through the extension of infrastructure to vacant land. This implies a shift by Government away from house construction to service provision with a concomitant reliance on the private sector to construct the buildings themselves. In addition, where the spread of illegal settlements in fast growing communities is a problem, the sites and services approach is one of the only financially feasible ways for governments to provide for orderly development of new land;
- (iii) Urban Transport: the provision of traffic engineering measures (which are low cost and have high benefits in comparison with new road construction);
- (iv) Municipal Services: the provision of equipment, vehicles and facilities for improved maintenance and operations focusing on solid waste, drainage and streets, as well as support for property registration and administrative systems; and
- (v) Other Institutional Support: the provision of technical assistance, training and studies to assist institutional development.

3.3 Six of our projects are at an advanced stage of implementation/ completion. Annex I summarizes the main project elements completed or in progress as well as the policy changes achieved for each project.

3.4 Area upgrading and sites and services have received the most attention in early projects, and these have been shown to be correct approaches for the problems they have addressed 1/. The concepts underlying these efforts are fundamentally quite simple. However, they have represented for a number of governments, substantial changes in policy and standards from those that had been attempted in the 1960s.

3.5 After a slow start (see para. 8.3 for discussion of lessons learned) the status of our relationship with key borrowers in the Region is quite good. Our country dialogues go back at least five years in Nigeria, Senegal, Ivory Coast, Upper Volta, Mali, Ghana and Cameroon, and we have considerable, but more recent, experience in Liberia. These countries are now familiar with the kinds of standards and policies embodied in our projects and through the experience of the first projects are now beginning to incorporate such policies into other programs.

3.6 The achievements of the first round of urban projects are, in retrospect, not inconsiderable. This is especially so since these projects tended to tackle the most difficult urban problems in each country first.

- (a) Relative to amounts of money lent, the policy impact has been large. Most countries have now incorporated in their housing policy a focus on infrastructure for low-cost building plots (sites and services) as a means of dealing with housing. Slum demolition programs which were common in the early 1970s have been significantly reduced in favor of upgrading;
- (b) Cost recovery is an important element of all urban projects and exists at a higher level than in other sectors. This has been a major change for most governments. As a result of involvement with first urban projects, cost recovery and affordability is becoming an explicit objective in national housing and urban development policies; as a consequence, in places as disparate as Mali, Nigeria and the Ivory Coast, lower, more affordable standards for infrastructure are under active discussion;
- (c) Considerable adjustments in the understanding of the relative roles of the private sector and public sectors have been achieved with a recognition that the private sector has the major role to play in housing construction, while the Government can best stimulate the private sector through extension of infrastructure; and

1/ See monitoring reports.

- (d) Urban institutions have been considerably strengthened in countries where there has been a project. The type of impact varies considerably from project to project and has to date, been most advanced in the Ivory Coast. In Mali, support to municipal services and the development of local capacity to register and value buildings and property is having significant payoffs; in Senegal the Government has declared its intention to use the Project Unit to implement its new national policy of sites and services. In Upper Volta, where there have been considerable delays in project implementation, the municipal assistance component comprising vehicles, equipment and training for garbage collection and for road maintenance is 100% complete.

IV. STRATEGY FOR THE FUTURE

4.1 Urban projects are evolving. Broadly speaking, the chief areas of focus of the Division will be:

- (a) assisting local governments in their wider responsibilities for extending and maintaining urban infrastructure; and
- (b) initiating (with the help of Programs divisions) efforts to increase local revenues, not only for investment but equally important, for operations and for maintenance.

4.2 Local Authority Focus - Our "counterpart" institution is local government. In those countries where local governments are not well established we would also work with those ministries responsible for providing local government functions. However, the latter would generally be transitional arrangements and the strengthening of local government will remain a key objective.

4.3 In the future, as part of a balanced strategy in support of country-wide development objectives, we plan to address the broader infrastructure needs of towns and cities rather than focus exclusively only on those services provided to the poor. This should enhance our institutional development objectives, by establishing a wider range of common interest with local authorities. It would also enhance our ability to assist governments in improving urban efficiency by removing bottlenecks and thereby contributing to macroeconomic goals. Urban projects will continue to have a high impact on the urban poor--this is natural since the poor live in the areas most deficient in infrastructure--but our concern will be broader.

4.4 Fewer Components - As a general rule, our future projects will be more focused and have fewer components; this should permit doing them better, and improving the capacity to replicate important programs in the area of focus. In countries where institutions and policies are weak,

the first step should be to have one thing done well at a time. Urban development is not a one-project process; it needs to evolve. The best way is to start modestly and to tackle the mechanism over time. Upgrading and sites and services efforts have traditionally included additional elements involving construction of community facilities such as primary schools, health clinics and also provision of credit for small scale business. We have not to date developed useful experience in employment promotion through small scale business components and we propose to let IDF handle credit and technical assistance to small business in the future. While the experience in provision of community facilities has been reasonably positive, we propose to have fewer such components in the future except under special circumstances, in the interest of reducing coefficients and improving our ability to be more effective in those areas where we concentrate our attention. Of course, urban development is by its nature complex; it is not a single "sector" as other sectors, but is an area focus and therefore multifaceted. Where complexity has been a difficulty in the past, this has been associated more with multiple implementing agencies, or with policy complexity than with multiple types of works. ^{1/} We will seek to work primarily with one key agency in future projects and to deal with policies in a more incremental manner.

Broader Institutional Impact

4.5 The first project in each country tended out of necessity to focus on technical aspects of the development of particular project sites as demonstrations of what could be achieved. Because of this, they could give only limited attention to the broader context within which the projects were found. We are now in a position to deal more explicitly with long-term institutional impact and program needs. For example, when we choose to do upgrading in countries where we already have an on-going upgrading scheme, subsequent projects will take a more programmatic approach to upgrading, i.e., will move towards support to a "time slice" of a long-term program. Countries will be encouraged to plan their long-term needs for such infrastructure, and to work out a feasible financing plan. Similarly, if we do a project involving support to housing finance rather than have a project focus on a single site, we will look more broadly at the nature of the housing sector and attempt to fit our project better into overall housing policy (as is beginning to happen with the FMBN in Nigeria).

4.6 In summary, our traditional sub-sectoral emphasis will evolve in a manner designed to better institutionalize the concepts developed in the first projects. The following adjustments would be made in our traditional areas of interest:

- (a) Municipal Development - More attention to the broader needs of local government with the aim of improving urban efficiency:

^{1/} The first Nigeria project is a good example: the project unit has been able to act as a general developer and is able to construct schools and clinics along with the more basic water supply, drainage and street facilities under the auspices of the Bauchi State Development Board.

- (i) special attention to maintenance and rehabilitation (as in Ghana, Lagos and Mali);
- (ii) greater attention to municipal finance and local resource mobilization (as in Liberia, Mali);
- (iii) more overall investment programming and budget planning (as in Abidjan); and
- (iv) projects that finance broader packages of basic infrastructure in conjunction with the above to promote efficiency and reduce bottlenecks.

(b) Land Development

- (i) In upgrading we will move from a project-specific focus to a program approach in assisting local governments to deliver basic services. This will involve identification of total city needs; preparation of a financing plan and establishing institutional arrangements; and
- (ii) We will try to put sites and services in the overall context of land development needs. In the past, we tended to discuss sites and services only with housing agencies. Since sites and services is land development rather than housing per se, this has often led to confusion and questions of responsibilities of various units of Government.

(c) Housing - We will continue to finance infrastructure for housing, while de-emphasizing the construction of buildings by the public sector. When circumstances arise, we will deal more with broader housing policies, housing finance and institutions. Such an effort would focus on institutional development. The role of the private sector will be further emphasized in our policy and program dialogue.

(d) Urban Transport - Continued emphasis on those measures that have high payoff and relatively low capital expenditure to foster efficiency in goods and passenger movement in the larger towns and cities.

New Lending Tools

4.7 There are a number of new approaches to lending which will be explored in the course of our project work:

- (a) Development of Intermediaries - With a limited number of project interventions in each country, the role of intermediaries will be increasingly important:
- (i) in the field of housing, for example, there may be circumstances where we might focus directly on housing finance institutions rather than focus on specific projects, e.g., BHS in Senegal, CFC in Cameroon and FNMB in Nigeria; and
 - (ii) another type of intermediary with which we might become involved is a municipal development bank. In Cameroon, Senegal and other francophone countries such institutions exist at least notionally. Working through such institutions may be the most efficient way of dealing with smaller, widely dispersed secondary centers.
- (b) Making Use of Cofinancing - The Ivory Coast and Cameroon projects involve cofinancing with bilateral institutions. Technical assistance and certain forms of municipal assistance (e.g., solid waste) are often attractive to bilateral institutions. Cofinancing with private sector banks, while less likely, should not be ruled out.
- (c) Support to SALs and Technical Assistance Projects - A new but potentially interesting avenue to explore would be to incorporate local government financial performance objectives as part of SALs in countries where counterpart funding is a constraint. Togo and Senegal may be examples for the future. Similarly, our experience with urban transport and housing parastatals might also be incorporated into SAL type lending. Investment programming studies could also be part of an SAL or technical assistance operation. Such studies have had an important impact in Abidjan and are about to start in Mali, Cameroon and Benin. These could have spill-over benefits to improving aid coordination.
- (d) Maintenance Projects - Given the importance of maintenance, there may be some countries, e.g., Ghana and other small countries where a focus on rebuilding a capacity to maintain existing infrastructure and/or rehabilitate obsolete facilities may warrant separate project focus. The first Lagos project will likely focus on maintenance in the solid waste and drainage sub-sectors as a way of providing a fairly straight forward entrée into Lagos and of assuring that the foundation exists for a substantial infrastructure program.
- (e) Technical Assistance and Engineering Projects - Another means of assisting governments to take the first steps in developing more comprehensive programs is through technical

assistance and engineering credits. Much of our project preparation and supervision in the past has in fact been technical assistance. We have not done separate technical assistance projects in the past because of constraints on the number of lending operations, but could consider doing so in Nigeria and perhaps in certain smaller countries such as Niger if we were to have an involvement there.

- (f) Reconstruction Projects - Staff of the Division have developed experience in the few reconstruction projects that the Bank has financed in other regions (earthquake and war reconstruction) and remain available for this type of work which requires careful planning.

V. COUNTRIES OF FOCUS

5.1 The countries on which we will focus are generally the larger, more urbanized countries along with only a selected few smaller countries where a positive dialogue has been established. The seven countries that will receive priority attention by the Division are Nigeria, Ivory Coast, Cameroon, Senegal, Liberia, Ghana and Mali. These are countries in which a positive dialogue has already been established and where our future program involves mostly repeater projects. Given the size, the backlog of investment needs, and the positive relationship we have established in Nigeria, it is the most important country for our program.

5.2 We would like to emphasize however, that even small countries have serious infrastructure deficiencies and the Bank can play a role in meeting these deficiencies just as it can in other sectors. Sometimes the problems are easier to deal with in smaller countries where they are not yet out of control, and where there is less institutional complexity. In fact, experience suggests that the Bank is likely to be more effective with basic infrastructure projects in these countries than with certain softer sector projects such as health, or even education, where operational issues are more difficult to deal with, or with inefficient public enterprises, where reforms will be difficult to achieve. Nevertheless, the frequency of repeater projects (in any sector) in the smaller countries will be low. Recognizing this, urban projects would only be proposed in such countries when it can be shown that the long-term institutional impact of the project would justify our involvement. The selection of a smaller country for inclusion in the program and the nature of our involvement would depend on the outcome of country CPP and other sector work.

5.3 In the larger countries, it is perhaps more true for urban than for other sectors that smaller, more frequent projects are more appropriate than larger, less frequent projects. Institutional development and a dialogue on policy issues can be best achieved by dealing with such issues sequentially, in small steps, rather than tackling several at a time in a single project.

5.4 Annex 2 presents our proposed lending program. It is based on our estimate of an appropriate sequencing of projects in key countries. This program is in line with the number of projects per year indicated for the urban sector in the West Africa Regional response to the ASR.

VI. SECTOR WORK

6.1 We have proposed an increase in urban sector work for the next two years since:

- (a) Only limited urban sector work has been done in West Africa to date and the base on which we are building is very small;
- (b) As part of the regionalization of the Urban Division it is essential that basic analyses of urban issues in the region, our past role, and the potential Bank role, be thoroughly discussed in the context of individual country and regional strategy; and
- (c) Urban sector work has (or should have) relevance to projects in other sectors especially water, power and industry.

6.2 We expect to make the sector work program as operationally oriented as possible. Among the issues that will receive particular attention are:

- (a) Resource Mobilization Opportunities - Our work will focus on enhancing our understanding of existing systems and developing in particular countries, plans for improved mobilization of resources through better administrative and fiscal measures. These efforts, while focused on urban areas could have macro-economic consequences because of the concentration of highly valued resources in urban areas.
- (b) Maintenance - Our work will review organizational and financial questions related to maintenance and identify lessons learned from those West African countries that perform relatively better, which can be applied to those that are performing poorly.
- (c) Increasing Urban Efficiency - Our work would focus on identifying those cities and sub-sectors where inefficiencies are particularly costly. Developing a better understanding of the linkages between urban infrastructure and cost reduction in business and industry will be explored.
- (d) Coordination of Bank Activities in Urban Areas - The Urban Division has special responsibilities for coordinating a balanced approach to investments in urban areas. One way to achieve this is by undertaking a review of overall investment priorities in selected urban areas where projects in several sectors are envisaged. Work will be done in conjunction with staff from other divisions as necessary. Identifying the infrastructure constraints to industrial development and identifying the infrastructure constraints in secondary cities to rural development is a particular interest.

VII. RELATIONSHIPS WITH OTHER DIVISIONS

7.1 Through a series of discussions with various related divisions and with the support of the Assistant Director, a set of working relationships has been established with these divisions as follows:

IDF

7.2 In West Africa, the primary responsibility for developing projects and programs involving credit mechanisms lies with IDF. While the Urban Division in the past has included components involving small-scale business promotion in urban projects, in the future we will generally not do so. We will continue to provide serviced plots for business activities in low-income areas, and to look at urban efficiency in support of productive activities, but will expect the IDF Division to deal with credit and technical assistance.

Water Supply

7.3 The differences in responsibilities between the water supply and the urban division arise primarily out of the differences in our respective counterpart institutions. The following division of responsibilities reflect both what has been happening in projects and the experience of staff:

- (i) The Urban Division generally focuses on projects and sub-sectoral activities which are the responsibility of municipal governments, or in some cases national institutions carrying out municipal functions and housing authorities. The WS Division generally focuses on activities which are the responsibility of independent water and sewer public utilities.
- (ii) The Water Supply Division has more experience in heavy engineering for the provision of bulk supply and trunk distribution of water and sewer networks. The Urban Division has more experience in area development works (mainly carried out by local governments or land development agencies) and has generally concentrated on low-income poorly serviced neighborhoods by providing minimum package of water recticulation, human waste disposal, drainage, minor roads and sometimes community facilities. The Urban Division Projects have generally focused on 'tertiary' levels of infrastructure, i.e., supply to final users and on sanitation through upgrading, while the Water Supply Division generally has focused on primary and secondary levels of networks where 'heavier' engineering skills are required. The Urban division is also concerned with overall urban planning and investment programming. In addition, the Urban division is responsible for housing policy, housing institutions and infrastructure for new housing areas.
- (iii) With respect to financial issues, the Water Supply Division focuses on questions of tariffs for commercially oriented utilities while the Urban Division focuses on the substantially different institutional and policy issues associated with municipal finance including property taxation and other means of increasing revenues at the state and local levels, and housing finance.

7.4 An alternative approach to having separate Urban and Water Divisions is to merge Water Supply with Urban and to create two new divisions which would have responsibilities divided by country rather than divided by function as at present. There are advantages and disadvantages in combining water supply and urban operations and some of the main ones are discussed below:

Advantages:

- (a) would increase country specialization among project staff and make broader range of skills available for urban work;

- (b) would provide our clients with a single contact point in the Bank for the Urban Sector. This would facilitate a broader assessment of options for addressing basic planning and financial issues in the urban sector, and would facilitate setting priorities; and
- (c) would simplify the formulation of the regional lending program.

Disadvantages:

- (a) would concentrate multiple policy interests in one division, and risks losing newly won momentum in institution building in urban and water sectors;
- (b) rural water projects, on which considerable emphasis is currently being given, may suffer from a merger;
- (c) since water utilities are independent of local governments, and since they operate under different accounting and management systems, and respond to different political environments, each division would have to retain sub-specialists, focusing respectively on utility and on local government questions. The combined Urban/Water Supply division of the EAP region has discovered this despite initial attempts at internal consolidation. Under these conditions it is questionable in the West Africa Department, whether a critical mass of sub-specialists could be retained in each combined division. The specialist experience and relationships with counterpart institutions which has been built up may be lost. Also, there would be pressure to combine in some projects, components involving important water utility efforts with important local government or housing efforts. This could lead to doing each job less well. Our experience with combined power and water public utility divisions, as well as that of the EAP region, demonstrates that inevitably one side or the other will be favored to the detriment of the other; and
- (d) would initially disrupt present organization and work program; since this settling down may take a year or so, the adverse effect on staff morale, on the work program or on efficiency of the newly created division should not be overlooked; the staff of both the Water and the Urban divisions believe that considerable efficiency gains could be achieved by developing a better understanding of the relative functions of the divisions among our Regional colleagues.

7.5 Based on the above, we recommend that both the divisions continue as at present for about a year, at which time the question could be reconsidered. At the same time intersectoral coordination and cooperation would be increased through the efforts of the Assistant Director, Country Programs, CPS and the Division Chiefs. In the case of both Urban and Water Supply, the development of an understanding of counterpart institutions by staff and the development of a close professional relationship is the key to success.

PHN and Education

7.6 There have been no free-standing health or education components in urban projects in West Africa. However, many projects have included the construction of schools and health clinics as part of community facilities in upgrading and sites and services projects. In the future, as noted earlier, we will do this only on a case-by-case basis, although we will continue to provide serviced sites for such facilities. There would be no attempt to reform health or education policy as part of an urban project. On the other hand, our upgrading and sanitation projects have an important impact on public health and in principle could benefit from an early involvement by public health specialists from PHN.

VIII. OPERATIONAL PERFORMANCE

Performance Measures

8.1 While there are no established standards that are used to evaluate and compare sectoral and/or regional performance (efficiency), some indicators are available. For example, the Operations Evaluation Department has reported ^{1/} that in the course of reviewing 250 projects certain common performance results emerge. These results are compared with data for the five West Africa urban projects in the Table below.

<u>Operational Indicators</u>		
<u>Indicator</u>	<u>Bank-Wide</u>	<u>West Africa Urban</u>
1. Start-up Period: Percent of estimated appraisal implementation time to disburse 25% of loan	40-60%	30%
2. Completion Time: Percent of estimated appraisal implementation time to complete	142%	All but one projected to be within this range.
3. Land Acquisition: Percent of projects in which this was a major factor in delays	33%	One (20%)
4. Cost Overruns: Percent of projects with cost overruns of 25% or more	49%	20% ^{1/}
Percent with cost overruns exceeding 50%	25%	20% ^{1/}
5. Disbursements		Pattern is similar to Agriculture.

^{1/} One project has been restructured to adjust to originally estimated costs.

8.2 The above table indicates that the operational performance of urban projects has been in line with Bank-wide experience.

8.3 The Fall FY80 implementation review discussed the experience of urban in some detail. Among the more important observations and lessons learned were the following:

- (a) Delays in implementation reflected in part, predictable start-up problems faced by first projects in a country;
- (b) The projects involved reaching a consensus with governments on new and innovative policies, such as standards. The Senegal project was, furthermore, the first urban project ever appraised by the Bank, and staff did not have a base of experience to draw on;
- (c) Projects such as Upper Volta and Senegal have tended to be too large in scale and scope and attempted too much in the way of policy changes for starter projects.

8.4 Several lessons immediately emerge from the above:

- (a) Project preparation missions, especially with new borrowers in the urban sector, should be more realistic in their policy positions, adopting an incremental approach. Government acceptance and understanding of policy changes and standards should be given time and experience to evolve. However, already five West African countries are familiar with the kinds of policies and standards embodied in our projects, and first projects are expected to start in two additional countries within the year, this problem should be much less of an issue in the future.
- (b) As a means of ensuring real agreement on standards, and to avoid delays in start of construction, as a matter of routine, we will have detailed engineering designs for at least the first year's works available by Board presentation.
- (c) Problems with projects that are too large in scale as well as scope will be tackled by having more focussed projects with fewer components.
- (d) More general problems of implementation, such as counterpart funding and staffing, are endemic to all projects in the Region and are, therefore, more difficult to deal with. Progress is being made, however, in insisting that key staff be hired as a condition of negotiations (Nigeria) or Board presentation (Liberia) and in requiring that counterpart funds for the initial tranche of work be deposited in project accounts as a condition of either Board presentation or effectiveness (Mali and Nigeria II).

COEFFICIENTS

8.5 Our past experience and proposed new directions provide the basis for estimating the cost of future operations. A number of factors exist which will permit considerable improvements in our historical budget coefficients. Some of these factors are:

- (a) the existence of a good dialogue in most countries in which we are working;
- (b) the building up of a sector work program which will directly support our operations program;
- (c) an agreement to have fewer, but higher impact components in our projects; and
- (d) our success in the recruitment of experienced and specialist staff.

8.6 Accordingly, we have submitted a budget for FY83 that incorporates a supervision coefficient of 16.1 SW per project, down from over 20 in FY81; and a preparation-through-Board coefficient of 125 down from about 162. These efficiencies assume, in part, economies associated with scale, i.e., conducting more than one operation in a country. While events may prove us wrong in our estimates of the efficiencies that we can achieve, these figures are our current best estimate.

8.7 Our first year operations program which has been reviewed separately with the Assistant Director is based on a further reduction. By FY86, urban preparation coefficients should be down to 120 SW.

8.8 It is important to keep in mind that there has been a learn-by-doing process for all urban projects and that the current West Africa urban projects portfolio is comprised exclusively of first-generation projects which have higher preparation and supervision requirements and are more prone to implementation delays, than repeater projects. It should also be noted that when the urban divisions were formed within CPS they were given a mandate to address complex issues on which there was little background and experience to draw from. This situation no longer applies. More importantly, these projects, while requiring comparatively greater resources, have set the stage for second - and third - generation projects that will build on the institutions and policy directions they have developed. Our experience with repeater projects in Nigeria and Ivory Coast indicates that repeater projects have preparation coefficients that are significantly lower than those of first projects.

Attachments

AP:lp/me

STATUS OF PROJECT IMPLEMENTATION

1. In the Senegal Project (FY72) 11,000 serviced plots (for a population of 100,000 people) have been provided in Dakar, and 1,600 lots in Thiès. In Dakar the following community facilities have been built: one health center, one retail market, three schools and one police station.
2. The project was too large in scale for a first operation in Senegal and implementation was very slow. With the site development works now complete however, major complementary development has been stimulated. The Government is highlighting sites and services as a key element of its new national housing policy and intends to use the Project Unit (which has performed relatively well) to implement this policy. Broader institutional development within the OHLM has yet to be addressed.
3. In the first Ivory Coast Project (FY77) in Abidjan 8.6 km of urban express roads with bus lanes and connecting feeder streets have been built; 57 streets intersection have been equipped with traffic lights and 3 km of reserved bus lanes constructed in the city center. The upgrading of 215 ha (where about 100,000 people live) is 40% completed, 10 km of the main trunk sewer in the city constructed; 240 class rooms, 1 health center and 1 community center have been built; 1930 low cost dwelling units have been built with USAID co-financing and about 25 staff/year of technical assistance provided for project execution and for studies.
4. With the provision of the construction loans, which have not yet started, the project will be fully completed. Policy changes have been important with this project. On the transport side the Government has fully accepted a traffic management (restraint) policy including parking policy, one-way street system, and introduced the first reserved bus lanes in sub-Saharan Africa. On the shelter side the Government passed a law recognizing the importance of upgrading and defining mechanism for its implementation through all the country. The Abidjan investment programming study has developed a much greater awareness to coordination and restraint of urban investment and better use of existing infrastructure which has resulted in substantial savings.
5. In the Upper Volta Project (FY78) the municipal service department (garbage collection and street maintenance) has been reorganized and provided with new vehicle/equipment/tools (and training) both in Ouagadougou and Bobo-Dioulasso. Ten schools and three health centers have been rehabilitated and about nine staff/year of technical assistance has been provided for project execution. Upgrading of about 400 ha (50,000 people) and development of 50 ha (1,200 plots) of serviced sites has just started with plot demarcation and should be completed within two years. All project elements will be completed with delivery of construction loan and the remaining technical assistance. The main achievement of this project so far has been the improvement of the sanitary conditions of Ouagadougou and Bobo-Dioulasso due to the shaping up of their municipal services department.

6. In the Mali Project (FY79) 200 ha land development (sites and services and upgrading) for 50,000 people is 50% completed, 80 km of main drainage ditches have been cleared and repaired, 15 vehicles and 150 containers for garbage collection have been received and have started operating in Bamako and Mopti. Repair and construction of the water supply production and distribution system is 80% completed in Kayes. The regional directorate of land registry and taxes has been reorganized and a new property tax system is being set up. Thirteen staff years of technical assistance have been provided for project preparation and execution and about the same remains to be provided for carrying out project execution/preparation of an investment program for Bamako and preparation of a second project. The construction of the community facilities: two primary schools, one health center and three markets will start this summer. The sanitary conditions of the city will be further improved with the construction of about 120 public stand-pipes, and ten public toilets.

7. The main policy impact of the project so far has been the improvement of the sanitary conditions of Bamako, Mopti and Kayes, the mobilization of local resources for financing the recurrent cost of these programs and the strengthening of the District of Bamako both technically and financially.

8. In the Nigeria I Project (FY80) construction of about 2,000 serviced lots and upgrading of about 100 ha is 50% completed. The construction of six health clinics and five primary schools is 75% completed and about 35 staff/year of technical assistance provided for project preparation and execution to the local and federal level.

9. The project will be completed with provision of some more technical assistance and processing of construction loans. The main impacts of the project have been the demonstration that upgrading can be accomplished in an affordable way, the development of a new national housing policy statement, and long term institutional support to the Federal Mortgage Bank.

✓ ① Harry G
→ ② Dave de F

I severely agree with this,
especially Please. I have
attended Programs and twisting
sessions and found them very
disagreeable. The two most recent
were followed by the firing of
the ministers concerned. I hope we
will continue to do as Please suggests
- explain ourselves... just as
at Toronto.

Harry

A CRITIQUE OF THE WORLD BANK'S OPERATIONS IN SUB-SAHARAN AFRICA

a summary of a presentation by

Elliot Berg
President
Elliot Berg Associates
Alexandria, Virginia

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Cohen
DeLorenzo
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Costa 2

Professor Elliot Berg was invited to address the retreat on the Bank's operations, and particularly its policy-based lending in Sub-Saharan Africa. He identified and analyzed the design assumptions and implementation problems of such programs. Professor Berg argued that:

1) The World Bank should limit its involvement in policy-based lending, instead keeping its focus on project lending. Within the sphere of policy-based lending, the Bank should be precise and selective in its conditionality, rather than being comprehensive, which is often ineffective.

2) Much more attention should be paid to changing minds about what good policy is, to institutional development, to problem-solving within government systems, and to the training of the technocrats and administrators who implement policies;

3) Aid inflows to sub-saharan Africa should be stabilized; the real problems won't be solved by throwing more money at them; more aid directed in the same fashion may actually aggravate the problems.

These arguments were developed from a critique of policy-based lending as presently practiced. Berg focused on three issues:

1. Problems with procedure and implementation in policy-based lending

A. Bank staff do the analysis and write the prescriptions for policy reform with little or no input from the recipient countries. The issues are usually discussed only with permanent secretaries and other top-level figures, rather than with the mid-level technocrats and administrators who will actually be implementing the changes. This approach has a number of bad effects and characteristics:

- It denies training, experience, and participation to the local staff who are responsible for implementation and maintenance of the policies;
- It means that Bank staff don't receive constructive feedback from the right people;
- It promotes poor understanding of the nature and intent of the reform program (Bank staff infrequently engage in dialogue with those most deeply opposed to reform);

- It promotes the identification of reforms with outsiders, lending credence to domestic opponents of reform;
- It is politically intrusive and unsubtle;
- For all these reasons, the present procedure lowers the chance that change will be anything more than cosmetic.

B. As practiced by the Bank and other donors, policy-lending programs tend to support and maintain useless institutions that would be better left to fade away and die. The Bank should not help dying parastatals, for example, or continue to pump money into cooperatives that are still paralyzed despite long-term, expensive donor efforts to make them function.

2. Conditionality

Berg remarked that the use of conditionality in development lending has "gone wild" in the past several years. Not only the Bank, but also USAID, the EEC, and the Fund have steadily increased the number and scope of conditions attached to their loans. In Berg's view, conditionality is now used too much, is too comprehensive, and too explicit. A number of serious problems have resulted:

- Overly comprehensive, overly explicit conditionality leads to game-playing between donor and LDC government representatives. The sort of comprehensive, explicit, and apparently "hard" conditionality employed in SALs is inherently confrontational--impasses and conflict are inevitable. The confrontational atmosphere that accompanies policy loans with complex and extensive conditions is harmful to "true dialogue", which in Berg's view is the source of durable policy reform.
- The comprehensiveness and complexity of most policy loan packages (especially SALs) leads to intractable personell problems. An SAL, for example, generally entails much more staff time than a road project or even a rural development project. Or by comparison with Fund programs, which have narrowly defined performance criteria and a standard, focused set of concerns, SALs are far more demanding. Furthermore, comprehensiveness and complexity contribute to the impossibility of monitoring, as there is never enough staff (domestic or Bank) available to check up on and evaluate implementation.
- Too comprehensive, too explicit conditionality is essentially ineffective at what it is supposed to do -- induce compliance -- because it is not monitorable and not enforceable. First of all, how do you assess a country's overall performance if the government did well on tariff reform (for example), but nothing on grain marketing reform? How do you weigh the different conditions in an extensive package? Second, many conditions are "process-related" and hence only admit of subjective evaluation (e.g., "more collaboration between Ministries of Planning and Finance"). Third, given Bank staff constraints, it is virtually impossible to protect against "counter-reforms" in areas not specified in the loan package--these which may

offset the agreed-on reforms. Fourth, Bank staff and local officials are bureaucratically committed to the reform program, and so tend to "accentuate the positive" in evaluations. The ultimate sanction, cancellation, is not likely to be used for one or two acts of non-compliance in a complex package, and a cancelled package will, probably inevitably, be renewed after negotiations.

3. The Nature of the Problem

The worst problem with explicit conditionality as it is presently employed in Bank policy loans is, according to Berg, the fact that it does not treat the "real issues." In so far as it obstructs genuine dialogue on reform, explicit conditionality is counterproductive.

Berg argued that the central issue is the question of why government's don't carry out reforms themselves. He cited four interrelated reasons:

- African governments are not "output maximizers"; they are neither bureaucratically equipped nor politically inclined to a "target" approach in economic policy;
- In many sub-Saharan states, efficient bureaucratic functioning is seriously impeded by ethnic rivalry and conflict;
- Where liberalizing reforms appear to benefit economically powerful foreign minority groups (such as the Asians in East Africa), they are often politically out of the question;
- Belief systems in many African countries are hostile to the precepts of a market-oriented economic policy; there is no intellectual consensus on what is appropriate economic policy; intellectuals and officials often do not believe in efficiency pricing (hence pan-territorial pricing which leads to shortages in deficit areas), food exports even when there is an economic argument for generating hard currency with them, private trade in agriculture, and so on.

Berg argued that these issues are addressed principally through dialogue at many levels, and by programs for institutional development. Explicit conditionality does not address these issues, and in so far as its nature (confrontational, broad) and its implementation (discussion only with permanent secretaries) obstruct dialogue, it does more harm than good.

4. Concluding Remarks

Berg argued that too much aid inflow could be counterproductive as well. Form is just as much at issue as money, or the lack of it. In countries where there are many powerful, rich patrons in control of the apparatus of government, attention to institutional concerns should take precedence over moving large amounts of aid through the system. He suggested that the Banks aid flows to sub-Saharan Africa should be stabilized.

THE FUTURE OF THE WORLD BANK IN AFRICAN DEVELOPMENT

Summary of Mr. Stanley Please's talk at the ESA Management Retreat

Mr. Please pointed out that the severity of Africa's economic and social problems, together with the severity of the development constraints particular to the continent, require extraordinary action. Among the key problems, he listed the distortions and weaknesses of most African national economies (in particular, overvaluation of exchange rates); institutional problems, especially with respect to weakness in the legal systems and the civil service; and a high level of dependency on external assistance. Among the key constraints, he noted rapid population growth and rapid urbanization; environmental degradation; the increasing marginalization and poverty of small farmers; and geopolitical issues that sidetrack development efforts.

Mr. Please argued that "catalytic leadership" is required to cope with these severe problems and constraints. He noted a "widespread recognition," especially in the U.K. and in Europe, that the World Bank is the only institution that can provide such leadership. Some on the right view the bank as "bleeding" money pointlessly, and some on the left see the Bank as a reactionary, market-oriented institution. However, according to Mr. Please, there is goodwill for the Bank in circles where Africa's development problems are discussed with passion and intellect -- here there is concern about the Bank's role as a leader in Africa. Please focused on the question of how the Bank can fulfill this role.

Please considered two aspects of the Bank's leadership role: first, operational questions, and second, the Bank's image and self-definition.

With respect to operational questions, Please addressed three areas that he felt deserve more intellectual attention within the Bank:

1. How can policy reform be sustained?
 - a. Bank staff need a better awareness that arm-twisting won't work. Reformers have to ensure that there is genuine political will. Also, the Bank has to clarify whether it means to buy or support reforms.
 - b. The Bank has to work harder to internalize ESW and TA work within member countries. More attention to developing local capacity to perform economic analysis is needed. This is especially the case with SALs -- they have to be internalized by the government bureaucracy.
 - c. The lessons of China, Turkey, and India should be disseminated in Africa, and impressed on African leadership.

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2. Cost effectiveness

a. The Bank has to develop lower cost programs and projects -- Please noted a tendency to overdesign and overspecify. Too much design and elaboration has negative side-effects. .

b. Bank staff should consider more seriously whether too much aid might be causing problems. While it is the "culture of the Bank" to lend, too much aid can easily undermine local committment. The question is how to make aid cost effective -- how to get the maximum amount of positive reform and change at a given level of lending.

3. Time Horizons

a. Bank staff should consider whether a longer view should be taken in the design and implementation of policy reform programs. Right now, Please suggested, the Bank might be "following the Fund" too much in Africa.

With respect to the Bank's image and self-definition, Please made two points:

1. The Bank must develop a "soft-hearted and hard-headed" image. In the 70s, the Bank authored much hard analysis, but this was not converted into hard-headed action. Now, toughness on the right issues is greatly needed -- Please mentioned exchange rate distortions and poverty alleviation in particular.
2. More attention has to be given to public relations, to explaining what Bank policy in Sub-Saharan Africa is meant to achieve. Operations staff have to be more involved in the process, as the IPA people have limited skills in this specific area. Please noted that Mr. Jaycox's visit to The Save the Children Fund in London is prime example of what needs to be done -- the Bank has to shape its image by reaching out.

ESAVP

APPROACHING URBAN DEVELOPMENT IN DEVELOPING COUNTRIES

The habitat of households in the developing countries is rapidly shifting from countryside to towns and cities as nations make progress in the development of industry and the service activities that industry supports. Latin America is already predominantly urban. The rapidly expanding economies of East Asia and Pacific are not far behind in urbanization, and, in the less urbanized parts of the world, Africa and South Asia, urban population growth is much more rapid than rural growth. Town and city growth rates in the neighborhood of 5% per year are not uncommon in these countries.

With an ever larger percentage of countries' work being done in cities, the efficiency of cities becomes an ever more important determinant of average incomes, and the consumer service provision in cities an ever larger factor in the average standard of living. This article will first discuss the efficiency of cities, from the point of view of what they can do to increase wealth creation and improve distribution, and then go on to detail a possible response of aid donors and technical cooperation agencies to the problems of city efficiency, illustrating this response with some technical cooperation projects designed by UNCHS.

Some necessary economic functions of cities

Cities share with other levels of government the responsibility for production of many social goods which the private market cannot provide because there is no effective way to charge for them. Streets, roads and pathways, police and fire protection, drainage, flood control, street cleaning and garbage collection, are typical examples of social goods. In principle, these goods could be provided by higher levels of government and in some small countries they are. But more commonly most of these responsibilities are assigned to city government. Cities also share with higher levels of government, with government enterprises, and sometimes with the private sector, the responsibility for running or regulating natural monopoly industries, i.e. those producing goods for which it is uneconomical to have more than one producer. Water supply, sewerage, electricity, and telecommunications, are important examples. Cities almost always have the basic responsibility to plan and facilitate the expansion of their serviced urban land area. Cities sometimes seek to expand the supply of goods which are judged to be produced in inadequate quality or quantity by the private market. Low cost housing is a common example of this type, sometimes called social housing.

DDF:
from Beira -
draft article
sent to Jan Anst.
M.

MICHAEL A. COHEN

Failure of cities to provide public goods or natural monopoly goods in sufficient quality and quantity, or failure to expand serviced urban land, will impair the efficiency of firms operating in the city and will produce a difficult environment for households.^{1/} In addition cities may fail to produce the merit goods that they have decided are important.

Natural monopoly goods can often be produced at a profit, financing their own maintenance and expansion or debt service, but public goods, merit goods, planning, and general administration cannot be charged directly to users, and must be supported by taxes. Hence the city must also be able to tax effectively to carry out its basic economic function.

Some typical problems of cities in developing countries

Anyone who has worked with cities of developing economies has observed a common set of problems:

- (a) Financial controls are lax
- (b) Costs are out of control
- (c) Tax systems are underdeveloped and/or inefficient
- (d) Public goods such as streets and roads, drainage, street cleaning, and city planning are seriously undersupplied
- (e) Natural monopoly goods such as water, sewerage, electricity, and telecommunications are undersupplied and often underpriced
- (f) Merit goods such as health, education and low cost housing are unevenly distributed
- (g) Expansion of urbanized space is grossly inadequate

The most obvious consequence of this gloomy litany is that cities do not begin to realize their potential as places for firms to produce goods and services or for households to live in reasonable comfort and health. A secondary effect is that cities are often subsidized quite heavily by national governments in order to prevent complete breakdown. There is no obvious distributional justification for this subsidy, since cities are generally richer than the rest of the country.

^{1/}Surprisingly little research has been done on the cost consequences, for private firms, of the undersupply of electricity, water, roads, telecommunications, drainage, flood control etc. The fact that projects in these fields often have very high rates of return is indicative of common shortages, but attempts to estimate the loss of efficiency involved in these shortages have been few. The World Bank is currently undertaking some research in this area for West African cities. Meanwhile the principle is clear that a wide variety of services must be provided fairly effectively if modern industry and commerce is to be efficient.

Financial control and cost control are clearly near the root of these problems, and any radical improvement in cities' political economy will demand improvement here. A common symptom is simple lack of basic accounting. Probably not one developing city in five has audited accounts for two years ago. The possibilities for delayed discovery of irregularities are immense. Cost control weakness produces similar results ranging from simple inefficiency (overstaffing, ineffective management) to out and out corruption (ghost payrolls, misdirection of materials). Until these problems are corrected, not much can be accomplished toward improving the overall contribution of the cities to the efficiency of the economy.

Sequentially, a second major undertaking is the improvement of taxation. Several studies have shown remarkably low tax realization as compared to potential, even under existing law with present knowledge. (A city that realizes more than 50% of its property tax potential would probably be above average in the developing countries). Modest inputs could also greatly increase tax potential, for example, by updating the fiscal cadaster and property evaluations.

If financial and cost control can be improved, and taxation can be increased, then there is a fair chance that the provision of public goods can be raised to a standard appropriate to the level of income and development of a city.

What is the appropriate level of such goods? Often attempts are made to answer this question, sector by sector, on technical or economic grounds. Technical standards, often enshrined in building codes or development ordinances, may be cited as the policy-directed or legal-minimum requirements in public goods subsectors. For natural monopoly goods, economic principles of pricing and investments can be made to yield plausible indicators of investment needs. Nevertheless these indicators, whether based on law or economic logic, beg most of the interesting economic and political questions of intersectoral allocation, because sufficient funds for expansion of all subsectors according to these indicators will almost always be lacking, even after financial and taxation improvements and borrowing to the limit of creditworthiness. A better approach to planning the production of necessary goods by a city is to recognize and project as accurately as possible the actual total city budget, including transfers and borrowing, and to plan subsectoral outputs simultaneously, reiterating until a reasonably integrated plan is produced within the budget constraints. Explicit recognition should be given to shortages that will persist

at the end of the planning period relative to standards, or to economic investment rules, or more generally, relative to the goals of city policy makers.

Toward an integrated approach

Suppose that it were possible to take a city as a unit of analysis, and subsequently as a unit to support through aid or credit, and to consider the general problem of the city's political economy and what solutions can be found to improve the city's overall efficiency. The list of analytical outputs might read something like this:

(a) Inventory of existing extent and condition of infrastructure and the level and spread of municipal services, for: water supply; sanitation; solid waste; roads, paths, and walks; public transportation; public lighting (and other -- depending on city responsibilities) and identification of major present shortages and bottlenecks.

(b) Inventory of housing supply and condition and access of neighborhoods to basic services.

(c) Inventory of public land available for housing development.

(d) Summary of results of survey of investors, businessmen and managers of private businesses, both in the cities studied and in the dominant city of the region, to identify, qualitatively, the major impediments to investment (expansion) in the project towns.

(e) Interim report, titled "Summary of preconditions for development of (named towns)," to include concise treatment of subjects (a) to (d).

(f) A detailed analysis of past recurrent municipal reserves, expenditures and savings (dissavings) taking into account transfers from Central and Provincial governments.

(g) Practical and detailed suggestions for increasing revenue from taxes and user charges, within the limits of present law, including specifications of changes in procedures and enhancement of personnel that would be required to realize these suggestions.

