URBAN DEVELOPMENT SUPPORT SERVICES (UDSS)

September 1983

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: _____ — DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Worldwide

3. PROJECT NUMBER: G-940-1002

4. BUREAU/OFFICE: PRE/H (OFFICE OF HOUSING AND URBAN PROGRAMS) 912

5. PROJECT TITLE (maximum 40 characters): URBAN DEVELOPMENT SUPPORT SERVICES

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 88

7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4): A. Initial FY 84 B. Quarter 1 C. Final FY 88

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 84 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	1,241.0	-	1,241.0	11,070.0	-	11,070.0
(Grant)	(1,241.0)	(-)	(1,241.0)	(11,070.0	(-)	(11,070.0)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other U.S. 1.	-	-	-	-	-	-
Other U.S. 2.	-	-	-	-	-	-
Host Country	-	414.0	414.0	-	3,690.0	3,690.0
Other Donor(s)	-	-	-	-	-	-
TOTALS	1,241.0	414.0	1,655.0	11,070.	3,690.0	14,760.0

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) ST	700	860	-	-	-	11,070.0	-	11,070.0	-
(2)									
(3)									
(4)									
TOTALS						11,070.0		11,070.0	-

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BU	INTR					
B. Amount							

13. PROJECT PURPOSE (maximum 480 characters)

To provide AID with a vehicle for demonstrating to LDCs methods, techniques, and programs, consistent with its overall policy objectives, and to build agency expertise in urban programming activities, in response to the growing demand for support from LDCs and in recognition of the importance of urbanization in national development.

14. SCHEDULED EVALUATIONS: Interim MM 10 YY 86 — Final MM 10 YY 88

15. SOURCE/ORIGIN OF GOODS AND SERVICES: ☐ 000 ☐ 941 ☐ Local ☐ Other (Specify) _____

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY — Signature: Peter Kimm — Title: Director, Office of Housing and Urban Programs — Date Signed: MM 09 DD 30 YY 83

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

AID 1330-4 (8-79)

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I. SUMMARY AND RECOMMENDATIONS

A. INTRODUCTION

The UDSS Project is designed in recognition of the importance of the urbanization process now underway in LDCs, with its massive requirements for land, jobs, shelter, infrastructure, and facilities to service the existing and future urban populations (expected to be a majority of the total population by the year 2000).

The UDSS Project views urbanization as a priority along with rural development and agricultural production in achieving national economic and social objectives in the LDCs. It establishes an approach which recognizes the close correlation between increasing GNP per capita and increased levels of urbanization and the interdependence between urban and rural economies. Within the national settlement system, the UDSS Project also recognizes the positive role of the primary city while at the same time encouraging secondary city development.

A principal aim of this project is to assist and strengthen AID's urban efforts. Thus, the UDSS Project is designed to foster coordination and collaboration between PRE/H and other AID bureaus and missions.

AID has been involved for many years with capital and technical assistance which impact urban areas though the recognition of the importance of urbanization in LDC development has never been a high priority within the Agency. The previous Office of Urban Development undertook various important and useful research projects and some demonstration projects but was constrained by limited resources. AID does not have a large cadre of personnel with the requisite skills in urbanization. The UDSS Project will help build internal AID capacity to devise appropriate methods and techniques for urban programming.

The UDSS-supported activities will, in part, respond to requests from USAID Missions and LDCs. It is expected there there will be an accelerating demand for activities over the life of the project. Therefore, it is important to build capacity, test appropriate methods and techniques, and obtain experience with the UDSS activities in order to prepare for increased demands in the last years of the program.

The range of UDSS Project activities will bring AID into contact with many new LDC institutions and agencies and provide an opportunity to build rapport and cooperative relationships. Many of the urban policy recommendations generated by UDSS Project activities will likely be at variance with present practices in LDCs (e.g., the emphasis on cost recovery, affordability, appropriate standards, and minimization of urban subsidies). Nevertheless, the length of the project should be sufficient to build a constituency for policy change.

The urbanization issues to be addressed in LDCs are enormous, and capital and technical assistance requirements vastly out-strip the resources available from AID (and indeed the combined resources of the entire donor community). The UDSS Project will develop techniques to identify strategic targets for AID programming which will have the largest feasible beneficial impact on the urbanization process.

Technical annexes have been provided at the back of the report to supplement the main body of the paper.

B. EVOLUTION OF THE UDSS PROJECT

AID has been an active participant in urban capital and technical assistance projects throughout its history. Large sums have consistently been allocated to primarily urban beneficiaries; for example, it is estimated that $821.5 million of the FY84 Congressional Presentation is targeted to urban populations not including the significant urban impact of PL-480, CIPS, and cash transfers.

Nonetheless, the urban policy of AID has been slow in evolving and rather limited, or even negative in its assignment of priority. The most recent formal policy statement (PD-67 Urbanization and the Urban Poor, May 27, 1976) reinforced the limited dimensions of AID's urban interest as related to other, particularly rural development priorities. Urban activities of AID have continued with relatively high expenditure levels more or less outside a rationalized AID urban policy. This issue is currently being addressed within AID through an active urban policy dialogue which, while not yet final, is likely to provide a much more positive basis for AID participation in urban activities. It will lead to a coherent framework linking the process of urbanization to national economic development in the LDCs, and the four key principles of the Agency: private enterprise development, economic policy reform, institutional development, and technology transfer. The UDSS Project reflects these new directions of Agency urban policy.

Within AID, a number of offices and USAID Missions are currently participating in programming in urban areas. The UDSS Project is designed to be complementary and supportive of these efforts. Previously, the Office of Urban Development was the central place within AID for urban research and the execution of selected urban demonstration projects. The Office of Urban Development, with very limited funding reflective of the low priority given to urban issues at that time, conducted several useful and important projects that have contributed to the knowledge base of the Agency.

In 1982 the urban development function was transfered to the Office of Housing to form a new Office of Housing and Urban Programs (PRE/H). This important step combined for the first time the broad issues of urbanization with the technical and HG capital resources of the Office of Housing with its extensive urban shelter sector experience.

PRE/H, since receiving this mandate, has undertaken a variety of activities in urban programming which have contributed to the formulation of the UDSS Project concepts. The UDSS Project proposes to facilitate the execution of the urban programming functions of the office for the next five years.

C. SUMMARY PROJECT DESCRIPTION

1. Goal and Purpose

   The overall goal of the UDSS Project is to strengthen the ability of LDCs to guide national urbanization efficiently in order to achieve the maximum contribution to national economic growth while ensuring the achievement of social equity for the urban poor in terms of access to shelter, infrastructure, facilities, and employment opportunities.

This project is complementary to the Housing the Urban Poor (HUP) project that will, in part, address social equity issues through shelter-related programs.

The Urban Development Support Services Project will be mainly concerned with the long-term reduction of urban poverty by dealing with the larger issues of urbanization as it relates to national economic growth, the enhancement of opportunities for urban-based private enterprise initiatives, the strengthening of urban institutions at the national and local levels; and will foster the adoption of urban policies which seek the rational selection of urban centers for priority attention because of their economic growth potential, guidance of efficient urban development with stress on appropriate standards, and selective use of capital investment.

UDSS/HUP approaches to urban poverty reduction are justified in that to stress only the amelioration of urban poverty would be to ignore the importance of urbanization as a major contributing force to national economic growth. Only through sustained economic growth can a nation hope to ultimately reduce poverty, both urban and rural, at the national scale.

Conversely, to stress only the role of urbanization in supporting national economic growth would be to ignore the reality that benefits of economic growth take time to filter down to the urban poor. Therefore, the two projects provide a balanced AID initiative concerned with both critical issues in most LDCs.

The second overall purpose of the UDSS is to contribute to improved urban programming in AID in general and the USAID Missions in particular. PRE/H will provide support in a variety of ways described below, all related to assisting other components of AID to address urban issues and requests being received in increasing numbers from LDCs.