(h) Detailed five year prediction of local revenues based on projection of (f) above, taking into account all foreseeable transfers from Central and Provincial Government and incorporating the revenue increases that will be realized through time from the suggestions in (g) above. Detailed projection of current expenditure, based on (f), and municipal savings (dissavings).

(i) Estimates for five years of Central and Provincial Government investment in municipal infrastructure and services.

(j) Estimates for five years of total resources for investment in urban infrastructure and services, consisting of: municipal savings derived as the result of (h) above; and the estimates of Central and Provincial investments in (i).

(k) Estimates of cost of provision of infrastructure and services to meet backlog of needs identified in Outputs (a) and (b), and the needs arising from population growth. (see Output m). Separate estimate of cost of provision of infrastructure to realize first five years' investments required by structure plan.

(l) Alternative scenarios for capital investment for a five year period by sector, within the budget constraint established in (h) above, taking into account different levels of borrowing. These scenarios will show clearly the tradeoff between expected service levels and standards of services and will explicitly identify the unserved areas at the end of the period, by sector. These scenarios will also explicitly identify revenues and operating and maintenance charges arising from investments proposed.

(m) Estimates of population growth for ten year period and twenty year period for project towns.

(n) Physical structure plans showing main expansion and infill development to absorb projected population increase.

(o) Specification of needs for investment in infrastructure and service to realize physical structure plan, and time frame for these investments.

(p) Report relating (o) above to scenarios for investment in (l) above, and recommendations of priority investments to realize most important development features of structure plans.

(q) Action plans for investment in project towns, taking into account the backlog of urban infrastructure and services and the priority investments required to realize a structure plan. These action plans will clearly specify investments in space and by sector and service function. They will be designed within the financial constraints identified in output (l) once the limits of borrowing have been estimated.

(r) Description of major elements of the investment package in the action plan. For each investment this description will comprise a brief justification, an estimate of capacity and a rough estimate of its capital cost and the manpower and financial requirements for its execution and subsequent operation and maintenance.

(s) An analysis of manpower and management needs of project towns with detailed specification of skills shortages and scheduled proposals for training.

(t) Detailed proposals to increase capacity of the relevant department of the province to offer technical assistance to secondary towns in financial management and planning, general investment planning, and structure planning.

The subsequent project could be a "program loan" in support of a city's action plan, to the limit of its perceived creditworthiness.

In fact the activities above were copied, almost verbatim from the activity list of a forthcoming (proposed) UNCHS project in support of seven secondary towns in the Province of Sind, Pakistan. A similar set of activities, based on analysis done in a World Bank urban sector report, is implied in a project, just about to begin, for Sri Lanka, also proposed by UNCHS but to be executed by the World Bank. Similarly, a major project for planning in Peshawar, being executed by UNCHS, has been broadened to include financial and management analysis, aiming at an action plan which will balance competing needs for funds. A project, assisted by UNCHS, soon to be started in Thailand, for planning and management improvement in secondary cities, incorporates many of the same points of emphasis; in this case previous successful work by ADAB and others on financial management allows less emphasis to be placed on this subject. Similarly in Indonesia, in response to a policy decision by Government to decentralize a vast program of urban investments, a new UNCHS project will assist the process of urban planning and management, although not at the level of management detail illustrated in the Sind example above.

We make no claims to novelty with this approach. In particular, a recent series of seminars by the Economic Development Institute of the World Bank (called Managing Urban Growth) covers approximately the same ground intellectually and with the same city-wide point of view. We do submit, however, that preparation for actual "program" or "overall city based" lending is still relatively rare and that duplication of these types of UNCHS analytical and investment preparation projects is worthy of consideration.

Problems that an integrated approach might help to solve include the following:

(a) Project implementation delays based on lack of counterpart funds. A subsectoral project conceived without serious analysis of the city's other priorities, and not addressing problems of overall financial management or control, often has problems commanding counterpart funds during implementation. To the extent that subsector projects are components of an action plan which addresses financial management and overall budgetary constraints and priorities, the chances would appear much better to finish a (probably smaller) project in any subsector on time.

(b) Maintenance problems, arising from lack of funds or lack of management capacity. For much the same reasons as in (a) above, a financial plan and forward budget would alleviate these problems, and a city management approach to urban projects would tend to stress maintenance equally with investment, identifying manpower needs.

(c) Cost recovery and pricing problems. While the allocative arguments for pricing are more or less robust, the political impetus to charge for any service, within a generally lax tax and charging regimen in the city, is minimal. Overall financial improvement and planning adds to the strong allocative argument, by showing the position of pricing within the city's overall improved fiscal plan.

(d) Sizing problems. Gross disproportion in the amount of cash, credit, and managerial capacity that a particular subsector project attempts to absorb from a city's limited potential is one danger of a subsector approach. In fact there is no very good subsectoral guide to project size except perhaps with reasonable pricing in natural monopoly situations. Rate of return calculations, even when carefully done, tell us very little about intersectoral proportions, and we may not assume that a city can borrow unlimited amounts at some sub-rate-of-return interest rate. There does not appear to be any good way to decide between competing intersectoral alternatives except by examining intersectoral alternatives, the key planning activity in the proposed approach.

(e) Coordination problems. Subsectoral approaches inevitably run into problems of physical coordination of work. Although this will persist in an integrated approach on account of management lapses, it should be possible to eliminate the problems caused by incompatible physical or financial planning.

(f) Standards. Conventional standards, often legally supported, sometimes inflate costs in subsectoral projects and put services out of reach of target groups, particularly the poor. Sector by sector arguments in favor of more

appropriate standards may be strong, but politically they are not always very forceful. Considered in the context of an overall action program, however, particularly in the common case where the prospects for unmet needs in many crucial sectors at the end of the planning period are unchallenged, the standards arguments should become more convincing.

(g) Markets and audiences. Urban workers have the misfortune of dealing in nontradables in an era of serious debt problems for many of our client countries. While arguments can be made that some urban projects indirectly save foreign exchange or contribute to exports, the case would be much more convincing if phrased in terms of overall city efficiency. If we can make a case that our approach will make the city more efficient, i.e. a better place to make money, we can also argue that it makes the city a better place to produce tradables. Similarly, if cities can be made less dependent on the central government, cities' proposals for debt-financed investment will meet a more willing audience in central finance ministries and in donor agencies preoccupied by debt and fiscal policy questions.

Conclusions

An integrated approach to investment in cities makes sense if it can be done successfully. This approach almost certainly deserves more resources than it has commanded to date, in terms of technical assistance from aid donors whose activities in the past have tended to concentrate on sub-sectoral approaches. While it would be unduly pessimistic to argue that subsectoral approaches are doomed as long as the city, as a city, functions ineffectively, the problems of even well-conceived subsector projects floundering in a quagmire of urban mismanagement is common enough to justify more effort at the city level.

For these reasons, UNCHS is now forming an urban management cell to concentrate on developing and supporting projects that take a city management approach to urban investments. Initial support for this cell will come from Habitat's own budget, and UNDP. Growth of the cell's capacity will be ensured by ploughing back Habitat's earnings from projects executed in this field into the further strengthening of this cell. The preparation for the growing pipeline of World Bank city-management-oriented projects is supplying the initial work program for this cell but plans call for supporting related projects of other multilateral and bilateral donors as well.

With a growing number of professionals specialized in this field, Habitat hopes to become a leader in devising and supervising technical assistance work in programs for city development which emphasize city management as the core of the development effort.

FY 87-89 STRATEGY FOR URBAN DEVELOPMENT AND WATER SUPPLY
RESEARCH, POLICY WORK, AND OPERATIONAL SUPPORT
BY THE WUD POLICY AND RESEARCH DIVISION

This note outlines the broad strategy and priorities that will guide the FY87-89 work program of the Policy and Research Division of the Water Supply and Urban Development Department. The discussion is deliberately kept brief for its kind, since there already exists a considerable quantity of material on many of the subjects covered.^{1/}

1.0 INTRODUCTION

The review and planning process that led to the conclusions presented here began with the basic questions: (i) why should the Bank at this juncture be doing anything at all in the way of analytical work in these sectors beyond what should regularly be a part of lending operations; and (ii) if there is a case for doing something, what precisely is needed, considering recent trends in developing countries, the requirements of Bank regional divisions, and the areas where analytical efforts can potentially be the most fruitful?

Every sector deserves a hard look periodically from these perspectives, but now is an especially apt time for urban and water. Over a decade has passed since the Bank entered the urban field in a substantial way, both in lending and research. Goals and approaches for the next decade are currently being extensively discussed, as clearly demonstrated at the recent Conference at the Bank where over 50 countries were represented. In water, it is now the midpoint of the International Drinking Water Supply and Sanitation Decade. This is thus a good time for a stocktaking.

As the planning process proceeded, the general questions above took more concrete shape in the form of the following further queries.

- Rationale for Developing Urban Strategies. The role of urban development in national development and the merits of urban vs. other targets for investment and policy strengthening have been vigorously debated for many years. The contributions that cities and towns make to the macroeconomy, the impacts of urban infrastructure on productivity, the linkages between urban and rural growth, the efficiency and equity effects of urban biases in resource distribution, the meaning of effective urban management by local authorities, and the

^{1/} For example, "Water Supply and Urban Research Strategy Paper: Program for FY84-86," WUD, May 1984; "Urban Finances in Developing Countries: Research Issues and Findings," Roy W. Bahl and Johannes F. Linn, Research News, Spring 1984; "Affordable Shelter and Urban Department: 1972-82," Douglas Keare, Research News, Summer 1983; "The City Study: Understanding the Developing Metropolis," Rakesh Mohan, Research News, Fall/Winter 1984; "World Bank Research in Water Supply and Sanitation," Sharon Blinco, Research News, Summer 1982; "Annual Report of the Water Supply and Urban Development Department," 1984.

significance of agglomeration economics have been part of this debate. Is further analytical work on any of these points needed now, either to fill knowledge gaps, convince the unconvinced, or inform the uninformed?

- The Content of the Urban Strategy "Package." Urban issues involve many subsectors, including municipal finance, housing, housing finance, land markets, land registration and tilling, transport, water supply and sanitation, storm drainage, telecommunications, power, employment policies, and spatial location policies (should development be directed away from some locations and toward others)? Recent lending has expanded this list to include urban management as an overarching theme, reflecting perceptions that piecemeal subsectoral efforts fail to address vital crosscutting needs. Is more analysis required on how much emphasis should be given to these various topics in investment and policy strategies? Or on whether new elements should be added and existing ones deleted?
- Priorities Within Each Urban Subsector. Substantial experience has now accumulated within many of the urban subsectors. For example, on housing, there is now considerable evidence on sites and services projects, on upgrading projects, and -- from research studies -- on the determinants of household demand for shelter. What additional investigations -- if any -- are needed within particular subsectors, to guide future choices of approaches and objectives?
- Priorities in Water Supply and Sanitation. The technology options (handpumps, etc.) in these sectors have been examined in depth by Bank/UNDP field studies. A strategy paper for rural investments is now out for comment. Lending for urban investments is proceeding apace. Given all this, are there still areas where new analysis could help?

Another batch of questions also was explored:

- How fruitful have past analytical efforts been -- in research, policy work, and operational support? Have the results been useful operationally? Where not, why?
- Leadership in the development of new products has been a constant goal of these sectors -- urban in particular. Are there special areas that should be stressed to explore promising possibilities for future new products?
- Past analytical work has involved a mix of descriptive and prescriptive endeavors, with the latter ranging from formulation of general principles at one extreme to preparation of "how to" manuals at the other. How successful have these various types of outputs been? What mix is most appropriate for the next few years?

- . Past work also has involved a mix of objectives with respect to:
 - (i) convincing others of what Bank urban and water staff already are convinced of;
 - (ii) providing evidence on points that Bank staff have hypotheses about but not yet certain consensus; and
 - (iii) finding out more about questions where there are not yet even any widely held hypotheses.

Should past patterns in this regard be continued?

- . A mix is possible on another dimension too: from "nitty gritty" topics (e.g., developing unit cost estimates for alternative transport modes) to "high fliers" (modelling urban-rural linkages). In between are various kinds of applied policy studies, such as assessment of rent decontrol options. Is a departure from existing trends called for?
- . Bank staff who have moved on from the urban and water sectors (both from operations and research) to other challenges have been very helpful in sharing views and suggestions on what future efforts should focus on. What changes do their conclusions imply?

2.0 PRIORITIES

Based on reviews and consultations with particular attention to the points just noted, the following priorities for FY87-89 work program of the WUD Policy and Research Division have been identified. (Items are not ranked in order of importance.)

2.1. Housing

Analytical work on housing issues continues to be one of the areas where the Bank is strongest in the urban field. More research has been done over a longer period than in other urban subsectors, and the Bank's expertise on shelter questions is sought frequently by bilaterals, borrower countries and others.

Nevertheless, important new challenges remain that more than justify maintaining a significant level of effort in the area in FY87-89. Work to date has mostly concentrated on issues that provide the critical building blocks from which concrete policy advice can be constructed. Yet the actual application of these results to resolve pressing and widespread policy issues still lies mostly ahead; some applications have been undertaken, but far more are possible and needed.

For example, past work has yielded valuable insights on the structure of household demand for housing and on willingness to pay for shelter improvements. (For further details on recent research, see the references in footnote 1 above and "WUD Input to FY85 Annual Report on the World Bank's Research Program," September 9, 1985 memo, D. de Ferranti to D. Lal.) Now the fruits of this analysis need to be put to use in assisting the development of advice on housing policy reform. Policies ranging from rent control to public housing construction to housing finance subsidies (e.g., low-interest mortgage loans) are badly in need of attention the world over. Considering that housing accounts for substantial proportions of public expenditure and total national investment, failure to set these policies right can lead to serious waste of scarce resources.

Implications for the Division's Work Program. At least one -- and possibly more -- policy papers should be produced during FY87-89, bringing together the findings and conclusions of Bank analyses on special issues (e.g., rent decontrol) and/or housing policies generally. Field work linked with operational support should increase, both for dissemination and case study input. Research activities should aim toward results with clear policy relevance.

2.2 Municipal Finance

Municipal finance issues remain the linchpin for almost everything else in urban development. Inappropriate or ineffective policies on cost recovery, subsidies, choice of taxation methods, tax collection performance, allocation of public resources, inter-governmental transfers, budgeting, etc. are widespread, and severely impair the ability of municipal and national authorities to solve the entire range of urban problems.

Past work at the Bank has addressed a good many questions. The general directions in which policies in the finance area should be heading are now clear. But much uncertainty remains about the concrete steps that countries should take to get from where they are to where they ought to be. In a sense, this state of affairs is not unlike the situation at the national level on macroeconomic issues (structural adjustment, trade, exchange rate policies, etc.). We know a lot about ultimate objectives, but little about the best sequencing and timing of steps, or about the variations in strategies that may be necessary given the differing initial conditions and immovable constraints that countries start with.

Research in the sense of long-term studies is unlikely to be as helpful now as shorter-term analyses closely tied in with operational sector work. Well documented applications of general principles in the context of developing detailed country-specific assessments and recommendations will be more persuasive than conceptual papers.

Implications for the Division's Work Program. Involvement in sector work should continue and increase, but with enough time for field investigations and report writing to make possible outputs of interest beyond the immediate country requirements. Guidelines papers on

particular facets of municipal finance should be prepared, tested, and finalized during FY87-89. A policy paper should be completed in collaboration with the WUD Front Office Advisors working in the area. No new research, apart from "enriched sector studies" and spinoffs from that, appears essential at this juncture.

2.3 Land Market Issues

Inefficiencies in the functioning of urban land markets is rapidly emerging as an important new focus of urban lending and country interest. New products in Bank operations are now being developed. Yet, little analytical work has been done on many key issues -- issues that policymakers vitally need better information about if poor choices are to be avoided.

The prevailing hypothesis is that pervasive deficiencies in land information, registration, and titling system result in inefficiencies, or "market frictions," that slow economic growth, with negative impacts on the poor. Governments are not sure who owns what, so they cannot tax properly. Owners are not sure they have clear title, so their access to mortgage credit and motivation to invest in improvements are diminished. Buyers and sellers incur substantial expense and multi-year delays in finding each other and consummating deals; as a consequence, some parcels effectively are held off the market -- thereby driving up prices on the rest. Externally aided development projects incur higher costs too (e.g., total project cost can be a third or more higher in an inflationary environment) because assembling the land for sites takes so long.

To reduce these frictions, massive upgrading of information, registration and titling systems is thought to be required. As in other fields (e.g., handpumps for water supply) there are alternative technical approaches, among which a choice must be made. Some approaches, such as satellite imaging and extensive computerization, offer high accuracy and reliability, but at high cost. Other, such as simple aerial photography, are less precise but much less expensive, and are easier for local institutions to implement and maintain. Over the next ten years, countries and donors will likely devote several billion dollars to land market system upgrading, if current plans are implemented; so the stakes are high.

Implications for the Division's Work Program. Research should be initiated on the technology choice problem and on other aspects of land market frictions (such as the economic importance to landowners of secure tenure). A policy paper and guidelines should be produced during FY87-89.

2.4 Urban Infrastructure and Productivity

Debate about the rationale for developing urban strategies is clearly neither resolved, dead, nor moot. In both Africa regions and to a lesser extent in South Asia, urban projects divisions still have an uphill battle in justifying and building up lending operations. Among borrower country authorities, awareness and understanding of what is

needed -- and of the detrimental effects of allowing unsound policies to remain in place -- are far from universal. In principle, of course, if adequate cost-benefit estimates could be done for all the relevant alternatives, and if all parties to the debate accepted and were persuaded by these estimates, there would be no problem. But that has not been the case so far after ten years of trying. For a variety of well-known reasons, progress in resolving differing views still requires other analyses as well.

The first challenge in regard to the broad topic of the rationale for urban strategies is to focus in on a few concrete questions that capture the core issues and also can be analyzed fruitfully. One possible entry point is to explore the extent to which deficiencies in urban infrastructure impose costs on firms and households, resulting in inefficiencies that hold back faster development. Besides clogged streets, unreliable power and water supplies, weak telecommunications, and the like, current deficiencies -- broadly interpreted -- also include other impediments to growth such as frictions in land markets, ill-conceived or excessive government regulations, and requirements for protective measures where crime or disorder are a prevalent threat. Lagos typifies one extreme; Harare illustrates what is possible in an African setting when infrastructure deficiencies are kept to a minimum.

Given an approximation of the total magnitude of the economic losses resulting from these deficiencies in each of several case study cities, other questions could then be asked. For example, how do these losses compare with the cost of correcting the deficiencies? Or with losses associated with problems elsewhere in the national economy (e.g., inappropriate agricultural pricing policies)? And for firms ranging from large manufacturing enterprises to small shops, how significant are urban infrastructure deficiencies compared to other obstacles traditionally addressed by industry projects?

These are not easy matters to quantify well, but even rough answers would be helpful in this important area. Evidence on whether the losses from underinvestment in urban infrastructure are substantial relative to other national needs for development is crucial for future planning -- not just in urban but in all development.

Ideally, analysis of the underpinnings for urban strategies should extend beyond the comparatively straightforward field work required for tackling this infrastructure question. The linkages between urban and rural sectors, between urban and national concerns, and among different industry and service sectors should also be clarified. However, arriving at useful findings from the modelling techniques tried in the past on these points has proved to be difficult. The best course for FY87-89 on these broader linkages appears to be to focus on (i) limited investigations of specific aspects (e.g., the significance and impacts of urban-rural remittances in parts of Africa) and (ii) concise reviews of the latest developments in and implications of the findings of modelling efforts, mainly to be sure no new breakthroughs elsewhere go unnoticed at the Bank.

Implications for the Division's Work Program. The work on the infrastructure/productivity issue and on the broader linkages will involve a combination of short- and longer-term research with operational support activities as a basis for obtaining case study data, testing out hypotheses, and disseminating results. Given the nature of the questions to be addressed, there will not be specific policy advice in the same way as anticipated below for housing, land markets, municipal finance, etc. Hence no "policy papers" or "how to" manuals would make sense here.

2.5 Sub-Saharan Africa

Contributing to the development of improved strategies for the urban, water, and sanitation sectors in sub-Saharan Africa continues to be a high priority for WUD as for other parts of the Bank. Work planned under other headings here will further that aim, since a disproportionately large fraction of the case studies and other evidence used will be from Africa. Nevertheless, three kinds of additional efforts expressly on African issues also appear needed.

The motivation for these efforts stems in part from the fact that regional strategies already exist in these sectors. In urban, both regional urban divisions for Africa have strategy papers; the one for East Africa was just completed two months ago. In water supply and sanitation, the forthcoming "Rural Water Supply and Sanitation: A Framework for Improving Investments" and other WUD papers serve that purpose. Thus, now is not the time to prepare the same sort of strategy paper that some other OPS Departments are embarked on (e.g., education or population).

The first of the three efforts that are needed now is a careful, concise examination of -- with new evidence on -- the core issues in the ongoing debate about the importance in the African context of urbanization, urban problems, and the broader trends (in population, agriculture, etc.) that shape the environment within which cities and towns grow and change. Many of these core issues are the same as discussed under other headings here, but set in the African situation -- e.g., the productivity benefits of urban infrastructure and the role of rural-urban linkages. Others are more peculiarly pertinent to Africa -- e.g., what are the major long-term applications of current scenarios about population growth, migration, and agriculture trends.

Second, assistance to the regional divisions in elaborating and refining -- adding flesh to the bare bones of -- the existing strategies is a priority to the regions. The lead role for much of this operational support work lies with other parts of WUD, but the Division has a contribution to make too.

Third, during the latter part of the FY87-89 period, reassessment and mid-course corrections in present strategies will be appropriate. This is expected to be a time for preparing broad papers on salient aspects of priorities and approaches in determining what investment and policy choices cities need to stress and how they should proceed.

Implications for the Division's Work Program. A paper or two on the core issues of the debate about the urban role in Africa should be completed early in the FY87-89 period. Papers on approaches and priorities should be done toward the end of the period. Some operational support activities should be undertaken that besides assisting regional implementation of the present strategies will also provide input to the papers just mentioned. No special additional research is anticipated besides work already outlined under other headings here.

2.6 Water Supply and Sanitation

The Bank's involvement in water supply and sanitation now has a long history. Despite this, recent assessments of the available evidence ^{1/} conclude that important information gaps remain, relating to cost recovery, willingness to pay, household demand for water and sanitation, and the interactions between these issues and the choice of appropriate technologies. Lack of better evidence clearly has been a constraint in policy and project work.

In rural water supply, the need for improved information is illustrated by examples like the following.

A USAID project in Thailand first tried putting a single well in each village in the project area. This strategy failed, however, because the villagers did not value the improvements highly enough to contribute financially or otherwise to maintaining and sustaining them. A second approach was then adopted that provided for several standpipes dispersed around each village. Yet this too failed for the same reasons. Finally, a third plan was tried that brought yardtaps right outside the houses of most villagers. This succeeded. Even though the yardtap plan was much more costly, households were willing to pay because they valued the extra convenience of having water nearby.

If better information and analysis on the villagers' willingness to pay and preferences (demand characteristics) had been available, the right technology might have been chosen the first time instead of the third. With billions of dollars slated to be invested during the rest of the International Drinking Water Supply and Sanitation Decade -- and beyond as well -- mistaken choices on a global scale can ill be afforded.

^{1/} See, for example: "Rural Water Supply and Sanitation: A Framework for Improving Investments", forthcoming WUD position paper; Village Water Supply, Saunders and Warford, 1976; "Urban Water Supply and Sewerage Pricing Policy", Turvey and Warford, 1974; and "Investment Issues in the Water Supply Sector", M. Garn, draft.

In urban areas, the context and issues are somewhat different, but the need for better evidence is no less critical.

Implication for the Division's Work Program. Research involving case studies in diverse environments should be undertaken, concentrating on the demand-related issues just mentioned. Operational support in this area should be oriented toward facilitating analysis and discussion of these issues. No new policy papers need be planned yet, since the current framework paper now in process fills that role for the present.

2.7 Urban Management

WUD staff and others have thought a good deal over the past year about what "urban management" includes and what the Bank should do on it. These deliberations have highlighted the importance of the public sector's role in (i) maintaining effective governance (which concerns how well local authorities function and how responsibilities and resources are distributed among local, provincial, and national authorities), (ii) making sound public investment decisions and local development strategies, (iii) supervising the operation and maintenance of public sector assets (roads) and delivery of services (health care), and (iv) putting in place an appropriate policy framework (e.g., regulations, tax structure) to facilitate private sector commerce and growth. There also has been increasing awareness of the fact that "urban management" provides a helpful new way of talking about -- and bring together under one rubric -- ideas already familiar from work in each of the urban subsectors individually.

Now that the concept is better understood, it is clear that this is not a subject where research is called for. It is, rather, an area for action. Operational work needs to refine in practice the common sense principles that have evolved from past operational experience and reflection on what works and what doesn't. Eventually, after several case study sector reviews have been completed, a synthesis of lessons and guidelines on recommended approaches can be prepared. However, the grist for that mill must be assembled first through a well planned program of operational missions. Much of this work lies outside the purview of the Division, although Division staff have something to contribute.

Implications for the Division's Work Program. No research or policy work is presently justified. Operational support activities in this area can fruitfully be combined with work on other priorities above.

2.8 Spatial/Location Policies

Questions relating to different spatial patterns of urban growth (within a city and between large and small cities) and the impacts of public policies that attempt to influence where firms and households locate have been examined in Bank research since the mid-1970s. Multi-year studies on Korea have just come to an end.

The main messages from this work are now clear (see The Urban Edge, Vol. 8, No. 9, November 1984). They imply, inter alia, that government spatial/location policies generally do more harm than good, resulting in inefficiencies and misallocations of resources. While this is an important point to bring home to many authorities, further analysis on the subject is not a priority at present, considering the many other issues discussed so far.

Implications for the Work Program. Dissemination through operational support will help bring the output of past studies to the attention of relevant audiences. No new research will be initiated. Rather than prepare a separate policy paper on this subject, the findings will be subsumed into policy work planned on land issues.

2.9 Other Issues

Earlier, the content of the urban strategy "package" was raised as a separate issue, referring to the question of how much weight should be put in investment and policy strategies on the various subsectors within the urban field. Much of the ground one would need to cover to address this question is already the subject of other planned efforts above. To go beyond that in some formal way does not at present look likely to be fruitful, given the inherent methodological and data difficulties involved. Thus, no special studies on this point are foreseen.

Urban employment and urban transport questions have recently been examined in WUD policy papers soon to be published. While some continued research and operational support is recommended, these are not key points in either paper. Given that the work already proposed under other priorities here is substantial, and that choices must be made because staff time is a scarce resource, the present work program does not envision heavy involvement by the Division in transport or employment issues. Some minor initiatives, however, will be supported -- e.g., to help keep the basic unit cost data on transport options up to date.

3.0 CONCLUSIONS

The priorities outlined above imply a mixed portfolio of research, policy work, and operational support, driven by the the current status of the evolving needs within each of the various subsectors of the urban and water field (see chart attached). Whereas in the past much of the Division's work consisted either of long-term (e.g., 2-4 years) research or largely "one-off" short-term (2-4 weeks) operational support assignments, the FY87-89 work program would include substantial emphasis on activities between these two extremes. The entire spectrum of analytical efforts, from short to long term, would be drawn upon in pursuing a clear set of three-year priorities.

Relative to previous years, this would mean that the Division would do more research and policy work than when it was called (until recently) the "Operations Support and Research Unit." It would also mean doing more operationally-related work (e.g., through sector case studies that feed into short-term research) than in the DKD days. The aim would be to position the Division between those two models.

There is a logic to this from the perspective of the state of development of strategies and knowledge in these sectors. In the 1970s and first few years of the 1980s, urban was still a relatively new field for Bank lending and developing country research. Fundamental questions about what is important and what general approaches are appropriate were still paramount. We are past that now. The main concern for FY8/-89 should be to translate broad principles into effective practical guidance. Inevitably that entails more stress on dissemination and operational linkages both as source and outlet for research and other forms of analysis.

While the proposed work program is ambitious, the three years covered by FY87-89 is long enough to make considerable progress in the chosen priorities areas. The major challenges relate to staff and other resources. Insofar as turnover and/or investments in resources from external sources result in the creation of openings for staff or consultants, recruitment of appropriate personnel for the sort of work anticipated here will be crucial. There is a time issue in this too. Changing the directions of a work program and adding new staff involve a learning curve. The initial part of the FY87-89 period will invariably have fewer outputs than the latter part. Expectations must allow for this.

This note has intentionally not gone beyond broad strategy. Detailed planning of studies, methods, staffing allocations, etc. will be done subsequently, as the program is implemented.

FY87-FY89 WUDOR WORK PROGRAM

	<u>Research</u>	<u>Policy Work</u>	<u>Dissemination & Op. Support</u>
1. Housing	x	x	x
2. Municipal Finance		x	x
3. Land	x	x	
4. Urban Infrastructure and Productivity	x		
5. Sub-Saharan Africa	(x) <u>1/</u>	x	x
6. Water Supply and Sanitation	x		x
7. Urban Management			x
8. Spatial/Location Policies			x
9. Transport	(x) <u>1/</u>		
10. Employment	(x) <u>1/</u>		

1/ Will be covered in work on urban infrastructure and productivity.

J. P. L.

Urban Growth and Economic Development in the Sahel

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January 1979

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WORLD BANK

Staff Working Paper No. 315

January 1979

URBAN GROWTH AND ECONOMIC DEVELOPMENT IN THE SAHEL

Past urban bias in public investment, and the inadequacy of rural development efforts in harsh natural conditions, have made Sahelian cities relatively privileged consumers in an environment of extreme scarcity and deprivation. More equitable allocation of national resources between rural and urban areas is essential if the Sahel countries are to improve their incomes.

The urban population of the Sahel is expected to triple between 1975 and 2000; an addition of 8 million people, at least half of them migrants. Present conditions are inadequate to absorb such an increase. The majority of urban residents rely directly or indirectly on government employment, which has been the major stimulus for urban growth, but in future is highly unlikely to expand rapidly. There are serious constraints on the large scale expansion of industry. It is urgently necessary to stimulate employment in the informal sector, with particular attention to the processing of agricultural products. The majority of urban dwellers have low levels of services, largely reflecting a lack of coherent policies toward urban growth. Widening the availability of services will involve using lower cost standards for new facilities, and recovering costs from the urban population at all income levels. Urban sector analysis, within macro-economic planning, needs to identify and encourage activities in secondary towns which will support rural development.

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URBAN GROWTH AND ECONOMIC DEVELOPMENT IN THE SAHEL :

PROSPECTS AND PRIORITIES

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PREFACE

This paper grows out of on-going work to develop an operational strategy for urban development in the Sahelian countries of West Africa. Background studies were initiated in late 1975 in preparation for a World Bank Urban Projects reconnaissance mission to Ouagadougou, Upper Volta. These studies were continued in 1976, focusing on Upper Volta and Mali, in support of World Bank urban project work in those countries. Early conclusions of the studies contributed to the design of these projects. In order to pull together the individual country studies, and fill gaps in data, Danielle Antelin worked during the summer of 1976 on the data base for the first draft of the paper, which appeared in September 1976. Further data analysis was undertaken by Ms. Antelin on the urban sector content of the national development plans of the Sahelian countries, and later by Anne de Mautort, on the employment situation in urban areas.

The paper was originally intended to suggest a framework for policy discussions concerning urban development in the Sahel. It was included in a series of World Bank papers on the Sahel which were reviewed in 1976, when the Western Africa Region of the World Bank was considering a long-term strategy for the Sahel. Continued project work in the Sahelian countries has added new insights which are included in the present version of the paper, particularly in an expanded discussion of a proposed strategy and the constraints to implementation. The paper is not intended to serve as a policy document for the World Bank, although it reflects some of the World Bank's approach to urban development issues. Nor is it intended to reflect the objectives and programs of the Western Africa Region of the World Bank. Rather, it is hoped that the paper, in bringing together available information from a data-scarce environment and attempting to suggest the lines of an operational strategy, can contribute to a serious discussion of development strategy in the Sahel and of how the urban sector can contribute to more equitable and efficient development.

Many of the ideas in this paper come from an extended dialogue with many colleagues at the World Bank concerning urban development in the Sahel. These include: Carolyn Tager, Jaime Biderman, Bernard Veuthey, Abdallah El-Marroufi, Arthur Levi, Anthony Churchill, and Maurice Mould. I am particularly indebted to Douglas Keare who has supported this work over a period of two and a half years and has provided many insightful analytic comments. Outside the Bank, I would like to acknowledge the intellectual contribution of Guy Lemarchands of the United Nations' Centre for Housing, Building and Planning. Finally, the greatest inspiration for this paper comes from the many Africans whom I have met in Upper Volta, Mali, and Senegal during the course of writing this paper. This paper is intended to answer some of the many questions which are asked of those who are seeking to assist Sahelian governments in the urban sector.

I. A FRAMEWORK FOR ANALYSIS

1. The countries of the Sahel region of West Africa: Chad, Mali, Mauritania, Niger, Senegal, and Upper Volta, are among the poorest and most rural countries of the world. Their populations live predominantly in rural areas, depend on agriculture and livestock for food and income, and have remained traditional in their culture. Despite their rural character, these populations have been increasingly affected by decisions and activities which occur in the small but growing urban centers in their countries. External intervention in traditional patterns of agriculture and livestock grazing, first by private French companies and the colonial administration, and later by both the public and private sector after independence in 1960, have disturbed the ecological balance of the region. While many of these interventions, such as the introduction of modern production and marketing methods and improved health care, have been beneficial to the populations, other interventions have had unanticipated consequences, such as over-grazing and famine in certain areas. In some cases, the declines in income for some groups have resulted in the migration of rural populations to new zones of economic opportunity, such as urban centers and the West African coast. Increased contacts between the rural areas and these zones of economic opportunity have stimulated new patterns of migration along with the exchange of goods, food, and other services. The coincidence of these developments with the establishment of colonies under French administration and later the creation of six independent African states has further supported the process. Relatively small traditional urban centers became colonial headquarters and eventually national capitals. Within this century, the Sahelian region has experienced a major transformation, from a largely rural area inhabited by scattered sedentary groups, nomads, and a few long established towns, into six countries, with major areas of population concentration and new forms of economic activity.

2. The increased pace of urbanization over the past two generations has led to three major forms of differentiation: economic, social and political. Economic differentiation has occurred as some population groups have responded positively to the introduction of new production methods, transport, and communications in rural areas and used these means to exploit agricultural and livestock resources more effectively. Farmers and herds-men have generated surpluses and profits which they have been able to use for other purposes. This has created new economic differences in rural areas and has permitted some rural residents to invest their surplus in commercial activities in towns. Some successful rural farmers have eventually become absentee farmers, using hired labor on their holdings, and have taken up urban residences. As towns developed, mostly through migration, the Sahelian population has become increasingly socially differentiated between rural and urban, illiterate and literate, and traditional and modernizing. This process is extremely complicated and beyond this discussion, but the concentration of permanent and temporary urban populations from scattered rural peoples is an extremely important aspect of the Sahelian transformation.

3. A third form of differentiation has also developed and is essentially political. The changes introduced in the rural areas of the Sahel by the French colonial administration were not simply economic or social, but were also political. Traditional ethnic political systems were forced to accommodate French political objectives, including administrative control of the regions in which local ethnic groups had traditionally ruled without external influences. This control was highly centralized, with regional and territorial capitals, and hierarchies of decision-making which extended as far as Paris. While local political control was not given up without a struggle, central authority was consolidated and developed up to 1960. At that time, under strong internal and international pressure in the post-World War II period, France granted independence to its Sahelian colonies. Within the countries, the nationalist movements which had been most effective in articulating African demands for independence and which had also worked out terms of accommodation with France, were given political power in the new states. Not surprisingly, the new political authorities came from the educated urban elites which had been formed by the colonial experience and, despite their contacts with rural populations, were more concerned with the consolidation of political power in the national capitals than with extending economic development to the rural sector. This consolidation also meant access to benefits resulting from public policies which support urban development.

4 Taken together, the economic, social, and political differentiation which has occurred in the Sahelian countries has produced a widening gap in income levels between the rural and urban populations. The transfer of surpluses generated in agriculture and livestock to urban commercial activities and urban investment has been expanded and reinforced since independence. The major agent of this reinforcement has been public policy which has demonstrated a strong "urban bias". This bias has been characterized by Michael Lipton as a bias in the process, structure, and consequences of decisions affecting the use of national resources in developing countries. 1/ Lipton argues persuasively that development policies in many LDCs increase urban privileges at the cost of continuing poverty in rural areas. Urban bias is reflected in prices, institutional opportunities, access to markets, communications and transportation linkages, and many other structural characteristics of national economies. In the Sahel, this bias is found in the subsidized prices of food, agricultural pricing policies, the allocation of public infrastructure and social services, and individual investment decisions in almost every sector.

5. Given the large share of gross national product generated in rural areas, and the relative lack of productivity within the urban sector, most investment in urban areas represents the use of rural surpluses for urban purposes. This situation may be viewed in terms of the distinction between

1/ Michael Lipton, Why Poor People Stay Poor: Urban Bias and World Development: (Cambridge: Harvard University Press, 1977).

"parasitic" and "generative" cities. ^{1/} Professor Bert Hoselitz argued that some cities were "parasitic" on the national economy, converting agricultural surpluses into urban consumption while not producing goods or services needed for economic growth. Other cities, however, were productive, either through manufacturing, services, or through functions performed by their location, or some combination of the three. These "generative" cities assisted in the development process and indeed contributed additional stimuli to growth. The Sahelian cities, however, while performing some administrative and commercial functions necessary for national development, have survived on the consumption of rural surpluses and in this sense can be viewed as somewhat "parasitic" and "exploitative" vis-a-vis the rural sector.

6. This characterization of the urbanization process in the Sahel is noteworthy in three respects: first, given the recent increase in urban growth across the six countries, it is apparent that increasingly large surpluses are being converted into urban consumption or urban investment. This conversion may take the form of taxes collected in rural areas which are used for civil servant salaries in towns or for urban infrastructure investment or low producer prices coupled with subsidized urban consumption of certain goods. Regardless of the form, the pace and magnitude of this conversion represents a major transfer of resources from the rural to the urban sectors. Secondly, this transfer can be viewed as a conscious political choice which is reflected in the allocation of public resources and policies affecting the private sector. Obviously, "urban bias" has its political rewards in gaining the support of urban-based political groups, such as labor unions and civil servants. Thirdly, the transfer of surpluses from the rural to the urban sector is neither efficient nor equitable, given the scarcity of resources, and low incomes in rural areas. The size of total rural surplus is barely sufficient to provide for the rural population, much less be used to sustain urban populations at relatively higher levels of income. Urban development thus drains away national resources needed for other higher priority purposes. This view of the urban sector from a macro-economic perspective is quite convincing, although, as suggested in later chapters, the consequent "bias" often may result from justifiable actions taken in other spheres.

7. Importantly, this description of urban bias obscures the distribution of absolute poverty within the Sahelian countries. Extremely poor people are found within cities and towns, as well as in remote rural areas. The Sahelian towns are as poor as any in the world; indeed, their levels of public services are probably lower than those in almost any other developing country.

8. Given the simultaneous existence within these countries of relative urban welfare and deprivation for the majority of urban residents, what is a reasonable approach to urban development in the world's most rural countries? This essay attempts to formulate answers to this problem by examining

^{1/} Bert Hoselitz, "Generative and Parasitic Cities": Economic Development and Cultural Change, Vol. 3, No. 2, 1955.

the following questions: What are the factors generating and supporting urban growth in the Sahel? Will urban growth continue? If so, how can urban growth be transformed from an essentially parasitic into a more generative process? What are realistic policy objectives for the medium and long term? What are the constraints to achieving them? And finally, what do we need to know to answer these questions?

9. In order to address these issues, the essay proceeds in the following manner: Chapter II presents an historical overview of the urbanization process in the Sahel, introducing the traditional Sahelian cities, the effects of national independence on urban growth, and past patterns of urban bias in national investment plans. Chapter III reviews the available demographic projections for the Sahelian countries, focusing on expectations for continued migration and urban growth. These projections include those by the United Nations, the FAO, the World Bank, Sahelian governments, and private demographers. This review points to continued, rapid urban growth for the next two decades, with a tripling of the 1975 urban population by the year 2000, and the need to absorb some eight million persons into the urban sector over this period.

10. Chapter IV examines the rural sector in some detail in order to first understand the reasons for rural out-migration and the limited prospects of increasing rural incomes in the short term. Chapter V then evaluates the absorptive capacity of the urban sector in the face of expected urban growth. Absorption in this case refers to the provision of employment and urban services for new urban population. A major conclusion concerning the urban sector is that the capacity to provide services must be expanded, but that this expansion requires policy changes involving the use of lower-cost infrastructure standards and the need for recovery of investment costs from the beneficiaries. At the same time, efforts should be directed towards supporting informal sector activity which presently generates the majority of employment in Sahelian urban centers.

11. The last chapter proposes an operational strategy for urban policy change and urban investment. This strategy, proposed in two phases, emphasizes the need to reduce, if not eliminate, the parasitic character of the urban sector through policy change, pilot projects, and eventually coordinated programs of investment in low-cost urban infrastructure. While these programs will address the needs of urban residents, urban development must at the same time be considered in terms of the supportive functions which towns can perform in promoting rural development. The notion of "urban functions in rural development" thus links efficient urban development policy with the broader need to increase rural productivity and incomes. ^{1/} This linkage is

^{1/} Dennis A. Rondinelli and Kenneth Ruddle; Urban Functions in Rural Development: An Analysis of Integrated Spatial Development Policy; (Washington: USAID, 1976).

through the identification of urban functions such as locations for marketing, processing, storing, and provision of other services which are needed if agriculture is to become increasingly productive. Towns therefore will have to be developed with this objective in mind, and be truly "generative", instead of enclaves of privilege amidst rural poverty.

12. This essay raises many difficult questions concerning the role of the urban sector in Sahelian development. It does not presume to provide the answers. The formulation and implementation of policy in Sahelian countries--any policy--is a difficult process due to the weakness of local institutions and the lack of trained manpower. These constraints must be recognized from the outset and reflected in the analysis of current conditions and prospects for improvement.