2. Project Components

The components of the UDSS Project cover a variety of potential activities, and can be classified into four basic groupings. The approach will be to provide support for overall assessments of various aspects of urbanization and to target selectively in specific, limited project activities. The work will be undertaken either for one of the USAID Missions or AID offices or directly by PRE/H within an LDC. Within these four groupings the following are indicative of the activities to be supported:

a. Assess Broadly

1) Within LDCs

- Support the preparation of national urban policies.
- Conduct specific sectorial assessments within urban areas (e.g., land needs, construction, industry, urban management and urban finance, and public/private partnerships in urban economic growth, etc.)

2) Within AID

- Participation in AID urban policy and strategy formulation.
- Develop effective AID methods and techniques for achieving UDSS objectives in LDCs.
- Monitor urbanization trends in LDCs.
- Conduct practical applied urban related research into key issues.
- Provide support to USAID missions, upon request, for preparation of the development component of the CDSS.
- Conduct urban development assessments (UDAs) in LDCs at the request of the USAID Mission.

b. Target Selectively

1) Within LDCs

- Support for national or local urban institutions through short-term technical assistance focused on improving a specific function of the institution; long-term technical assistance to increase the overall capacity of an urban institution, training programs (both in-country and international), and technical assistance for institutional policy development.
- Action planning and programming in a specific urban location including concept plans for key urban centers, urban service delivery programs, public/private partnership programs, urban finance and credit programs.
- Preparation of selective capital assistance programs (using AID funding, other donor funding, or HG funding) for small scale infrastructure systems and maintenance, selected urban facilities (markets, medium/small scale enterprises, health and education facilities primarily in support of shelter projects), and urban services capital equipment essential to overall LDC objectives.

2) Within AID

- Develop urban program management capacity within PRE/H and related RHUDOs.
- Provide specific support upon request for USAID Missions and AID offices in the preparation of urban-related PIDs and PPs, and evaluation of urban projects whether or not PRE/H is involved in the specific project execution.

3. **Institutional Arrangements**

Over the five years of the UDSS Project, PRE/H will slowly increase its capacity to manage the program and to provide the requisite services to USAID Missions and LDCs as requested. This will require adding contract staff to each of the RHUDOs (based on the demand for services within a particular region).

It is anticipated that urban program activities will be developed and executed in the same manner as the present shelter sector activities of PRE/H. PRE/H will develop its own annual work plan which will focus on essential applied research, selected demonstration projects within LDCs, and training activities as are required to develop a coherent integrated urban program. Working relationships with other offices of AID which have related urban activities will be established to ensure coordination, cooperation, and the avoidance of duplication of effort.

The USAID Missions will be directly involved in requesting various urban-support. In order to facilitate this relationship, PRE/H will circulate to all relevant Missions materials which describe the urban services available and provide overview and selective information on urbanization. Close coordination and contact with Missions will be required since it is expected that the majority of activities supported through the UDSS Project will be generated by Mission requests.

4. **Financial Plan Summary**

The UDSS Project seeks a funding level of $11.07 million for a five-year period between FY84 and FY88. The annual requests are for:

FY84	$ 1,241,000
FY85	$ 2,100,000
FY86	$ 2,180,000
FY87	$ 2,579,000
FY88	$ 2,970,000

The annual increase in funding levels represents both inflation and a general expansion of the program activities as the overall effort gathers both experience and momentum.

Assess Broadly/Within LDCs Support National Urban Policy Formulation and Urban Sectorial Assessments.	$1,902,806	17.0%
Target Selectively/Within LDCs Support Urban Institutions Training, Action Planning and Programming, and Preparation of Capital Assistance Projects.	$3,801,611	34.0%

Assess Broadly/Within AID Monitor Trends, Applied Research, Support CDSSs, and Conduct UDAs.	$1,541,946	14.0%
Target Selectively/Within AID Develop RHUDO Capacities, Assist Missions with PIDs PPs, and Urban Evaluations.	$3,823,916	35.0%
	$11,070,279	100.0%

II. DETAILED BACKGROUND AND PROJECT DESCRIPTION

A. URBAN DEVELOPMENT CONTEXT

The Urban Development Support Services (UDSS Project) program has been developed in response to the growing importance of the urbanization process in the LDCs as it affects national economic growth, urban employment generation, the increasing numbers of urban households living in poverty, and the related impact on national social stability.

The UDSS Project recognizes the following dimensions of the global urbanization process:

1. LDC urban populations are increasing much more rapidly than rural populations and by the year 2000 it is estimated by the United Nations that the majority of the population will live in urban places.

2. Over one billion new urban residents will be born or migrate between 1980 and 2000 according to World Bank estimates.

3. Over 100 million urban households (approximately 500 million persons) are expected to be living below the poverty line (as estimated by the World Bank) in the year 2000.

4. These projections may prove conservative given the limited global prospects for expansion of agricultural employment.

5. Stimulation of urban economic growth is concurrently threatened by the worldwide decline of commodity prices, the very high levels of LDC debt, protectionist trade barriers to manufacturing exports, and high energy costs.

6. Rapidly growing urban populations combined with sluggish or negative economic growth rates, as is the case in many LDCs today, is a formula for economic and social disaster with negative ramifications for developed countries as well as for LDCs.

7. By the year 2000, between 279 million and 609 million new jobs will be required in LDCs, the majority in urban places. Even with the low estimate, if each job costs $10,000 to create it would require 5.3 times the collective 1980 gross domestic investment of the LDCs.

8. The physical requirements of urbanization are equally enormous between 1980-2000. Additional urbanized land requirements will range between 41,000 km^2 and 105,000 km^2 depending on densities and policies selected. Between 300 and 350 million new housing units will be required. The World Bank estimates that it would cost $116 billion 1975 dollars to provide basic shelter for just the urban poverty level households, $187-210 billion 1978 dollars for water supply to each house and $390 billion to $439 billion 1978 dollars for sewerage systems. Social facilities will cost billions more.

In response to the massive dimensions of Third World urbanization, there has been a tendency among LDCs and international donor agencies alike to postulate strategies that would slow or even stop the urbanization process. This paper argues that this negative view is incorrect and that positive approaches to urbanization are required. This is not to say that emphasis on rural development and increased agricultural production is wrong. On the contrary, this priority emphasis is essential to the achievement of national economic and social objectives. The UDSS Project stresses that a twin development strategy that seeks balanced urban and rural economic growth (determined on a country-by-country basis) will reinforce the present AID rural focus and enhance its potential for success.

This view is supported by three key principles which have been well established by extensive research:

1. Urbanization and GNP per capita are closely and positively correlated. A strategy that deliberately slows or stops the urbanization process is likely to negatively affect a country's national economic growth rate.

2. Urban economies and rural economies are interdependent.

3. Migration from rural to urban areas in countries that have surplus rural populations or very high person/land ratios is, overall, advantageous both to the rural and urban economies.

Finally, the UDSS Project is predicated on the view that a positive urban policy includes the entire urban settlement system and recognizes the interdependence of urban centers including the primary city. There has been a tendency not only to view urbanization negatively, but to single out the growth of primary cities as being particularly bad. Linn, Richardson, and Mera (among others) have documented the importance of primary cities in national development. The UDSS Project seeks to establish a balanced approach to enhance the efficiency and performance of primary cities while stimulating the productive role of secondary cities in overall national economic development.

These points are developed more fully in Section IV (Social Analysis) and Section V (Economic Analysis) of this project paper.

B. AID's STRATEGY

1. AID's Overall Urban Policy

AID has consistently made capital and technical assistance available for urban activities since the inception of the agency. From FY49 to FY71, it supported 154 technical assistance and 115 capital assistance projects concerned with urban development. Almost $4.5 billion was disbursed for urban activities during this period. Nonetheless, the first Agency urban policy statement (PD-54 Guidance Statement on Urban Development) was not issued until June 15, 1973. This policy recognized that urban activities were likely to be required within LDCs and justified a secondary role for urban programming within AID.

The second policy statement (PD-67 Urbanization and the Urban Poor) was issued in May 1976. This statement reiterated the premises of the earlier policy and added concerns for urban employment, improved urban planning, and social welfare while still recognizing the secondary role of urban priorities within AID.