II. URBAN DEVELOPMENT IN THE SAHEL: AN OVERVIEW

A. The Meaning of Urban in the Sahel

13. Urban development in the Sahel must be examined in the context of a long tradition of cities and towns in the region. 1/ Cities such as Timbuctou, Djenne, Gao, Ouagadougou, Maradi, Kayes, or Tambacounda have long histories, often pre-dating cities in Europe and in coastal African countries. These centers performed important administrative and commercial functions during particular historical periods, either as seats of sultanic or traditional political power or as trading centers for trans-Saharan and African caravans. Strong cultural and religious traditions often developed with these centers, explaining their significance to this day.

14. The eventual eclipse of these centers resulted from their lack of an independent productive economic structure. They were intermittent phenomena -- rising and falling with the power and protection of traditional rulers--without a permanent population or economy. Some centers, such as Ouagadougou, were inhabited by people who cultivated nearby land for six months of the year, but whose urban residence fluctuated, depending on rainfall. 2/ Aside from a relatively small number of commercial families, Sahelian urban centers have not developed a long-term commercial or manufacturing

1/ See for example, Horace Miner, The Primitive City of Timbuctou, (Garden City: Doubleday Press, 1965); Elliot Skinner, African Urban Life; The Transformation of Ouagadougou, (Princeton: Princeton University Press, 1974), Rokiatou N'Diaye Keita, Kayes et le Haut Senegal: Les Etapes de la Croissance Urbaine, (Bamako: Editions Populaires 1972), and Derrick J. Thom, "The Morphology of Maradi", African Urban Notes; Volume VII, No. 1, 1972, pp. 26-35.

2/ Skinner, op. cit.

structure. When administrative or trade patterns changed, the cities radically changed their roles, 1/ as in the case of Timbouctou in the past, but also Bobo-Dioulasso after 1947, when it was no longer the colonial capital of Upper Volta. The decline of Kayes or St. Louis was tied to similar administrative decisions in this century.

15. Conversely, changes in ecological conditions or accession to national independence have revived or stimulated the growth of some cities. Tombouctou and Gao swelled from 1972 to 1975, during the drought and its aftermath. Serving as food distribution centers and refugee camps, these towns became more attractive to Malian merchants who have established new businesses there. Bamako, Ouagadougou, Nouakchott, and N'Djamena have grown rapidly after being designated national capitals by newly independent governments. 2/ Niamey has grown as a result of both the drought and independence. Where towns have persisted, their roles have changed in response to the requirements of administration, commerce, and ecology.

16. Accession to national independence should not be viewed as a radical departure from past patterns. While the long-term existence of the six Sahelian states and their designated national capitals should certainly be assumed in planning scenarios, their present importance has been short-term compared to the role of Timbouctou and Gao over several centuries. The present state system may be as transitory as those which preceded it.

17. Nonetheless, there are two factors resulting from independence which heavily influenced development planning options for the next 25 years:

- (a) the concentration of administrative infrastructure and public sector employment in national capitals; and
- (b) the perceived needs of the rural population, accentuated by rural-urban income differences and the drought of 1968-74.

18. The concentration of administrative infrastructure and public sector employment in national capitals--a process started during colonial rule and further accentuated by statehood--has transformed the role of the six capitals in the past two decades. 3/ (See Section IV of this paper on employment

1/ Miner, op. cit.; Diango Cisse, Structures des Malinke de Kita, (Bamako: Editions Populaires, 1970), Nicholas S. Hopkins, Popular Government in an African Town: Kita, Mali; (Chicago: University of Chicago Press, 1972).

2/ Claude Meillassoux, Urbanization of an African Community: Voluntary Associations in Bamako (Seattle: University of Washington Press, 1968).

3/ This process has occurred throughout West Africa, see Kenneth Little, West African Urbanization (Cambridge: Cambridge University Press, 1965), and Michael A. Cohen, Urban Policy and Political Conflict in Africa: A Study of the Ivory Coast (Chicago: University of Chicago Press, 1974).

patterns). With the exception of Dakar which actually lost some public sector employment in the first few years after independence in 1960 1/, as it was no longer the capital of French West Africa, the Sahelian capitals have become centers of high wage, permanent employment. Given the extremely high wages of the public sector compared to rural incomes in all six countries, urban centers have attracted rural migrants who, depending on their qualifications, often seek public sector jobs or employment in service activities serving public sector employees. The private formal sector offers few opportunities other than construction and some small-scale manufacturing. Urban households swell with country cousins and their combined incomes support still more rural-urban migrants. 2/ The direct and indirect economic dependency ratios of an individual public sector salary-earner, with multiplier effects, have increased dramatically.

19. The growth of capital cities is further fueled by a concentration of national budget expenditures in these cities. One analysis of determinants of total government expenditures in francophone West African countries shows that:

- (a) the level of government expenditures as a percent of GDP is significantly related to proportions of total population living in urban areas ($R = 0.83$);
- (b) "The absolute growth of government expenditure also showed a tendency to be associated with an increasing population in the urban areas ($R = 0.71$)";
- (c) "The absolute number of people living in urban areas had a much stronger influence upon the size of government expenditure ($R = 0.74$) than had the size of population." 3/

Since a large proportion of urban population growth is found in capital cities, it appears that capital cities, as cities and as capitals, are stimulating and consuming a significant share of total national budgetary resources. As Riha notes, "The uneven distribution of government expenditure between urban and

1/ M. Sankale, L. V. Thomas, and P. Fougeyrollas, eds., Dakar en Devenir (Paris: Presence Africaine, 1968).

2/ See for example, Hilder Kuper, ed., Urbanization and Migration in West Africa (Berkeley: University of California Press, 1965).

3/ Tomas J. F. Riha, "Determinants of Government Expenditure: French-Speaking Countries of Africa South of the Sahara", The Philippine Review of Business and Economics, Vol. XI, No. 1, June 1974, pp. 35-59 (Significance is defined at 5 percent).

rural areas intensified the migration to cities and this in turn led to a further demand for government expenditure." 1/

20. This concentration of national expenditures in capital cities was justified for the political and administrative consolidation of newly independent states. Its consequences for the national distribution of wage employment and incomes, however, deserve further attention. Cities such as Bamako and Niamey have little formal employment beyond the public sector. Dakar and the Cap Vert region of Senegal provide the sole major exception, but even there the public sector is a major employer of skilled labor. Sahelian cities remain fundamentally dependent on income from the public sector.

21. This pattern of biased public sector development is also found within capital cities, where public sector employees enjoy a disproportionate share of available urban services and the administration as a whole is a major consumer. 2/ In Ouagadougou, for example, the administration share is 50 percent of total water consumption. 3/ In N'Djamena, private water connections serve 12 percent of the population and together with the other large consumers, such as industrial and commercial firms, account for more than 90 percent of total consumption. Similar statistics are found in housing, power, health services, provision of credit, and education in other Sahelian cities.

22. In contrast to urban conditions, the needs of the rural population have grown, particularly since the drought of 1968-74. For example, the decline of real income from groundnuts and cotton in Niger to one-fifth and one-half of 1970 levels by 1974, reflects the drought and fragile structure of agricultural production. 4/ World wide attention to the destruction of Sahelian livestock herds, poor soil conditions, and low rainfall was only generated by the drama of already devastatingly poor conditions reaching below the margin of subsistence. Since 1960, indeed going back to the 1920's and the creation of the Office de Niger, the rural sector of the Sahelian countries, again with Senegal in a favored position, has experienced only a slow growth of income. 5/ It remains perhaps the poorest region in the world. Accession to national independence has not led to major productive successes in agriculture. Experiences in the six countries have reportedly failed to meet planners' expectations. This has often been due to the lack of one or more of the following: (a) marketing, (b) processing, (c) storage, (d) tools and machinery, and (e) education and rural extension.

1/ Ibid., pp. 48-49.

2/ Cohen, op. cit.

3/ Office National des Eaux, Ouagadougou, 1973.

4/ World Bank estimates, 1976.

5/ See for example, UN, Food and Agriculture Organization, Etude Prospective pour le Developpement Agricole des Pays de la Zone Sahelienne, 1975-1990.

23. This list, derived from various sources, is not novel. 1/ Out from the urban perspective, it is intriguing. The above inputs for productive agriculture can only be combined if linked together at particular locations. Thus, concentration may be needed to economically support all of these activities. Agriculturally-oriented secondary towns may be essential pre-conditions of productive agriculture. 2/

24. This conclusion is also not novel. Indeed, Government officials and donor agencies have long agreed on the need for smaller than national planning units (i.e., regions) for both administrative and investment planning. The Sahelian countries have created individual versions of these, from the ORD's in Upper Volta to zones in Mali and even international regions such as Liptako-Gourma, including Mali, Niger, and Upper Volta. Agriculture in regional development areas was supposed to be improved by the phased provision of international inputs and the reduction in overheads. The intended increases in agricultural production, however, have not been realized as easily as was originally hoped. 3/ This has been due to the low levels of production and investment initially in place, but also to the difficulties of diffusing innovations. 4/ Most importantly, there has been a generally consistent experience of not having the required inputs and services listed above.

24. Within this context, secondary centers may be useful from two perspectives: they could provide the localized inputs and services needed for production, including credit, and also serve as markets for rural products, thereby providing incentives for farmers. The opportunity to consume goods found in urban markets could stimulate rural production and lead to increases in real income.

25. This view of the potential role of the urban sector contrasts sharply to the well-documented claim by some analysts of the Sahelian drought and famine that the urban sector, represented by the colonial administrators and subsequently the urban-based independent governments, has exploited rural farmers and pastoralists in a manner which caused the drought of 1968-74. Some observers of the Sahelian countries have convincingly concluded that past policies towards management of the natural and human resources of the

1/ For a list of some of these documents, see bibliography.

2/ D.R.F. Taylor, Growth Centres and Rural Development in Kenya (Thika, Kenya, 1973).

3/ Carl Eicher, Merritt W. Sargent, Edouard Tapsoba, and David C. Wilcock, An Analysis of the Eastern ORD Rural Development Project in Upper Volta, report submitted to US-AID, 1976.

4/ United Nations, Special Sahelian Office, Social Institutions, March 1974.

region--its soils, water sources, rivers, nomadic survival traditions, and even the population itself--have contributed heavily to the severe famine conditions which developed during the period of low rainfall. A group of French Marxist scholars, including some of the best-known anthropologists and economic historians of the region, established the Comite Information Sahel, which published three books in 1974 and 1975, focusing on the political and economic causes of the Sahelian drought. 1/ The titles of these books, including "Who is Being Fed by the Famine in Africa?", were sufficiently controversial to generate substantial attention in the French and African press at the time of publication. Less dramatic, but equally forceful was an article published by Michael Lofchie in 1975, entitled "Political and Economic Origins of African Hunger". 2/ Lofchie argued that political and economic processes, rather than natural phenomena, were the major causes of famine in Africa. Studies of the droughts in Ethiopia and elsewhere in East Africa have established a substantial body of literature which is characterized by one of its titles "The Myth of the Natural Disaster" by Nicole Ball. 3/

26. This view of the famine conditions in rural areas holds that the French emphasis on cash crop production by Sahelian peasants led to the "ecological degradation" of areas suitable for agriculture. The terms of trade for agricultural products were biased in favor of urban consumers rather than rural producers. The latter were thus forced to plant increasingly large areas to generate income needed for survival. This led to a reduction in the fallow period for land, deforestation, and extension of growing into marginal lands. All of the above exacerbated already difficult ecological conditions. The ecologically destructive consequences of the policies towards agriculture were compounded by continual emphasis by colonial and national administrators on increasing livestock. This led to overgrazing and eventually the destruction of the pastoral communities in the Sahelian countries. Not surprisingly, the pastoralists, such as the Touaregs, were the most severely hurt victims of the so-called "natural "disaster". 4/

1/ Comite Information Sahel: Qui se Nourrit de la Famine en Afrique: (Paris: Maspero, 1974), and Secheresses et Famine du Sahel, I and II, (Paris: Maspero, 1975).

2/ Michael Lofchie, "Political and Economic Origins of African Hunger", The Journal of Modern African Studies, December 1975.

3/ Nicole Ball, "The Myth of the Natural Disaster", The Economist, (London: 1975).

4/ A good summary of this argument can be found in "Understanding the Causes of African Famine" by Nicole Ball, The Journal of Modern African Studies, Volume 14, Number 3, September 1976, pp. 517-522.

27. While this analysis does not place the urban residents in the first row of the guilty, it does, by continual inference, suggest that policies serving the urban sector contributed in large measure to the impoverishment of rural areas. Historically, this criticism can be supported by the repeated experiences of rural development programs which have not gone far enough to achieve improvements in rural incomes or nutrition, but have generated new jobs for public sector administrators. The burden of proof, therefore, that urban development can be planned and implemented in a manner which does not worsen the urban-rural terms of trade or rural-urban income distribution is thus placed on urban policy-makers. The degree to which this consideration is truly taken into account will depend heavily on the institutional capacity of the Sahelian governments. Their relatively poor performance in this respect is reviewed in subsequent sections.

B. Past Patterns of Urban Investment

28. The above description of the urban sector and its linkages with the rural sector illustrates past patterns and problems, and some potential for the future. The actual role of the urban sector, however, will depend on Government policies and investment programs affecting urban centers. This section will review past urban investment patterns in the Sahelian countries as indicated in the national development plans of the respective countries. This review is necessarily incomplete, given the scarcity of data and the gap between official plan intentions and the actual implementation of particular programs. Many projects and programs in development plans are not realized as a result of a lack of finance, personnel, or changing national and sectoral priorities. Nevertheless, the plans do indicate Government priorities at a particular point in time and suggest the preferred role of the city in national development. For the purposes of this rough analysis, urban investment includes all investment located in urban centers which contributes to urban services and employment. This is a broader definition than the one used in plans in these countries, i.e., including only urban services such as housing or public utilities.

29. The first significant characteristic of urban investment in the Sahel is that it represents roughly between 20 and 30 percent of total public investment in each country. This range is significant because it is considerably higher than the percentage of urban population found in each country, (see Chapter III), and indicates the past "urban bias" of development investments in the world's most rural countries. Within the six countries, there is some variation as indicated in Table 1, with Chad at the bottom with 19 percent in 1967 compared to Senegal which reached 39 percent in its most recent plan, 1972 to 1976. It is interesting to note that "town-planning", in the French sense, meaning urban public infrastructure, applied in the six countries accounted for less than a quarter of the total, with the exception of Senegal, where town-planning investments reached almost half of urban investment.

Table 1

URBAN INVESTMENT IN NATIONAL DEVELOPMENT PLANS

	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta	Plans
Urban Investment as %				30%			1
Total Investment	19%	8%	29%	80%	23%	27%	2
		25%	21%	15%	28%	27%	3
		27%	21%	27%	39%	25%	4
							5
Investment in Secondary Towns				44%			
as % of Total Urban Investment	62%		53%	60%	47%	50%	
			37%	44%	33%	60%	
		45%		27%	29%	45%	
Urban Infrastructure as % of				16%			
Total Urban Investment	4%	4%	14%	17%	12%	8%	
		2%	7%	1%	15%	6%	
		5%		6%	9%	3%	
Industry as % of Total Investment	5%		5%	2%	4%	91%	
		11%	2%	21%	4%	14%	
		6%		2%	6%	8%	
				2%	9%		
Rural Investment as % of Total				70%			
Investment	81%	92%	71%	20%	77%	73%	
		75%	79%	15%	72%	73%	
		73%	79%	27%	61%	75%	

30. A second noteworthy characteristic of these past public investment patterns is that towns other than the national capitals receive relatively small shares of total allocations to the urban sector. These shares vary from 27 percent in Niger and Senegal, respectively. When compared to the distribution of urban population, despite the importance of the capital cities, it is clear that secondary towns do not receive an equitable share on a per capita basis. While it could be argued that the administrative overhead costs of national capitals necessarily lead to disproportionate expenditures in the capitals, this imbalance is a persistent phenomenon which appears to grow more acute with each subsequent investment program. Whether this trend stems from the fact that previous investment permits a greater absorption of new investment or whether the capital cities have greater needs, the resulting bias towards the capital cities reinforces economic and spatial patterns which can only be changed through major policy shifts at the national level.

31. A third characteristic of past urban investment is its multi-sectoral nature. Not only does a major share of housing and urban development expenditure go to capital cities, but these proportions also apply to industry and services. The imbalances reflected in this allocation emphasize the primacy of the capital cities in every aspect of national life, except agriculture and transportation. The patterns for individual countries are presented in tables in Annex II.

III. PATTERNS OF URBAN GROWTH: THE PAST AND THE FUTURE

37. This chapter is based on analysis of various demographic data collected from different sources. Data on individual Sahelian countries are seriously incomplete. A comparative, aggregate analysis of these data, presented below, is both hazardous and methodologically unsatisfying. Nevertheless, the essential importance of demography in Sahelian development necessitates a serious effort to understand past trends and to develop projections for the future.

A. The Past

National Population Growth

38. The Sahel consists of six countries which cover a vast area, much of which is uninhabitable. Table 2 presents the 1975 population of the region and the six countries, as projected by the United Nations in 1974, and national population growth rates for 1970-1975.

Table 2: NATIONAL POPULATION GROWTH

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
1975 population (in millions)	26	4.0	5.7	1.3	4.6	4.4	6.0
1970-75 Annual Population Growth Rate (percent)	2.3	2.0	2.4	2.0	2.7	2.4	2.3

Source: United Nations, Population Projection, 1950-2000 Medium Variant, December 1974.

These data will be compared to other projections in Section B of Chapter III. However, for baseline purposes, they demonstrate the similarities and differences between the six countries.

The Urban Sector

39. Table 3 presents urban population as percentage of national population in 1975.

Table 3: URBAN POPULATION AS PERCENTAGE OF NATIONAL POPULATION, 1975

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
Urban Percentage	14.0	13.9	13.4	13.0	8.4	28.3	8.3

Source: United Nations, op. cit., December 1974.

These data show the low level of urbanization of the Sahelian countries, with the relative exception of Senegal, which has twice the Sahelian average, and as high as in Niger and Upper Volta. The size of Dakar and the coastal Cap Vert region in absolute terms, differentiates Senegal from the other countries.

This low level of Sahelian urbanization, 14 percent, compares with 69 percent in developed regions and 27 percent in other less developed regions in 1975. 1/

Urban Population Growth

40. Given the low level of urbanization, it is not surprising that the Sahelian countries have relatively high rates of urban growth. Table 4 presents 1975 total urban population and 1970-75 urban population growth rates.

Table 4: URBAN POPULATION AND URBAN POPULATION GROWTH RATES

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
Urban Population 1975 (in thousands)	3,700	558	760	200	430	1,250	500
Urban Population Growth Rates 1970-75	5.0	6.1	4.5	5.5	5.3	4.0	5.1

Source: United Nations, op. cit.

These figures compare with 1.8 percent for more developed regions and 4.13 for other less developed regions. They are higher than the Africa-wide figure of 4.8 as well as the West Africa figure of 4.9, but comparable to the rapidly urbanizing coastal countries such as Ghana or the Ivory Coast: 5.3 and 6.3 respectively. 2/

1/ United Nations, Population Projection, 1950-2000, Medium Variant, December 1974.

2/ United Nations, Department of Economic and Social Affairs, Population Division, Selected World Demographic Indicators by Country, 1950-2000, Medium Variant, May 1975.

Urban Population Distribution

41. Within the urban sector, there are substantial differences in urban growth rates between capital cities and secondary centers. Table 5 presents the distribution of the urban population among capital cities and other urban centers. It shows the large proportion of urban population located in the capitals of Sahelian countries, with the case of Nouakchott the most extreme at 75 percent, followed by Dakar. The countries of the interior average 33 percent of urban population in the capitals. Similarly, these countries have a limited number of other centers over 10,000, as almost 50 percent of their urban population living in towns over 10,000 is located in the capital, even when the size of the capital varies by a factor of 2.

Table 5: URBAN POPULATION DISTRIBUTION, MID 1970s

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
Capital city (thousands)	1,787	193 <u>/a</u>	350 <u>/b</u>	150 <u>/c</u>	122 <u>/c</u>	800	172
Percent of Urban Popu- lation in Capital	38.0	34.0	34.6	75.0	28.4	49.0	34.0
Other Urban (percent)	62.0	66.0	65.4	25.0	71.7	51.0	66.0
Percent of Urban > 10,000 in Capital	47	45	44	85	50	52	40

/a World Bank estimate for 1974.

/b World Bank estimate for 1975.

/c World Bank estimate for 1976.

Urban Growth by City Size

42. Table 6 presents the differences in past growth rates of capitals and other urban centers.

Table 6: URBAN GROWTH RATES BY CITY SIZE

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
Capital (percent)	8.0	8.5 <u>/a</u>	7.0 <u>/b</u>	n.a.	10.0 <u>/c</u>	6.0 <u>/c</u>	7.0
Other Urban (percent)	n.a.	4.5	4.0	n.a.	2.7	4.0	3.0

/a World Bank estimate for 1974.

/b World Bank estimate for 1975.

/c World Bank estimate for 1976.

Despite the not strictly comparable growth rates between centers of different sizes, there is nevertheless a clear indication that large towns have been growing faster than smaller ones, and that capital cities have so far grown the most rapidly. Comparisons of Tables 4 and 6 show that capital cities grow faster than the urban sector as a whole, and, given their statistical pre-dominance in the distribution of urban population, account for a substantial proportion of the high rates of national urban growth. As expected, growth rates of capitals experience a step wise increase at the time of independence. The likely evolution of this pattern is examined in subsequent pages.

Regional Distribution of the Growth of Urban Population

43. The location of cities is linked to high rural densities. Cultivation and population are located (1) in the southern regions of the countries, (2) along the ocean, or (3) along rivers (the Senegal, Niger, or Logone-Chari). Only the Volta River does not support cities and high rural densities, because of the prevalence of river blindness. Very few urban centers are found in areas where temporary wells are predominant. The largest cities are located in the south, in agricultural areas. Other, usually less important, centers are situated in more northern livestock areas. With the exceptions of Bamako and Dakar, the capital cities are located at the border of the two climatic and vegetational rural zones.

44. Analysis of available data shows that the fastest growing towns are located in the fastest growing regions. For example, Senegal Oriental is the fastest growing region in Senegal, and so are its towns (4.9 and 7 percent respectively). This is also the case of Maradi in Niger.

The Sources of Urban Growth: Migration and Natural Increase

45. The difference between the national population growth, i.e., the mean natural increase of population and observed rates of urban population

growth, theoretically reflects migration to and away from urban areas. For the Sahel as a whole, the annual population growth rate is 2.3 percent, in contrast to the urban growth rate of 5.0 percent. The difference, 2.7 percent or roughly 50 percent of urban growth, can be attributed to net rural-urban migration. Given the age distribution of the urban population, however, it is apparent that there is a natality shift towards urban areas, with many rural-urban migrants moving to towns during their most fertile years. This fertility shift is somewhat muted in the Sahelian countries by the frequently male-character of temporary migration and by high levels of urban female sterility, as high as 27 percent in Chad. ^{1/} It is nevertheless apparent that urban growth is fueled by heavy migration and fertility higher than the national average.

Shares of Urban Growth Attributable to Migration and Natural Increase

46. Table 7 presents the share of urban growth attributable to migration and natural increase.

Table 7: SHARE OF URBAN POPULATION GROWTH ATTRIBUTABLE TO MIGRATION AND NATURAL INCREASE, 1975

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
Annual Urban Growth (in thousands)	176	34	34	7	25	51	25
Percent of Growth Attributable to Migration	49.5	65.5	46.2	64.0	49.4	40.7	55.5
Absolute Growth by Migration	87.5	22	15	4.5	12	20	14
Percent of Growth by Natural Increase	50.5	34.5	53.8	36.0	50.6	59.3	44.5
Absolute Growth by Natural Increase	88.5	12	19	2.5	13	31	11

Source: United Nations, op. cit., 1974.

^{1/} Caldwell, op. cit., p. 577.

47. Table 7 shows that from 40 to 65 percent of the growth of the urban sector is attributable to migration, with the Sahelian average at 54 percent. This conclusion is consistent with findings in most African countries, although less than is found for larger cities in many developing countries. 1/ The annual absolute totals of rural-urban migrants are also substantial, particularly for Senegal, where Dakar attracts migrants from throughout the region.

48. This pattern is consistent for capital cities, which have a higher proportion of their growth directly attributable to rural-urban migration, as shown in Table 8.

Table 8: SHARE OF POPULATION GROWTH OF CAPITAL CITIES
ATTRIBUTABLE TO MIGRATION

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
Percent Attributable to Migration	71.2	76.5	65.4	n.a.	73.2	73.7	67.5
Absolute Annual Increase by Migration (thousands)	11.6	12.5	11.0	n.a.	8.9	35.0	6.9

Source: United Nations, op. cit., and Table 5.

Indicators of Migration

49. In addition to this aggregate calculation of the migration share of total urban growth, there are other indicators demonstrating the importance of migration in this process. 2/ These include: male-female ratio, ethnic composition, age distribution, regional origins, and permanence of urban populations. While data for these indicators are not complete across the

1/ See IBRD, The Task Ahead for Cities in Developing Countries, 1975-2000 by George Beier, Anthony Churchill, Michael Cohen, and Bertrand Renaud, IBRD Staff Working Paper No. 209.

2/ See for example, Milton Santos, "Les statistiques et l'étude de croissance urbaine," in Centre National de la Recherche Scientifique, La Croissance Urbaine en Afrique Noire et a Madagascar, 1972, pp. 985-989.

six countries or even for all capital cities, those data which are available further demonstrate the importance of migration.

Male-Female Ratio

50. Given the historical trend of temporary, male migration to urban areas in Africa, it has been widely observed that the early stages of urban growth, with the highest growth rates, are accompanied by male dominance in the urban population. As migration becomes more permanent, male migration evolves into household migration and an evening of the male-female ratio. A comparison of urban and national male-female ratios shows the sex bias of the urban population. As shown in Table 9, the Sahel region as a whole is a net provider of male labor to coastal West African and European countries and, therefore, does not have a 100 or equal ratio itself.

Table 9: MALE-FEMALE RATIOS IN THE SAHEL (1975)

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
Total Population <u>/a</u>	95.0	91.8	100.0	n.a.	99.0	91.9	99.0
Total Urban Population		96.0 <u>/b</u>		n.a.			
Capital Cities					102.0 <u>/c</u>	117.0 <u>/d</u>	
Rural Areas							

/a World Bank, Population Projections for IBRD Member Countries, 1970-2000.

/b World Bank estimates for 1973.

/c Suzanne Bernus, Particularismes Ethniques en Milieu Urban: L'exemple de Niamey (Paris: Universite de Paris, Institut d'Ethnologie, 1969), figure for 1961.

/d Groupe d'etudes Dakaroises sous la direction de Sankale, Thomas, Fougeyrollas Dakar en Devenir. Edition: Presence Africaine (1968).

Note: Male-female ratios are the number of males per 100 females.

51. The case of Senegal is noteworthy because the national ratio of 91.9 indicates substantial male emigration outside the country, yet Dakar itself has a significantly higher male component. Taken together these ratios suggest the Dakar population is more male than the national average.

This has important implications for employment, income distribution, dependency ratios, and the provision of social services. The case of Chad is similar, though to a lesser degree.

52. While capital cities in the coastal countries, such as Abidjan, Accra, and Brazzaville have experienced a shift toward permanent household migration and an evening of male-female ratios in the past decade, 1/ this was less apparent in the Sahel before the drought. The drought, however, has led to greater movements of households from stricken rural areas.

Ethnic Composition

53. A second indicator of migration is the ethnic composition of the total urban population and the population of particular urban centers. While data are unavailable for the total urban population, there have been some studies, frequently anthropological, which show that (1) the ethnic composition of a city is different from the original inhabitants of the area, (2) this composition changes as the city grows, and (3) the older the city, the more diverse the composition, suggesting in some cases, migration from specific places of origin. This process has been documented for Bamako, 2/ Dakar 3/ Niamey, 4/ and Ouagadougou. 5/ The first three of these capitals have become increasingly heterogeneous, now attracting migrants from the far corners of the national territory and beyond. Ouagadougou, capital of a country almost 60 percent Mossi and the traditional capital of that ethnic group, has changed more slowly, but it, too, is no longer simply a Mossi-dominated town, as evidenced by its recently-appointed non-Mossi mayor.

1/ Abidjan's ratio shifted from 139 to 122 from 1955 to 1963. By 1965, Accra had reached 114, while Brazzaville was 106. Michel Bloch-Lemoine, *Sociologie Urbaine* (Abidjan: Universite d'Abidjan, 1968), p. 64.

2/ Meillassoux, op. cit.

3/ Sankale, op. cit.

4/ Bernus, op. cit.

5/ Skinner, op. cit.

54. Table 10 shows the proportional shift of the population by ethnic identity for Niamey for which data are available.

Table 10: SHIFTS IN ETHNIC COMPOSITION OF URBAN POPULATION
NIAMEY, 1945-1961

Ethnic Groups	1945		1961	
	(No.)	(%)	(No.)	(%)
Zarma-Songhay	4,757	62.5	13,884	49.5
Peul-Rimaibe	537	7.1	1,192	4.3
Hausa (Sai)	792	10.6	3,235	11.6
Gurma-Mossi	105	1.3	897	3.2
Touaregs-Bella	203	2.7	723	2.5
Sudye	59	0.8	401	1.5
Mauri	327	5.0	561	2.0
Arabes	30	0.5	200	0.7
Beri-Beri	3	-	203	0.7
Dahomey	500	7.0	2,803	10.0
Yoruba	56	0.8	669	2.4
Mande-Bambara	175	2.2	819	2.8
Others	30	0.5	2,405	8.5
Total	7,574		27,992	

Source: Suzanne Bernus, Particularismes Ethniques en Milieu Urbain: L'Exemple de Niamey (Paris: Universite de Paris, Institut d'Ethnologie, 1969).

Age Distribution

55. Given the higher probability of migration for the age group between 19 and 39, it is likely that there should be a higher proportion of this age group in urban areas. This conclusion was confirmed in Dakar in 1963 and Chad in 1964, during periods of relatively high male migration.

Regional Origins

56. Another indicator of the migratory character of the urban population is its regional origin. Although this is frequently correlated with ethnic identity, this is not always so, particularly in countries with mixed settlement patterns. Urban migrants tend to inhabit towns within or near their region of origin. Migrants to Bamako and Dakar have largely come from nearby areas. In Senegal, some 75 percent of migration to Dakar

comes from three areas near Cap Vert: Diourbel, Fleuve, and Thies. ^{1/} As noted above, fast-growing urban centers tend to be located in fast-growing, densely populated rural areas, such as Senegal Oriental.

Permanency of the Urban Population

57. A fifth indicator of the migratory origins of urban residents is the proportion of "floating" or temporary population. This indicator reflects the lack of permanent, non-seasonal urban employment as well as ties to agriculture or livestock in rural areas. Studies of this "floating" population in Mali in 1973 showed that some 23,000 of 35,000 persons in Mopti, one of the largest towns outside the capital, classified themselves as "floating" or temporary urban residents. ^{2/} Bamako, now with 350,000 persons, had a floating population of some 60,000 in 1973. Similar patterns are found in Ouagadougou, where 50 percent of the active labor force classified themselves as "cultivators", in many cases leading to four to six months absence from the city each year. While such patterns do not, in all cases, indicate migratory origins, a large proportion of the Ouagadougou population was born outside the city and retains strong economic and cultural ties to rural villages.

Understanding Past Urban Demographic Patterns

58. Previous pages have presented an overview of past urban demographic patterns in the Sahel. Urban growth, while historically intermittent, has been rapid and sustained since 1960. At least half of this growth can be attributed to rural-urban migration, with some countries and capital cities experiencing even heavier inflows from rural areas. The increase in population movements around the time of independence and a later increase during and after the drought of 1968-74 suggests economic motivations of two kinds: predominantly "pull" factors around 1960, particularly with the creation of an indigenous public sector in the capital, and predominantly "push" factors during the periods of severe rural deprivation during and after the drought. While both "pull" and "push" factors have operated continuously since independence, and before, as reflected by the century-old history of Sahelian outmigration to coastal areas, this somewhat simplified characterization highlights two important processes. The first is the general increase in urban incomes associated with the post-independence period. Urban incomes are more permanent and tend to keep up with inflation. A second process is the relative impoverishment of rural areas. The latter received substantial assistance before the drought, but this disaster has led in many cases to a continuing decline in absolute real incomes over four or five years and a certain decline in relative income compared to the urban sector.

59. The demographic processes presented in this section have occurred within this economic context. The results are dramatic, a significant

^{1/} World Bank estimate for 1976.

^{2/} WHO, Mali, L'Etude Sectorielle d'Eau, September 1973.

proportion of the rural population each year leaves the land in pursuit of more permanent incomes in urban areas. Towns have swelled, rapidly surpassing their capacities to provide minimal services, such as water, waste removal, shelter, and social services. Nonetheless, these services are apparently less important to potential migrants than the hope of income-earning opportunities in urban areas. As suggested above, the multipliers of public sector employment have generated many opportunities, even if the resultant disposable income is small. As households have swelled, their dependency ratios have also increased: urbanites cannot turn away their country cousins. The ritual of extended job-search is often financed by a single household wage-earner. This has been the pattern of the past, relying on relatively high urban incomes from positions in the public sector. Past urban growth has thus benefitted from a windfall of income which is certain not to come again from the same source. How future growth will be supported or absorbed is a question which must be addressed by all projections of the future.

B. Projections

60. This section will present a series of demographic projections for the Sahel from different sources. In many cases, these different projections are quite close to one another. After all categories of projection are presented, the most reasonable alternatives will be summarized. As suggested earlier, urban growth patterns result from behavioral responses to urban-rural income differentials. Projections must therefore reflect developments in both the urban and the rural sectors.

National Population Growth

61. There are several alternative sources of Sahel-wide and national total population projections: the United Nations, World Bank estimates, Societe Centrale de l'Equipement de Territoire International (SCET), FAO, John Caldwell, and a 1972 study by Hossenlopp. ^{1/} Table 12 presents projections for 1965 to 2000 for the Sahel and the six countries according to each source.

62. The most important conclusion from Table 12 is that total population is expected to almost double in the next 25 years. This conclusion stands despite small changes in growth rates for specific countries for given periods as projected by the six sources.

63. Table 11 presents the above in terms of growth rates for 1975-2000. The relatively high death rates found in the region are expected to decline in the future, thereby increasing total population growth rates through the year 2000.

^{1/} The assumptions for these projections are presented in Annex II.

Table 11: TOTAL POPULATION GROWTH RATES, UN AND FAO PROJECTIONS

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
1975 UN	2.5	2.0	2.4	2.0	2.7	2.4	2.3
FAO		2.9	2.3	2.6	2.7	2.5	2.4
1980 UN	2.5	2.1	2.5	2.1	2.8	2.4	2.3
FAO	2.5	2.9	2.7	2.7	2.9	2.7	2.6
1985 UN	2.5	2.1	2.6	2.2	2.9	2.5	2.4
FAO	2.7	2.9	3.0	2.8	3.1	2.8	2.7
1990 UN	2.6	2.2	2.7	2.3	3.0	2.5	2.5
FAO	2.9	2.8	3.1	2.9	3.2	2.8	2.7
1995 UN	2.7	2.2	2.8	2.4	3.0	2.5	2.4
FAO							
2000 UN	2.6	2.2	2.9	2.4	3.1	2.4	2.3

Table 12: TOTAL POPULATION PROJECTIONS, 1965-2000
(in millions)

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
<u>1965</u>							
United Nations /a	19.8	3.3	4.5	1.0	3.5	3.1	4.7
Caldwell /b		3.2 /c			3.8 /d		
Government Bank					3.5	3.4	
Hossenlopp	20.1	3.3	4.2	1.0	3.3	3.4	4.8
<u>1975</u>							
United Nations Caldwell	26.0	4.0	5.7	1.3	4.6	4.4	6.0
Government Bank		3.6	5.8 /e				5.7
Hossenlopp		3.6 /f	5.2 /g		4.3 /h	4.4 /i	5.0 /j
FAO	25.4	4.0	5.4	1.3	4.2	4.4	5.9
	26.3	4.2	5.7	1.3	4.6	4.4	6.0
<u>1985</u>							
United Nations Caldwell	33.2	5.0	7.4	1.6	6.0	5.6	7.6
Government Bank		4.5 /l	7.0 /m			4.8 /k	7.0
Hossenlopp		5.0 /n			5.4 /o		7.0
FAO	32.0	5.0	7.0	7.6	5.5	5.7	7.4
	34.6	5.6	7.5	1.7	6.2	5.8	7.8
2000 UN	49.2	6.9	11.2	2.3	9.6	8.2	11.0
1990 FAO	40.1	6.4	8.7	2.0	7.2	6.7	8.9

/a UN medium variant.

/b Caldwell, *op. cit.*

/c Caldwell, *op. cit.* quoting INSEE for 1964.

/d Caldwell, *op. cit.* figure for 1969.

/e Republique du Mali Plan Quinquennal de Developpement Economique et Social: 1974-1978. 1974.

/f World Bank estimate for 1972.

/g World Bank estimate for mid-1970.

/h World Bank estimate for 1974.

/i World Bank estimate for 1976.

/j World Bank estimate for 1974.

/k World Bank estimate for 1980.

/l World Bank estimate for 1980.

/m Same as /e: figure for 1983.

/n World Bank estimated figure for 1980 assuming a 2.35 rate of growth.

/o FAO, Etude prospective pour le developpement agricole des pays de la zone Sahelienne 1975-1980, 1975.

64. Interestingly, the only projection which attempts to relate population growth to food production, the SCET analysis, produces three scenarios which include emigration from the Sahel. These are presented below as Table 13, showing that at certain levels of population and food production, conditions will force emigration from the region.

Table 13: EMIGRATION FROM THE SAHEL, 1965-2000

<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
1,500,000	3,500,000	750,000

Source: SCET-International: Essai de Definition d'Une Strategie Anti-Secheresse dans le Sahel de l'Afrique de l'Ouest, 1975, pp. 26-29.

These scenarios are discussed in greater detail in Section IVC below, but it should be noted here that the SCET report shows that food production determined the size of sustainable population and, therefore, required emigration. This is estimated to be from 2 to 8 percent of total population, depending on the availability of food in rural areas. The food constraint is also a strong "push" factor in rural-urban migration, as shown below.

Urban Population Growth

65. The first major demographic shift is in the percentage of total population in urban areas. Table 14 presents these data from 1960 to 2000, according to different sources. Table 14 shows large increases in the urban share of the total population. From 1975 to 2000, in all countries except Senegal, according to all projections, the relative size of the urban sector doubles or nearly doubles. Senegal, nonetheless, increases its already sizable urban population by some 50 percent. For the region as a whole, the urban sector grows from some 14 to 24.1 percent.

Table 14: PROJECTED URBAN SHARE OF TOTAL POPULATION

		Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
UN - FAO	1960	9.5	6.72	9.86	6.84	5.84	22.87	5.34
UN	1965	10.8	8.69	10.88	8.10	6.60	24.15	6.22
Hossenlopp	1965	8.7	8.40	10.70	7.40	5.80	27.10	7.50
UN	1970	12.8	11.29	12.11	9.55	8.22	26.09	7.21
UN	1975	14.0	13.88	13.45	10.09	9.36	28.35	8.29
UN	1980	15.8	16.99	14.06	12.78	10.64	30.81	9.50
UN	1985	17.6	19.68	16.64	14.63	12.06	33.48	10.84
Hossenlopp	1985	20.9	22.00	20.00	10.00	13.00	42.00	13.00
UN	1990	19.7	22.69	18.52	16.60	13.63	36.38	12.31
UN	1995	21.9	25.70	20.61	18.71	15.53	39.45	13.93
UN	2000	24.1	28.60	22.93	20.94	17.23	42.73	15.67

Source: United Nations Projections, December 1974.

66. Table 15 presents the projected absolute size of the urban population according to different sources. The absolute increases in urban population from 1960 to 2000 are so large that by 2000, every country, with the exception of Mauritania, will have a larger urban population than the total Sahelian urban population of 1960. In absolute terms, the urban population will be six times larger in 2000 than it was in 1960 and three times larger than in 1975. In the next 25 years, some 8,187,000 persons would have to be absorbed into the urban sector, i.e. provided with employment and urban services.

Table 15: PROJECTED URBAN POPULATION, 1960-2000
(in thousands)

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
1960 UN	1,767	200	403	65	170	694	235
1965 UN	2,244	286	493	85	232	843	305
Hossenlopp	1,756	230	330	38	124	842	192
1970 UN	2,875	411	611	111	330	1,024	388
FAO	2,875	411	611	111	330	1,024	388
1975 UN	3,648	558	766	142	430	1,252	500
FAO	3,648	583	762	146	429	1,262	502
1980 UN	4,639	747	968	182	561	1,537	644
FAO	4,754	808	970	192	563	1,567	654
1985 UN	5,857	959	1,227	223	733	1,887	828
FAO	6,141	1,096	1,232	252	743	1,953	851
Hossenlopp	6,738	1,090	1,440	158	720	2,400	950
1990 UN	7,479	1,259	1,566	298	961	2,330	1,065
FAO	7,934	1,456	1,621	330	981	2,439	1,107
1995 UN	9,464	1,590	2,009	378	1,261	2,865	1,361
2000 UN	11,835	1,997	2,501	478	1,649	3,491	1,791

Note: Hossenlopp data for towns over 10,000 inhabitants.

67. Absolute increases of these magnitudes imply high annual rates of growth. Table 16 presents projected annual rates of urban growth from 1960 to 2000.