Currently, there is a new urban policy under preparation in AID. This policy is likely to be more positive about the role of urbanization and national economic development in LDCs and to argue for an increased priority for urban activities while still recognizing the importance of AID's traditional priorities. The new policy will relate urban activities to the four current emphases of the Agency: private enterprise development, policy reform, institutional development, and technology transfer. The UDSS Project is proposed within the context of the forthcoming urban policy of the Agency and is compatible with its major emphases.

2. PRE/H's Basic Urban Policy Objectives

The UDSS program is predicated on a set of basic urban policy objectives of PRE/H. These include:

a. Support the contribution of urbanization to the achievement of LDC national economic development.

b. Recognize the interdependence of rural, regional, and urban economies.

c. Support the efficient development of national urban and regional settlement systems.

d. Achieve improved social equity for the urban poor.

e. Promote the most efficient uses of capital and human resources through the adoption of appropriate urban development standards, technologies and policies stressing affordability and cost recovery.

f. Seek enhanced performance, efficiency and capacity amongst LDC urban institutions.

g. Enhance the capacity of the private sector to contribute to economic and urban development through improvement in public/private partnerships.

All of the activities to be supported by the UDSS Project are designed to contribute to one or more of these basic objectives.

3. PRE/H Operational Objectives

PRE/H, in seeking to achieve its basic urban policy objectives, will utilize the following operational objectives:

a. Assess its acquired urban experience and knowledge and disseminate the results in such forms as reports and workshops to improve understanding of urbanization within AID, the international donor community, and the LDCs.

b. Utilize its resources and expertise to assist USAID Missions and offices with their urban programs upon request.

c. Develop an integrated and coherent urban program of mutually supporting activities through PRE/H's RHUDO network.

d. Give priority to those urban activities which relate to and build upon the shelter sector experiences of PRE/H.

e. Seek to build long-term relationships with key LDC institutions through technical assistance, training, PRE/H conference participation and urban capital projects through the use of HG authorizations.

4. **The Demonstration Aspects of the UDSS**

It is clear from the most cursory analysis of the available data on existing LDC urban deficits and future requirements that AID cannot mobilize sufficient capital or technical resources to meet LDC urban development requirements in aggregate terms.

The major emphasis of the UDSS Project, therefore, must be to demonstrate activities, procedures, methods, and techniques that are suitable for adoption on a broad scale within the LDCs.

UDSS Project activities will therefore stress "replicability" and "affordability" in their design and implementation. For example, the introduction of lower cost standards and technologies providing acceptable levels of urban services will enable more widespread distribution of such services as LDCs can thus serve more population with the same funding levels. The demonstration of effective and equitable means of cost recovery from urban services will mean greater mobilization of local finance for future urban investment.

UDSS Project activities will attempt wherever possible to "leverage" their impact within an LDC by effecting policy changes which are resource-conserving, shift the primary funding responsibility from the public to the private sector where appropriate, and offer the greatest chance for stimulating economic growth, thereby adding to the domestic resource base.

UDSS Project activities will be beneficial to LDC governments and institutions even when they are not the immediate target group for the activities. This will be accomplished by the dissemination of the results of research, experience, and studies through technical reports, conferences, and training activities. In this way it is expected that PRE/H and AID's urban policies and perspectives can cumulatively begin to have a significant impact on how LDCs perceive their urban problems and select appropriate, affordable, and effective policies in response. PRE/H expects to thus achieve the kind of global impact in urban development as has been achieved in the shelter sector.