Table 16: PROJECTED RATES OF URBAN GROWTH, 1960-2000

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
1960 UN		7.13	3.83	4.85	4.61	3.38	4.46
1965 UN	4.9	7.15	4.03	5.37	6.22	3.89	5.02
1970 UN	5.1	7.25	4.29	5.34	7.05	3.89	5.01
1975 UN	4.9	6.12	4.53	4.97	5.29	4.03	5.08
FAO	5.1	7.20	4.60	5.60	5.40	4.30	5.30
1980 UN	5.0	5.81	4.67	4.97	5.32	4.10	5.04
FAO	5.1	6.70	4.90	5.60	5.60	4.40	5.40
1985 UN	4.8	5.41	4.75	4.93	5.35	4.12	5.04
Hossenlopp <u>/a</u>	7.0	8.10	7.50	7.40	9.20	4.60	7.50
FAO	5.3	6.30	5.20	5.60	5.70	4.50	5.40
1990 UN	5.0	5.03	4.88	4.89	5.41	4.20	5.04
FAO	5.3	5.80	5.30	5.50	5.80	4.50	5.40
1995 UN	4.8	4.68	4.88	4.81	5.43	4.13	4.90
2000 UN	4.6	4.35	5.01	4.63	5.37	3.95	4.69
1960-2000 UN Averages	4.8	5.9	4.6	5.1	5.85	4.15	5.2
1975-2000 UN Averages	4.8	5.2	4.8	4.9	5.5	4.1	5.2
1975-1990 FAO Averages	5.2	6.3	5.1	5.6	5.6	4.5	5.4

/a Towns over 10,000 1965 to 1985.

68. These rates have different trends, according to rates of national population growth and their bases. Four of the six countries were projected to have increasing rates of growth which level off and then decline to rates of the 1960's. Chad and Mali, however, are projected to experience falling and rising trends, respectively. The most important facts about these projections are that they are generally quite high and that their averages for the period are quite close, regardless of the source. The United Nations 1975-2000 averages are lower for all countries than the 1975-1990 FAO averages, but the FAO figures do not include the decline expected from 1990 to 2000. The slight differences between the UN and FAO figures for all countries and the region as a whole are not large enough to deserve serious attention, given the poor quality of the data base upon which the projections are made. An average annual urban growth rate of around 5 percent for 1975-2000 for the region as a whole should be sufficient for planning purposes.

69. In contrast to the above, projections for the period 1965-1985 are higher. Hossenlopp projects higher rates for all countries, as shown below in Table 17, but this reflects a definition of urban as towns of above 10,000 population.

Table 17: COMPARISON OF UN AND HOSSENLOPP URBAN PROJECTIONS

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
UN		6.0	4.5	5.0	5.5	4.05	5.04
Hossenlopp		8.1	7.5	7.4	9.2	4.6	7.5

Source: United Nations, op. cit.
Hossenlopp, op. cit.

70. Given the statistical importance of large centers, and particularly capital cities, it is necessary to project the population of these centers to determine the distribution of urban population in the future. Table 18 presents available data for capital cities of individual countries.

71. These projections are calculated according to three methods: (1) growth rates of the past five years, 1970-1975; (2) the projected growth rate of the sector for the period; and (3) the mean between (a) the projected sectoral growth rate plus the present differential between capital city and the sector, and (b) the sectoral growth rate. All of these suggest very substantial growth, but as discussed in subsequent chapters, the economic base to support this population is still to be established. Table 19 presents the results of these three methods in terms of growth rates for five-year periods.

Table 18: PROJECTED GROWTH OF CAPITAL CITIES, 1975-2000

Year	N'Djamena, Chad			Bamako, Mali			Nouakchott, Mauritania			Niamey, Niger			Dakar, Senegal			Ouagadougou, Upper Volta		
	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III
1975	193	193	193	350	350	350	150	150	150	122	122	122	800	800	800	172	172	172
1980	290	256	271	491	436	466		200		196	158	176	1,070	978	907	241	219	230
1985	436	333	373	688	546	620		250		316	204	253	1,432	1,163	1,162	338	280	308
1990	656	425	503	965	687	833		307		560	266	367	1,917	1,428	1,492	474	340	412
1995	986	534	670	1,354	873	1,126		400		902	346	532	2,565	1,745	1,929	665	429	543
2000	1,483	660	876	1,990	1,114	1,521		500		1,454	450	772	3,433	2,113	2,461	933	539	747

Table 19: PROJECTED GROWTH RATES OF CAPITALS, 1975-2000

Year	N'Djamena, Chad			Bamako, Mali			Nouakchott, Mauritania			Niamey, Niger			Dakar, Senegal			Ouagadougou, Upper Volta		
	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III
1975	8.5	6.1	8.5	7.0	4.5	7.0		5.0		10.0	5.3	10.0	6.0	4.0	6.0	7.0	7.0	7.0
1980	8.5	5.8	7.0	7.0	4.7	5.9		5.0		10.0	5.3	7.6	6.0	4.1	5.1	7.0	5.0	6.0
1985	8.5	5.4	6.6	7.0	4.7	5.9		4.9		10.0	5.3	7.6	6.0	4.1	5.1	7.0	5.0	6.0
1990	8.5	5.0	6.2	7.0	4.9	6.1		4.9		10.0	5.4	7.7	6.0	4.2	5.2	7.0	5.0	6.0
1995	8.5	4.7	5.9	7.0	5.0	6.2		4.8		10.0	5.4	7.7	6.0	4.1	5.1	7.0	4.8	5.7
2000	8.5	4.3	5.5	7.0	5.0	6.2		4.6		10.0	5.4	7.7	6.0	4.0	5.0	7.0	4.7	5.6

Note: Alternatives I and III cannot be calculated for Mauritania, because necessary data is unavailable.

These projections demonstrate the demographic consequences of present rates. The outcome of method I is not possible because, according to UN projections, the entire urban sector would be absorbed into the capital. That of method II is unlikely, because capital cities tend to grow faster than the urban sector as a whole. That of method III maintains this capital city bias and is thus a more likely view of the future.

72. The second category of urban centers are towns outside the capital or "other urban". In view of unavailable data on urban size distribution, Table 20 presents the growth of "other urban" as the difference between total urban growth and capital city growth for the period.

73. Having assumed growth rates for capital cities, growth rates for other urban centers are calculated as the difference between the growth of the total urban sector and the capital city as projected above.

74. According to these methods of projection, there would be a substantial increase in the size of secondary urban centers for this period. Method I, however, should be eliminated because nearly the entire urban population is shifted to the capital. Method II shows a large increase, but does not take into account the attraction of the capitals. Method III shows a significant increase in "other urban", from 2.5 to 3.0 times the 1975 "other urban" population. This does not include the emergence of new small towns during the period. Table 21 presents these data in terms of growth rates for five-year periods.

75. Previous pages have presented alternative statistical projections for the growth and distribution of urban population in the six Sahelian countries and the Sahel. Although the baseline data from which these projections are derived are of uncertain quality, there is nevertheless a general consensus concerning projections made by different sources: UN, FAO, Hossenlopp, Caldwell, SCET, and the Bank. Figures in summary Table 22 can be used as working figures in broader economic analysis and planning for the region. Nevertheless, it is clear that whether these or other figures actually result will depend on the occurrence of specific processes within the urban and rural sectors. The magnitude of rural outmigration depends on levels of food and cash-crop production and resultant incomes. Urban growth depends on urban absorptive capacity, i.e., the ability of towns to provide employment and services, including water and food, for increasing urban populations. Chapters IV and V examine these processes in more detail, though necessarily briefly, to suggest that future population distribution between the urban and rural sectors will ultimately depend on the human interactions with the environment. Included in these interactions will be government policies towards food and cash-crop production, urban-rural terms of trade, investment in opening up new areas for cultivation and settlement, development of water resources, and urban employment. These interactions emphasize the dependent rather than the independent character of demographic processes.

Table 20: PROJECTED GROWTH OF OTHER URBAN (THAN CAPITAL), 1975-2000
(in thousands)

Year	Chad			Mali			Mauritania			Niger			Senegal			Upper Volta		
	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III
1975	363	363	363	417	417	417				318	318	318	452	452	452	338	338	338
1980	457	491	476	477	532	502				365	403	585	467	559	630	403	425	414
1985	523	626	586	539	681	607				417	529	480	455	724	725	490	548	520
1990	610	834	756	601	889	733				401	698	594	413	912	838	581	725	653
1995	614	1,056	920	655	1,136	883				359	915	729	300	1,120	936	696	932	818
2000	514	1,337	1,121	511	1,387	980				195	1,199	877	60	1,378	1,030	786	1,180	1,044

Table 21: PROJECTED GROWTH RATES FOR OTHER URBAN, 1975-2000

Year	Chad			Mali			Mauritania			Niger			Senegal			Upper Volta		
	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III	I	II	III
1975																		
1980	4.7	6.3	5.5	2.7	5.0	3.8				2.8	4.8	3.9	-	4.3	6.0	3.2	4.7	4.1
1985	2.2	5.0	4.3	2.4	5.1	3.9				2.7	5.6	4.5	-	5.4	2.9	4.0	5.2	4.6
1990	3.1	5.9	5.2	2.2	5.5	3.9				-	5.6	4.3	-	4.7	3.0	3.5	5.8	4.5
1995	-	4.8	4.0	4.8	5.0	3.8				-	5.7	4.1	-	4.2	2.3	3.7	5.1	4.6
2000	-	4.8	4.0	-	4.0	2.1				-	5.6	3.8	-	4.2	3.0	2.5	4.8	5.0

Table 22: SUMMARY OF DEMOGRAPHIC PROJECTIONS, 1975-2000

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
Total Population							
1975	26.0	4.0	5.7	1.3	4.6	4.4	6.0
2000	49.2	6.9	11.3	2.3	9.6	8.2	11
Total Population Growth Rate							
1975-2000	2.5	2.2	2.7	2.3	3.0	2.5	2.4
Urban Population							
1975	3.6	0.5	0.8	0.2	0.4	1.2	0.5
2000	11.8	2.0	2.5	0.5	1.7	3.5	1.8
Urban Population Growth Rates							
1975-2000	4.8	5.2	4.8	3.5	5.5	4.1	5.2
Urban Share Total Population							
1975	14.0	13.9	13.4	13.0	8.4	28.3	8.3
2000	24.0	28.6	22.9	20.9	17.2	42.7	15.7

Note: All population figures in millions.

IV. CONDITIONS IN THE RURAL SECTOR

76. The future of the Sahel depends on the development of agriculture. Urban population will be less numerous than rural population in the foreseeable future. The urban sector and the economy as a whole will be dependent on the productivity of agriculture, both for cash crops for export and for food. ^{1/} An understanding of demographic processes and urbanization in the

^{1/} For reviews of specific crops, water and soil resources, fertilizers and processing and marketing in the six countries, see FAO, op. cit., IBRD Report on Emergency Food Grain Reserves, 1974; and Societe Centrale pour l'Equipement de Territoire-International, Essai de Definition d'Une Strategie Anti-Secheresse dans le Sahel de L'Afrique de l'Ouest, December 1975.

Sahel must begin from analysis of conditions in the rural sector. If at least half of urban population growth can be attributed to rural-urban migration, as shown above in Table 7, it is apparent that much of the causation producing urban growth stems from the rural sector, i.e., in the conditions which encourage people to migrate to urban centers. 1/

A. The Evolution of Rural Incomes

78. Under the drought conditions from 1968 to 1974, there was a general, sometimes dramatic, decline in rural incomes. While this trend varies among crops, regions, and countries, extensive data have been analyzed, showing that in comparison with 1967-69, the next four and sometimes five years produced drastic cuts in the cash and real incomes of Sahelian farmers. Table 23 presents the general trend for this period.

Table 23: EVOLUTION OF INDEX OF FARMER INCOMES FROM MAIN CASH CROPS

	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
1967/68	82	102		103	113	80
1968/69	118	98		97	87	120
1969/70	91	143		97	84	125
1970/71	72	204		86	69	96
1971/72	88	235		96	137	109
1972/73	85	198		84	87	136
1973/74	93	53		34	104	133
1974/75	124	269		114	267	163

Source: Elliott Berg, The Economic Impact of the Drought and Inflation in the Sahel, Discussion Paper No. 51, Center for Research on Economic Development, University of Michigan, May 1976; pp. 29-30.

These aggregate figures reflect an adverse trend in incomes varying with rainfall during the period. 2/ Thus, by the end of 1974, real income from groundnuts and cotton in Niger dropped to 22 and 49 percent of 1970 levels. Agriculture in some areas was entirely wiped out, while other parts of the same countries remained relatively untouched. These patterns will have continuing demographic implications for generations, in that

1/ IBRD, A Review of Literature on Internal Migration in Developing Countries, by Lorene Yap, IBRD Staff Working Paper No. 215.

2/ Further data on this evolution can be found in FAO, op. cit.

substantial population movements occurred out of the most stricken areas towards locations where water, food and later, jobs were available. These locations, often centers for emergency food distribution, became population concentrations overnight, while others gained renewed importance, as in the case of Timbouctou. The essential causal link, however, was that rural real incomes, in the form of food and water, had declined to below subsistence levels, thereby requiring migration for survival.

B. Immediate Term Rural Out-Migration

79. The poor conditions of the rural sector in the Sahel region as a whole, suggest that there will be continuing out-migration from rural areas. While rural income levels have improved in the past two years, these improvements often remain small in comparison to the rising incomes found elsewhere, both in Sahelian towns and in coastal West African countries, such as the Ivory Coast, where both rural and urban incomes have increased substantially during the Sahelian drought period. ^{1/} Some slowing down of rural out-migration should be expected if agricultural recovery continues according to the trend of 1974/75. This slowing down, however, will be temporary if rural incomes stagnate or, in the face of increasing total rural population, actually decline. In the latter case, renewed, large-scale out-migration will begin again, although at a slower pace than during the recent natural disaster of the drought.

C. Scenarios of Future Long-Term Agricultural Development

80. Several alternative scenarios of future, long-term agricultural development for the Sahel have been worked out by interested institutions. The two most detailed ones were prepared by the Societe Centrale de l'Equipement de Territoire/International (SCET) and the United Nations Food and Agriculture Organization (FAO). Both studies attempt to relate population levels to food production and the creation of agricultural employment. Only the SCET report, however, suggests hypotheses concerning the distribution of future Sahelian population growth into the rural and urban sectors. An elaborate set of three scenarios has been prepared linking alternative government policies towards food and cash crop production and demographic distributions in 1985 and 2000. The direction of causation is incorrect in this analysis, i.e., it starts from demographic hypotheses and derives levels of food production necessary to feed urban and rural populations, rather than showing that rural production will determine the distribution of population between the urban and rural sectors. Nevertheless, the SCET scenarios are interesting, because they use significantly different demographic scenarios.

^{1/} The World Bank. Ivory Coast: The Challenge of Success, (Baltimore: Johns Hopkins University Press, 1978).

81. Figure 1 presents the assumptions of the three SCET scenarios, including annual growth rates of so-called Capital Zones, the largest urban areas.

82. These assumptions are then related to population growth rates, producing Table 24, future population distribution in the region as a whole. This table was generated by multiplying per capita food consumption in some 21 sub-zones of the region by population projections. Improvement targets were set for geographical regions, thereby showing the necessary out-migration if targets were to be met, as presented in Scenario III. These targets included per capita consumption of grains, dressed meat, and sugar. Later sections of the report then examined the potential water resources and land for cultivation.

83. The interesting feature of this report is the fact that very significant demographic differences exist between the three scenarios. These include the following:

- (1) Maintenance (Scenario I) or accentuation (Scenario II) of disparities in food consumption between capitals, rich zones, and poor zones produces from 25 to 230 percent larger population in the capitals.
- (2) Increased per capita food production tends to decrease projected rural outmigration, both to urban areas and to areas outside the Sahel.
- (3) Accentuation of disparities tends to slow down growth of poor zones, yet does not increase rich zones to the same extent as more leveling policies.
- (4) Accentuation therefore creates conditions which force outmigration from both rural areas and the Sahel, by limiting total food consumption.

The conclusion from such analysis, however tentative, is that levels of food production in rural areas will have direct consequences for the distribution of population between rural and urban areas, between rich and poor rural zones, and between the Sahel region and other areas. Reduction of disparities within the Sahel is supposed to produce two behavioral reactions: stabilization of the population within the Sahelian region and faster growth of areas of high opportunities. While neither of these reactions can be predicted with certainty in the long run, and indeed, stabilization of population is not a desired objective in itself, these are built into Scenario III, which for the SCET authors, represents normative targets. This analysis is limited in two respects: its inverse causation and its concentration on rural food production to the exclusion of other determinants of population growth and movement. Nonetheless, it suggests the sensitivity of demographic processes to agricultural policies and yields.

FIGURE 1

Scenario 1	Scenario 2	Scenario 3
Projection of Pre-Drought Trends	Polarization in Terms of Population and Food	Priority Given to Improving the Nutritional and Economic Situation of All Rural Zones
<ul style="list-style-type: none"> - Continuation of pre-drought population and nutritional trends, in particular as regards: <ul style="list-style-type: none"> - emigration from the Sahel - emigration from the poor to the rich zones - growing disparities in per capita food intake levels among the capitals, the poor zones and the rich zones - continued expansion, at a similar rate, of cash crops for export - annual capital zone growth rate of 4.6 to 5.2 percent 	<ul style="list-style-type: none"> - More rapid emigration from the Sahel and from the poor zones to the rich zones - Accentuation of trends toward growing disparities in food intake levels among the capitals, the poor zones and the rich zones - More rapid development of cash crops for export - annual capital zone growth rate of 7.0 to 8.0 percent 	<ul style="list-style-type: none"> - Slower emigration from the Sahel and improved population balance between rich and poor zones - Lessening of trends toward disparities in per capita food levels among the capitals, the poor and the rich zones - Slowdown in expansion of cash crops for export - annual capital zone growth rate of 3.0 to 4.0 percent

Source: SCET, summary, p. 34.

1
30
1

Table 24: OVERALL POPULATION MOVEMENTS

	Scenario 1	Scenario 2	Scenario 3
Emigration from the Sahel, 1965-2000	1,500,000	3,500,000	750,000
Growth of Total Population			
1965	20,150,000	20,150,000	20,150,000
1985	31,960,000	30,840,000	32,340,000
2000	45,960,000	42,250,000	46,000,000
Growth of Population of the Capitals			
1965	1,040,000	1,040,000	1,040,000
1985	3,130,000	4,140,000	2,800,000
2000	6,070,000	11,300,000	4,900,000
Growth of Population of Rich Rural Zones			
1965	11,410,000	11,410,000	11,410,000
1985	17,020,000	16,090,000	18,310,000
2000	23,230,000	20,380,000	27,870,000
Growth of Population of Poor Rural Zones			
1965	7,700,000	7,700,000	7,700,000
1985	11,810,000	10,610,000	11,230,000
2000	16,060,000	10,570,000	13,230,000

Source: SCET, Summary, p. 35.

84. Within the SCET analysis, there is also attention to the location of areas for possible cultivation. This is shown in Table 25.

85. The major conclusion from Table 25 is that the areas of already higher agricultural yields should be enlarged, in part through the development of water resources and more intensive cultivation. Geographically, this implies concentrated development in the two southern zones of the region, where substantial opportunities exist for future agricultural incomes. While in some countries, such as Mali, this implies large investment in construction of dams and irrigation systems, such as the Manantaly and Selingue dams; in others it implies the eradication of riverblindness along river basins, such as in Upper Volta. The latter objective, however, will be extremely difficult to achieve.

86. From the urban perspective, it is apparent that urban investment should be encouraged in regions where substantial agricultural potential exists, thereby supporting rural development through the provision of needed agricultural inputs and channels for marketing, processing, and storage. In Upper Volta, the headquarter towns of the ORD's with the greatest potential should be supported to complement and increase the agricultural productivity of the region. Similar strategies should be adopted in Mopti, Maradi, or Zinder to the extent that needed inputs or channels for output are lacking.

87. Despite the above, it should be noted that rural out-migration is not solely dependent on rural income levels. Substantial evidence exists to show that differentials between rural and urban incomes are the major determinants of rural out-migration. Understanding the likely magnitude of this movement thus requires an analysis of the ability of the urban sector to generate incomes for an increasing population in the future.

V. THE ABSORPTIVE CAPACITY OF URBAN CENTERS

A. The Meaning of Absorptive Capacity

88. Previous chapters have examined the demographic character of urbanization and conditions in the rural sector. Little attention has been devoted to the capacity of urban centers to absorb increasing population, in either the present or future. For the purposes of this analysis, absorption refers to the generation of employment and income, coupled with the provision of essential urban services such as water, shelter, transport, health, and education. ^{1/} Given the extreme deprivation found in Sahelian countries, the "absorption" of new population refers, at the limit, to the provision of conditions permitting survival. However, even the stocks of water and food

^{1/} A further explanation of absorptive capacity can be found in Beier, op. cit.

Table 25: SUMMARY OF POTENTIAL CULTIVABLE LAND

	Western Group of Countries	Central Group of Countries	Eastern Group of Countries
Desert	10,000 ha	20,000 ha	5,000 ha (?)
Nomadic Sahel	(Aquifers, 8,000 ha	(Aquifers, 10,000 ha	(Aquifers, 3,000 ha
Settled Sahel	Marigots, 2,000 ha)	Marigots, 10,000 ha)	Marigots, 2,000 ha)
Sudano-Sahelian Zone	5,000 ha producing one crop of 3 t/ha/yr.	30,000 ha producing one crop of 3 t/ha/yr.	10,000 ha (Areas that may be developed in the very long term, but at high cost in sparsely populated regions)
Sudanian Zone	80,000 ha producing one crop of 3 t/ha/yr.	100,000 ha (Volta: 50,000 ha Misc. marigots: 50,000 ha) producing one crop of 3 t/ha/yr.	10,000 ha producing one crop of 3 t/ha/yr. (though subject to same risk as above)
River Zone	400,000 ha (Senegal, downstream of Bakel) producing two crops of 6.5 t/ha/yr. Assuming Diama, Manantaly and Courbasy are operational.	480,000 ha (Niger: 460,000 ha Upper Senegal: 20,000 ha) producing 2 crops a year of 6.5 t/ha/yr or 1,000,000 ha with crops of 3 t/ha/yr. Assuming Selingue, Tossave and Kandadji are operational and an active policy is pursued to promote flood lots (more intensive water control facilities could result in higher figures still)	375,000 ha producing 2 crops of 3.5 t/ha/yr or 750,000 ha producing one crop of 3 t/ha/yr. Assuming natural control by means of Lake Chad in its present condition (these figures could be doubled by full-scale water control systems)
Theoretical potential tonnage in notional tons of grain equivalent	495,000 ha 2,900,000 tons	630,000 ha 3,600,000 tons	400,000 ha 2,500,000 tons (actual order of magnitude: 3,000,000 tons)

Potential area: 1,525,000 hectares

Theoretical potential tonnage of notional grain equivalent: 10,000,000 tons

Stock raising: 20,000,000 large animal units

found in urban areas will eventually decline, leaving the population forced to develop means to generate income to acquire these essential items. ^{1/} In this sense, urban populations must be economically organized in order to generate the incomes needed for trade with rural areas or external sources for food. It is this organization and its capacity to generate increasing opportunities for earning individual and household incomes which will determine the long-term growth of individual cities. If the income-earning opportunities are not to be found in Ouagadougou, rural Voltaics will go elsewhere, often to the Ivory Coast or Ghana.

89. The second part of absorptive capacity is the provision of urban services. The literature on migration has not shown that migrants come to town in search of services alone, except in extreme conditions such as the Sahelian drought, and that income-earning opportunities are the major urban attraction. Nevertheless, if urban conditions are too difficult and services too costly, the economic benefits of urban residence will decline, thereby decreasing the incentives for long-term urban residence. For the city as a whole, inefficient provision of services reduces the productivity of labor and increases negative externalities, such as pollution, congestion, and health hazards, thereby resulting in further reduced productivity for the urban economy. The important point here is that not only must cities be able to generate employment, but they must be organized to provide the essential services needed to maintain productivity, such as shelter, water supply, waste removal, health care, transport and education.

90. It is from this dual perspective, employment and urban services, that the projected growth of cities must be examined. Will Sahelian urban centers be able to generate sufficient employment and provide services to support an increasing population in the future? This question is as important for understanding future urbanization patterns as are conditions in rural areas. In order to answer this question, it is necessary to evaluate past performance for both aspects of absorptive capacity.

B. The Generation of Urban Employment and Incomes: Past and Future

91. Most Sahelian towns have not sustained productive economic structures over long periods. The administrative and commercial character of the larger towns have depended heavily on the political authorities and trading patterns of the period. While colonial rule and later independence led to the establishment of relatively permanent locations for administrative infrastructure and public sector employment, these have not been complemented by greatly expanded manufacturing and commercial activities in most cities. Indeed, the modern or formal sector has been heavily dominated by government employment

^{1/} A clear explanation of this process can be found in Jane Jacobs, The Economy of Cities, New York: Random House, 1969.

in most of the Sahelian countries, with Senegal being a major exception. Tables 26 and 27 present available employment data at the national level.

92. These data show the following major characteristics of non-agricultural employment:

- (1) the formal sector employs less than 8 percent of the total active population and less than 15 percent of the urban active population;
- (2) within the formal sector, employment is divided equally between the public and private sector, with the exception of Mali, where public enterprises play a larger role in the productive sectors of the economy;
- (3) the secondary sector in these countries is relatively undeveloped and employs only a minor share of total formal sector manpower; and
- (4) given the small size of the formal sector and its low employment of the urban population, it is apparent that the majority of urban residents generate income from the informal sector and/or agriculture.

93. Table 28 presents the breakdown of employment within the formal sector. The table shows that, with the exception of Senegal whose private formal sector is considerably more developed than the other Sahelian countries, the private formal sector is small, largely divided between industry, commerce, and transport, and represents only a small proportion of total urban employment.

94. The productivity of these activities is suggested in Table 29, indicating available data on value-added contributed by the formal sector. Agricultural productivity is very low, particularly in Mauritania and Upper Volta. The highest productivity is found in industry, but many of the firms in this sector are foreign-owned and thus only a small share of the value-added remains in the domestic economy. The limited size of this sector does not allow major benefits to be spread to secondary towns or rural areas.

Table 26: AGGREGATE EMPLOYMENT DATA

	Chad 1974		Mali 1974		Mauritania 1973		Niger 1971		Senegal 1975		Upper Volta 1974	
	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public
Total active population	1,300,000 a)		2,800,000 e)		426,900 f)		1,900,000 g)		1,673,800 h)		2,904,849 i)	
Agricultural employment	1,100,740 b)		2,588,770 b)		309,855 b)		1,736,260 b)		1,187,856 b)		2,712,720 b)	
Primary sector	1,128	-c)	-	-c)	-	-c)	466	-c)	9,118	2,300c)	2,461	-c)
Total	1,128		115		6,500		466		11,418		2,461	
Secondary sector	3,088	-	?	?	?	?	5,029	-	29,981	-	4,641	
Total	3,088		17,551		3,200		5,029		29,981		4,641	
Tertiary sector	6,183	11,716	?	?	?	?	5,467	10,782	38,539	59,900	1,546	17,607
Total	17,899	?	10,221 d)		11,200		16,249	?	98,439		29,153	
Subtotal	10,399	11,716	9,495	18,392	?	?	10,962	10,782	77,638	62,200	18,648	17,607
Formal sector = Total	22,115		27,887		20,900		21,744		138,838		36,255	

d)j Government employment missing

Source:

- a) World Bank Estimate, August 1977, social indicator data sheets
- b) World Bank Estimate
- c) World Bank Estimate
- d) Data from "Quarterly economic review" Senegal, Mali, Mauritania, Guinea
- f) Data from "3^{ème} plan de développement économique et social 1976-80
- g) World Bank Estimate
- h) Data from "Human resources in Senegal" Harold Lubell, ILO, January 1977, table 27
- i) Data from a seminar on "Income distribution and employment in Africa" Ivory Coast, October 4-5, 1973, p.77

Table 27

URBAN POPULATION AND FORMAL SECTOR EMPLOYMENT
(in thousands)

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
1975 Urban Population	3,700	558	760	200	430	1,250	500
Urban Formal Sector Employment /a		21.8	48.0	21.8	17.4	192.2	28.8
Percentage of the urban population working in the formal sector		(3.9%)	(6.3%)	(10.9%)	(4%)	(15.4%)	(5.7%)

/a Bank estimates

Table 28

EMPLOYMENT IN THE FORMAL SECTOR

	Chad 1974		Mali 1974		Mauritania 1973		Niger 1971		Senegal 1975		Upper Volta 1972	
	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public
Agriculture	944a)				Fishing 1,000d)				7,702	2,300	2,180 g)	
Mining	184		115 c)		5,500		466e)		1,416		281	
Industry	1,857		5,204	10,389			2,180		20,481		2,707	
Construction												
Public Work	1,231		1,958		3,200		2,849		9,500		1,934	
Public Utilities	325								3,213		426	
Transport	288		466	5,222	1,200		1,215		6,718	6,300	6,073	
Commerce	2,188		827	2,781	1,000		1,871		17,035			
Tourism	311						222				1,764	
Banks	405						591		2,464			
Services	2,552	11,716b)	925		9,000		782	10,782	9,105	53,600	17,607	
Other	114						782		4		3,283	
Subtotal	10,399	11,716	9,495	18,392			10,962	10,782	77,638	62,200	18,648	17,607
Total	22,115		27,887		20,900		21,744		139,838		36,255	

Sources

- a) World Bank estimates, July, 1977
b)
c) Data from "Situation et perspective de l'emploi au Mali", ILO, December 1976, table 3
d) Data from 3^{eme} plan de developement economique et social, 1976-80, Republique islamique de Mauritanie, 2^{eme} partie, 1974, p.120, table 18
e) World Bank estimates, August, 1974
f) Data from "Human resources in Senegal", Harold Lubel, ILO, January 1977, table 24, 28
g) Data from a seminar on "Income distribution and employment in Africa", Ivory Coast, October 4-5, 1973, p.86

Table 29

VALUE ADDED AND EMPLOYMENT
IN THE FORMAL SECTOR IN 1975

	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
in million dollars	275.8	604.2	216.5	392.5	1,034.2	92.2
Total value added						
Agriculture VA	137.3	230.7	65.8	186.8	320.8	49.7 (1974)
employment in thousand people	1,100	2,589	310	1,736	1,188	2,713 (1972)
Productivity I)	.125	.089	.212	.108	.270	.018
Secondary VA	36.5	99.8	85.0	53.9	198.4	21.1 (1974)
sector employment('000)	3.1	17.5	8.7a)	5.0	30.0	4.6 (1972)
Productivity X10	11.8	5.7	9.8	10.8	6.6	4.6
Tertiary VA	102.0	273.7	65.7	151.7	515.0	24.4 (1974)
sector employment('000)	17.9	?	11.2	16.2	98.4	17.6 (1972)
Productivity X10 ³	5.7	?	5.9	9.4	5.2	1.4

I) Ratio considered as a proxy for productivity

Source

on value added = Bank reports, economic development data sheets

on employment = Table

a) Includes mining

b) Data for 1971

95. While it is impossible to develop labor force participation rates by sector, Table 30 presents available data on female employment in the formal sector. These data indicate the extremely low level of female participation in formal sector activity and suggest that the majority of active women work within informal sector activities, often in markets.

Table 30: FEMALE EMPLOYMENT IN THE FORMAL SECTOR

	<u>Males</u>	<u>Females</u>
Chad		
Number		
Percentage		Less than 5% a)
Mali		
Number	26,104	1,347 b)
Percentage		5%
Mauritania		
Number	19,000	1,000 c)
Percentage		5%
Upper Volta		
Number	33,000	2,705 d)
Percentage		7.5%

Source: a) World Bank estimate for 1972.
b) ILO, op. cit., Table 7.
c) World Bank estimate, 1976.

96. Skill levels within the formal sector are similarly biased towards low skills, as indicated in Table 31. The uniformity of the Sahelian data is contrasted in this table to the French breakdown which contrasts with the Sahelian pyramid.

Table 31: BREAKDOWN OF THE WAGE EARNERS BY SKILL

	Mali 1974 ^{/a}	Mauritania 1971 ^{/b}	Senegal 1974 ^{/c}	Upper Volta 1971 ^{/d}	France 1971 ^{/d}
Top Management	3.23	1.3	2.85	3.3	18.3
Middle Management	7.91	5.5	5.44	5.5	37.4
Trained labor and employees	12.44			16.4	37.6
Skilled labor and untrained employees	40.95	35.7	66.94	37.6	7.7
Unskilled labor and miscellaneous	35.47	57.5	24.77	37.2	

/a Situation et perspective de l'emploi au Mali, ILO, December 1976, Table 9.

/b World Bank estimate for 1976.

/c Human resources in Senegal, ILO, January 1977, Table 4.

/d Seminar on "Income Distribution and Employment in Africa," Ivory Coast, October 1973, p. 88.

97. The small size of the formal sector within the economy becomes particularly important when considered in terms of the income differential between urban and rural areas. Table 32 presents indices of the evolution of the real incomes of farmers and unskilled urban wage earners in the Sahelian countries, alongside indices of statutory minimum wage rates and urban consumer price indices for the period 1967/68 to 1974/75. These data show that urban real incomes did not increase absolutely during this period. Indeed there is evidence of decline, particularly due to inflation. Still, as shown by consumer price indices, the differential between urban and rural real incomes increased significantly. With farmer income in 1973/74 in Niger dropping to 25 percent of 1967/68 levels, while urban incomes dropped only to 80 percent of 1967/68 levels, there was a dramatic widening of the disparities between the rural and urban sectors. These disparities are further demonstrated by Table 33 on wage indices by sector. Berg concluded that wage earners in the modern sector were hurt least of all groups by the drought. He notes that "income differentials between those in the 'formal' and 'informal' sectors undoubtedly widened, as in-migration increased in urban areas and returns to labor in that sector tended to become more depressed, while statutory minimum wages, applicable only in the 'formal' sector

Table 32: EVOLUTION OF FARMER INCOMES AND URBAN WAGE RATES, 1967-75
(1967-1969 = 100)

	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75
Chad								
Estimated real income index:								
Farmers	-	-	-	-	-	-	-	-
Unskilled wage earners	-	-	-	-	-	-	-	-
Index of statutory minimum wage rate, Unskilled labor <u>a/</u>	100	100	100	119	137	137	137	-
Consumer Price Index <u>a/b/</u>	-	-	-	-	-	-	-	-
Mali								
Estimated real income index:								
Farmers <u>c/</u>	-	-	-	-	-	-	-	-
Unskilled wage earners	118	112	106	89	74	68	76	89-100
Index of statutory minimum wage rate, Unskilled labor <u>a/</u>	100	100	100	100	100	100	136	194-219 <u>d/</u>
Consumer Price Index <u>a/c/</u>	85	89	94	112	135	146	179	218
Mauritania								
Estimated real income index:								
Unskilled wage earners	-	-	-	-	-	(121)	(94)	(96-186) <u>g/</u>
Index of statutory minimum wage rate, Unskilled labor <u>a/</u> (Jan. 1973-100)	95	95	110	110	121	121	121	163-277 <u>d/</u>
Consumer Price Index <u>g/</u>	-	-	-	-	-	(100)	(129)	(169) <u>h/</u>
Niger								
Estimated real income index:								
Farmers	106	99	92	81	86	69	25	82
Unskilled wage earners	102	100	96	104	98	90	80	111-127
Index of statutory minimum wage rate, Unskilled labor <u>a/</u>	99	99	102	110	110	110	110	154-176 <u>d/</u>
Consumer Price Index <u>a/</u>	97	98	106	106	112	122	137	139
Senegal								
Estimated real income index:								
Farmers	114	87	82	65	125	77	86	192
Unskilled wage earners	94	100	105	101	97	95	94	111-163
Index of statutory minimum wage rate, Unskilled labor <u>a/</u>	93	100	107	107	107	107	114	154-226 <u>d/</u>
Consumer Price Index <u>a/</u>	99	100	102	106	110	113	121	139
Upper Volta								
Estimated real income index:								
Farmers	82	122	119	88	98	126	115	134-101 <u>i/</u>
Unskilled wage earners	101	101	96	97	95	99	98	118-89 <u>i/</u>
Index of statutory minimum wage rate, Unskilled labor <u>a/</u>	99	99	101	106	106	107	117	144
Consumer Price Index <u>a/</u>	98	98	105	109	111	108	116	122-161 <u>d/</u>

a/ Calendar years 1967/68 = 1967, etc.

b/ No African index exists

c/ Since the Mali CPI is composed only of foods, which farmers produce themselves, it is not legitimate to derive a real income index for farmers from the CPI.

d/ The second number is the index as of the beginning of 1975.

e/ The price index includes only foodstuffs.

f/ 186 = the real wage estimate as of November 1974.

g/ No African consumer price index exists for Mauritania. The index in the Table is an estimate, based on prices officially collected in Nouakchott.

h/ January 1975.

i/ The lower figure is the index as of beginning 1975; the larger is the average for 1974.

Source: Elliott Berg, "The Economic Impact of Drought and Inflation in the Sahel," May 1976.

increased substantially." ^{1/} Thus, urban income distribution is heavily skewed toward those in the modern sector, a large proportion of whom are government employees. This privileged group stands in marked contrast to the majority of urban residents but more significantly, in another world altogether from the bulk of rural population. Even the urban poor are better off than many rural farmers. The political implications of these differentials will become more significant as urban population increases.

Table 33: WAGE INDICES BY SECTOR (1974-1977)

	<u>Mali /a</u>	<u>Niger /b</u>	<u>Senegal /c</u>	<u>Upper Volta /d</u>
Primary sector		31	72	73
Mining			129	
Manufacturing	75-78	91	77	102
Construction and Public Works	113		65	81
Electricity			171	173
Transportation	Private = 271 Public = 132	97	148	
Commerce	Private = 189 Public = 95	121	106	140
Bank	105		201	
Other Services		97	106	
Government		147		118
Average	100	100	100	100

/a Situation et perspective de l'emploi au Mali, ILO, December 1976, Table 10.

/b Situation et perspective de l'emploi au Niger.

/c Human resources in Senegal, ILO, January 1977, Table 24.

/d World Bank estimate for 1974.

^{1/} Elliott Berg, The Economic Impact of the Drought and Inflation in the Sahel, Discussion Paper No. 51, Center for Research on Economic Development, University of Michigan, May 1976, p. 33.

98. Another interesting feature of the distribution of income within these economies is the fact that while the formal sector accounts for a small proportion of the labor force, the higher wages found in that sector create a situation in which the total wage bill for the formal and informal sectors is roughly equal. Table 34 presents some available data for Niger which illustrate this characteristic. While Niger in 1970 is not representative for all of the Sahelian countries, it is close to the situation found in Chad and Upper Volta as well.

Table 34

<u>Niger 1970</u>	<u>Formal Sector</u>	<u>Informal Sector</u>
Average Salary =	19,655 CFAF	9,451 CFAF
Total Wage Bill =	1,456.9 million CFAF	1,745.4 million CFAF

Source: World Bank Estimate for 1970.

These data suggest the likely inequality to be found within the urban economies in Sahelian countries as well as relatively small size of the formal sector.

99. Given this past performance on the employment and income side, what can be expected for the future? Table 35 presents the comparison between jobs offered and sought in the formal sector. With the exception of Senegal where the data suggest that supply and demand are reaching some equilibrium, there are very large disparities between job offers and job seekers. This situation will become increasingly serious if urban population grows at the rates projected in Chapter III.

100. Several major factors will influence the growth of employment. First, and most importantly, it is highly unlikely that public sector employment will increase rapidly in the future. This fact has varying significance for the Sahelian countries, with less effect on Senegal which has a substantial growing private sector in urban areas, and very serious implications for others such as Upper Volta, Niger or Chad, whose urban population relies heavily on government employment and its consequent income multipliers. In the latter cases, it means that alternative sources of urban employment will have to be generated from a presently small, relatively poor base.

101. A second implication for future growth of employment is that there are few large-scale urban employers outside of government in these countries, again with the exception of Senegal. There are, at most, a handful of factories in each capital city, with additional activities in towns such as Bobo-Dioulasso or Maradi. The paucity of investment in manufacturing reflects the lack of financial capacity and natural resources to be utilized in production processes, but also the lack of large-scale national markets for

Table 35: SUPPLY AND DEMAND OF URBAN EMPLOYMENT

	Job Offers in the Formal Sector	Job Seekers
Chad (a)		13,000 men and 12,000 women/year
Mali (b)	1974 - 1978 1,585/year	1974 - 1978 42,500/year
Mauritania (c)		8,000/year
Niger (d)	2,500	40,000 to 50,000/year
Upper Volta (e)	1972 - 1976 3,347/year	
Senegal (f)	1976 - 1981 17,460	1976 - 1981 19,060/year

- Source:
- (a) World Bank estimate for 1973.
 - (b) World Bank estimate for 1974-1978.
 - (c) 3eme plan de developement economique et social, p. 127.
 - (d) World Bank estimate for 1974.
 - (e) Seminar on Upper Volta.
 - (f) Human Resources in Senegal, ILO, January 1977.

manufactured goods. While larger markets exist in the West Africa region as a whole, reaching these markets requires a higher level of capitalization for individual firms, particularly including transportation. For the economy as a whole, it is also apparent that the domestic resource costs implied in manufacturing non-agriculturally-based goods are extremely high. Thus, as demonstrated in a study of comparative advantage in West Africa, 1/ it makes little economic sense to encourage the development of manufacturing industries other than those which process agricultural goods, particularly livestock and non-cereal cash crops. This analysis, spelled out in greater detail in recent World Bank economic reports and the Balassa study itself, suggests that only a particular kind of industrial strategy will make sense for the landlocked countries. Therefore there are serious economic constraints to a large-scale expansion of the urban industrial sector.

102. A third implication of this situation is that most of the needed jobs for the future will have to come from the informal sector, particularly small-scale businesses which manufacture on a scale consistent with local markets but do not require large investment. Given the size of potential markets and therefore of potential profits, it is unlikely that small-scale entrepreneurs will be able to expand their operations beyond certain limits or have the capital required for investment in more efficient machinery or more expensive materials. Levels of productivity, therefore, will not increase substantially after an initial period. This characterization of future development of the informal sector suggests that, in the aggregate, it will be unable to expand rapidly, unless it is linked to processing agricultural products for export, in which case it may eventually become part of the formal sector.

103. All of the above implies that unless the private sector is increasingly linked to processing agricultural goods, there will be limits to the quantity of employment and income it will be able to provide in urban areas. Reaching these limits will have several consequences, including an increase in dependency ratios, a decrease in per capita real income, and a stagnation of the urban economy. With the public sector no longer providing increasing income to the urban sector, there will be a narrowing of urban-rural income differentials, if rural incomes do not decline. This would reduce the attraction of the cities and lead to a decrease in urban growth rates. A similar process has occurred in parts of India, such as Bengal, and notably Calcutta, 2/ where rural-urban migration has declined steadily in the past decade, leaving more people on the land in stagnant rural conditions.

1/ See studies by Bela Balassa, et. al., on Industrial Policies and Economic Integration in West Africa, and particularly, Geoffrey Shepherd, The System of Incentives and Comparative Advantage in Malian Agriculture and Industry, June 1975.

2/ Ashish Bose, Studies in Indian Urbanization, 1971; and Sudhendu Mukherjee, A Report on the Survey of 10,000 Pavement Dwellers in Calcutta.

C. The Provision of Urban Services

104. Discussions of urban growth projections do not usually hinge on the provision of urban services. In the long term, income-earning opportunities are the major attraction for potential rural-urban migrants. Yet, in the short term, conditions of natural disaster or extreme deprivation as found in parts of the Sahel during the height of the drought, urban areas may be considered as the only guarantee of survival. Even the most minimal levels of consumption of food and water are better than rural starvation. Approached from this perspective, it is possible that deterioration in the provision of urban services on a per capita basis may not have the immediate consequences such as a deterioration could have in countries where the rural sector is relatively productive and food is plentiful. But, if urban conditions approached the character of refugee camps such as those outside Niamey during the drought, it is possible that potential migrants from rural areas would leave the Sahel for the coast.

105. This scenario presents the extreme case, but under present conditions it is quite likely that urban services will not meet the needs of future populations unless government policies are oriented towards the anticipated growth. To the present time, Sahelian governments have been unable to mount effective programs for the provision of urban services. While there are some promising signs, such as the Voltaic experience with a pilot low-income shelter project in the Cissin neighborhood of Ouagadougou, or substantial past investments which could be used more efficiently, such as the drainage and transport systems found in Bamako, the overall level of services is low. Table 36 presents an aggregate view of these conditions. These general data are clearer in the context of a specific city, such as Bamako, for which reasonably complete data are available, as shown in Table 37. It is apparent from Table 37 that while there are great disparities in living conditions between high income residential neighborhoods and other areas, the majority of the urban population lives with low levels of services. Nonetheless, the migrants continue to come and constitute a large share of the populations, forming new quarters and new settlements which have grown quickly, particularly on the periphery of the city.

106. These service levels reflect several important facts concerning the public management of urban growth. Given the magnitude of their rural problems, most Sahelian governments have not developed coherent policies towards city growth. Scarcity of trained manpower in urban planning, engineering, architecture, and economics are reflected by a policy vacuum in Chad, Mali, and Niger. Mauritania imported technical assistance to build its new capital, and Senegal has had longer experience with urban management and services, going back to the colonial period. Only Upper Volta seems to be adopting a longer-term view of its urban service needs, again on the basis of its experience with the Cissin project. For all of the countries, however, there remain serious long-term problems of financing services, providing sufficient water and waste disposal, and developing land use policies consistent with the income levels of the urban populations. The lack

of finance in all the countries is a major constraint to service provision of all kinds. These issues are discussed further in the concluding chapter.

Table 36: URBAN SERVICE LEVELS IN SAHELIAN URBAN AREAS

	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
<u>Water Supply</u>						
Percent Urban Population Served by:						
Private connections	11	26	91	12	29	20
Standpipe	65	3	7	56	69	48
Wells	24	71	2	32	2	32
<u>Sewage Disposal</u>						
Sewer Connections	5	0	68	0	n.a.	0
<u>Housing</u>						
Percent of City Population Living in Slums or Squatter Settlements					60	70

Sources: WHO studies, 1970.

World Bank estimates, 1975.

D. Expanding Absorptive Capacity

107. The brief overviews of urban employment and urban services presented above suggest that the present economic conditions of urban areas do not offer immediate opportunities for absorbing large-scale migration from rural areas. While urban incomes, even from intermittent underemployment, are better than rural incomes, there are not many immediately obvious areas for increasing employment. Little is known concerning the urban informal sector in these countries, although it appears to employ a substantial proportion of the urban population. The modern sector is faced with serious constraints, such as limits on public sector expansion, high domestic resource costs for manufacturing most non-agricultural products, small-scale national markets, and the scarcity of credit for expansion of some necessary enterprises. Urban services are generally in poor condition in most cities, if available at all.

Table 37

BAMAKO - INVENTORY OF URBAN SERVICES BY ZONE, 1976

	Population 1974	Housing % in Durable Materials	Water		Liquid Wastes		Solid Wastes % with Daily Collection	Electricity % with Supply	Roads % Bitumen
			% with Private Tap	% with Public Fountain	% of Streets with Drainage Channel c/	% of Homes with Septic Tanks			
High Income Residential	13,000	95	95	100	b/	95	10	95	10
Old Quartiers	126,000	20	20	100	70	10	0	30	10
New Quartiers	88,000	60-80 ^{a/}	30 ^{b/}	30	20 ^{b/}	95 ^{d/}	0	50 ^{b/}	5
New Settlements	57,000	5	0	0	0	5	0	0	0

Estimates based on information provided by the Municipality of Bamako and Energie du Mali.

a/ Excluding Djikoroni where only about 20% are of durable materials.

b/ Varies widely between quartiers.

c/ Including only those built in durable materials--not earth ditches.

d/ Includes "fosses fixed"--a simple type of septic tank.

Source: Desmond McNeill, "Bamako: The Provision of Urban Services", June 1976.

Their improvement will require policy changes towards a longer-term view of potential demand and realistic pricing if they are to be maintained over time.

108. This sober assessment of present conditions is not intended to imply that nothing can be done to increase absorptive capacity. Indeed, it is apparent that much can be done on both the employment and the services sides. An integrated approach to the problem could expand the capacity of the urban sector to absorb rural-urban migrants and at the same time increase productivity, hopefully by producing goods and services required by the rural sector in its efforts to develop agriculture.

VI. UNCERTAINTY AND FACTORS INFLUENCING URBAN GROWTH

109. Analysis of conditions in the rural sector and the constraints on the absorptive capacity of Sahelian towns emphasizes the uncertainty of urban growth projections for the region. While the variation between different projections is small, none of these projections has taken rural and urban conditions into account in projecting the future. With the exception of the SCET study, there are no explicit assumptions concerning migration out of the Sahel. Historical patterns of migration to the coastal West African countries demonstrate that this is a real and frequently chosen alternative to Sahelian poverty. It is precisely this poverty which limits confidence in projections, because if rural conditions become marginally worse in some countries, there will be significant rural out-migration. Alternatively, the relative poverty of rural areas compared to the privileged conditions of the towns suggests that a decline in urban incomes may not immediately deter potential migrants. Indeed, the frequently discussed motivations of potential migrants, and the high degree of economic information which appears to influence their decisions elsewhere, may not be so important for the Sahel in the short run. Towns represent security against the environment and thus may grow even while urban employment and living conditions deteriorate.

110. Understanding rural responses to changing incomes in rural and urban areas is thus the critical problem in accepting projections for the short and long term. In the short run, perhaps for the next five years, migrant behavior will still be conditioned by consequences stemming from the drought and slow recovery. Higher incomes from agriculture will likely keep rural farmers on the land. In the longer run, however, improved rural incomes could be used to leave rural areas for towns or the coast. This movement could be justified for the individual welfare of rural households, but also for the Sahelian economies as a whole. If the population can find higher incomes outside of rural areas, then GDP would also be increased, including the addition of remittances where relevant. The important points here are that (1) improved rural incomes cannot be expected to necessarily stabilize rural population in the long term, and (2) such a stabilization

need not be considered desirable in itself, but only if accompanied by a maximization of total welfare for countries and the region as a whole.

111. Schematically, it is apparent that urban growth patterns and population distribution will result in the long term from interactions between several major variables: climate, government policies in the urban and rural sectors, resulting economic trends in each sector, and the differentials in opportunities between the Sahelian and the coastal West African countries.

Climate

112. Even though there has been an extensive literature on the cyclical character of rainfall and drought in the region, the consensus appears to be that the Sahel can expect fluctuating rainfall as a regular phenomenon, but that drought as in the worst period of 1972-74 is unlikely to occur for the region as a whole in the next five to ten years. The present 1977-78 drought, however, is serious and has already disrupted agriculture throughout the region.

Government Policy in the Rural Sector

113. Government policies affecting cultivation of food and cash crops will influence the rate of urban growth. Policies and investment programs will also determine the capacity of the land to sustain increasing rural population. If no new areas are opened up, or if major projects such as the river blindness eradication program fail to create new cultivable lands, increased rural population will be forced to migrate to cities or leave their countries or the region as a whole. Similarly, if government pricing policies do not encourage increased agricultural productivity, there will be more migration from rural areas. Taken together, policies towards the rural sector which (1) encourage greater productivity, (2) choose an economically and nutritionally sustainable mix between food and cash crops, (3) increase farming acreage, and (4) do all of these in a synchronized, integrated manner, will raise rural incomes to levels which satisfy rural population and may thereby limit rural-urban migration in the short to medium term. As noted above, however, the long-term response to improved income is less clear. It is more certain, however, that a failure of government to improve rural conditions will lead to more, rather than less, rural-urban migration and increased emigration from the region.

Government Policy in the Urban Sector

114. Despite constraints on expanding the absorptive capacity of Sahelian urban centers, continued urban growth can be expected. This expectation requires that urban growth be managed on a non-subsidized basis, with full cost pricing of services and improved productivity. Government policy will have to encourage the expansion of employment opportunities in the informal sector. Subsidized services and increased public sector employment will

further attract rural-urban migrants, if not directly, then through the income multipliers these will create. If the urban sector could be isolated financially, i.e. operate without rural subsidies, including food price subsidies, yet be economically linked to the rural sector by providing inputs and services necessary for increases in agricultural productivity and incomes, it could promote growth of rural incomes. A rationalization of the management of the urban sector could decrease the artificial privilege which it has heretofore enjoyed. This could be beneficial in discouraging categories of potential rural-urban migrants who are likely to come to town simply to live off multipliers of this inflated standard of living. For those on the edge of rural starvation, more austere conditions in town would still be better than those in the desert.

The Differential Opportunities between the Sahel and the Coast

115. A fourth group of factors which will influence Sahelian urban growth will be perceived opportunities to earn income in the coastal West African countries. Large-scale labor migration from the Sahel has been occurring since after World War I. 1/ The coming of independence and the economic boom of the 1950's and 1960's quickened this growth, particularly with the abolition of forced labor in the francophone colonies after 1947. As long as there is continued relative economic prosperity in the coastal countries, in both rural and urban areas, there will be a strong pull for potential migrants from Sahelian rural areas. In the past, for example, rural Voltaics passed through Ouagadougou or Bobo-Dioulasso on their way to the Ivory Coast, knowing that the "Ivoirian miracle" could provide a higher probability of obtaining wage employment than could the Voltaic economy. Moreover, market wages, in both rural and urban sectors in the Ivory Coast, would be higher than their counterpart at home. The large Voltaic population in Ivory Coast and Ghana, estimated as high as two million persons, or one-third of the Upper Volta population during some seasons, demonstrates the attraction of the coast.

116. This pattern has changed in recent years, particularly as the coastal countries have had xenophobic reactions to increasing proportions of foreigners in their population. Open discrimination and harassment of foreigners has slowed down the migration to the coast, and other areas, such as Gabon, have gained new attraction for migrant labor. In the Ivory Coast, this decline in the foreign African labor force has begun to hurt agriculture, creating labor shortages in some areas. As demonstrated in recent studies of the Ivory Coast, however, the Ivoirian strategy relies heavily on this labor force and, therefore, can be expected to make efforts to recapture its temporarily lost allure. 2/ While the rate of increase of coastal employment depends on the success of the development strategies of the respective coastal

1/ Raymond Deniel, De la Savane a la Ville: Essai sur le migration des Mossi vers Abidjan et sa region (Paris: Aubier-Montaigne, 1968).

2/ IBRD, Ivory Coast: The Challenge of Success.

governments, it is certain that these increases will be at least as rapid as new opportunities are created in Sahelian rural areas, and most likely, considerably faster. It is therefore quite reasonable to expect an acceleration of migration out of the Sahel if the coastal and Sahelian governments do not place restrictions on these population movements.

117. One scenario concerning the Sahelian-coastal employment relationship is the possibility that a West African economic union would promote free exchange of foreign exchange necessary to meet its essential needs. Given the raw materials and opportunities for profitable agricultural investment in the coastal countries, it is likely that under these conditions many rural inhabitants of the Sahel would leave their homes to obtain much higher incomes in the south.

118. When considered together in a non-static relationship, these factors could interact to produce a range of urban growth patterns. For policy purposes, projections of urban growth should assume that present growth rates will decline slowly from 1975 to 2000. This decrease, however, will be accompanied by a steady increase in the absolute and relative size of the urban population during the period. As noted earlier, the total Sahelian urban population will be some three times greater in 2000 than in 1975. This increase presents a substantial challenge to national and local authorities to provide employment and urban services. The problems in meeting this challenge have been discussed above. They are real and lack easy solutions. On the rural side, the problems are even greater in magnitude and complexity. Government efforts to increase rural productivity will determine whether Sahelian populations will ultimately remain in their countries or leave for more promising conditions elsewhere. These demographic projections, therefore, could be significantly changed by the success or failure of governmental efforts.

VII. TOWARDS AN OPERATIONAL STRATEGY FOR THE URBAN SECTOR

119. Based on the previous analysis, this chapter will present 1) the objectives of an operational strategy for managing and developing the urban sector within the national and regional development of the Sahel; 2) the policy and investment programs to be pursued in the short and medium term; and 3) the obstacles to implementation of the strategy. This section is based on both the analysis of existing conditions and operational experience developing projects in the Sahel and West Africa more generally.

A. Objectives for an Operational Strategy

120. The over-riding objective of urban development in the Sahel must be to productively contribute to national and regional economic development. This contribution focuses on the role that urban centers can and should

play in supporting development in essentially rural agricultural economies and how the centers are themselves organized. The meaning of that support will be spelled out in subsequent sections of this chapter. It is important, however to recognize that there will be many prior actions to be taken, policies to be formulated, institutions strengthened, analytic understandings reached, and political bargains worked out before the urban sector can be organized to reverse its present role as a privileged consumer in an environment of extreme scarcity and deprivation. While the long-term goal of a productive urban sector supportive of agricultural and rural development can be supported in principle by everyone involved, it will be much more difficult to implement a policy approach which seeks to stimulate economic growth while at the same time redistributing the meager product of the economy, now coming almost exclusively from the rural sector. Urban residents who have left rural areas in search of employment and services have benefitted from "urban bias." Reducing or eliminating that "bias" will be politically difficult in countries where the urban elite control political power. The proposition, therefore, that urban development can be oriented towards the rural sector and towards supporting long-term economic development is faced with fundamental political obstacles which will not be overcome in a single meeting of the Council of Ministers. Rather, there are a series of more specific operational objectives which constitute the building blocks for achievement of the long-term strategy.

121. Starting from this perspective and given the extreme poverty of the region, it is clear that realistic objectives for an urban development strategy which makes macro-economic and regional sense in the Sahel are necessarily limited objectives. The Sahelian countries have severe shortages in all of the elements needed to formulate and implement policies, whatever they may be. These elements include trained manpower, fiscal resources, executive and administrative organization, and political continuity. Operational objectives in this context must be developed for the short, medium, and long term, with each phase building on the previous one in order to develop institutional capacity to perform various functions needed to carry out coherent policy. Central to this view of a strategy for the Sahel is the notion that major program objectives will not be clearly achieved within identified time periods, but that simultaneous incremental improvements will be needed on various fronts in order to permit the governments, at both national and local levels, to seriously confront the problems facing them.

122. What are the operational objectives for urban development policy in these countries? These are presented below:

(1) Gaining Control Over Unmanaged Growth of the Capital Cities

123. A first objective is to gain control over the unchecked growth of the capital city in each of the six countries. This control is necessary in order to reduce the present level of national subsidies to the capital and to shift the financial burden for the relatively higher standard of living in the capital from the public budget to those who benefit from it. The national governments must attack the most evident example of "urban bias" in the countries by establishing new policies for capital cities for the provision

of urban services such as housing, water supply, waste disposal, road maintenance, schools, health centers, and other related services. This policy shift requires review of the present system of pricing and distribution of services in order to develop methods of recovering an increasing share of the economic cost of services provided and, to the greatest extent possible, eliminating the subsidies which are now enjoyed by urban consumers.

124. This concern with capital cities is justified on the following grounds: (1) the capital cities are consuming large amounts of national revenues which should be devoted to rural development, (2) income levels in the capital cities cannot be justified in view of the extreme deprivation in rural areas, and (3) efficient allocation of scarce national resources is essential if these countries are to improve incomes in the future.

(2) Develop Alternative Methods of Providing Low-Cost Urban Services

125. Related to the above, the Sahelian governments must re-examine the standard and types of services provided to their growing urban populations. It is clear that the methods of services provision, with their emphasis on relatively high levels of service as in the case of housing, cannot reach the majority of urban residents who are primarily low-income with insecure employment, and cannot afford to consume services as now provided. The present standard of urban services provision excludes the majority of residents and limits their own productivity as a result of the poor conditions in which they live.

126. In order to overcome this situation, the governments must experiment with cheaper methods of providing services. This experimentation should follow the Upper Volta experience with the UNDP-financed Cissin pilot project, which eventually became the cornerstone of national policy in this sphere. Niger and Mali must review their methods of providing and maintaining water supply and drainage to growing capital cities. All of the countries must improve the efficiency and administration of the institutions providing these services.

(3) Recover Investment Costs to Permit Financial Replicability

127. Another objective of policy must be the recovery of investment costs for urban services. This recovery should come from consumers of the services wherever possible, but should be sought in order to 1) reduce subsidies for urban consumption, and 2) eliminate financial constraints to replication. The present system, whereby services reach a small number of people who are not obliged to pay for them, cannot expand unless cost recovery becomes a major objective in the sector. Resolution of this problem is related to the implementation of effective systems of municipal taxation, including assessment and collection.

(4) Strengthen National and Municipal Institutions to Perform Urban Management Functions

128. None of the above objectives can be achieved unless the Sahelian governments make serious attempts to strengthen the institutions working in the urban sector, specifically the Departments of Town-Planning within the Ministries of Public Works in each country and the municipalities. The Departments of Town-Planning in these countries have been under-staffed and insufficiently financed to permit the execution of their legal responsibilities. The municipalities have been allowed to decline, within the strict control of the Ministries of Interior under the French municipal law of 1884, which still serves as the basic legislation determining municipal administration and government in the Sahel. This condition must be reversed through increased financial autonomy for local governments, training of staff, and a clearer definition of the municipal jurisdictions. The latter are unclear, being mixed with traditional tribal law, procedures for land registration, and national governments' unwilling to permit decentralized decision-making, even in the capital cities...

(5) Stimulate Community Participation in Urban Development Programs

129. Given the financial and institutional weakness of the public sector in the Sahelian countries, it is imperative that programs be designed which stimulate greater community participation in the financing and delivery of urban services. Self-help programs, incentives to the private sector, and the use of community organizations such as caisses populaires in Upper Volta or ethnic and religious organizations in Senegal must be encouraged in order to generate increasing activity and interest by the urban populations.

(6) Develop Economic and Institutional Links Between the Urban and Rural Sectors

130. Finally, as part of the economic diversification of the urban economies, efforts must be made to develop economic and institutional links between urban centers and rural areas. These links include the urban production and provision of goods and services needed to support rural development, such as manufacturing of farm implements, repair centers for agricultural machinery, processing of rural products, and many other such activities. This approach involves increasing attention and investment resources devoted to the development of secondary urban centers, including both infrastructure and services, in order to permit the towns to perform needed functions.

B. Phase I: Strategy for the Short Term

131. The short-term strategy for urban development in the Sahel should focus on the design and execution of urban development projects which establish clear precedents in the provision of urban services. These precedents should include the reduction of consumer subsidies, emphasis on recovery of investment costs, use of low-cost methods of service provision, and efforts to reach the majority of urban residents who have low incomes. These policy

precedents represent new approaches for countries such as Chad, Mali, Mauritania, and Niger. Senegal and Upper Volta have attempted pilot schemes, with Upper Volta emphasizing these policy reforms much more seriously than Senegal, which has added social dimensions to its earlier slum clearance policies in Dakar. In all the countries, these projects should emphasize the strengthening of institutions in the urban sector, particularly municipalities, in order to allow for the gradual extension of this program on a self-replicating basis. This institutional support should include training of personnel in essential services such as environmental sanitation and maintenance.

132. The strategy requires a Governmental review of present policies towards provision of services and some estimate, as suggested by the demographic evidence presented earlier, of the likely demand for services in the medium term. This analysis would forcefully demonstrate not only that present services are heavily subsidized, but that such financial commitments by the public sector cannot be maintained over time, unless there is massive external assistance earmarked for this purpose. It is unlikely, however, that such aid will be forthcoming for the urban sector in Sahelian countries, where rural deprivation has attracted donor attention.

133. Once this policy review is concluded, the Governments should develop a program to initiate pilot schemes in service provision, such as the Cissin project or the UNDP school construction project in Chad, in order to gain more experience with alternative low-cost approaches to services problems. These pilot projects should be expanded as quickly as possible into programs which are "impact-intensive", i.e., they have the broadest impact possible on urban living conditions, yet use only a limited quantity of administrative capacity. The extension of water distribution systems into squatter areas is a good example of such "impact-intensive" interventions. These will demonstrate their effectiveness relatively quickly and generate some political support for this new policy approach, at least from those urban residents who have not heretofore received urban services.

134. At the same time that such projects are being undertaken in the capital cities and one or two secondary centers, an effort should be made to develop a better understanding of the economies and living conditions of secondary towns. This understanding should focus on how the towns can better serve their rural hinterlands, while providing services on an unsubsidized basis to their own urban populations.

135. While the approach to secondary centers in the first phase would be focused on developing the above understanding, this learning experience can be most fruitful if some small investment projects are attempted in these centers. These projects should seek to follow the policy lines proposed earlier for the capital cities, yet because of lower average incomes and weaker implementation capacity be more modest in their impact. Attention should be directed towards developing non-farm employment programs in these towns and linking them to rural development efforts in the surrounding

regions. These projects would be explicitly experimental in nature, essentially research and development efforts, in order to develop a basis for larger scale programs in secondary towns in Phase II or the medium term. Current research by the ILO on the employment prospects in secondary centers should be used in the design of these experimental projects.

C. Phase II: Strategy for the Medium Term

136. Building upon the projects designed and implemented in Phase I, the strategy to be followed in the medium term of five to ten years is the development of an urban investment program for secondary centers in each of the six countries. This investment program should be carefully worked out and designed to establish a system of secondary centers which responds to the projected needs of rural areas and regional development over the long term. The projected sizes, functions, activities, and locations of these towns should be based on a national spatial development strategy which focuses investment in geographical areas with the highest economic potential. This strategy would require an economic analysis of the comparative advantage of different regions within countries, but also for the entire Sahelian region in terms of its relation to the coastal countries. Given the low level of urbanization of the Sahelian countries and, with the exception of Senegal, the lack of a well-developed system of secondary urban centers, this analysis and investment program would be planning the future development of the country. Urban development would thus be an integral part of that planning, in terms of the functional role to be played by urban centers in the implementation of the national development strategy. This stands in marked contrast to the "parasitic cities" of Hoselitz or the "urban bias" criticized by Lipton and many others. It should also take into account the endowment of natural resources of each country, and, if sensitively done, could program rural development in such a way as to avoid the destruction of lands for farming and livestock which resulted from over-intensive utilization in the past two decades.

137. While this Phase II strategy might be characterized initially as an urban investment strategy, its objective would be explicitly to create loci of infrastructure and services needed to improve rural productivity. The towns to be developed could provide services such as marketing, processing, storage, repairs, and extension for rural farmers. They could also serve as commercial centers for farmers desiring to use their increased incomes to purchase a wider range of goods and services than are available in present-day villages. These commercial outlets could thus provide incentives for increased rural production. The employment base of the towns, however, would be oriented towards the rural sector and should not attract large waves of migrants from the surrounding rural hinterland.

138. While the proposed emphasis on secondary towns has long been a subject of discussion among development planners, geographers, and project designers, it has rarely been followed in a carefully worked out manner. Too often, the rapid growth of secondary centers has forced planners to treat these centers much as if they were already primate cities, or as "capital

cities" as discussed earlier. Experiments such as the Lachish Regional Development Program in Israel or the Southwest in the Ivory Coast, to name only two, suggest that, if urban centers are not already well-institutionalized, i.e., the economic and political interests are not already entrenched, a network of towns can be planned which can permit the performance of functions which support rural development. The prerequisite to such achievements, however, is a well-formulated strategy, rooted in existing conditions. Financial and human resources may not be immediately available, but in the case of the Sahel, development finance is not likely to be a major constraint over the next decade, given donor interest in assisting the so-called "least developed countries."

D. Overcoming Constraints to Strategy Implementation

139. Having proposed elements of a strategy for the development of the urban sector in the Sahelian countries, it is now important to identify the major constraints on implementation and to suggest how these constraints can be overcome. The following constraints will be discussed below: 1) political will, 2) difficulty of eliminating subsidies, 3) recovery of costs for investments in urban centers, 4) technical capacity in the public sector, and 5) limited analytic-operational understanding of the role of secondary urban centers.

1. Political Will

140. This paper has suggested on many occasions that urban centers have benefitted from a disproportionate share of the available resources in the Sahelian countries. The proposed strategy seeks to redress this distribution through a phased approach to urban development which will decrease the pre-eminence of the capital cities and seek a more equitable spatial distribution of resources and opportunities. Within cities, the strategy proposes more emphasis on low-income groups who make up the vast majority of urban population and who have heretofore been relatively ignored in the distribution of urban services. These arguments are made on both equity and efficiency grounds: present distribution patterns are not equitable within the countries nor within the city boundaries. The absence of urban services for potentially productive urban households limits their productivity and income and ultimately reduces the economic utility of the urban sector for the country as a whole. Urban primacy also tends to overconcentrate resources in specific locations where they are not always used to their full capacity. Within rural countries these resources are also not serving to support the primary economic work of the nation: rural development. This urban sector strategy, therefore, calls for a new view of town-countryside relationships and the end of urban bias and privilege.

141. It must also be understood that the present urban bias has not come about on its own or randomly. Rather, urban bias has resulted from an almost systematic skewing of resource allocation towards the population which is politically most vocal and therefore needed by the governing elites. Governments which seek to change these patterns will face political opposition,

regardless of the equity or efficiency arguments which are used to justify the new policies. Unions will object to changes in the national wage legislation, citizens' associations will object to water charges where none existed before, and many other demonstrations of opposition will occur within the capital cities. The problem, therefore, for the Sahelian governments, recognizing both their own political imperatives and the need to use cities productively within the national development strategies, is how to combine acts of political courage within a phased approach to policy change over the short and medium term. Politically, all of the changes simply cannot come at the same time. Yet, in accepting this perspective, the governments must be prepared to develop limited initiatives on several fronts simultaneously. These initiatives should be packaged to spread around the benefits of programs, reaching the largest number of people possible. This "impact-intensive" approach will generate political support and hopefully permit continued advances in the strategy. One example of such packaging would be the coupling of upgrading squatter neighborhoods with a larger city-wide program of environmental sanitation. This links improvements for the poor with improvements for the entire urban population and may be a necessary approach to building political coalitions for urban policy change.

142. While the conditions in individual countries will vary substantially, it is clear that political will is the major obstacle to overcome in implementation of the proposed strategy. This obstacle must be approached creatively, bringing together a careful analysis of who will benefit - spatially, economically, socially, and politically - from each policy and program. Such analysis should suggest the appropriate strategy to be followed in each country.

2. The Difficulty of Eliminating Subsidies

143. The issue of subsidies is central to this analysis. While subsidies have been criticized on equity and efficiency grounds in the paper - particularly as a major instrument in the perpetuation of cities as enclaves of privilege in the world's poorest countries - subsidies must also be considered from the perspective of the public sector providing services which the impoverished Sahelian populations are unable to afford. First, it is evident that subsidies to the middle class must be reduced over time. As suggested in the previous section, this will be politically difficult, yet is central to the productive evolution of the urban sector in rural countries. Secondly, however, it is less clear how present subsidies to the poorest segments of the urban population should be viewed. While these households should pay for drinking water, as they do in Upper Volta but not in Mali or Niger, they may be unable to pay for other expensive, major improvements in health and environmental sanitation. This dilemma is well-illustrated by the costs of removing major health hazards such as the Zogona Gulley in Ouagadougou, refurbishing the drainage canals in Bamako or Niamey, or finding adequate, sanitary means of stormwater drainage and waste disposal in N'Djamena. These improvements are needed for the health of the entire population of these cities, yet the poor, who are frequently the most direct beneficiaries of such investments, are unable to pay the costs. Without such investments, the poor health and low

productivity of these populations will continue the unbroken cycle of urban poverty found in these towns. The dilemma is clear: at certain levels of deprivation, such as is found in the Sahelian countries, some investments in urban services must be subsidized for the poorer groups in the population in order to permit economic and social self-improvement. This suggests that the application of the principle that all subsidies should be eliminated must be flexible and take into account the actual capacity to pay of the population concerned.

3. Recovery of Costs of Urban Investments

144. The previous section suggests a practical problem in trying to recover costs from households who cannot afford justified investments in their behalf. The problem of cost recovery is also difficult in the Sahelian context because few institutions have experience in collecting charges from the urban population. This applies to municipalities who do not collect municipal taxes, water companies which, with a few exceptions, do not collect water charges, and schools which do not collect school fees. The history of service provision, first under the colonial administrations, and later in the immediate post-independence period, has been one of "handouts" rather than community participation in financing services. A major attitudinal problem thus exists when institutions attempt to collect the costs of their services.

145. In this situation, a major constraint to cost recovery is the weakness of local institutions in performing this function. Municipalities are not organized to do it and would prefer to receive national government subsidies to cover annual deficits. The water company in Bamako is in a similar situation. It will therefore be necessary to reorganize these institutions to take on these tasks. Adequate performance, however, cannot be achieved overnight, but will come only through continued improvement of procedures and training of staff. Institutional support will therefore be a critical component for the implementation of an urban development strategy in these countries.

4. Technical Capacity in the Public Sector

146. All of the above constraints or obstacles are compounded by the lack of technical capacity in most of the national and municipal institutions in these countries. There are very few trained and experienced staff in urban-related disciplines such as architecture, planning, municipal engineering, financial analysis, and neighborhood development. Outmoded procedures of municipal administration, based on the French municipal law of 1884, continue to weigh heavily on newly-recruited staff, making it difficult if not impossible for an "African administration" in process and content to develop. On-the-ground training is needed at every level in these institutions if they are to perform their legal responsibilities. Without such training, the proposed strategy has no chance of succeeding.

E. Limited Analytic-Operational Understanding of
the Role of Secondary Urban Centers

147. This paper has attempted to present parts of an argument for using secondary urban centers as a tool for stimulating rural development in essentially rural countries. It would be presumptuous to believe that this paper has offered very much except perhaps in suggesting that more work must be done on the role of secondary centers, not descriptively, but prescriptively. The gaps in understanding this process are very large, in fact, they are so large that it may be difficult to make the argument effectively to decision-makers that they should allocate resources according to the proposed strategy. This limited understanding, therefore, may in itself be a constraint to carrying out the strategy, first in obtaining the necessary support, but later in undertaking meaningful programs without wasting scarce resources. A first priority, therefore, is the development of a serious inter-sectoral program to evaluate the role of secondary centers in this process.

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Table 1-1: UNITED NATIONS PROJECTIONS OF TOTAL POPULATION GROWTH

	Sahel	Chad	Mali	Mauritania	Niger	Senegal	Upper Volta
1965	20731	3290	4530	1050	3513	3490	4858
1970	23074	3640	5047	1162	4016	3925	5384
1975	26047	4023	5697	1283	4592	4418	6034
1980	29405	4473	6470	1427	5272	4989	6774
1985	33306	4978	7374	1596	6077	5642	7639
1990	37904	5546	8455	1795	7049	6408	8651
1995	43208	6187	9746	2025	8212	7262	9776
2000	49158	6912	11257	2281	9568	8171	10969

Table 1-2: Population of the Sahelian Countries (in 1,000)
(Urban, Rural, Total)

Country	Chad	Mali	Mauritania	Nigeria	Senegal	Upper Volta
<u>Urban Population</u>						
1970	411	611	111	330	1 024	388
1975	583	762	146	429	1 262	502
1980	808	970	192	563	1 567	654
1985	1 096	1 252	252	743	1 953	851
1990	1 456	1 621	330	981	2 439	1 107
<u>Rural Population</u>						
1970	3 229	4 436	1 060	3 686	1 901	4 996
1975	2 616	4 906	1 184	4 150	3 190	5 556
1980	4 035	5 518	1 326	4 724	3 519	6 229
1985	4 481	6 268	1 491	5 413	3 880	6 999
1990	4 961	7 132	1 680	6 215	4 267	7 886
<u>Total Population</u>						
1970	3 640	5 047	1 171	4 016	3 925	5 384
1975	4 199	5 668	1 330	4 579	4 452	6 058
1980	4 843	6 488	1 518	5 287	5 086	6 883
1985	5 577	7 520	1 743	6 156	5 833	7 850
1990	6 417	8 753	2 010	7 196	6 706	8 993

Annual Rates of Growth

Country	Chad	Mali	Mauritania	Nigeria	Senegal	Upper Volta
<u>Urban Population</u>						
1970-75	7,2	4,6	5,6	5,4	4,3	5,3
1975-80	6,7	4,9	5,6	5,6	4,4	5,4
1980-85	6,3	5,2	5,6	5,7	4,5	5,4
1985-90	5,8	5,3	5,5	5,8	4,5	5,4
<u>Rural Population</u>						
1970-75	2,3	2,0	2,2	2,4	1,9	2,2
1975-80	2,2	2,4	2,3	2,6	2,0	2,3
1980-85	2,0	2,6	2,4	2,7	2,0	2,3
1985-90	2,1	2,7	2,4	2,8	1,9	2,4
<u>Total Population</u>						
1970-75	2,9	2,3	2,6	2,7	2,5	2,4
1975-80	2,9	2,7	2,7	2,9	2,7	2,6
1980-85	2,9	3,0	2,8	3,1	2,8	2,7
1985-90	2,8	3,1	2,9	3,2	2,8	2,7

Source: FAO op. cit.

Table 1-3: COMPARISON OF TOTAL POPULATION ACCORDING TO DIFFERENT SOURCES

	SCET 1965	UN 1965 medium variant	Bank 1965	Hossenlop 1965	SCET 1985			UN 1985	Bank 1985 FAD	Hossenlop 1985	UN 2000 medium variant	SCET 2000		
					I	II	III					I	II	III
Senegal + Mauritania	4,470	4,100	4,400	4,400	7,060	7,420	7,000	7,200	7,500	7,290	10,400	11,650	7,000	9,500
Mali + Niger + Upper Volta	12,320	12,900	--	12,320	19,800	13,750	20,100	21,000	21,500	19,980	31,800	24,100	20,100	29,000
Chad	3,350	3,290	--	3,350	5,100	4,670	5,240	5,000	5,500	4,970	6,900	6,500	5,240	7,500
TOTAL	20,140	19,800	20,400	20,220	31,960	30,840	32,340	33,200	34,500	32,240	45,360	42,250	42,350	46,000

Table 1-4: POPULATION AND DENSITY OF THE ADMINISTRATIVE REGIONS OF THE SAHELIAN COUNTRIES

Chad 1970			Mali 1970			Mauritania 1965			Niger 1973		Senegal 1972		Upper Volta 1973				
District	Population	Density	District	Population	Density	District	Population	Density	District	Population	Density	District	Population	Density	District	Population	Density
Bet	81,000	0.1	Segou	794,000	14.2	Hodh Occidental	87,400		Agades	70,700	0.11	Cap-Vert	770,000	1,540	Ouagadougou	934,000	38.6
Batha	324,000	3.6	Sikasso	968,000	12.6	Hodh Oriental	168,900		Diffa	154,200	1.1	Thies	619,000	94	Koudougou	777,000	29.5
Biltine	141,000	3	Mopti	1,109,000	12.5	Guldimaka	63,400		Dosso	612,700	19.8	Diourbel	712,000	21	Kaya	625,000	30
Chari-Baguirmi	461,000	5.6	Banako	978,000	11.0	Assaba-Corgol	165,000		Maradi	749,000	19.4	Sine Saloum	902,000	38	Yatenga	572,000	46.5
Guera	174,000	3.0	Kayes	751,000	6.3	Tegant-Brakna	215,700		Kilaney	399,200	11	Fleuve	440,000	21	Bobo-Dioulasso	397,000	14
Kanem	183,000	1.6	Cao	641,000	0.8	Inchiri	236,400		Tahoua	855,400	8	Casamance	799,000	25	Dedougou	635,000	21
Lac	127,000	5.7				Trarza	80,500		Zinder	866,000	6	Senegal Oriental	276,000	5	Benfona	175,000	9.5
Quaddai	340,000	4.3				Adrar Tiris	80,500								Diebougou	357,000	20.4
Salamat	90,000	1.4				Esie Du Levrier	10,800								Koupela	393,000	44
Logone Occidental	241,000	27.7													Fada N'Gourma	404,000	8.1
Logone Oriental	268,000	9.6													Sahel	356,000	9.6
Mayo-Kebbi	53,000	17.7															
Moyen-Chari	410,000	9.1															
Tandjile	262,000	14.5															

Table 2-3: CHAD DEMOGRAPHIC DATA (1964)

	Population	Density	Rate of Natural Increase	Sex Ratio	Age in %			Migration			Sterility
					0-4	15-59	60 and +	M	F	M+F	
Southern Chad	1,600,000	30.3	1.4	93	47.8	49.8	2.4	4.6	2.5	3.5	21
Moyen Chari	374,000	21.5	1.3	93	49.4	48.4	2.2	5.9	3.5	4.6	20
Logone Oriental	236,000	21.3	1.9	94	51.4	46.1	2.5	5.8	3.3	4.5	25
Logone Occidental	190,000	56.7	1.2	95	47.7	49.9	2.7	5.4	3.7	4.5	18
Mayo Kebi	228,000	32.6	1.3	91	42.7	54.7	2.4	3.3	1.4	2.3	23
Tandjile	486,000	42.0	1.2	93	50.1	47.7	2.2	3.4	1.4	2.4	15
Northern Chad	1,600,000	3.9	1.3	87	43.4	51.1	5.1	8.4	3.1	5.6	21
Ouaddai	310,000	10.9	0.7	73	42.1	51.0	6.5	11.7	3.5	6.9	18
Salamat	84,000	3.4	1.4	88	44.1	50.7	5.2	6.1	2.5	4.2	19
Batha	296,000	9.1	1.2	81	46.5	48.7	4.8	15.6	5.4	9.9	20
Guera	159,000	7.0	1.5	92	45.9	50.5	3.6	5.6	1.8	3.7	20
Chari Baguirni	402,000	13.0	1.3	101	37.9	56.6	5.5	5.4	2.9	4.2	26
Urban Areas	173,000	-	-	96	41.9	56.4	2.7	5.0	3.1	4.0	27
Chad	3,254,000	6.7	1.4	90	45.6	50.8	3.6	6.1	2.7	4.3	21

Source: Demographic Projections for Chad (1963-1985) (census 1964)

Table 2-4: CHAD URBAN POPULATION - PROJECTIONS 1968, 1970 TO 1980

Urban Centers	Population of Urban Centers (5,000 Inhabitants or more)		
	Census 1968	1970	1980
Fort-Jamy	132,000	157,000	332,000
Sarh	35,000	38,000	60,000
Moundou	32,000	35,000	55,000
Abeche	24,000	26,000	41,000
Kelo	14,000	15,000	24,000
Koumra	13,000	15,000	22,000
Bongor	12,000	13,000	20,000
Pala	11,000	12,000	19,000
Doba	11,000	12,000	19,000
Penoye	8,000	9,000	14,000
Fianga	8,000	9,000	14,000
Lal	8,000	10,000	14,000
Ati	6,000	7,000	10,000
Mongo	6,000	7,000	10,000
Faya-Largeau	5,000	5,000	8,000
Bokoro	5,000	6,000	8,000
Moussore	5,000	6,000	8,000
Rodo	5,000	5,000	8,000
Doualat Reboto	5,000	5,000	8,000
Bere	5,000	5,000	8,000

Table 2-5: MAIN URBAN CENTERS POPULATION 1968-1973
CHAD

Urban Centers	1968	1969	1970	1971	1972	1973	
Batha							
Ati	4,849	5,218	5,615	6,042	6,501	6,995	
Oum-Hadjer	3,184	3,667	4,223	4,863	5,600	6,025	
B. E. T.							
Faya	5,000	5,380	5,789	6,329	6,810	7,380	
Biltine							
Biltine	3,091	3,326	3,579	3,851	4,144	4,459	Average compounded growth rate: 7.2 p.a.
Chari-Baguirmi							
N'Djamena	132,502	142,837	153,978	165,988	178,935	192,891	
Bokoro	5,758	6,196	6,667	7,174	7,719	8,306	
Bouso	3,593	3,866	4,160	4,476	4,816	5,182	
Guera							
Mongo	6,215	6,687	7,195	7,742	8,330	8,963	
Bitkihe	3,396	3,655	3,933	4,232	4,554	4,900	
Kanem							
Moussoro	5,511	5,930	6,381	6,866	7,388	7,949	
Mao	3,853	4,146	4,461	4,800	5,165	5,568	
Ouddaï							
Abeché	24,000	25,824	27,785	29,898	32,170	34,617	
Salamat							
Am-Timan	2,387	2,749	3,165	3,644	4,200	4,519	
Lac							
Bol	1,796	1,932	2,079	2,237	2,407		
Logone Occidental							
Moundou	33,186	35,343	37,640	40,087	42,694	45,469	
Benoye	8,568	9,125	9,718	10,350	11,023	11,739	
Bebalem II	4,199	4,472	4,763	5,073	5,403	5,754	
Logone Oriental							
Doba	10,725	11,422	12,164	12,955	13,797	14,694	
Bodo	5,125	5,458	5,813	6,191	6,593	7,022	
Beboto	3,830	4,079	4,344	4,626	4,927	5,247	
Baïbokoum	4,548	4,844	5,159	5,494	5,851	6,231	
Bebedjia	3,946	4,202	4,475	4,766	5,076	5,406	
Mayo - Kebbi							
Bongor	11,815	12,583	13,401	14,272	15,200	16,188	
Pala	10,850	11,555	12,306	13,106	13,958	14,865	
Pianga	8,186	8,718	9,285	9,889	10,532	11,238	
Binder	4,021	4,282	4,560	4,856	5,172	5,508	
Moyen Chari							
Sarh	32,657	34,780	37,041	39,449	42,013	44,744	
Koumra	13,250	14,111	15,028	16,005	17,045	18,153	
Moïssala	4,556	4,852	5,167	5,503	5,861	6,242	
Kyabe	4,142	4,411	4,698	5,003	5,328	5,674	
Tandjilé							
Kélo	14,351	15,283	16,276	17,334	18,461	19,661	
Laï	9,000	9,585	10,208	10,872	11,579	12,332	
Béré	5,546	5,906	6,290	6,699	7,134	7,598	

Source: Annuaire statistique du Tchad, Volume I, Nouvelle série and recensement administratif amélioré, 1974.