5. **Target Group Selection**

The magnitude of the urban development task in the LDCs which the UDSS Project seeks to address will clearly exceed the resources which can be made

available. Target group selection will therefore be critical in managing the program. Section IX of this project paper develops a set of criteria to guide target group selection. The kinds of target groups that are of importance include:

a. Countries to be selected
The countries selected for assistance will vary in size, population, economic situation, and extent of their present and future urban problems. The criteria for selection of countries are:

- Evidence of interest in addressing urban issues;
- Willingness to respond to such interest on tne part of the USAID Mission, the relevant AID Bureau, and the RHUDO;
- Potential for meaningful urban policy dialogue; and
- Potential for mobilizing domestic or international resources (including HG authorizations) to achieve urban investment objectives.

b. Urban areas to be selected
Whereas certain UDSS Project activities (e.g., support for national urban policy formulation, etc.) will affect the entire settlement system, most of the activities will target a limited number of urban centers within the settlement system. The criteria for selecting a given urban center include:

- Demonstration of growth capacity, which might be indicated by its recent past rates of employment or population growth;
- Suitability for the location of industry or commercial services;
- Potential of vertical or horizontal expansion in density and/or physical size without building entirely new infrastructure systems or incurring major costs to overcome physical barriers; and
- Anticipation that investment in urban services will not exceed the available investment resources.

c. Population Target Groups
The urban poor will be given priority attention in the countries and urban areas selected for urban program activities and the achievement of social equity will be a constant concern.

d. Urban Institutional Target Groups
The urban institutions selected for urban program activities can range from national to local government levels. Urban institutions will be selected that:

- Have the responsibility and power to control the desired outcome of the urban program activity to be supported;

- Demonstrate a willingness to participate in the urban program activity;
- Can mobilize the local resources required to participate; and
- Have the potential to fully benefit from the activity in terms of their institutional capacity.

Given the wide range of target group choices to be made, close cooperation will need to be established between PRE/H, RHUDOs and the USAID Missions. Feasibility reviews will be a prerequisite to most UDSS Project initiatives.

C. DETAILED PROJECT DESCRIPTION

1. Goal

The UDSS Project's goal is to improve the quality of life of the urban poor by strenthening the ability of AID-assisted countries to efficiently guide national urbanization in order to achieve the maximum contribution to national economic growth while ensuring the achievement of social equity in terms of access to basic urban services.

2. Purposes

The project purpose is to provide AID with a vehicle for demonstrating to LDCs methods, techniques, and programs consistent with its overall policy objectives, and to build agency expertise in urban programming activities, in response to the growing demand for support from LDCs and in recognition of the importance of urbanization in national development.

The UDSS Project will, thus, assist the LDCs to manage the urbanization process through the formulation of appropriate policies, the stimulation of urban economies through the enhancement of private sector initiatives and job generation, to improve efficiency and capacity of urban institutions, and the transfer of technology through the adoption of appropriate standards, cost recovery from urban services, and selection of least-cost, but acceptable, technologies.

3. Program Components and Priorities

Chart II-1 presents the basic components of the UDSS program divided among the four broad categories of activity. The conceptual framework recognizes that the program activities should be concerned with building the overall capacity of AID to respond to the growing demand from the LDCs for urban activities. In this area, the UDSS Project is designed to provide a supporting resource of urban expertise, methods and techniques for use upon demand by AID in achieving its programming objectives.

It is also expected that the UDSS program will involve project activities directly within various LDCs. These activities, initiated at the request of USAID Missions, will be supported by UDSS Project resources, directly or in combination with Mission funding.

The concept of Assess Broadly recognizes the critical need to understand the basic relationships between urbanization, national economic growth and the incidence of urban poverty. It is an essential step in ensuring that AID's overall urban programming reflects sound urban policy and effective methods and techniques with high potential impact. Within LDCs, the concept of Assess Broadly is to encourage the early start of policy dialogue on a mutually developed information base. This component of the UDSS Project recognizes that AID (as well as other donor agencies) and LDCs do not as yet have workable urban policies within which to program selective investment.

The concept of Target Selectively recognizes the limited capital and human resources which AID can mobilize in urban programming. There is a strategic need to focus the available resources on activities and target groups which offer the potential of high impact and useful demonstration effects. In part, the work done under the Assess Broadly category will assist in the determination of where to Target Selectively.

CHART II-1

UDSS CONCEPTUAL FRAMEWORK

	ASSESS BROADLY	TARGET SELECTIVELY
SUPPORT PROVIDED WITHIN LDCs	1. Assistance in the preparation of national urban policies. 2. Assistance in the preparation of sectorial assessments within urban centers or settlement systems	1. Support for urban institutional development: o modification of policy o improvement of efficiency o training to enhance capacity 2. Support for action planning and programming: o for an urban center o for urban service delivery o for urban finance systems o for public/private partnerships 3. Support for the preparation of urban capital assistance projects.
SUPPORT PROVIDED WITHIN AID	1. Monitor urbanization trends in LDCs. 2. Applied urban research and development of methodological approaches. 3. Support urban sections of USAID Mission's CDSS and conduct UDAs.	1. Develop urban program management capacity, PRE/H or RHUDO. 2. Support AID offices and missions in the preparation of urban project PIDs and PPs. 3. Support AID offices and missions in undertaking urban project evaluations.

While recognizing the need for program activities in all four above components it is expected that early emphasis will be placed on "Assess Broadly/Within AID". This emphasis is required because it will provide essential information, policy direction, methods and techniques which will feed into the other three components. This emphasis will decline during the subsequent years of the program as the required material is established. The ultimate priority will be placed on "Target Selectively/Within LDCs". Throughout the UDSS Project five-year period, activities will be increasingly focused on this component of work.

Emphasis on the other two components, "Target Selectively/Within AID" and "Assess Broadly/Within LDCs" will remain fairly constant throughout the UDSS Project period. It should be noted, however, that because the UDSS Project is partially "demand driven" by AID and LDC requests and responsive to periodic evaluation (see Section VIII.D), it may be necessary to revise the priorities based on initial experience.

4. **Indicative Project Activities by Component**
The following briefly describes the kinds of individual project activities which will be pursued by the UDSS:

a. **Assess Broadly/Within AID**

1) **Monitor Urbanization Trends in LDCs.** This activity would generate essential information on urbanization for the use of AID, LDCs and other potential donors in formulating urban programs. Examples of comparable activities are the recently prepared urban indicator papers for AID's African and Near East Bureaus and the general urban indicator paper on AID-assisted countries. Besides special assignments performed at the request of AID offices, PRE/H would generate a regular report series on urbanization trends and programs.

2) **Applied Urban Research** activities would be undertaken when it is felt that a particular topic requires an in-depth analysis. Examples of this kind of activity include the research presently underway to develop a methodology for preparing National Urban Policies (based on the AID-sponsored Egyptian NUPS) and a methodology to conduct Urban Land Need Assessments in LDCs. Already completed is a research document on conducting Urban Development Assessments. The purpose of applied research is to generate basic information, methods and techniques which can be used in implementing other aspects of the UDSS Project.

3) **Support** would be provided for the preparation of the urban development component of the CDSS upon request from USAID Missions for individual countries. PRE/H has already provided such assistance to USAID/Lima. It is also contemplated that support would be provided, at the request of USAID Missions, for conducting Urban Development Assessments (UDAs), such as those currently underway in Senegal and planned in Somalia and Nepal. UDAs are designed to both assist USAID Missions in urban programming and initiate an urban policy dialogue with the LDC.

b. Assess Broadly/Within LDCs

1) **Assistance to an LDC in support of the development of a national urban policy (NUPS) study.** The AID-supported Egyptian NUPS was a major undertaking which has provided a rich basis of method and technique for future initiatives. The United Nations is presently supporting the development of an urban policy in Indonesia and there is a pending AID-supported proposal for Peru. Other requests for such assistance can be expected in the future as the need for urban policy is now being recognized by LDCs.

2) **Assistance to an LDC in support of sectoral assessments.** Sectoral assessments would be focused on one particular urban issue recognized by the LDC as having important consequences to its urban development. PRE/H has, for several years, conducted Shelter Sector Assessments designed to focus on shelter policy issues as related to the sector data base, demand, and delivery system. A similar format is contemplated for other urban assessments. Methodologies for conducting assessments on particular topics will need to be prepared. The Land Needs Assessment is the first topic to be researched. Given the widespread concern within LDCs about land policy considerable demand is expected for UDSS Project-supported land needs assessments. Among other topics to be developed, as required from discussions with LDCs, might be:

- Construction Sector Assessments.
- Urban Management and Finance Assessments (sometimes done in coordination with the AID-supported Syracuse University program). The proposed Urban Management Audit for Kingston, Jamaica, is an example.
- Intra-urban Infrastructure Assessments (probably done in cooperation with the AID-supported WASH program).
- Assessments of the context for public/private partnerships in urban development.