Table 3-1: OFFICIAL POPULATION ESTIMATES FOR MALI

	Mid-Year Population ^{a/} (millions)	Growth Rate	
		Annual	Ten-Year Average
		(percent)	
1950	3.4		1.1
1960	3.80		
1963	4.39		
1964	4.49	2.3	
1965	4.58	2.0	
1966	4.65	1.5	
1967	4.74	1.9	
1968	4.83	1.9	
1969	4.93	2.1	
1970	5.05	2.4	2.9
1971	5.14	1.8	
1972	5.26	2.3	
1973	5.38	2.3	2.1
1974	5.56 ^{b/}	3.3	2.2

^{a/} "Of questionable reliability" (quote from footnote, Table 1, "Mali Economic Memorandum," Bank Report No. 1134-MLI, April 5, 1976).

^{b/} UN Population Division estimate.

Sources: Table 1, Bank Report No. 1134-MLI, April 5, 1976.

Table 1, Notes et Etudes Documentaires, Le Mali (22 Avril, 1974) No. 4081-82-83.

Table 3-2: REGIONAL DISTRIBUTION OF MALI POPULATION, 1970

Region	Cercle	Estimate Population	Superficy in km ²	Density hab/km ²
Kayes	Kayes	147.805	22.188	6,7
	Bafoulabe	92.016	20.125	4,6
	Kenieba	81.148	14.000	5,8
	Kita	139.111	35.250	3,9
	Nioro	198.523	22.500	8,8
	Yelimane	<u>65.933</u>	<u>5.750</u>	<u>11,5</u>
TOTAL		724.536	119.818	6,0
Bamako	Bamako	387.650	16.300	23,8
	Banamba	76.210	7.700	9,9
	Dioila	122.320	13.000	9,4
	Kangaba	45.150	4.700	9,6
	Kolokani	110.080	11.700	9,4
	Koulikoro	82.800	6.000	13,8
	Nara	<u>116.670</u>	<u>30.700</u>	<u>3,8</u>
TOTAL		940.890	90.100	10,4
Sikasso	Sikasso	237.361	15.375	15,4
	Bougouni	165.687	19.100	8,7
	Kadiolo	76.328	5.375	14,2
	Kolondieba	87.498	9.200	9,5
	Koutiala	219.675	13.430	16,3
	Yanfolila	80.982	8.800	9,2
	Yorosso	<u>63.296</u>	<u>5.200</u>	<u>12,2</u>
TOTAL		930.828	76.480	9,6

Table 3-2: (Page 2)

Region	Cercle	Estimate Population	Superficy in km ²	Density hab/km ²
Segou	Segou	305.788	12.750	24,0
	San	176.294	7.188	24,5
	Macina	98.660	6.563	15,0
	Niono	79.584	23.063	3,4
	Tominian	<u>104.271</u>	<u>6.563</u>	<u>15,9</u>
TOTAL		764.597	56.127	13,6
Mopti	Mopti	158.935	9.340	17,0
	Bandiagara	137.600	7.250	19,0
	Bankass	123.735	6.875	18,0
	Djenne	102.400	4.563	22,4
	Douentza	133.335	23.312	5,7
	Koro	134.400	10.937	12,3
	Niafunke	184.535	15.375	12,0
	Tenenkou	<u>91.738</u>	<u>11.100</u>	<u>8,3</u>
TOTAL		1.066.678	88.752	12,0
Gao	Gao	95.307	26.875	3,5
	Ansongo	65.601	22.818	2,9
	Bourem	102.114	41.063	2,5
	Dire	76.457	1.750	38,5
	Goundam	103.971	92.688	1,1
	Kidal	23.517	151.430	0,1
	G Rharous	71.170	45.000	1,6
	Menaka	36.514	79.813	0,4
	Tombouctou	<u>53.223</u>	<u>347.488</u>	<u>0,1</u>
TOTAL		618.874	808.870	0,8
TOTAL FOR MALI		5.046.373	1.240.142	4,1

Table 3-3: MALI POPULATION BY REGIONS, 1972

	Population		Percent Urban	Density (Persons per Km ²)
	Total	Urban		
	('000)			
Mopti	1109.5	39	3.5	12.5
Bamako	978.0	215	22.0	11.0
Sikasso	967.9	27	2.8	12.6
Segou	794.0	36	4.5	14.2
Kayes	751.8	34	4.5	6.3
Gao ^{a/}	641.4	n.a.	n.a.	00.8
Total	5243.2	351	6.7	

^{a/} The urban population for Gao was not available.

Source: Direction Nationale du Plan et de la Statistique.

Table 3-4: URBAN POPULATION

Mali

City	Growth Rate	Population		
		Permanent 1973	1988	Floating 1973
Kayes	4,0	40.000	72.000	2.000
Yelimane	3,5	2.000	3.500	500
Nioro	3,5	18.000	30.000	1.500
Bafoulabe	3,5	2.500	4.200	2.000
Mahina	3,5	5.000	8.000	2.000
Kenieba	3,5	3.000	5.000	1.500
Kita	4,5	15.000	29.000	4.000
Yaguine	3,5	6.000	10.000	100
Koniakari	3,5	6.000	10.000	100
Nara	4,8	5.000	10.000	1.000
Kolokani	4,8	7.000	14.000	1.000
Banamaba	4,8	7.000	14.000	1.000
Koulikoro	4,8	13.000	26.000	2.000
Bamako	6,0	230.000	551.000	60.000
Kangaba	4,8	7.000	14.000	100
Dioila	4,5	3.000	6.000	100
Goumbou	4,8	6.000	12.000	100
Koutiala	4,8	16.000	32.000	1.500
Yorosso	4,5	2.500	4.800	100
Sikasso	5,0	28.000	58.000	3.000
Bougouni	4,8	11.000	22.000	3.000
Yanfolila	4,5	2.500	4.800	100
Kolondieba	4,5	4.000	8.000	300
Kadiolo	4,5	2.500	4.800	200
Niono	4,8	7.000	14.000	7.000
Massina	4,5	4.000	8.000	200
Segou	5,0	40.000	83.000	2.000
San	5,0	20.000	42.000	300
Tominian	4,5	1.500	2.900	300
Baroueli	4,8	6.000	12.000	200
Markala	4,8	9.000	18.000	200
Sansanding	4,8	6.000	12.000	0
Niafounke	4,8	7.000	14.000	100
Tenekou	4,8	6.000	12.000	1.000
Mopti	5,0	35.000	73.000	23.000
Douentza	4,5	5.000	10.000	2.000
Bandiagara	4,8	7.000	14.000	800
Djenne	4,8	11.000	22.000	4.000
Bankass	4,5	5.000	10.000	500
Koro	4,5	4.000	8.000	500
Diafarabe	4,8	7.000	14.000	2.000
Dia	4,8	7.000	14.000	500
Dinagourou	4,8	6.000	12.000	100
Dire	4,8	9.000	18.000	2.000
Goundam	4,8	10.000	20.000	100
Tombouctou	4,8	14.000	28.000	1.000
Kidal	4,5	3.000	6.000	1.500
Bourem	4,5	5.000	10.000	2.000
G. Rharous	4,5	2.500	4.800	200
Gao	5,0	23.000	48.000	5.000
Menaka	4,5	2.000	3.900	1.200
Ansongo	4,5	1.000	1.800	500

Table 4-1: NIGER POPULATION AND AREA BY REGION, 1973

<u>Department/District</u> ^{1/}	<u>Population</u> (Thousand)	<u>Area</u> (km ²)	<u>Density</u> ^{2/} (Pers./Km ²)
<u>Agadez</u>	70.7	634,209	0.11
Agadez	49.5	145,635	0.34
Arlit	13.0	207,639	0.06
Bilma	8.2	280,935	0.03
<u>Diffa</u>	154.2	140,216	1.1
Diffa	51.1	6,979	7.3
Maine-Soroa	75.9	15,111	5.0
N'Guigmi	27.2	118,126	0.2
<u>Dosso</u>	612.7	31,002	19.8
Boboye	94.9	4,423	21.5
Dogondoutchi	223.3	11,044	20.2
Dosso	139.7	7,800	17.9
Gaya	101.9	4,044	25.2
Loga	52.9	3,691	14.3
<u>Maradi</u>	749.1	38,581	19.4
Dakoro	119.7	16,213	7.4
Maradi	261.6	8,045	32.5
Mayahi	125.7	6,424	19.6
Tessaoua	242.1	7,899	30.6
<u>Mamey</u>	995.2	90,293	11.0
Filingue	186.6	24,346	7.7
Mamey (incl. city of Mamey)	271.4	8,299	32.7
Ouallam	139.1	20,497	6.8
Tera	190.4	12,444	15.3
Tillabery	147.0	7,975	18.4
Say	60.7	16,732	3.6
<u>Tahoua</u>	885.4	106,677	8.0
Birni-N'Konni	164.3	4,661	35.2
Bouza	111.1	3,589	31.0
Illela	100.4	6,719	14.9
Keita	120.8	4,503	24.9
Madaoua	127.8	8,805	28.4
Tahoua	155.0	73,540	17.6
Tehin-Tabaradene	76.0		1.0
<u>Zinder</u>	866.6	145,430	6.0
Goure	103.5	88,930	1.2
Magaria	261.8	8,021	32.6
Matameye	89.7	2,109	42.5
Mirria (incl. town of Zinder)	284.1	12,423	22.9
Tanout	127.5	33,947	3.8
TOTAL	4,303.9	1,186,408	3.6

1/ Old administrative subdivision.

Source: UN estimates

Table 4-2: POPULATION BY AGE GROUP AND SEX, 1973

(Thousands)

Niger

<u>Age Group</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
0-4	402	403	805
5-9	305	306	611
<u>10-14</u>	<u>251</u>	<u>254</u>	<u>505</u>
0-14	958	963	1,921
15-19	213	215	428
20-24	185	186	371
25-29	161	160	321
30-34	137	137	274
35-39	115	115	230
40-44	96	98	194
45-49	79	81	160
50-54	63	63	126
55-59	49	49	98
<u>60-64</u>	<u>36</u>	<u>38</u>	<u>74</u>
15-64	1,134	1,142	2,276
65-69	24	26	50
70-74	14	19	33
75-79	7	10	17
<u>80-</u>	<u>3</u>	<u>4</u>	<u>7</u>
65-	48	59	107
Total	<u>2,140</u>	<u>2,164</u>	<u>4,304</u>

Source: UN estimates

Table 4-3; MAJOR POPULATION CENTERS, NIGER (estimated 1968 population)

Niamey	71,165	Agadez	9,760
Zinder	36,240	Doutchi	9,360
Maradi	26,200	Tera	8,830
Tahoua	23,980	Filingue	8,440
Birni n' Konni	10,100	Tessaoua	7,800

Source: Republique du Niger, Plan Quadriennal 1965-68
(Niamey: Presidence de la Republique 1965), p. 171.

Table 4-4: POPULATION OF MAIN URBAN CENTERS IN NIGER
1968-1974
(in thousands)

	1968	1974
Niamey	71.2	122.0
Maradi	26.2	40.0
Zinder	36.2	35.5
Tahoua	24.0	28.0
Agadez	9.8	10.5
Birni n' Konni	10.1	10.0

Source: "Niger, données statistiques" 1975, Paris.

Table 4-5: DIFFERENT ESTIMATES OF THE POPULATION OF NIAMEY

<u>Date</u>	<u>Number</u>	<u>Source</u>
1959	29,950	Census
1961	34,500	Enquete, budgets familiaux
1966	58,816	Census, Mairie, Annuaire Statistique 1967
1969	60,000	Official estimate
1969	70,000	Survey, Ministry of Works ^{a/}
1970	82,000-87,000	Based on 10% sample survey.

^{a/} Republique du Niger, Ministère des Travaux Publics, Transportation, Mines, et de l'urbanisme, L'Habitat à Niamey, (Niamey, 1969).

Table 5-1: SENEGAL: TOTAL POPULATION
('000 persons mid-year)

A. Past Growth

	<u>Africans</u> ^{/1}	<u>Non-Africans</u>	<u>Total</u>
1959	2,980	60	3,040
1960	3,050	60	3,110
1961	3,110	60	3,170
1962	3,170	60	3,230
1963	3,240	60	3,300
1964	3,310	50	3,360
1965	3,380	50	3,430
1966	3,460	50	3,510
1967	3,540	50	3,590
1968	3,620	50	3,670
1969	3,700	50	3,750
1970	3,780	50	3,830 ^{/2}
1971	3,860	50	3,910
1972	3,940	50	3,990

/1 Extrapolated on a 2.2 percent annual growth rate, based on the 1960 census figures.

/2 The 1970 sample survey (1st round) indicated 3,755. This is believed to somewhat underestimate real population.

Source: Situation Economique du Senegal, 1968
Enquete Demographique Nationale 1970-1971, Resultats provisoires
du 1er passage.
Mission estimates.

Table 5-2: REGIONAL POPULATION IN SENEGAL

Senegal Regions	National Demographic Survey			Density per km ² in 1975
	1960	1971	1975 ⁽¹⁾	
Cap-Vert	443.6	671	770	1540
Thies	409.7	425	619	94
Diourbel	503.0	566	712	21
Sine Saloum	727.1	727	902	38
Fleuve	345.4	338	440	21
Casamance	529.8	574	799	25
Senegal Oriental	<u>151.2</u>	<u>242</u>	<u>276</u>	5
	304.9	3,620	4,418	

1/ UN estimates in Draft Senegal Migration Report

Table 5-3: The Population of Senegal by Regions and Density, 1975.

Regions	Total Population (1,000)	(1971)	Percent Distri- bution	Estimated Population Growth/1	Density ₂ per km ²	Density ₂ per km ² Cultivated
Senegal	4,418	(3,830)	100	2.3/1	23	192
Cap-Vert	770	-	17	4.4	1,540	-
Casamance	699	(680)	16	1.5	25	189
Diourbel	712	(610)	16	2.3	21	134
Fleuve	440	-	10	1.2	10	253
Oriental	276	(390)	6	4.9	5	198
Sine-Saloum	902	(220)	21	0.9	38	123
Thies	619	-	14	2.9	94	180

/1 Low estimates, derived from population sample surveys.

SOURCE: United Nations.

Table 5-4: Urban Centers of More Than 10,000 Inhabitants in 1972/73^{/1}

<u>Name of Town</u>	<u>Province</u>	<u>Population</u>	<u>Population in Shanty Town</u>	<u>Annual Growth Rate 1960/73</u>
Dakar	Cap-Vert	616,000	3 to 400,000	6.0
Kaolack	Sine-Saloum	102,715	35,000	3.3
Thies	Thies	95,652	35,000	2.7
Saint-Louis	Fleuve	89,868	35,000	5.2
Ziguinchor	Casamance	49,793	25,000	4.4
Tambaceunda	Sen. Oriental	25,099		7.6
Diourbel	Diourbel	37,685		2.3
Louga	Diourbel	41,451		8.1
M'Bour	Thies	29,604		5.3
Tivaouane	Thies	24,337		9.8
M'Backe	Diourbel	24,146		10.4
Kolda	Casamance	19,349		10.2
Mekhe	Thies	11,783		6.4
Bignona	Casamance	11,654		6.6
		<hr/>		
TOTAL		1,180,000		5.5

/1 Since population figures are derived from a sample survey, which probably underestimates the total population by more than 15 percent, the population figures and growth rates derived from the totals should be used with caution.

SOURCE: Direction de l'aménagement du Territoire. (in IBRD Report).

Table 5-5:

EVALUATION OF THE POPULATION OF DAKAR

<u>Years</u>	<u>Dakar's Population</u>
1878	1,600
1891	8,700
1904	23,500
1921	32,500
1923	34,400
1936	92,600
1945	132,000
1955	214,000
1961	374,000
1965	456,999 (Dakar en Devenir)
1970	550,000 (Site and Service)

Table 5-6: Comparisons of the Age Group Structure
in Dakar and Senegal (1961)

<u>Ages</u>	<u>Dakar</u>	<u>Senegal</u>
up to 4	20.7	17
5 to 14	24.5	25.6
15 to 39	39.4	37.1
40 to 64	13.9	16.7
65 and over	1.5	3.6 ^{1/}

Source: Dakar en Devenir

Table 5-7: PLACE OF BIRTH OF DAKAR RESIDENTS

	1963	1970 (only for native of Senegal)
Cap Vert	58,8	60
Dioubel	8	9,7
Fleuve	9	9,5
Thies	9	9,7
Others	7,5	
Foreigners	7,5	
Casamance		4,6
Sine Saloum		6,1

Source: Dakar en Devenir

Table 5-8:

Age Distribution of Dakar's Population According to Place of Birth in 1963

Age: Years	Numbers in Thousand						Total (4)
	Cap-Vert	Diourbel	Fleuve	Thies	Other	Foreigners	
0 to 1	16,1	0,1	0,2	0,1	0,2	0,1	16,8
1 to 4	58,8	1,1	1,6	1,2	1,2	1,3	65,2
5 to 9	52,5	1,7	1,8	2,2	2,1	1,6	61,9
10 to 14	27,3	1,5	1,2	1,6	2,5	1,2	35,3
15 to 19	14,8	2,7	2,5	2,7	4,0	2,3	29,0
20 to 29	22,2	9,0	9,1	11,2	9,6	9,4	70,5
30 to 39	17,0	8,6	9,6	8,4	5,9	7,0	56,5
40 to 49	11,3	4,3	4,8	4,3	2,4	3,6	30,7
50 to 59	6,8	2,3	2,7	2,3	1,1	2,1	17,3
60 to 69	3,4	0,8	1,5	1,4	0,4	0,7	8,2
70 and above	3,0	0,5	0,7	0,4	0,2	0,4	5,2
All ages	233,2	32,6	35,7	35,8	29,6	29,7	396,6

Table 5-9:

Comparison of Sex Ratio in Dakar and Senegal in 1961

Ages	Senegal			Dakar		
	M (in 1000)	F (in 1000)	R	M (in 1000)	F (in 1000)	R
up to 4	282	290	97	50.3	43.7	115
5 to 14	381	346	109	60	51.7	116
15 to 39	514	635	81.9	91.8	87.1	105
40 to 64	264	223	118	39.2	23.1	168
64 and over	54	56	102	54.3	4.63	117
Total	1,449	1,550	93.5	24.7	21.0	117

Table 6-1: UPPER VOLTA DEMOGRAPHIC DATA

	Surface km ²	Population (in 1,000)			Density		Rate of Growth	Person Per Household	Rural Population		Per Capita Cultivated Area
		1970	1972	1975	1970 - 1972	1970			1975		
Ouagadougou	24.179	934	862	934	38	+ 3.8	2%	8.6	835	109	0.48
Koudougou	26.324	704	694	777	25	+ 1.26	1.9	9	721	810	0.50
Kaya	21.578	581	566	625	27	+ 1.62	1.95	8.4	618	682	0.55
Yatenga	12.297	553	517	572	45	+ 2.23	1.6	8.4	521	563	0.50
Bobo-Dioulasso	28.297	388	260	397	11.3	+ 2.02	1.9	11.7	320	351	0.51
Dedougou	29.588	491	545	635	16.5	- 2.24	2	9	470	513	0.50
Banfora	18.393	176	203	175	9.5	- 1.29	2%	16.8	210	230	0.55
Dicbougou	17.484	339	352	357	19	+11.62	1.9	9.7	361	398	
Koupela	9.039	283	537	399	31		2.1	8	267	283	0.48
Fada N' Gourma	49.992	281	537	404	7.3	+ 1.75	1.2	13	272	288	0.49
Sahel	36.870	262	-	<u>356</u>	7	0.36	1.6	7	<u>256</u>	<u>277</u>	0.39

Table 6-2: UPPER VOLTA
RURAL POPULATION, AREA,
AND POPULATION DENSITY, 1972

ORDs	Total Population ('000 inh.)	Total Area (sq. km)	Population Density (inh. per km ²)	Area Cultivated Total ('000 ha)	% of Total Area
Quagadougou ^{1/}	847.6	24,179	35.1	352.1	14.6
Yatenga	531.5	12,297	43.2	218.4	17.8
Kaya	592.6	21,331	27.8	275.9	12.8
Koudougou ^{1/}	719.3	26,324	27.9	342.3	13.0
Koupeïa	272.6	9,039	30.2	124.5	13.8
Sahel	259.6	36,895	7.0	133.0	0.4
Fada n'Gourma ^{1/}	287.1	47,992	6.0	147.7	3.1
Bobo	326.4	28,297	11.5	157.7	5.6
Volta Noire	479.4	29,588	16.2	239.6	8.1
Bougouriba	360.0	17,448	20.6	143.2	8.2
Banfora	<u>180.0</u>	<u>18,393</u>	<u>9.8</u>	<u>87.0</u>	<u>4.7</u>
TOTAL	4,856.1	271,783	17.9	2,216.4	8.2

^{1/} Without city population

Source: drawn from individual ORD report for the 1972/73 crop year

Table 6-3: COMPARATIVE URBANIZATION IN UPPER VOLTA,
1914-1962

Year	Ouagadougou	Bobo-Dioulasso	Koudougou
1914	19,344	5,000	2,000
1926	12,238	6,749	11,525
1931	10,768	11,060	9,379
1936	14,200	10,250	15,920
1945	17,800	28,785	19,027
1953	32,077	43,400	8,700
1962	59,126	45,000	8,000

Source: "Recensement Demographique de la Ville de Ouagadougou" (Resultats Provisoires), Rep. de Haute-Volta, Ministere de l'Economie Nationale, Direction de la Statistique et des Etudes Economiques, Ouagadougou, Haute-Volta (June 1962), p. 9.

Table 6-4: DISTRIBUTION OF URBAN POPULATION IN UPPER VOLTA, 1959-1970

	Population		% of Total Urban	Implied Annual Growth Rate %
Ouagadougou	59,126 (1961)	105,000 (1970)	25.8	6.6
Bobo-Dioulasso	54,260 (1959)	94,583 (1970)	23.3	5.2
Koudougou	21,000 (1959)	42,566 (1970)	10.5	6.6
All Secondary Centers	74,130 (1960-61)	164,342 (1970)	40.4	8.3 to 9.3

Source: J.W. Gregory, "Development and In-Migration in Upper Volta," Mimeo, undated.

Table 6-5:

POPULATION GROWTH OF QUAGADOUGOU, 1914 - 1961-62

Year	Total	Africans	% of Total	Europeans	% of Total
1914	19,344	19,332	99.9	12	0.1
1919	19,075	19,000	99.6	75	0.4
1926	12,238	12,015	99.2	223	0.8
1931	10,768	10,500	97.5	268	2.5
1936	14,200	14,050	98.9	150	1.1
1945	17,800	17,639	99.1	161	0.9
1946	17,120	17,000	99.3	340	1.7
1948	19,700	19,360	98.3	340	1.7
1951	37,678	37,300	99.0	378	1.0
1956-60	51,500	50,000	97.1	1,500	2.9
1961-62	59,126	57,779	97.7	1,347	2.3

Source: "Recensement Demographique de la Ville de Ouagadougou" (Resultats Provisoires), Rep. de Haute-Volte, Ministere de l'Economie Nationale, Direction de la Statistique et des Etudes Economiques, Ouagadougou, Haute-Volta (June 1962), p.9.

Table 6-6:

BIRTHPLACES OF QUAGADOUGOU RESIDENTS
(1962 Census)

<u>Place of Birth</u>	<u>Number</u>	<u>Place of Birth</u>	<u>Number</u>
Ouagadougou	33,877	Fada N' Gourma	395
Koudougou	1,688	Dori	376
Kombissiri	1,557	Boulsa	335
Bobo-Dioulasso	1,307	Dedougou	309
Zihare	1,218	Foreign African Areas	
Ouahigouya	1,216	Mali	1,304
Manga	1,112	Ivory Coast	573
Tenkodogo	1,105	Niger	569
Kaya	1,051	Nigeria	451
Zorgho	825	Senegal	321
Sapone	820	Dahomey	318
Bousse	651	Ghana	254
Koupela	624	Mauritania	91
Leo	589	Guinea	68
Tougan	557	Congo	24
Yako	496		

Source: "Recensement Demographique de la Ville de Ouagadougou" (Resultats Provisoires). Rep. de Haute-Volta, Ministere de l'Economie Nationale, Direction de la Statistique et des Etudes Economiques, Ouagadougou, Haute-Volta (June 1962), p.13.

ASSUMPTIONS IN DEMOGRAPHIC PROJECTIONS

1. The UN and FAO Projections

The projections of urban population are based upon figures provided by each government after general census or sample surveys.

The definition of Sahelian "urban" is not explicit and thus not comparable across countries:

- for Senegal "urban" includes the region of Cap Vert, and the towns of Saint Louis, Thies, Diourbel, Kaolacks and Zinguichor.
- Upper Volta has an administrative definition which includes 42 cities -- the average size of the towns in the group of the smallest towns is 7,000 in 1975.
- Niger has also an administrative definition which includes 27 towns -- the smallest in 1962 had 1,200 inhabitants.
- Mali has not given a definition for "urban".
- Chad has a definition of urban as being centers over 5,000.
- Mauritania has no clear definition either, besides 17 towns.

The method used to project urban growth is based on an assumed difference between urban growth and total population growth. This differential is projected along a logistical curve based upon past trends. Then urban growth curve is thus a logistical curve. This analysis does not include towns below given size and, therefore, does not take them into account as they become larger. It also does not consider the effect of the drought influencing modified urban growth, the size of the urban sector, or extraordinary migration movements.

2. The SCET Report

The SCET report assumes that the present rate of growth of the total population will not change drastically within the 1975 to 2000 time period. However, many factors will influence the location of population:

- future economic policies,
- different types of regional planning,
- world food prices, etc..

The areas most sensitive to those policies are the capital cities and the low productivity agricultural regions. Two kinds of settlement are considered: capital cities and rural settlements. Three scenarios have been proposed.

1st Scenario:

It is a projection of the pre-drought tendencies. They lead to

- the migration of 1,500,000 out of the Sahel,
- internal migration from low productivity areas to areas of higher productivity (movement toward the South).

2nd Scenario:

It is the anticipation of the polarization of population

- toward the exterior with an out-migration of 3,500,000 toward the coastal areas,
- in the capital cities whose population would be double the population forecast in Scenario I and the out-migration from low productivity zones would be higher than in Scenario I.

3rd Scenario:

Stability of the rural areas is the main assumption

- low out-migration from the Sahel,
- lower growth of the capital cities,
- higher migration toward the southern more productive areas.

In general the demographic projections precede the economic projections. Agricultural production is estimated assuming that the food consumption of the capital cities will be higher than in the rural areas and qualitatively different (for example, consumption of rice instead of sorghum and of beef rather than goat meat). Projections of food consumption are plotted against the possibilities of cultivation in the rural areas.

3. The Hossenlopp Study

The growth rate of the total population of the Sahelian countries is based upon a study of the Service de la Cooperation de l'INSEE (Department of Foreign Aid of the French National Institute for Statistics and Economics). This study divided West Africa into two groups of countries, twelve and three, respectively. A single rate of growth was plotted for each group. The growth rates vary according to the structure of age groups in the different countries.

The assumptions for the projections are that natural rate of growth and the demographic structure of the total population of each country are not likely to change in the next 25 years. This rate of growth also takes into account the balance of migration.

No explanation is given in the paper on the methodology used for projecting the growth rate of the urban population. The urban population is divided according to city size.

The urban population includes those living in towns over 10,000, while the semi-urban population includes those living in towns between 5,000 and 10,000.

The effect of the drought has not been taken into consideration due to the date this paper was written in 1970.

Chad
Table 2-1: POPULATION PROJECTIONS AND GROWTH RATES 1963 - 1980
 (in units)

	<u>Sex</u>	<u>1963</u>	<u>1970</u>	<u>1980</u>
Entire Country		<u>3,212,507</u>	<u>3,639,824</u>	<u>4,504,394</u>
	M.	1,521,676	1,729,763	2,157,727
	F.	1,690,831	1,910,061	2,346,667
Southern Region		<u>1,494,845</u>	<u>1,714,814</u>	<u>2,167,491</u>
	M.	720,250	825,849	1,048,244
	F.	774,595	888,965	1,119,247
Northern Region		<u>1,717,662</u>	<u>1,925,010</u>	<u>2,336,903</u>
	M.	801,426	903,914	1,109,483
	F.	916,236	1,021,096	1,227,420

Table 2-2: CHAD DEMOGRAPHIC DENSITY PER PREFECTURE IN 1964 AND 1970

Prefectures	Superficie in km ²	1964 Estimates of Number of Inhabitants in 1970	Density per km ²
SAHARA			
Bet	600.350	81.000	0.1
RAHEL			
Batha	88.800	324.000	3.6
Biltine	46.850	141.000	3.0
Chari-Baguirmi	82.910	461.000	5.6
Guera	58.950	174.000	3.0
Kanem	114.520	188.000	1.6
Lac	22.320	127.000	5.7
Ouaddai	76.240	340.000	4.5
Salamat	63.000	90.000	1.4
SUD			
Logone occidental	8.695	241.000	27.7
Logone oriental	28.035	268.000	9.6
Mayo-Kebbi	30.105	533.000	17.7
Moyen-Chari	45.180	410.000	9.1
Tandjile	18.045	262.000	14.5
TOTAL	<u>1.284.000</u>	<u>3.640.000</u>	<u>2.8</u>

Source: Enfance et jeunesse - Plan de development, novembre 1971.

Table 2-2: CHAD DEMOGRAPHIC DENSITY PER PREFECTURE IN 1964 AND 1970

Prefectures	Superfigy in km ²	1964 Estimates of Number of Inhabitants in 1970	Density ₂ per km
SAHARA			
Bet	600.350	81.000	0.1
RAHEL			
Batha	88.800	324.000	3.6
Biltine	46.850	141.000	3.0
Chari-Baguirmi	82.910	461.000	5.6
Guera	58.950	174.000	3.0
Kanem	114.520	188.000	1.6
Lac	22.320	127.000	5.7
Ouaddai	76.240	340.000	4.5
Salamat	63.000	90.000	1.4
SUD			
Logone occidental	8.695	241.000	27.7
Logone oriental	28.035	268.000	9.6
Mayo-Kebbi	30.105	533.000	17.7
Moyen-Chari	45.180	410.000	9.1
Tandjile	18.045	262.000	14.5
TOTAL	<u>1.284.000</u>	<u>3.640.000</u>	<u>2.8</u>

Source: **Enfance** et jeunesse - Plan de development, novembre 1971.

ANNEX III:

URBAN INVESTMENT PATTERNS

Urban Investment: Chad

	1966 - 1970			N'Djamena	Others	Total
	Fort	Others	Total			
Transport						
Sea						
Air	20	850	870			
Rail						
Road						
Communication						
Post		1,140	1,140			
Telephone	50	40	90			
Radio - T.V.	409	164	573			
Industry						
Energy						
Industry	685	140	805			
Artisanat	30		30			
Education	328	1,310	1,638			
Art						
Youth and Sports	200	100	300			
Health	350	660	1,010			
Urbanism (plan)						
Housing	642	450	1,092			
Water + Electricity	520	500	1,020			
Sewage - Drainage						
Traffic - Street						
Administrative buildings						
Tourism						
Information						
Commerce						
Communal services						
Total Urban Investment	3,234	5,354	8,588			
% U.I. in Secondary Towns		62.3				
Plan Total Investment	47,012					
% Urban			19%			

URBAN INVESTMENT: MALI

(in million FM)

Sector of Investment	1961 - 1965			1970 - 1972			1974 - 1978		
	Bamako	Other	Total	Bamako	Other	Total	Bamako	Others	Total
Transport									
Sea/Rivers						5810		6421	6421
Air								3230	3230
Rail									
Road									
Communication									
Post									
Telephone						200	1805	863	2668
Radio/TV									
Industry									
Energy						7578	3255	4433	7688
Industry						572	8188	10467	18655
Artisanat									
Education						230	6604		6604
Art									
Youth and Sports			500			67	4509		4509
Health						450	2660	1734	4394
Urbanism (plan)							3556	468	4024
Housing			1500			900	6074		6074
Water/Electricity			1000			2192	437	4656	5093
Sewage Drainage						190	518	256	774
Traffic/Streets						400			
Administrative Buildings			1200				8200		8200
Tourism							11	432	443
Information			490			700		3759	3759
Commerce									
Commercial Services									
Total Urban Investment			4690			19,289	45,817	36,719	82,536
% V.I. in Secondary Towns								45%	
Plan Total Investment	64,000			77,573			316,000		
% Urban			8%			25%			27%

Urban Investment: Mauritania

Sector of Investment	1963 - 1966			1970 - 1973			1976 - 1980		
	Nouakchott	Others	Total	Nouakchott	Others	Total	Nouakchott	Others	Total
Transport									
Sea	520	140	660	1,150	1,430	2,580			
Air	220	181	401	645	240	885			
Rail									
Road									
Communication									
Post	13	50	63						
Telephone	31	76	107	187		187			
Radio - T.V.									
Industry									
Energy									
Industry		750	750						
Artisanat					33	33			
Education	561	114	675	603	100	703			
Art									
Youth and Sports	.18		18						
Health	705	50	755	914	88	1,002			
Urbanism (plan)									
Housing	385	255	640						
Water + Electricity	741	1,761	2,605	1,891	1,276	3,167			
Sewage - Drainage	83	250	330						
Traffic - Street	100	350	450						
Administrative buildings	30	92	122						
Tourism				660	250	910			
Information				217	100	317			
Commerce	400	200	600						
Communal services									
Total Urban Investment	3,207	4,269	8,076	6,277	3,620	9,897			7,000
% U.I. in Secondary Towns		53%			37%				
Plan Total Investment	27,754*			47,135					33,172
% Urban			29%			21%			21.1%

* of which 13,566 public investment

URBAN INVESTMENT: NIGER

(in million CFAF)

Sector of Investment	1961 - 1966			1965 - 1968			1971 - 1974			1975 - 1978		
	Niamey	Others	Total	Niamey	Others	Total	Niamey	Others	Total	Niamey	Others	Total
Transport							3	8	11	100	234	336
Sea										15	477	492
Air	271	198	469	171	490	661	2317	2491	4808			
Rail												
Road				40	90	130						
Communication										3935	755	4690
Post		15	15	30	90	120	135		135			
Telephone	55	40	95	48	7	55						
Radio/TV												
Industry									287	287	1362	1362
Energy	60	215	275	392	123	515				497	300	797
Industry	11		11	1388	7069	8657						
Artisanat										2797	1837	4634
Education	125	250	375	9884	11118	21002	1193	15	1208			
Art	20		20				20		20			
Youth and Sports	100	26	126	143	228	371	20	7	27	625	277	902
Health	170	80	240	336	236	572						
Urbanism (plan)	12	40	52	12	77	89	62	150	212	350	270	620
Housing	600	600	1200	1071	951	2022				1591	394	1985
Water/Electricity	305	225	530	492	352	844				1182	625	1807
Sewage Drainage	97	63	160	180	300	480					500	500
Traffic/Streets	200	75	275	60	51	111				1653	147	1800
Administrative Buildings	263		263	43	388	431	22	78	100	20	611	631
Tourism				163	55	218				1100		1100
Information	80	34	114	120	69	189	253	120	373			
Commerce				190		190						
Commercial Service							32		32			
Total Urban Investment	2369	1861	4230	15,263	21,694	36,540	4057	3156	7213	15,227	6,327	21,554
% V.I. in Secondary Towns		44%			59.5%			44%			27%	
Plan Total Investment	14,093			43,242			47,631			87,474		
% Urban			30%			80%			15%			26.9%

Urban Investment: Senegal

Sector of Investment	1961 - 1964			1965 - 1969			1970 - 1973			1973 - 1977		
	Dakar	Others	Total	Dakar	Others	Total	Dakar	Others	Total	Dakar	Others	Total
Transport												
Sea	840		840	1,884	776	2,650	1,365	367	1,732	5,958	783	6,741
Air	467	255	732	427	100	527	1,220	206	1,426	2,136	2,663	4,799
Rail												
Road												
Communications												
Post	584	78	682	27	40	67						
Telephone	62	83	145	500	120	620	40	294	334	1,710	5,406	7,116
Radio - T.V.	325		325									
Industries												
Energy	200	490	690				2,739	396	3,135	2,739	396	3,035
Industry	2,000	910	2,910	1,580	1,500	3,080	3,000	1,000	4,000	19,343	7,843	27,186
Artisanat	60	250	310				333	372	705			
Education	486	910	1,396	770	700	1,477	3,250	2,250	5,400	6,929	5,982	12,911
Art	40		40									
Sports and Youth							140	300	440	648	148	796
Health	312	1,050	1,362	125	1,100	1,225				2,121	2,452	4,573
Urbanism (Plan)												
Housing	4,000	2,700	6,700	6,700	1,200	7,900	4,500	3,000	7,500	14,526	2,400	36,986
Water Electricity	400	715	1,115	760	1,300	2,060	639	760	1,399	1,460	443	1,903
Sewage-drainage	200	490	690	1,400	500	1,900	1,000	1,200	2,200	3,472	5,650	9,122
Traffic Street	1,000	1,620	2,620	720	100	820				4,896	438	4,554
Administrative buildings						100				210	691	901
Tourism	100		100				2,665		2,665	17,170	36	17,206
Information							276		276	5,750	375	6,125
Commerce				571		571						
Communal services							3,311		3,311			
Total Urban Investment	11,076	9,551	20,627	15,464	7,436	23,000	24,478	10,145	34,623	89,068	35,772	
% U.I. in secondary towns		47%			33%			30%			29%	
Total Plan Investment	92,067			84,236			124,874			323,894		
% Urban Investment			23%			28%			28%			39%

URBAN INVESTMENT: UPPER VOLTA

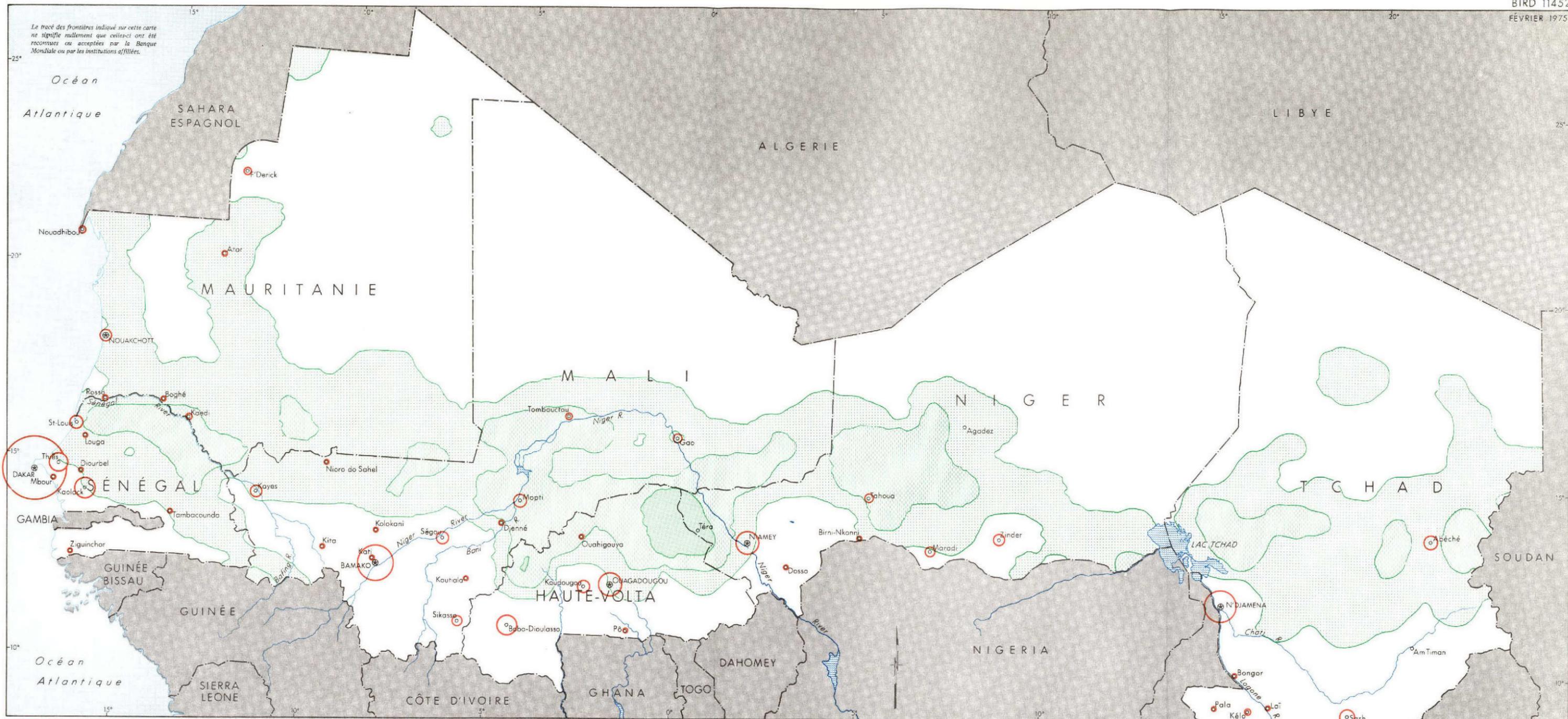
(in million CFAF)

<u>Sector of Investment</u>	1963 - 1967			1967 - 1970			1972 - 1976		
	<u>Ouaga</u>	<u>Other</u>	<u>Total</u>	<u>Ouaga</u>	<u>Other</u>	<u>Total</u>	<u>Ouaga</u>	<u>Other</u>	<u>Total</u>
Transport									
Sea	369	104	473	82		82	300	79	379
Air									
Rail		712	712						
Road							74		74
Communication									
Post									
Telephone	90	42	132	107	45	152	767	125	892
Radio/TV	587	50	637	125	89	214			
Industry									
Energy							1238	1277	2515
New Industry			2837	1156	3348	4504	1442	1045	2487
Artisanat	59		59	85	75	150			
Education	544	24	568	125	175	320	729		729
Art				881	601	1482			
Youth and Sports	70	7	77				170	680	850
Health	40	44	84				407	470	877
Urbanism (plan)		100	100				7	35	42
Housing			1650	10		10	271	430	701
Water/Electricity	95	190	285	843	900	1743	200	200	400
Sewage Drainage		626	626	25	250	275	460	425	885
Traffic/Streets	60	68	128	25		25			
Administration	40	35	75				996	343	1339
Tourism							252	200	452
Information	100	100	200				584	500	1084
Commerce			277	180	60	240	989	1266	2255
Commercial									
Total Urban Investment	2054	2102	8910	4384	5543	9197	8886	7075	15961
% V.I. in Secondary Towns		50%			60%			44.7%	
Total Investment	32,300			32,972			63,223		
Total Investment % Urban			26.9			27.9			25.6

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JUN 1974
RÉPARTITION DE LA POPULATION - NOMADE ET URBAINE (ESTIMÉE)

DENSITÉS DES POPULATIONS RURALES NOMADES
(nombre d'habitants au km²)

0.0 - 0.5
0.5 - 2.0
2.0 - 5.0
5.0 - 8.5

CENTRES AYANT UNE POPULATION ESTIMÉE SUPÉRIEURE À 10,000 HABITANTS

650,000
200,000
100,000
50,000
25,000
10,000

METHODS ET SOURCES

1. La répartition de la population globale et la population nomade totale ont été empruntées à la carte sur la "Répartition de la population" établie au Sénégal par Mme Yveline Poncelet pour les six pays du Sahel, Centre de développement de l'Organisation de coopération et de développement économiques, mai 1973.
2. Pour chaque pays, le valeur des points a été ajustée de manière à correspondre à la population rurale totale évaluée en milieu de 1974 (toutes les personnes qui ne vivent pas dans des centres dont la population est estimée à 10 000 habitants ou plus).
3. La densité de population (nombre d'habitants au km²) a été calculée dans 485 cellules de 10,000 km² chacune. Trois types de population: nomade, population sédentaire et population rurale totale. Ces densités ont été introduites dans le SYMAP, Version 5, Programme global d'ordinateurs du laboratoire de géographie et d'analyse spatiale sur ordinateurs, Centre de Harvard pour les études sur l'environnement. Ce programme a été manipulé de manière à trier des isodèmes de densité démographique pour des catégories déterminées. Sur les trois cartes, l'ordinateur a placé trois catégories de densité de population. Les catégories ci-dessus ont été retenues pour leur caractère représentatif de densité: 0,0 à 0,5; 0,5 à 2,0; 2,0 à 5,0; 5,0 à 10,0; 10,0 à 20,0; et plus de 20,0 pour les populations sédentaires et les populations rurales totales. Pour les nomades, on a retenu des densités de 0,0 à 0,5; 0,5 à 2,0; 2,0 à 5,0; 5,0 à 8,5.

MID-1974
NOMAD AND URBAN POPULATION DISTRIBUTION (ESTIMATED)

RURAL NOMAD DENSITIES
(population / km²)

0.0 - 0.5
0.5 - 2.0
2.0 - 5.0
5.0 - 8.5

CENTERS OF MORE THAN 10,000 ESTIMATED POPULATION

650,000
200,000
100,000
50,000
25,000
10,000

METHODOLOGY & SOURCES

1. The overall population distribution and total nomadic population were derived from Yveline Poncelet's dot map of the six Sahelian countries, "Répartition de la Population", Center of Development, Organization for Economic Cooperation, May, 1973.
2. For each country, the dot values were adjusted to equal the mid-1974 estimated country's total rural population (all population not located in estimated centers of 10,000 or more).
3. Population densities (population/km²) were calculated for 485 equal cell areas of 10,000 km² for the three populations: nomad, settled and total rural. These density values were the input to the SYMAP, Version 5, Packaged Computer Program of the Laboratory for Computer Graphics and Spatial Analysis, Harvard Center for Environmental Design Studies. This program was manipulated to derive isodemic population density settings for predetermined categories. For each of the three maps, three sets of population density categories were tested by the computer. The population density categories selected as most representative and with sufficient detail were: 0.0 to 0.5; 0.5 to 2.0; 2.0 to 5.0; 5.0 to 10.0; 10.0 to 20.0; and more than 20.0 for settled and total rural populations. For nomads, densities of 0.0 to 0.5; 0.5 to 2.0; 2.0 to 5.0; 5.0 to 8.5 were utilized.

AFRIQUE DE L'OUEST - RÉGION DU SAHEL

- Villes et agglomérations
- Capitales
- Fleuves
- Frontières

0 100 200 300 400 500 600 700 800
KILOMÈTRES

0 100 200 300 400 500
MILES

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de Ferranti

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FROM: Vice President and Secretary

June 5, 1986

REPORT ON THE SPECIAL SESSION
OF THE UNITED NATIONS GENERAL ASSEMBLY
ON THE CRITICAL ECONOMIC SITUATION IN AFRICA

Attached for information is a copy of the report, prepared in the International Relations Department, on the "Special Session of the United Nations General Assembly on the Critical Economic Situation in Africa".

Questions may be addressed to Mr. Burki (ext. 74455).

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REPORT ON THE SPECIAL SESSION
OF THE UNITED NATIONS GENERAL ASSEMBLY
ON THE CRITICAL ECONOMIC SITUATION IN AFRICA

The genesis of the General Assembly's Special Session on the Critical Economic Situation in Africa, held from May 27 to June 1, 1986 is to be found in the drought, famine, indebtedness and poverty which the African continent experienced in the first half of the decade. While the world responded to the emergency situation in Africa with a massive outpouring of relief aid, it was felt that the emergency situation merely accentuated Africa's more pervasive structural economic problems, that it demonstrated the depths of the continent's fundamental development crisis, the crisis of a continent blessed with enormous potential, but beset by poverty. The General Assembly at its Fortieth Session last year decided that there should be a Special Session to "focus, in a comprehensive and integrated manner, on the rehabilitation and medium-term and long-term development problems and challenges facing African countries with a view to promoting and adopting action-oriented and concerted measures."

The process of preparation for the Session covered meetings in Addis Ababa and New York, informal consultations between Governments, and six sessions of the Preparatory Committee (PREPCOM), chaired by Mr. Edgard Pisani. At the PREPCOM Meeting on April 4, H.E. Ibrahim Fall, Foreign Minister of Senegal and Chairman of OAU's Steering Committee, submitted the OAU document on Africa's critical economic situation prepared specifically for the Special Session. It analyzed the development crisis of the continent and the measures to be taken "by ourselves (the Africans) first, and then by the international community, so as to ensure the launching of a true development process in our countries." It then assessed and translated "Africa's Priority Programme for Economic Recovery" (APPER), into more specific terms. APPER was adopted in July 1985 in Addis Ababa by the Heads of State and of Governments of the Organization of African Unity (OAU). It represents the "individual and collective expression of the African Governments' commitment to reform."

The PREPCOM was also provided with a "synthesis document" prepared by the UN Secretariat, which analyzed the areas of agriculture and food, drought and desertification, human resources, economic infrastructure, the financial dimensions of the crisis, and aid coordination.

A third document, which was used indirectly as an input in the course of the preparatory work, was the Bank's report on "Financing Adjustment with Growth in Sub-Saharan Africa 1986-1990." The Bank's report became a reference document for the PREPCOM, and was quoted widely in statements made by delegates. At the meeting of the PREPCOM on May 12, Mr. Jose Botafogo G., VPE, made a statement on behalf of the Bank.

From the preparatory work, an Ad Hoc Committee on the Special Session, chaired by Stephen Lewis, Canadian Ambassador to the United Nations, produced the "United Nations Programme of Action for African Recovery and Development 1986-1990," which constitutes the core of the resolution approved at the Special Session (see Annex 1). The basic themes of the Programme of Action are:

First, that the causes of the crisis in Africa were many and varied: some were visited upon the continent by external factors, others by the Africans themselves. "The persistent economic crisis in Africa," it asserts "has been aggravated by a combination of exogenous and endogenous factors." The internal factors which "aggravated" the problem were deficiencies in institutional and physical infrastructure, economic strategies and policies that have fallen short of achieving their objectives, disparities in urban and rural development and income distribution, insufficient managerial/administrative capacity, inadequate human resource development, and lack of adequate financial resources. The problem was compounded by demographic factors and political instability. The external factors affecting the situation adversely were the recent international economic recession, the decline in commodity prices, adverse terms of trade, the decline in financial flows, increased protectionism and high interest rates. The heavy burden of debt and debt-servicing was also a constraining factor;

secondly, that the "African development crisis is not an exclusive African problem but one that concerns mankind as a whole. Interdependence is today a living reality. A stagnant and perpetually economically backward Africa is not in the interest of the world community;"

thirdly, that there is need for the African countries to pursue the necessary reforms aimed at structural transformation together with the diversification of their economies. The primary objective is to increase output and productivity in all sectors, particularly in the "central sectors of food and agriculture." It is asserted in the

Programme of Action that "African countries are determined to undertake, individually and collectively, all measures and policy reforms that are necessary for the recovery of their economies and the revitalization of genuine development." The areas of particular importance are: improvements in the management of the economy, appropriate monetary and fiscal reforms, population policy which addresses "issues of high fertility and mortality, rapid urbanization, rural-urban migration, the problems of children and youth, the protection of the environment in a manner that would ensure compatibility between demographic trends, appropriate land utilization and settlement patterns and the desired pace of economic growth and development," and the participation of people, particularly women, in development. Reforms would be undertaken in such a manner as "to ensure the broadest possible participation in development and the productive use of scarce resources. "

fourthly, that unilateral action by the African governments alone cannot be sufficient to deal with Africa's economic problems. What is required is a joint program of action by the African governments and the world community, as the OAU document suggests a new set of relationships, a compact between Africa and the international community under which support for Africa would be linked with the growing realization on the part of the African people and governments that help begins at home; and

fifthly, that there was a need to improve the external economic environment through the elimination of protectionism, the adoption of measures that encourage African exports and diversification programs, and improved market access.

The implementation of APPER is estimated to require \$128.1 billion during the period 1986-1990. The contribution of the African countries is expected to be about \$82 billion, leaving a gap of some \$46 billion, or \$9 billion annually. The debt servicing requirements would be additional to this. The Bank's recent report on Sub-Saharan Africa estimates that net transfers to Sub-Saharan Africa alone should be \$9-12 billion annually during this period. As this does not include the requirements of North Africa, the estimate referred to in the Programme of Action appears to be modest and conservative, indicating the low end of the probable scale of external capital necessary to support adjustment and development programs in Africa. It is asserted in the Programme of Action that the international

community "commits itself to making every effort to provide sufficient resources to support and supplement the African development effort," the realization of which would be greatly eased "if the flows of external resources were predictable and assured." The international community also recognizes Africa's onerous debt burden and the fact that "measures have to be taken to alleviate this burden and to enable those (African) countries to concentrate on the full implementation of priorities."

While the magnitude of assistance was deemed to be important, the need to enhance the efficacy, quality and effectiveness of such assistance was stressed. This would require the placing of greater emphasis on non-project aid, augmenting concessional assistance, and the "speedy" replenishment of IDA and ADF "at levels which should take into account the need to fully support African recovery and development." The IMF, through its Structural Adjustment Facility, would augment these resources.

It was also felt that the magnitude and modalities of assistance are a necessary but not a sufficient condition for African growth and development. They have to be undergirded by a continuous process of follow-up, evaluation and coordination at the national, sub-regional, regional and international levels. The basic principle underlying the process is that the governments would determine the appropriate mechanisms for this purpose, utilizing, to the extent possible, existing mechanisms, such as Consultative Groups and Round Tables.

The Special Session of the General Assembly on the Critical Economic Situation in Africa was the first such session called to address specifically the problems of a particular region. During the Assembly's debate, statements were made by one Head of State, President Diouf of Senegal, currently Chairman of the OAU; and 91 other speakers, including three Deputy Prime Ministers and 18 Foreign Ministers. The incontrovertible message that went out from the Special Session was that, without appropriate policies, no amount of external assistance can reverse Africa's decline. On the other hand, policy reforms would be unsustainable without adequate resources. It demonstrated the acceptance of the view that the current African crisis was of human origin and could yield to human remedy, the remedy which lies in developing a "new era of cooperation based on a spirit of genuine and equal partnership which is an essential element for harmonious and mutually beneficial economic cooperation in an interdependent world."

GENERAL ASSEMBLY RESOLUTION

The following resolution was adopted at the Special Session:

"The General Assembly,

Recalling the General Assembly resolution 39/29 of 3 December 1984 and the Declaration on the Critical Economic Situation in Africa annexed thereto, as well as General Assembly resolution 40/40 of 2 December 1985, in which the General Assembly decided to convene a special session to focus in a comprehensive and integrated manner on the rehabilitation and medium- and long-term development problems and challenges facing African countries,

Welcoming the efforts of African countries towards their economic recovery and development, as is evidenced in the Africa's Priority Programme for Economic Recovery 1986-1990 adopted at the twenty-first ordinary session of the Assembly of Heads of State and Government of the Organization of African Unity, in which the Governments of Africa reaffirmed their primary responsibility for the economic and social development of their countries, identified areas for priority action, and undertook to mobilize and utilize domestic resources for the achievement of these priorities,

Convinced of the need for concerted action by the international community in support of the efforts of African Governments to achieve economic recovery and development,

Emphasizing that the African development crisis is one that concerns the international community as a whole and that greater realization of the rich physical and human potential of the continent is an integral part of a common strategy to promote the economic and social advancement of all people,

Noting with appreciation the strong expression of support and commitment made by the international community during this special session,

1. Adopts the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 set forth in the annex to the present resolution;
2. Emphasizes the need to intensify economic and technical cooperation with African countries, during and beyond the period of the United Nations Programme for African Recovery and Development 1986-1990;

3. Urges all Governments to take effective action for the rapid and full implementation of the Programme;
4. Requests the organs, organizations and bodies of the United Nations system to participate fully in and support the implementation of the Programme;
5. Calls upon all concerned intergovernmental and non-governmental organizations, in view of their significant contribution to economic and social development in Africa, to support and contribute in the implementation of the Programme;
6. Decides to conduct a review and appraisal of the implementation of the United Nations Programme of Action for African Recovery and Development 1986-1990 at its forty-third session;
7. Requests the Secretary-General to monitor the process of implementation of the United Nations Programme of Action for African Recovery and Development 1986-1990, and to report thereon to the General Assembly at its forty-second and forty-third sessions."

ROUND TABLE
ON TRAINING FOR MUNICIPAL AND URBAN MANAGEMENT
IN WEST AFRICA

Abidjan, March 16-18, 1987

SUMMARY
April 16, 1987

Contents

- I. Objectives of the Round Table
- II. Agenda
- III. Summary of Discussions
- IV. Recommendations

- Annexes:
- 1. List of institutions and agencies present or represented
 - 2. Names and addresses of Round Table participants

I. Objectives of the Round Table

Objective of the meeting

The chief objective was to define a strategy for strengthening the ability of a network of training institutions and units to identify and satisfy training needs in municipal and urban development in West Africa.

Current situation

The many efforts being made are not coordinated and are compromised by limited funding. Needs are great but not expressed or structured. Structure seems necessary (a network yet to be defined) so that the bilateral and multilateral agencies can, in accordance with their terms of reference and respective jurisdictions, mutually strengthen their operations.

Proposed method

In identifying the components needed for effective and continuous training of managers in local and urban management by the training institutions in West Africa, the participants were asked to list the necessary prerequisites.

For example:

- Linkage with administrative reform;
- Ability to integrate training and urban research;
- Linkage with the operational world, either through consultation or involvement in projects;
- Ability to evaluate training needs;
- Ability to adapt training methods to the objectives of the training;
- Ability to manage the training process (i.e. autonomy of action and decision).

Following that identification, the participants were asked to evaluate the means needed for strengthening those institutions.

For example:

- Trainer training;
- Exchange of experience, training materials;
- Cooperation with research institutes, management institutes, universities, etc.;
- Organization of joint projects.

II. Agenda

	<u>Monday, March 16</u>	<u>Tuesday, March 17</u>	<u>Wednesday, March 18</u>
9:00 a.m.- 10:00 a.m.	<u>Introduction of participants</u> Presentation of the objectives of the methodology	<u>Training process</u> - Introduction (EDI/UNCHS) - Training programs	<u>Role of donors</u> - Introduction (USAID) - Network support - Direct technical assistance - Twinning - Curricula - Trainer swaps
10:45 a.m.- 12:15 p.m.	<u>Recent experience</u> Identification of training needs	<u>Training process (continued)</u> - Training materials/ case studies - Trainer training - Evaluation of training	<u>Recommendations</u>
1:30 p.m.- 3:00 p.m.	<u>Training needs</u>	<u>Role of Government</u> - Introduction (SGRA-DCL) - National priorities - Linkage with administrative reform	<u>Wrap-up and conclusions</u>
3:15 p.m.- 4:45 p.m.	<u>Role of training institutions and units</u> - Introduction (CIGE) - Terms of reference and autonomy - Initial/continuous training - Target groups	<u>Role of Government (continued)</u> - Identification of jurisdiction - Status of trainers and trainees - Coordination	

III. Summary of Discussions

1. Recent experience

The evaluation of training institutions in West Africa by EDI/UNCHS has revealed a scarcity of ad hoc institutions and their general weakness, both as regards structure and instruction, owing partially to a dearth of research and advisory assistance, a clear notion of mandate or lack of autonomy. This weakness also means difficulties in needs evaluation, problems in identifying target groups, distance from the training centers, poor integration in the administrative reform process, etc.

The first regional training efforts in Abidjan undertaken by those organizations showed:

- The desirability of holding the training in Africa, in order to improve the selection of candidates;
- Demand for both technical and methodological training (particularly as regards the methodology of action plans);
- The importance of linking the African context and the selection of specialists and consultants who are either African or involved in development projects in Africa;
- The need to use training materials that can be disseminated and used on the job;
- The interest of officials in sophisticated techniques, such as microcomputing;
- The fact that such activities result in exchanges of experience and contacts with counterparts in developing and industrial countries.

The Round Table participants stressed the following points:

- The concept of management transcends that of financial management. It involves urban management, or more precisely, management of local

development. The content of training depends on the objective of management, and insufficient analysis in this regard weakens the terms of reference, which are vague to begin with.

- Concepts must be clearly defined: where does "urban" begin and where does it end? For several participants, the distinction lies in the level of authority (deconcentration/decentralization) and is not dependent on size, resources or the spatial concentration of duties. All agreed, however, that the size of a unit has a bearing on the training needs for those in positions of responsibility.
- The authorities have to be assisted in defining the terms of reference. A lack of dialogue between the authorities and the institutions (and vice versa) often leads to a lack of clarity about the terms of reference.
- Lastly, the weakness of the municipal institutions themselves hinders the identification of training priorities. As the very concept of reform that involves decentralization is not always clear to the promoter, he has difficulty in expressing his views on training.
- The scarcity of information circulated between the institutions themselves (particularly private ones) was unanimously regretted. This situation was due to the competition generated by the financing system for those institutions and hence the strategies enabling them to keep or carve out shares of the market.

2. Identification of needs

Experience in identification of needs was generally empirical.

Needs evaluation is most often made:

- on the basis of deficiencies in initial training;

- as part of the management audits of local governments by the supervisory body, which point out deficiencies;
- on the basis of sectoral studies and research (CRAU);
- on the basis of narrow-focused missions made by consulting experts;
- on the basis of information collected by bilateral cooperation (e.g. French aid and cooperation mission);
- by asking staff about their personal motivations;
- from information provided by former seminar participants.

The state-of-the-art methods are based on an analysis of the performance of the local communities and comparisons between them (comparative analysis of financial results, for example).

The questionnaire/interview evaluation method for training units (which provide training) and staff to be trained supplements the diagnostic study of performance.

Sometimes "position studies," i.e. the objective analysis of all duties carried out, make it possible to distinguish the role specifically played by the staff to be trained and their status, which appears in the formal description of their duties. The evaluation methods need to be adapted for these position studies so that this gap between role and status can be identified.

In this regard, it appears vital:

- to make the authorities aware of training problems;
- to have a decision-making body that can set priorities after they are identified and those responsible for carrying out the needs evaluation;

- to take into account the new needs introduced by administrative reforms or more simply changes (quantitative, qualitative) in the management context;
- to prevent needs from being evaluated solely on the basis of the training provided by the institutions;
- to coordinate and promote cooperation among training entities in this regard (involving donors);
- to find pertinent performance indicators and mix survey techniques;
- to collect and process data with the assistance of survey experts;
- to make needs evaluation an ongoing process;
- to clearly distinguish deficiencies that can be corrected by training from other deficiencies.

In conclusion, the evaluation of training needs should be guided by an analysis of management performance and use standardized techniques (position studies, analysis of gaps, questionnaires, interviews). It is the culmination of a dialogue between the authorities/institutions/staff to be trained and is part of administrative reform and career planning.

3. Role of training institutions

A description of CIGE's activities illustrates the basic role of training institutions:

As regards research: a distinction must be made between pedagogical research, which is the responsibility of the training institutions, and forward-looking or applied research, which shapes the content of training without necessarily always being within the scope of the training institution, but rather is the role of research centers (problem of availability of trainers, cost of research, etc.).

- The research/training linkage is key to improving training (and integrating it into management of change);
- Advisory assistance and consultation can help in updating the knowledge of the trainer/researcher.

The difficulty of identifying a market for consulting and skirting national regulations regarding expert services (which often favor foreign consulting firms) make this activity very difficult.

As regards the autonomy of the institutions:

- Autonomy is vital to a true training policy and generating competition, whereby the institutions must demonstrate their efficiency (training methodology, etc.).
- An entity cannot be autonomous without its own funds, and sometimes cannot have its own funds without autonomy...

As regards "training units" (units within a larger public entity):

These units are more in touch with needs. They may have their own trainers who are managers of training personnel but do not constitute a free-standing institution. The training units help integrate new recruits.

As regards high-level seminars:

Cooperation among training units/institutions is needed in organizing and financing high-level seminars. This type of cooperation can be one of the objectives of a "network."

Such seminars should aim at assisting the decision-making process.

4. Training process

After the stages of the training process were described on the basis of a regional IDE/UNCHS seminar, the Round Table participants discussed the following issues:

- The formulation of training programs is compromised, especially when training is provided by outside agencies, by poor coordination and a lack of negotiation with the entities/units responsible for identifying needs (supervisory bodies, for example).

Within its Office of the President, Senegal has set up a Methods and Organization Office to deal with these training problems brought before it by interested parties.

The improvement in training programs requires a strengthening in the capacity to prepare training plans by the authorities and supervisory bodies. Their dissemination (including to donors) fosters discussion and their enhancement.

Sound programming requires substantial resources (in view of the time factor).

- Place of training

The question is not merely whether to hold training in Africa or elsewhere; consideration needs to be given to on-site as well as regional training (within a given country), etc.

The location will determine whether or not field trips (concept of "control" cities (villes laboratoires), which should have the same constraints as those facing the participants).

The location of training is key to institution building. The transfer of the capacity to organize and manage a regional seminar can be done vis-à-vis the selected partner only by physically associating that institution with all problems raised by the holding of the seminar.

The choice of location depends largely on economic constraints. However, although the rule of "minimum cost for maximum efficiency" often unfortunately means that the training is held in an industrial country, it

should be recalled that one of the main goals is to eventually have competent local trainers provide the training. This can happen only if the training is done locally.

- Selection of participants/target groups

To the extent possible, trainers should be included in the group of participants. The selection criteria should favor those who are actually involved in the activity and not confuse rank and administrative influence.

- Trainer training

Trainer training is the only way of upgrading African expertise by enabling specialists to import their knowledge and know-how.

Investments must be made in training institutions because without permanent teams of trainers research and consultation are impossible.

- Resource people

The communications skills of resource people can sometimes be improved through specific training or related activities.

- Training materials

Training materials often come from urban projects, NGO operations or even occasionally case studies prepared by the trainers.

Case studies and especially manuals on urban management are scarce.

The preparation of pertinent training materials includes the identification and analysis of original experience in urban management.

- Training techniques

The following techniques were cited as the most frequently used:

- Teamwork;
- Simulations of the decision-making process;
- Group dynamic techniques (holding meetings, etc.).

Despite their desirability from a methodological standpoint, action plans run into the problem of having to be accepted by the administrative apparatus before they can be implemented.

- Financing of training

Financing must first of all be coordinated.

A choice also has to be made between free-of-charge or fee-for-service (paid by the municipality) training.

5. Role of the authorities

A "training network" has been introduced in Côte d'Ivoire by the Secrétariat Général à la Réforme Administrative (SGRA). As explained by its representative, that entity is charged with analyzing all elements of the "network":

- Means of financing;
- Cost matrix;
- Status of trained staff;
- Replication of training units;
- Strengthening of existing institutions;
- Collection and management of requests, etc.

By way of example, the DCL's training plan will focus on the external/internal environment and upgrading of personnel (hierarchical and geographic mobility) and calls for a maximum of three weeks of training per year for each staff member, at a cost not to exceed CFAF 4,150/hour of training.

The DCL analysis process is directed pragmatically by a working group that coordinates the response to the offers made by donors.

6. Role of donors

Donors can become involved at two levels:

- general
- specific, i.e. associated with a given program or project.

Evaluation of needs: a donor can prepare evaluation methodologies and train staff/trainers in needs evaluation.

Execution/training offerings:

- Trainer training;
- Preparation of manuals/training materials;
- Direct training;
- Financing of internships;
- Formulation of monitoring methods;
- Research;
- Dissemination of information.

Relationship with the management structure:

- Consultation/coordination;
- Strengthening of means.

Coordination with donors is essential, but should be done under the aegis of national decision-makers who set the priorities (such as DCL). Such coordination can be organized in advance by multilateral organizations (e.g. UNCHS).

The distinction between bilateral and multilateral agencies is important, because their role is different. The role of the multilateral agencies cannot be limited to coordination to the extent that they have a specific mandate to provide training associated with the primary activity of the agency (EDI for IBRD) or are responsible for initiating activities in which the bilateral agencies are involved on too small a scale or not at all.

There is unfortunately a dearth of information on the support and financing procedures used by donors vis-à-vis the requesting countries.

Regional coordination poses a specific problem: can the countries of the subregion coordinate, and how? (For donors, coordination can be done more readily).

7. Role of the network, institutions and units

The definition proper of the network determines the very form that coordination will take (and the forms of support). (Regional cooperation can take place at this level between donors. Nationally, the issue is more of the role of a management structure in the training plans of each country).

Key functions of a network

- Exchanges of experience;
- Dissemination of information;
- Swaps of resource people;
- Information on available resources;
- Exchange of training materials;
- Regional cooperation;
- Trainer training;
- Development of training materials;
- Needs evaluation/regional synthesis;
- Methodology for needs evaluation;
- Highly specific/specialized technical training;
- Studies and applied research;
- Foreign internships;

Running of the network

The participants had several ideas about how to run the network:

- It can act as a center for coordinating.
- It can promote the dissemination of information:

- using existing publications;
- organizing regular meetings.

Many agreed that direct exchanges between the members of a network, depending on needs, are undoubtedly the most realistic approach for the time being.

IV. Recommendations

1. The Round Table participants recognized the importance of developing a regional network of training institutions and units with a view to expanding and improving the training offered by the countries of West Africa in municipal and urban management and finance.

2. The current members of this regional network are:

- Ecole Nationale d'Administration d'Abidjan (ENA);
- Direction des Collectivités Locales (DCL), Ministry of the Interior, Côte d'Ivoire;
- Centre de Recherches Architecturales et Urbaines (CRAU), Abidjan;
- Ecole d'Architecture et d'Urbanisme (EAU), Dakar;
- Centre Ivoirien de Gestion des Entreprises (CIGE);
- Institut International d'Administration Publique (IIAP), Paris;
- Environnement et Développement Tiers-Monde (ENDA), Dakar.

3. Given the dynamism of the sector, the membership of the network should be regularly reviewed and adjusted.

4. The members of the network felt that their respective activities could be supported by the following actions:

- ENA

- (i) Coordination of a research and study group on urban and municipal finance, with the objective of:

- identifying critical points in the financial management of local communities in West Africa;
- producing articles and documentation to serve as training materials for seminars and study sessions on municipal finance;
- (ii) Contacts with ENAs of the countries on the Council of the Entente (Côte d'Ivoire, Benin, Burkina Faso, Niger and Togo), with a view to expanding the network;
- (iii) With the assistance of IIAP or any other competent institution, organization of training missions on municipal finance for finance officials of Ivoirian communities and countries on the Council of the Entente;
- (iv) Contacts with the African Center for Training and Administrative Research for Development (CAFRAD), with a view to organizing training seminars for trainers in municipal financial management;
- (v) In conjunction with the Hanns-Seidel Foundation and DCL, organization of regional seminars (at the national level) to provide advanced training in municipal management for officials of local communities.

(b) DCL, Ministry of the Interior

- Provision of resource people)
- Hosting of interns)
- Design of training materials) Supply to the network
- Design of training activities)
- Provision of statistics)
- Operations research)

- Documentation)
- Comprehensive trainer training)
- Advanced technical training) Demand from the network
- Foreign internships)
- Training materials)
- data processing and programs.

(c) CRAU

- Through applied research, help identify needs and formulate training programs;
- Provide to decision-makers and trainers the expertise developed by the Center in the specific sectors of urban management;
- Through sound and effective cooperation with other members of the network and donors, help develop new methodologies for the collection, evaluation and dissemination of information.

(d) EAU

- Exchange of information and data on urban and municipal management;
- Swaps of trainers and researchers in urban and municipal management;
- Development of appropriate training materials, especially for the management of urban development.

(e) CIGE

- (1) Seminar Management;
- (2) Identification of training needs;
- (3) Logistics;
- (4) Training in municipal finance;
- (5) Evaluation of performance.

(f) IIAP

- Documentation support
 - . Training of librarians for the ENAs
 - . Publication of subject-specific bibliographies and training packages
 - . Sending of publications and papers to the ENAs
- Sending of resource people to the ENAs
- Association with research in administration science (on terms yet to be defined)
- (Conditional) hosting of three four-week cycles in Paris (1987-88)
 - . Data processing and decentralized administration
 - . Financial management of large African cities
 - . Administrative and financial management of urban development projects
- Advanced training of coopérants assigned to the Government and public enterprises.

5. Interested donors will provide support to the network through the following means:

(a) USAID

Publication of training activities, summaries, research, etc. in the journal "African Outlook on Urban Development,"* provision of training modules, documentation, manuals and other materials used for USAID activities in West Africa.

(b) French Cooperation

- Provision of coopérants to DCL (2), ENA (6) and other institutions in Côte d'Ivoire;

* Translator's note: Given in French as "Optique Africaine d'Urbanisme."

- Provision of scholarships for studies in France;
- Financing: - support from the IIAP to the ENAs;
 - support to other institutions (twinning);
- Evaluation of institutions;
- Other avenues of administrative cooperation (means now being studied);
- Other avenues for municipal management (means now being studied).

(c) Hanns-Seidel Foundation

- (i) The Foundation finances seminars, led by ENA and DCL, for municipal personnel;
- (ii) Fellowships in Germany (FRG) for ENA trainers;
- (iii) Study trips to Germany (to learn about the situation in communities there);
- (iv) Financial assistance to ENA for certain courses that are not part of its normal program.

(d) IULA

- (i) As regards training
 - Assistance in the identification of training needs as well as the programming of training activities;
 - Search for necessary funding;
 - Provision of municipal expertise, if necessary.
- (ii) As regards network strengthening
 - Survey existing training infrastructure for the subregion;
 - Promote active exchanges of information and experience;
 - Establish a regional center for training and community development, if needed;
 - Establish links with other centers and subregional networks in Africa and elsewhere through the Regional Sections of IULA.

(iii) As regards the general promotion of local communities

Promote the establishment or strengthening of municipal structures through ongoing dialogue, with a view to structural improvements in offices assisting local governments.

(e) United Nations Centre for Human Establishments (UNCHS)

- (i) Assistance in identifying training needs;
- (ii) Dissemination of self-evaluation techniques by the training institutions;
- (iii) Dissemination of training materials;
- (iv) Organization of regional seminars for senior officials;
- (v) Organization of short seminars for decision-makers;
- (vi) Organization of trainer training sessions;
- (vii) Organization of round tables to coordinate donor activities;
- (viii) Assistance to the regional network of training institutions and units and associated research centers;
- (ix) Assistance in identifying of resource people;
- (x) Information service on training institutions in Africa and other regions;
- (xi) Loan of films and audiovisual aids;
- (xii) Organization of regional workshops on the use of microcomputers for urban planning and management;
- (xiii) Distribution of "Habitat News," a quarterly magazine (in English) on UNCHS (Habitat) activities;
- (xiv) Distribution of "data sheets" (in English) on request.

(f) Economic Development Institute (EDI), World Bank

- (i) Institutional assistance in identifying target groups, defining and implementing training programs;

- (ii) Trainer training;
- (iii) Workshops on methods of case study preparation;
- (iv) Assistance in identifying resource people;
- (v) Dissemination of training materials;
- (vi) Organization of regional seminars;
- (vii) Organization of short seminars for senior decision-makers;
- (viii) Organization of round tables to assist regional networks of training institutions and coordinate donor activities;
- (ix) Distribution of specific documents (The Urban Edge, EDI Review, etc.);
- (x) Cooperation with operational divisions of the Bank in identifying and putting together training components for new urban or municipal projects.

Annex 1

List of Institutions and Agencies Present or Represented

Training Institutions and Units
(see original)

Bilateral and Multilateral Aid Agencies
(see original)

Annex 2

Names and Addresses of Participants at the Round Table

<u>Name</u>	<u>Title and Organization</u>	<u>Address/Telephone</u>
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Peter SLITS	Director, Development Affairs, IVA	2596 CG 41 Wassenaarseweg The Hague, Netherlands Tél. 31-(0)70-24-40-32
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Mohamed SOUMARE	Directeur, Ecole d'Archi- tecture et d'Urbanisme	B.P. 1046 Dakar, Sénégal Tél. 22-39-81/22-23-86
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Annex 2 (continued)

Names and Addresses of Participants at the Round Table

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Jean MAZURELLE	Speaker, EDI	" " Tél. 477-5714
François CARIGNAN	Expert - CIGE	CIGE 07 B.P. 322 Abidjan 07, Côte d'Ivoire Tél. 35-34-84
Patrice LAGO YEPO	Consultant - CIGE	CIGE 07 B.P. 322 Abidjan
Marie-Alice LALLEMAND FLUCHER	IIAP Chargée du Secteur Collectivités territoriales	2ème Avenue de l'Obser- vatoire 75006 Paris Tél. (1)43-26-49-00 Télex 27-02-29
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Withdrawn by Chandra Kumar	Date 11-Jun-15			

OFFICE MEMORANDUM

DATE December 12, 1985

TO Distribution List

FROM Bertrand Renaud, Housing Finance Advisor, WUD *BR*

EXTENSION 61698

SUBJECT AFRICA: Cooperative Housing Finance Project with the French Government

1. For your information, attached please find the outline of the final report (in French) adopted by the French team led by the CDC. This document represents the French response to my draft proposal made earlier to the team and circulated to you on November 8. The structure of this project has now been fully clarified and this policy project is being implemented according to the schedule.

cc: Messrs. Churchill, Costa, Cohen, Dunkerley, WUD
Ms. Farvacque, WUD; Guetta, WAP; Pellegrini, Amiot, Delapierre,
WAPUR; Grimes, Racki, ESPUW; Noel, WA2DA; De Ferranti, WUDOR

Attachment

BRenaud/sc

LE FINANCEMENT DU LOGEMENT EN AFRIQUE

PLAN DU RAPPORT FINAL

(établi à la suite de la réunion du 21.11.85)

1 - OBJECTIFS DU RAPPORT

A partir d'analyses centrées sur le pays de l'UMOA, et sur 3 études de cas (Sénégal, Côte d'Ivoire, Zimbabwe) la recherche a pour objectifs de :

- procéder à un inventaire des principaux goulets d'étranglement en matière de financement du logement.
- proposer des orientations réalistes pour les politiques de financement du logement au cours des 10 prochaines années.
- dégager des priorités pour l'action des organismes internationaux dans ce domaine.

2 - L'IMPORTANCE CROISSANTE DU LOGEMENT EN AFRIQUE

- 2.1. La croissance démographique
- 2.2. L'évolution des taux d'urbanisation
- 2.3. L'évolution des besoins en logement dans les zones urbaines
- 2.4. Importance du logement dans l'activité économique.
- 2.5. Typologie sommaire des logements

- . parcelles assainies
- . logement à équipement minimum (LEM)
- . logements sociaux
- . logements pour revenus moyens
- . logements pour revenus élevés

- 2.6. Les résultats atteints dans les pays de l'UMOA.

Evolution du nombre de logements construits au cours des 10 ou 15 dernières années dans les pays de l'UMOA, si possible classés suivant typologie précédente (en ordre de grandeur). Comparaison avec la France (période 1950 - 1980).

Dans les deux derniers paragraphes, on s'attachera à dégager des **ordres de grandeur**. Dans le paragraphe 2.4., on mettra en évidence les écarts existant entre l'importance du logement en termes économiques et la partie réellement financée par le secteur officiel. A cet égard, des comparaisons avec la France seront faites.

3 - LES PRINCIPALES CONTRAINTES PESANT SUR LE FINANCEMENT DU LOGEMENT EN AFRIQUE

3.1. Les contraintes d'ordre économique

- le niveau et la distribution du revenu : situation actuelle et tendances
- le taux d'épargne : situation actuelle et tendances probables.

3.2. L'état de développement des organismes du secteur financier

3.3. Les contraintes limitant l'offre de logements

- accessibilité des ménages : adéquation entre offre et demande solvable
- absence de réserves foncières
- insuffisance de terrains équipés
- problèmes liés au processus de construction : standards trop ambitieux ; prix trop élevés...
- insuffisance du cadre légal et réglementaire
- difficultés pour recouvrer les paiements de loyers ou les mensualités de prêts.

Dans tout ce paragraphe, l'analyse sera menée principalement sur les 3 pays d'étude : Sénégal, Côte d'Ivoire et Zimbabwe. Lorsque cela sera possible et intéressant, des exemples d'autres pays seront développés.

4 - DIVERSITE ECONOMIQUE ET RESSEMBLANCES INSTITUTIONNELLES ENTRE LES PAYS DE L'UMOA

4.1. L'origine de l'UMOA

4.2. Brève description macroéconomique comparative des 7 pays de l'UMOA et de la France

5 - L'IMPACT DE LA REGLEMENTATION DE LA BCEAO SUR LES MECANISMES DE FINANCEMENT DU LOGEMENT

5.1. Le rôle de la BCEAO dans le système financier

- * Règles de réescompte
 - . Taux d'intérêts
 - . Durées d'amortissement
 - . Montant des prêts
- * sélectivité du crédit
- * crédit différé

5.2. Comparaisons entre les règles de la BCEAO et l'évolution des règles de la Banque de France dans les années 50 - 60 - 70.

6 - LA MOBILISATION DES RESSOURCES INTERIEURES

6.1. Les diverses sortes d'épargne

- . Epargne libre
- . Epargne forcée
- . Epargne contractuelle
- . Epargne informelle (tontines)

6.2. Le rôle des Caisses d'épargne et institutions spécialisées (coopératives et building sociétés).

6.3. Le rôle des banques commerciales en matière de collecte de l'épargne.

6.4. Bilan des divers systèmes et leurs performances. Efficacité des modes de collecte de l'épargne.

L'analyse portera sur les 3 pays d'études : des comparaisons seront faites autant que possible avec les autres pays UMOA, d'autres pays d'Afrique et la France.

7 - LE FINANCEMENT DU LOGEMENT

7.1. Le rôle des institutions financières

- . Caisses d'épargne et institutions spécialisées
- . Banques commerciales

dans le financement :

- . de l'achat de terrains
- . de l'équipement des terrains
- . de la promotion
- . des acquéreurs

On fera ressortir comment les diverses institutions observent les régle-
ments de la BCEAO et les contraintes éventuelles qui en résultent.
Comparaison avec le cas de la France.

7.2. Le rôle de l'Etat

On analysera les interventions de l'Etat :

- . les subventions au logement (montant, canal de distribution)
- . la bonification d'intérêts.

Comparaison avec le cas français et analyse de l'évolution du mode
d'intervention de l'Etat en France depuis 1950.

7.3. Bilan et principaux problèmes.

On abordera entre autres :

- . Efficacité des modes de collecte de l'épargne
- . Effet de levier de l'investissement public
- . Financement de l'équipement des terrains et financement du loge-
ment

- . Les institutions spécialisées dans le financement du logement sont elles nécessaires ?
- . Inflation et financement du logement
- . Les techniques de solvabilisation : taux variable, annuités progressives.

8 - LE ROLE ET LES MODES D'ACTION DES ORGANISMES INTERNATIONAUX

- 8.1. L'expérience de la CCCE
- 8.2. L'expérience de la BIRD
- 8.3. L'expérience de la CDC (Commonwealth Development Corporation)
- 8.4. L'expérience de l'USAID
- 8.5. Bilan de ces interventions

On s'attachera, dans ce paragraphe, à dégager le bilan de ces expériences en utilisant la grille d'analyse des paragraphes 7 et 8.

9 - CONCLUSIONS

Elles seront précisées ultérieurement. A priori, elles couvriront les points suivants :

- Les principales contraintes s'opposant à un fonctionnement harmonieux du "système de production du logement" (politique foncière, politique du secteur construction, politique de financement, cadre général et réglementaire), et les moyens de les lever.
- Les priorités et recommandations particulières en matière de financement du logement.
- Les priorités et nouveaux modes d'intervention des organismes d'aide bi et multilatérale.

ANNEXES

1. Banque de données des pays de l'UMOA
2. Données relatives à d'autres pays
3. Etude de cas : le Sénégal
4. " " " : la Côte d'Ivoire
5. " " " : le Zimbabwe
6. Données sur la politique française en matière de financement du logement et leçons de son expérience.

RAPPORT FINAL - REPARTITION DES TACHES

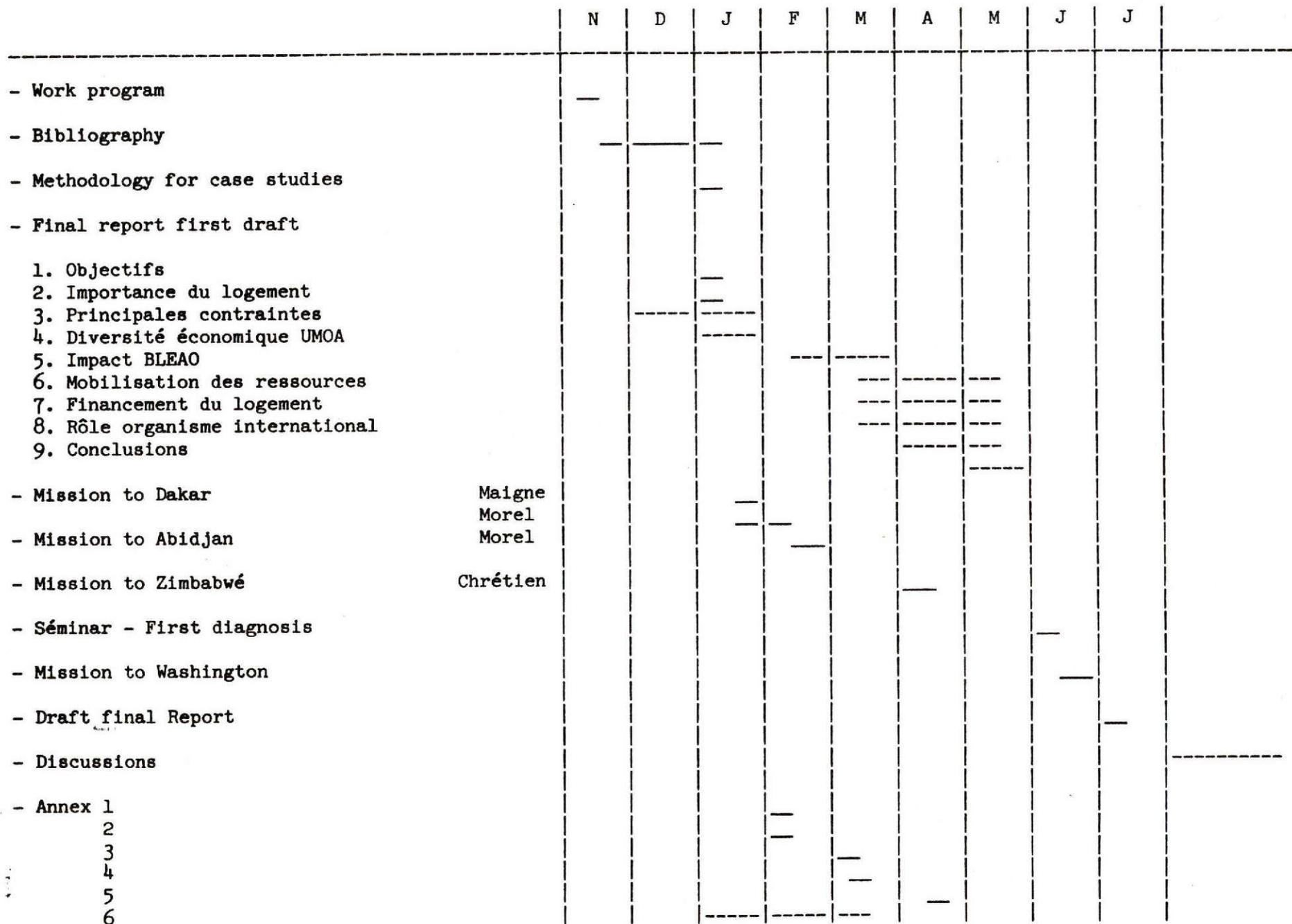
PARAGRAPHERS	Nb. de pages	MOREL	CHRETIEN	MAIGNE	ROUSSEL	RENAUD
1. OBJECTIFS DU RAPPORT	2				*	
2. IMPORTANCE DU LOGEMENT EN AFRIQUE	5				*	
2.1 Croissance démographique					x	
2.2 Taux d'urbanisation					x	
2.3 Besoins en logement					x	
2.4 Logement dans économie		x				
2.5 Typologie des logements		x				
2.6 Résultats UMOA		x				
3. PRINCIPALES CONTRAINTES	8		*			
3.1 Contraintes économiques		x	x			
3.2 Système financier			x			
3.3 Autres contraintes			x			
4. DIVERSITE ECONOMIQUE DES PAYS DE L'UMOA	6	*				
4.1 Origine de l'UMOA		x				
4.2 Description macroéconomique		x				
5. IMPACT DE LA REGLEMENTATION BCEAO	10			*		
5.1 Rôle de la BCEAO		x		x		
5.2 Comparaison avec la France				x		

6. MOBILISATION DES RESSOURCES INTERIEURES 6.1 Les divers sortes d'épargne 6.2 Rôle des institutions spécialisées 6.3 Rôle des Banques commerciales 6.4 Bilan des divers systèmes	10		*			
7. FINANCEMENT DU LOGEMENT 7.1 Rôle des institutions financières 7.2 Rôle de l'Etat 7.3 Bilan	10	*				
8. ROLE DES ORGANISMES INTERNATIONAUX 8.1 La CCCE 8.2 La BIRD 8.3 La CDC 8.4 L'USAID 8.5 Bilan	7					*
9. CONCLUSIONS	5	x	x	x	*	x
TOTAL	64					

* Rédacteur "en chef"

x Rédacteur

BAR-CHART



Maigne
Morel
Morel
Chrétien

OFFICE MEMORANDUM

DATE November 7, 1985

TO Iain T. Christie, Acting Division Chief, EMPUR

FROM Jean-François Landeau, EMPUR

EXTENSION 3-2962

SUBJECT Interest Rates in the Urban Sector: A Suggestion for Setting Adequate Levels

- see Renaud* *Mr. de Ferranti* *(copy also sent to Mayo)* *Barry*
1. The purpose of this memorandum is to formulate in writing a view voiced for sometime (e.g. in the Housing Finance Workshop, September 1985) and to make an action-oriented proposal concerning the adequate level of interest rate in the urban housing sector.
 2. At issue is the requirement that, in order for interest rates in the urban/housing sector to become positive in real terms, they be aligned on the nominal rates prevailing in industry to remove the perception of subsidization attached to housing finance. This is arguable because this rate correction does not eliminate a bias (e.g. interest subsidy), but merely replaces it with another one, but worse. A negative rate implies only a non-cash subsidy (as it results from a statistical comparison between a nominal rate and an inflation rate). In contrast, a positive mortgage rate aligned on industry's implies a cash premium paid by homeowners over entrepreneurs. This inequality results from the different tax treatment generally imposed on the two categories of borrowers. In many countries, interest expenses are fully deductible if incurred in the course of any business activity, but not if associated with personal loans such as individual mortgage loans.
 3. This point can be illustrated by the (simplified) case of Tunisia. The medium-term trend of inflation is about 8% p.a., the rates applicable to industry have been increased recently to 12%, and there are pressures to do likewise for housing rates, which range currently from 3% to 6% p.a. The Bank proposal (contained in the "Institutional Housing Finance Sector Review", July 1984, No. 5199-TUN) is for increasing the reference rate to 8%. This rate would be merely neutral in real terms, but still sharply negative compared to industry. However, the 12% billed to industry costs only about 6% to entrepreneurs because the State is financing the other 6% through tax deduction of business-related interest expenses. In contrast, homeowners will pay 8%, which will be positive compared to the industry rate, itself negative in real terms on a net-of-tax basis. Overall, the 8% rate proposed for the housing sector is a better deal for the economy than the 12% rate achieved for industry in both real terms and subsidy allocation terms.
 4. While aligning urban housing rates on industry rates is an acceptable proxy when the inflation rate is low (i.e. below 10% p.a.), it is not when either inflation is rapid, or steep rate increases are considered. In these cases, an adequate level of interest rate for housing loans should preferably be sector specific. In practice, there is a need to strike a balanced compromise between what is affordable to

November 7, 1985

borrowers and the need for lenders to recover their cost of funds plus a decent margin. It was documented in the case of Tunisia that households are ready to be burdened by heavy debt-service ratios (e.g. in the 25% - 40% of income range) to acquire a life-time asset. The lenders' cost of funds should be the weighted average (including all relevant exchange risk provisions and coverage premiums when domestic capital markets are opened to foreign flows), but taking into account the marginal cost if it is widely different from the average.

5. The proposed test for setting an adequate reference interest rate in a given housing finance system would be:

Step 1: To compare:

- $12 \times .5 - .8 = -2$ (1) industry interest rate \times (1 - income tax rate) - inflation rate to:
- $.8 - 0 - .8 = 0$ (2) housing finance interest rate - interest rate tax deduction - inflation rate.

Step 2: To revise (2) if (2) > (1) and (2) < 0, but only if (2) < lender's cost of funds + margin (e.g. 2 points minimum).

6. A systematic research is necessary if a consistent sectoral interest rate policy is promoted across countries. A test was carried out by Ms. Van Meurs in July 1985 to ascertain the availability of data. It confirmed that the country brochures published by many international auditors would be a quick source of information and would allow a frequent updating of the data base. The research should cover at least the countries where housing mortgage loans and interest rate conditionalities are considered in forthcoming Bank projects. An exhaustive survey would eventually be useful to identify countries where mortgage interest payments are tax deductible and to what extent this is correlated with more significantly positive rates in real terms than in countries where no deduction is allowed.

7. I propose to take the lead in this research for which I estimate the need for a total budget of six weeks, including about three weeks of a research assistant level. The end-product would be a memorandum summarizing all the data gathered, supported by a permanent data file on microcomputer.

J-F. Landeau/syd

cc: Messrs. Picciotto, Dewey, Ljung (o/r), Liebenthal (EMP), Churchill, Costa, Walters, Jones, Renaud (WUD); Buky (EAPWU); Sandstrom (ASPUW); Sud (AEPWU); Thint (LCPUR); Pelligrini (WAPUR); Long (INDFD); Van der Bijl (IFC).

All EMPUR Staff

EMENA Files

- Harry Richardson
on urban / rural
linkages

has his report
out on Pakistan
as of April of 1984

~~Tom Carroll (sp.)~~

ROUTING SLIP		DATE:
NAME		ROOM NO.
(1) Mr. Cohen		
(2) Mr. De Foraut		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
<input checked="" type="checkbox"/> INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
Africa: <u>Hoening Finance Review</u>		
Attached are the latest TORs for a position paper on Hoening and Hoening Finance in Africa done in collaboration with French Agencies. (To be discussed in Paris Sept 30.)		
FROM:	ROOM NO.:	EXTENSION:
B. Renaud	N-747	61698

LE FINANCEMENT DU LOGEMENT, ELEMENT CLE D'UNE

POLITIQUE DE L'HABITAT

PROJET DE

TERMES DE REFERENCE

(établis à la suite de la réunion du 03/07/1985

et de la note du MULT du 08/08/85)

I - EXPOSE DES MOTIFS

L'élaboration d'une politique de l'habitat, globale et cohérente, est une tâche difficile, particulièrement dans les pays en voie de développement, où les besoins sont immenses, et les ressources rares.

De nombreux goulots d'étranglement apparaissent généralement lors de la mise en place de telles politiques, en particulier dans le domaine financier.

Au cours de ces dernières années, dans le cadre du développement de ses activités dans le domaine urbain, la Banque Mondiale a initié une réflexion de fond sur le problème du financement du logement dans les P.E.D, appuyée sur son expérience acquise principalement en Asie, en Amérique Latine et dans une moindre mesure en Afrique. De leur côté, les Ministères français compétents (coopération et logement) ont mené à bien, un certain nombre d'études et de recherches sur ce sujet, portant sur la France et plusieurs P.E.D.

La Caisse des Dépôts a été étroitement associée, depuis plus de 30 ans, à la mise en oeuvre de la politique française en matière de logement. En tant qu'institution financière, elle joue un rôle essentiel dans les mécanismes de financement du logement, auquel elle consacre une partie importante de ses ressources. Par l'intermédiaire de ses filiales spécialisées, elle participe activement à la mise en oeuvre des politiques définies au niveau national.

A la suite des engagements pris par M. LENOIR, Directeur des Affaires Internationales de Caisse des Dépôts-Développement et

des contacts poursuivis avec la Banque Mondiale, divers organismes publics français : la Caisse des Dépôts et Consignations, le Ministère de l'Urbanisme, du Logement et du Transport ; le Ministère des Relations Extérieures, ont décidé d'unir leurs efforts et leurs moyens, pour mener à bien une étude sur les modes de financement du logement mis en place, en France et dans quelques pays africains, au cours des 20 dernières années.

Les conversations qui ont eu lieu entre les organismes précités et la Banque Mondiale ont permis d'aboutir à un accord sur les objectifs, le contenu, le programme, les résultats à attendre d'une telle étude, ainsi que les moyens à y affecter. Ces divers éléments sont résumés dans ce qui suit.

II - OBJECTIFS DE L'ETUDE

L'objectif central de l'étude peut se résumer ainsi : formuler des recommandations permettant d'améliorer le contenu et la forme des programmes d'aide bilatérale ou multilatérale en matière de financement du logement, afin de rendre ces programmes plus à même d'apporter des solutions **opérationnelles** aux problèmes auxquels ont à faire face en ce domaine les pays en voie de développement.

Pour ce faire, trois objectifs principaux sont assignés à l'étude :

- Procéder à une analyse du système de financement du logement mis en place en France et dans trois pays africains ; formuler un diagnostic sur les performances de ces systèmes et les obstacles auxquels ils se sont heurtés ; examiner les résultats atteints par les politiques et les projets financés par les aides bilatérales et multilatérales.
- Dégager quelques unes des caractéristiques principales que devraient revêtir les systèmes de financement du logement en PED, en les rapportant au cadre politique économique, financier et législatif dans lequel ils s'insèrent, et ce à la lumière des résultats obtenus dans le passé, tant en PED qu'en France.
- Dégager une méthodologie d'analyse des politiques de l'habitat en PED, et en particulier de leurs aspects financiers.

III- CHAMP ET CONTENU DE L'ETUDE

L'équipe d'étude (ci-après désignée par "le Consultant") réalisera une monographie sur chacun des trois pays suivants, après accord des autorités locales sur le but et l'orientation de la recherche :

- Un pays d'Afrique noire francophone, la Côte d'Ivoire,
- Un pays d'Afrique du Nord : Le Maroc
- Un pays d'Afrique noire anglophone : le Zimbabwe

Parallèlement, une synthèse de l'évolution de la politique française en matière de financement du logement sera élaborée. Elle servira de **cadre de référence** pour l'analyse des systèmes des autres pays.

Enfin, l'équipe d'étude utilisera les monographies et études disponibles à la Banque Mondiale et chez d'autres bailleurs de fonds, Ministères ou organismes de recherche, en particulier les recherches financées récemment par le programme interministériel REXCOOP (Pour un financement autocentré de l'habitat, GRET, 1985 ; Prospective de l'habitat en Afrique, 1985).

L'étude comportera 10 tâches principales :

1 - Recherche bibliographique

Le consultant procèdera à une recherche bibliographique sur les problèmes du logement pour l'ensemble des pays étudiés.

2 - Définition de la méthodologie d'analyse

A la lumière des études et documents existants, et des documents méthodologiques disponibles, le Consultant précisera la méthodologie détaillée de l'étude et déterminera le sommaire détaillé des documents à produire.

Les résultats des tâches 1 et 2 feront l'objet d'un premier rapport.

3 - Description du cadre général des pays étudiés

Le consultant décrira succinctement le cadre général de chacun des pays étudiés de façon à situer dans son contexte le problème du logement et plus particulièrement de ses modes de financement. A cette occasion, il indiquera les caractéristiques de l'appareil statistique disponible pour appréhender tant le cadre national global que le secteur particulier du logement. Cette description portera notamment sur les éléments suivants :

- Cadre macroéconomique : P.I.B/Tête ; structure du P.I.B, de l'emploi, de la F.B.C.F ; Budget de l'Etat, Investissement public et privé. Branche B.T.P.
- Evolution démographique : population (totale, urbaine, rurale), taux de croissance passés, évolution probable jusqu'en 2000, évolution du système urbain.
- Revenus des ménages : répartition des revenus des ménages, indications sur l'épargne et la consommation.
- Evolution passée du parc de logements urbains et besoins prévisibles : importance du parc, évolution passée, rythme de construction pour diverses catégories de logement, par le secteur public et le secteur privé, formel et informel, structure de l'appareil de construction ...
- Le système financier : organisation générale du secteur financier, organismes financiers spécialisés dans le logement.

4 - Les principaux traits de l'évolution des composantes du secteur du logement

Cette tâche a pour objet de décrire succinctement l'évolution des composantes du secteur du logement. Le consultant s'attachera en particulier à analyser l'évolution des éléments suivants :

- . Les politiques de l'habitat, lorsqu'elles ont été formalisées.
- . Le cadre législatif du logement : réglementation, fiscalité, règles financières.
- . Les institutions spécialisées créées dans le domaine du logement, leurs objectifs, leurs liens éventuels.
- . Les résultats atteints, comparés aux objectifs fixés.

5 - Les sources de financement et la collecte de l'épargne des ménages

Le consultant décrira les modes de collecte des fonds destinés au logement, en distinguant :

- les fonds d'origine publique : subventions directes, bonifications d'intérêt, dotations budgétaires, etc...

- la collecte de l'épargne des ménages par les circuits financiers : épargne volontaire, épargne forcée, collecte des fonds envoyés par les travailleurs immigrés.
- les circuits de collecte "informels".
- l'apport de fonds des émigrés.

Chacun de ces modes de financement sera décrit en termes qualificatifs et quantitatifs. Le consultant s'efforcera de recouper les chiffres obtenus dans cette analyse avec ceux provenant de l'analyse macroéconomique faisant l'objet de la tâche 3.

Une attention particulière sera attachée à la description des organismes chargés de la collecte des fonds destinés au logement.

6 - L'utilisation des fonds : le financement du logement

Le consultant décrira les mécanismes de financement des quatre éléments principaux constituant le "système logement":

- Financement de l'achat des terrains, et de la constitution de réserves foncières.
- Financement de l'équipement des terrains.
- Financement des promoteurs (publics et privés).
- Financement des acheteurs.

L'analyse mettra clairement en lumière les flux financiers, l'origine des fonds, leur rapidité de rotation, les taux pratiqués aux divers stades du système, l'organisation des institutions spécialisées, leurs problèmes de trésorerie, de refinancement, d'équilibre financier à moyen et long terme, les techniques de "mixage" des fonds de divers origines, la nature des garanties exigées des emprunteurs.

L'analyse portera sur le secteur formel et sur le secteur informel. Elle précisera la nature des logements produits par les divers circuits et les couches de clientèle auxquels ils s'adressent.

7 - Séminaire

Un séminaire qui se tiendra à Paris, réunira les représentants des organismes participant à cette étude, et les spécialistes qu'ils souhaiteront inviter. Ce séminaire permettra d'analyser les résultats obtenus dans les trois pays étudiés, de les comparer à ceux d'autres pays et de procéder à un large échange de vues sur les premiers éléments du diagnostic que le consultant soumettra au séminaire.

8 - Diagnostic sur les résultats, la performance du système, et les goulots d'étranglement

A partir des éléments d'analyse dégagés dans les tâches précédentes et des conclusions du séminaire décrit précédemment, le consultant formulera un diagnostic sur les performances du système financier et s'attachera à mettre en lumière les goulots d'étranglement éventuels.

Les performances seront estimées en comparant les quantités de logement produits, par catégories de prix, aux besoins, par strate de clientèle, tels qu'ils auront été calculés au cours de la tâche 3.

La méthodologie définie dans la tâche 2 devra permettre d'effectuer des comparaisons entre pays, en particulier sur l'aptitude du système financier à solvabiliser la demande des ménages.

Le diagnostic identifiera les goulots d'étranglement apparaissant dans le système financier lui-même, et dans les autres composants du système logement : capacité insuffisante des entreprises de construction, insuffisance des statuts fonciers, inadaptation du cadre juridique, fiscal et réglementaire.

Ce diagnostic fera l'objet d'un rapport de synthèse, accompagné d'annexes par pays.

9 - Mission à Washington

A l'issue du diagnostic, une mission sera organisée à Washington, dont les objectifs seront les suivants :

- Discussion, avec les experts de la BIRD concernés, des conclusions de la phase diagnostic.
- Discussion sur les caractéristiques principales que devraient prendre les politiques du logement en PED, et plus particulièrement leurs aspects financiers.

- Comparaison des analyses effectuées sur les pays étudiés avec les résultats d'analyse comparables effectuées par la BIRD dans d'autres pays.
- Discussions sur les axes d'interventions pertinents pour les bailleurs de fonds.

10 - Conclusions

A l'issue de la mission à Washington, le consultant formulera un ensemble de suggestions sur les axes d'intervention possibles pour les bailleurs de fonds et organismes d'aide, portant, en particulier, sur les points suivants :

- les systèmes de financement par fonds publics (subvention bonification de taux...)
- les systèmes de collecte de l'épargne des ménages
- les éléments permettant d'assurer l'homogénéité, la cohérence et le bon fonctionnement de l'ensemble du système de financement du logement (terrain, équipement, promotion, acquisition).
- les points critiques des autres composants du système logement : aspects juridiques, légaux, industriels...
- les points critiques qu'un diagnostic portant sur la politique de l'habitat doit mettre en lumière.

Les capacités d'organismes français mobilisables à travers le MULT, et celles de la Caisse des Dépôts, en matière d'expertise, d'Assistance Technique ou de participation financière seront signalées.

11 - Rapport de synthèse

Le consultant élaborera un rapport de synthèse provisoire dont le contenu indicatif sera le suivant :

- Introduction - Objectifs de l'étude.
- Méthodologie utilisée.
- Synthèse des trois monographies
- Axes d'intervention possibles.

Ce rapport de synthèse provisoire fera l'objet d'une large discussion entre les organismes participant à l'étude et un rapport final tenant compte des observations faites sera établi par le Consultant.

IV - CHRONOGRAMME

Le chronogramme général de l'étude fait l'objet du graphique ci-joint (voir page 10)

V - EQUIPE DE TRAVAIL

L'équipe de travail sera formée de la façon suivante :

- Deux experts, travaillant en étroite collaboration (MICHEL CHRETIEN et Jean-Luc MOREL), élaboreront la méthodologie et assureront le travail d'analyse dans les pays étudiés (tâches 1 à 9).
- Un expert de la Caisse des Dépôts et Consignations, M. MAIGNE chargé de mission à la Direction Administrative et Financière, participera à l'élaboration de la méthodologie, effectuera à Washington avec M. CHRETIEN la mission de synthèse auprès de la BIRD et procédera à la synthèse des capacités d'intervention de la CDC en matière de financement de logement.
- Un "Steering Committee", groupant des représentants de l'ensemble des organismes participant au projet, se réunira à intervalles réguliers pour suivre l'avancement des travaux, et assurer la diffusion des résultats du projet.
- La coordination générale de l'étude sera assurée par J.M. ROUSSEL.

Un document de travail, élaboré dans le courant du mois d'Aout, fixera la répartition précise des tâches entre les trois experts.

VI- BUDGET PREVISIONNEL

Le budget de l'étude se monte à 600.000 FF
(Six cent mille francs français) qui se décomposent de la
façon suivante :

1. - Honoraires

Honoraires de M. CHRETIEN, J.L MOREL et
O. MAIGNE : 360 000 FF

2. - Frais

- 2 voyages en Afrique du Nord : 8 000 FF
- 2 voyages en Afrique Noire : 20 000 FF
- 3 A.R Paris-Washington : 27 000 FF
- Frais de séjour à Washington
et en Afrique (120 jours) 135 000 FF
- Edition du rapport, frais de
traduction, documentation,
frais d'organisation du séminaire : .. 50 000 FF

Sous TOTAL FRAIS 240 000 FF

3. - TOTAL GENERAL : 600.000 FF

Le financement sera assuré de la façon suivante :

- Ministères français : 200 000 F (33,3 %)
- Caisse des Dépôts : 210 000 F (35 %)

Le financement du complément, soit 190 000 F (31,6 %) pourrait
être pris en charge par la BIRD (Financement des voyages et des
frais de séjour).

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE November 8, 1985
TO DISTRIBUTION LIST
FROM Bertrand Renaud, Housing Finance Adviser, WUDDR *BR*
EXTENSION 61698
SUBJECT France-Bank Cooperation: HOUSING FINANCE IN AFRICA

1. This project has been initiated and discussed at various occasions by Senior WUD staff and French officials since early 1984. My first direct involvement has been a one-hour meeting in March 1985 with the designated French coordinator. The attached letter proposes a revised work program for this project. It follows a meeting which took place in Paris at the Ministry of Urbanism (MULT-DAEI) on September 30, 1985 to discuss a first general work program drafted in Paris in late August. There I met most -- but not all -- of the French consultants and gained some understanding of their interests.

2. To provide a better focused and operationally useful position paper, I am proposing that the core of the work focus on resource mobilization for housing in the UMEAO members (Monetary Union of West African States). On the financial sector side, this requires an examination of the critical role of the multinational Central Bank (BCEAO) in each country, a role in evidence in project UDP-III in the Ivory Coast under preparation. The other critical issue is the direct mobilization of household funds and the leveraging of public funds with additional private investments.

3. Attached you will find a work program (in French), a first outline for the position paper (in English) and proposed tasks for each participant including the Bank (in English). This revised work program reflects what I have learned in Paris as well as my discussions with WAPUR and ESPWU managers and staff. Because none of the participants is committed full-time to this project, coordination is becoming intensive. This has an impact on schedules and substance; therefore we need to streamline the work. Note that further adjustments are likely to be made when the French team members respond to this revised work program.

Distribution:

Messrs. Churchill, Costa, Cohen, Ms. Farvacque, WUDDR;
Guetta WAPDR; Pellegrini, Amiot, Delapierre, WAPUR;
Grimes, Racki, ESPWU; Noel, WA2DA; De Ferranti, WUDOR

BRenaud/a

FINANCEMENT DU LOGEMENT EN AFRIQUE
PLAN DE TRAVAIL (Version Revisee)
7 Novembre 1986

A. Produit final du projet.

Du point de vue de la Banque Mondiale ce projet aura atteint son but s'il mene a un rapport de nature strategique qui montrera la place du logement dans les economies nationales durant cette periode ou toutes les strategies economiques nationales sont remises en questions; un des volants importants des politiques de logement etant les mecanismes de financement. Ce rapport (court) ferait l'inventaire des problemes de financement du logement en Afrique francophone, couvrirait les grandes orientations de politiques du logement et de financement du logement et tirerait les lecons du passe en indiquant les actions les plus efficaces et les actions prioritaires. Un tel document faciliterait ensuite la coordination des actions en faveur de l'Afrique.

B. Resultats de la reunion du 30 septembre

La reunion du 30 septembre a rassemble pour la premiere fois tous les participants au projet (sauf M. Chretien). Bien que nous ayons eu trop peu de temps pour discuter, nous avons maintenant une meilleure comprehension de l'orientation a donner au travail, des capacites techniques de chacun et des besoins de coordination. Les problemes de choix de pays et les contraintes de calendrier sont aussi plus visibles.

C. Proposition de travail

Il est maintenant urgent de preciser les taches de chacun si nous ne voulons pas dissiper rapidement nos ressources en temps et en fonds. Je vous envoie donc ci-joint un plan possible pour le rapport final et une liste preliminaire des activites de chaque participants. La methode que j'ai suivie est de definir le plus precisement possible le produit final et d'en deduire la marche a suivre.

Etant donne les ressources en temps et en hommes et le besoin d'ecrire un rapport utile avec des donnees fraiches, je propose que le rapport se concentre sur les problemes de financement du logement dans les pays de l'UMEAQ (Union Monetaire des Etats de l'Afrique de l'Ouest). La raison en est le role dominant et contraignant joue par la BCEAO (Banque Centrale des Etats de l'Afrique del'Ouest) qui est une banque centrale multinationale definissant le cadre de toute operation financiere d'une facon uniforme dans chacun des huit pays membres. Le role de la BCEAO dans le secteur logement a ete tres peu analyse et forme une point d'ancrage innovateur efficace pour tout le reste du rapport. Cela nous evitera la compilation de documents deja connus pour orienter nos ressources vers la production de renseignements nouveaux et importants. C'est sur cette base que j'ai essaye de specifier les taches de chacun en fonction de ses capacites. Si, comme je l'espere, beaucoup de donnees globales peuvent être trouvees a Paris, nous aurons d'autant plus de chance de faire de bonnes missions sur le terrain.

D. Consequences de cette proposition

1. Clarification des priorites

L'accent mis sur le role de la BCEAO aurait le merite de clarifier et de simplifier les taches de chacun a Paris et a Washington. L'essentiel de nos efforts porterait donc sur les sections 5 et 6 avec un travail plus limite sur les sections 4 et 7 ainsi que sur les annexes du rapport final. Les autres sections seraient redigees durant la phase finale seulement a la fin du travail puisqu'elles concernent essentiellement des questions structurelles dans le secteur fondees sur des donnees connues.

2. Contribution de chaque participant

Des propositions de travail detaillees pour chacun de nous sont faites en annexe (en anglais par necessite). L'analyse des actions et des regles de la BCEAO devrait permettre en particulier a Monsieur Maigne de tirer le meilleur parti de ses connaissances en comparant le systeme BCEAO avec le systeme francais passe et present. Cette approche lui faciliterait aussi la transition vers les missions de terrains et devrait lui permettre de rediger un rapport tres interessant (voir l'ebauche en annexe). Je vois aussi beaucoup mieux la contribution que Messieurs Chretien et Morel pourrait faire a cette comparaison etant donne leurs connaissances africaines (voir annexe). Il est evident que ces propositions restent a etre revues, precisees, acceptees et finalisees.

3. Missions sur le terrain

Senegal, Cote d'Ivoire, autres pays:

Le cadre de travail propose elimine une mission au Maroc qui semble peu necessaire etant la masse d'analyses que nous avons deja. Il y aurait trois missions principales: une a Dakar et Abidjan, une au Zimbabwe et une a Washington. Une mission courte a Londres pourrait aussi etre envisagee pour l'inventaire de l'experience de la CDC et la collecte de donnees sur le Zimbabwe.

Zimbabwe:

Compte tenu du dialogue actuel entre le gouvernement et les caisses d'epargne (Building Societies), mes collegues de la Banque souhaitent que la mission au Zimbabwe soit integree a leur travail et placee sous leur controle. Ils desireront une contribution concrete a leur programme de travail. Leur mission est prevue vers le 1er avril 1986. Je vais donc y participer aussi.

4. Calendrier Souhaitable

30 novembre 1985

Les termes de references de chaque participant sont finalises (taches, nature des rapports, date de soumission, contenu, longueur, etc...).

31 Decembre 1986

Premiere ebauche de la section 5 terminee a Paris.

Fevrier 1986

Mission a Dakar et Abidjan

Mars 1986

Fin de la section 5 et ebauche complete de la section 6 du rapport final sur la base du travail a Paris et en Afrique.

Avril 1986

Mission au Zimbabwe; rapport separe.

Fin Mai 1986

Seminaire a Paris pour discuter du contenu du rapport final sur la base des rapports individuels

Juin 1986

Redaction du rapport final a Washington (moins de 60 pages en ne comptant pas les annexes).

Ete 1986

Discussions du rapport final avec la banque Mondiale.
Traduction dur rapport en anglais terminee en septembre 1986.

1: General approach

- 1.1: each consultant should produce a self-contained output
 - 1.2: each task should feed easily into the overall report
 - 1.3: duplication of existing work should be avoided; syntheses OK
- 2: Focus all efforts on major unexplored aspect: Role of UMEAG/BCEAD

3: MAIGNE

- 3.1: three main tasks (reduceable to two if needed)
 - compare BCEAD with France
 - Do a field Mission on BCEAD with Morel, Senegal, Ivory Coast
 - alternative if not enough time:
 - Maigne does analytical work in Paris
 - Chretien and Morel do the field mission
 - Do a field Mission on a British type system, Zimbabwe mission with a World Bank team (Chief, Jeff Racki)
 - timing: early April with 2d loan mission
 - other participants: Renaud, Chretien
- 3.2: Parallel between BCEAD operations and old French System
 - Central Bank major source of financing
 - Strong context of directed credit (Selectivite du credit)
 - Orders of magnitude from Penaud & Gaudichet, Economica, 1985
 - Concern about money creation and inflation
 - constraints on commercial bank lending
 - discounting and rediscounting mechanism
 - operating principles
 - prior loan approval system
 - maximum loan amount
 - maximum percentage of loan rediscounted
 - maximum loan maturity
 - differentiation by type of units financed
 - impact on type of lending available for housing
 - maturities too short
 - loan to value ratio too low
 - high down payment required
 - course aux prets
 - fragmented financial plans
 - exclusion of middle and low income group
 - creation of stop-gap ad-hoc subsidy programs
 - Market innovation: "Differed Credit System"
 - Principle; see Le Besnerais book
 - mixing mutual savings principle with rediscounting
 - extended loan maturity: improved affordability
 - encouragement of household prior savings
 - Actual operations
 - see files accumulated by B.Renaud
 - Mathematical model
 - banking operations
 - French bank regulations
 - Where things can go wrong: CIFIN; Ivory Coast
 - Rigidities imposed by this antiquated system
 - interest rates
 - high cost of originating loans?
 - other aspects
- 3.3: Early Reforms of the French Housing Finance System (1965-70)

principles and objectives
 new savings sources (savings plans)
 banking deregulation(explain)
 secondary mortgage market
 Impact of the reforms
 savings mobilization
 volume of lending
 secondary market (marche hypothecaire)

3.4: Appropriate questions for BCEAO

3.5: PREPARATION OF MISSION TO WEST AFRICA WITH MOREL (duration?)

to Dakar, Senegal
 visit to BCEAO
 visit to commercial banks
 visit to BHS
 to Abidjan, Ivory Coast
 visit to regional BCEAO office
 visit with banks
 visit to BNEC

4: MOREL

4.1: Three major tasks

clarify BCEAO data base and prepare mission with Maigne
 Prepare cross-country comparisons of UMEAO Members
 Contribute to review of international assistance
 Caisse Centrale
 autres sources officielles francaises
 Commonwealth development Corporation (maybe Chretien)
 AID should be done from Washington

4.2: Work would focus on UMEAO members

4.3: Origin of UMEAO

4.4: Level of Activity of BCEAO

by country
 by activity
 analysis of Commercial bank conditions on lending for
 housing
 data on the last five year by country
 in depth analysis for Ivory Coast and Senegal

4.5: Preparation of field mission for/with Maigne

data on banking and finance
 comparative data on UMEAO members
 macro-economic data
 household income data
 housing data
 (NB: a checklist will be provided to limit work needed)

5: CHRETIEN

5.1: Three main tasks

1. Work with Morel on comparative data base on UMEAO
 countries
 use his own existing reports
 provide diagnosis of current problems
 African housing markets and housing finance systems
 experience with specific specialized banks
 BNEC
 CIFIM
 BHS
 Credit Foncier Gabon

Credit Foncier Cameroon

2. Discuss Household savings mobilization in English systems
see resource mobilization section in Final Report Outline
write up case study for Zimbabwe
3. Prepare review of British CDC experience in African housing

6: ROUSSEL

- 6.1: Coordination in Paris
- 6.2: Preparation of Paris Seminar
What back-up when travelling?
role of DAEI ?
Role of REXCOOP?

7: RENAUD/FARVACQUE

- 7.1: Preparation of sections of Final report not covered elsewhere
- 7.2: African housing Finance data base
- 7.3: Mission to Zimbabwe
outline for next lending activities
coordination of this part of the mission
- 7.4: Drafting of the Final Report in Washington with consultant team
Maigne
Chretien
- 7.5: presentation of finding to World Bank African divisions

1: OBJECTIVE OF THE REPORT

- 1.1: Focus all the analysis on UMEAO countries
- 1.2: Make an inventory of major housing finance bottlenecks
- 1.3: Indicate realistic directions for next 10 years
- 1.4: Identify priority international activities in the sector

2: GROWING SIGNIFICANCE OF SHELTER IN AFRICA

- 2.1: rapid growth at very low levels of income
- 2.2: demographic growth
- 2.3: rates of urbanization

3: MAJOR CONSTRAINTS ON HOUSING FINANCE IN AFRICA

- 3.1: macro-economic conditions
 - level of income
 - trends in per capita income : down
 - levels of real saving
 - level of financial development
- 3.2: unrealistic expectations
 - (see my old notes, based on discussions with G.Beier)
- 3.3: affordability
 - income distribution
 - try the World Bank Methodology (Mayo Routines)
 - what does it mean for extended family system?
- 3.4: types of products to be financed
 - Sites and services
 - LEM (logement, equement minimum)
 - logement sociaux
 - logements economiques
 - etc...
- 3.5: constraints on supply of housing
 - land management
 - construction
 - financing

4: BRIEF REVIEW OF INTERNATIONAL ASSISTANCE

- 4.1: Experience of Caisse Centrale
- 4.2: Experience of the World bank
 - Project completion Reviews, PPARs
 - Monitoring and evaluation (Mayo/Gross papers)
 - Farvacque Review in the Ivory Coast
- 4.3: Experience of Commonwealth Development Corporation
 - Use Zimbabwe as case for review
 - provide listing of other African activities
- 4.4: Experience of AID
- 4.5: lessons
 - top down approaches
 - public sector institutions
 - specialized housing banks
 - apex mechanisms
 - bottom up approaches
 - tontines
 - role of cooperative sector (see Graham Alder paper)
 - building societies (lessons of Zimbabwe)

5: ECONOMIC DIVERSITY AND INSTITUTIONAL SIMILARITIES IN UMEAO COUNTRIES

- 5.1: Origins of UMEAO (two paragraphs)
- 5.2: Brief description of member countries
 - no country vignettes on cross-sectional data of WDR type

- 5.3: summary of BCEAD activities by member country
 see data from Alain Serge and others
 the analysis should very basic, essentially descriptive

6: IMPACT OF BCEAD RULES ON HOUSING FINANCE

- 6.1: Dominant role of Central Bank in Financial systems
 rediscounting rules
 "social housing" vs. regular housing
 interest rates
 maturities
 loan amounts
 directed credit ("selectivite du credit")
 differed credit and limitations (CIFIM, Ivory Coast)
 other alternatives (CDM)

7: NEED FOR DOMESTIC RESOURCE MOBILIZATION

- 7.1: deposit opportunities for small savers
 paper by Vogel and Burkett
 savings and development Colloquium (Economica, 1984)
- 7.2: role of commercial banks
- 7.3: role of specialized banks
 experience in the region
 BNEC, Ivory Coast
 CIFIM, Ivory Coast
 Credit Foncier, Cameroon
 B.H.S. , Senegal
 Credit Foncier , Gabon
 do you need specialized banks in UMEAD?
 why did BNEC fail in the Ivory Coast? Where?
 What are the problems of BHS, Senegal?
- 7.4: role of alternative approaches
 taking into account local markets
 incremental housing
 comparing formal with incremental housing
 why does formal housing cost so much?
 various regulatory failures
 cost of permits
 notaires in I.C.
 wrong standards
 wrong targetting
 poor, costly delivery
 failure to recover payments
 calculations of Chambard report on I.C.
 leveraging effect of public investment
 PIR Morocco FY 1985
 other Africa evidence
 financing infrastructure vs. financing housing
 use top-down resources to finance serviced land
 use bottom-up informal credit for housing
 see Alder paper on cooperative financing
 see "Financement autocentre " for basic data
 Middle-Income Housing

8: CONCLUSIONS

- 8.1: priorities in shelter supply
 serviced land
 decentralized systems are less management intensive
- 8.2: Desirable Characteristics of Housing Finance Systems in UMEAD

- economic context
- financial context
- institutional context

8.3: lessons

- top down approaches
 - public sector institutions
 - specialized housing banks
 - apex mechanisms
- bottom up approaches
 - tontines
 - role of cooperative sector (see Graham Alder paper)
 - building societies (lessons of Zimbabwe)

8.4: New entry points for bilateral and multilateral assistance?

9: ANNEX 1: DATA BASE FOR UMEAD

9.1: member countries

- Ivory coast (studied: Bank, this project)
- Benin (no)
- Burkina-Faso (no)
- Mali (Chretien, 1982)
- Niger (Chretien, 1984)
- Senegal (Chretien, 1983;others)
- Togo (no)

10: ANNEX 2: DATA BASE FOR OTHER COMPARATOR COUNTRIES

10.1: non member countries

- Sudan (Chretien, 1983)
- Rwanda (Chretien, 1979, 1985)
- Cameroun (Chretien, 1985)
- Maroc (Chretien, 1981; Bank report 1984)
- Zimbabwe (World bank; this project)
- Burundi (Bank loan, 1984)