These kinds of assessments will help initiate policy dialogue with LDCs in the respective subject areas. They will also help in focusing AID initiative under "Target Selectively."

c. Target Selectively/Within AID

1) **Increased urban program management capacity within PRE/H and selected RHUDOs.** PRE/H will need to build its capacity to manage its urban programming activities. It is anticipated that contract staff will serve as the initial means of supplementing existing RHUDO staff in order to implement this expanded mandate.

2) **Short-term technical assistance support provided upon request from USAID Missions, or other AID offices, to prepare PIDs and PPs for their urban program activities.** In certain circumstances, USAID Missions would undertake urban program activities which are beyond the scale and scope of the activities to be supported directly by the UDSS Project (e.g., long-term technical assistance or capital assistance projects using Mission funds or other AID, but not HG, funding sources). In these situations, the UDSS Project would be used to provide expertise for preparing the required documentation for the projects, or for augmenting teams of specialists from other AID offices. For example, an urban health or education program might utilize the UDSS Project to obtain a specialist in urban development to assist them in selecting an appropriate urban center for the program which would reinforce program objectives because of the importance of the urban center in national economic development. Such assistance, while not directly affecting the content of the health or education program, would increase the potential impact of the project or overall urban development activities.

3) The UDSS Project would also be available to assist USAID Missions or others in conducting evaluations of urban projects by providing appropriate urban specialists to augment evaluation teams. These kinds of UDSS Project activities are directed at supporting the other urban initiatives of AID upon request by drawing on the body of experience being developed through the UDSS Project.

4) A fundamental feature of the UDSS project is the creation of an urban networking function centered in PRE/H to: monitor and synthesize subproject experience, data, and methodologies, and disseminate information. Design of the UDSS Project networking function for AID will be undertaken early in project implementation.

d. Target Selectively/Within LDCs

1) Support for Urban Institutional Development. The ultimate success of LDCs in responding to their urban development requirements will depend on the capacity and capability of those institutions responsible for the policy, planning, management and delivery of urban services. The UDSS Project will offer a range of support options for selected urban institutions in the LDCs but will focus on three kinds of activities:

- The modification of institutional policy in order to use capital and human resources more effectively, better respond to the needs of the urban poor, improve cost recovery, etc.
- The improvement of institutional efficiency in a given activity such as improvement of the land registration process, the buildup of an essential data base, the establishment of improved management procedures, etc.
- The enhancement of institutional capacity through training activities within LDC institutions, regional training workshops to share experience among countries, and a Washington-based senior level policy workshop (similar to the Shelter Sector Workshop presently undertaken by PRE/H).

2) **Support for Specific Action Planning and Programming.** The UDSS Project will provide selective support for urban activity directly linked to a high priority urban development effort and will be a part of an overall urban development program serving wider policy objectives. These kinds of activities might include:

- Action Planning for an urban center for demonstrating new techniques for programming urban investment, and improving urban services in strategic centers. The action planning effort for Maypen in Jamaica, currently at PID approval stage, is an example.

- Programming urban service delivery systems for a selected urban center or a national settlement system. This activity might include working with infrastructure policy issues, planning networks, pricing policies, or organizational structures.

- Assistance to urban finance systems and credit mechanisms for urban development.

- Programming to enhance public/private partnership in urban development, including assistance in revising LDC legislation, regulations, and procedures which can be shown to be detrimental to private sector initiative in economic development, and investment in shelter and other components of urban structure.

3) **Support for the Preparation of Capital Assistance Projects.** Given a role for selective capital assistance provided through HG funding for LDC urban projects, the UDSS Project would support the preparation of HG capital assistance projects when warranted because of the demonstration impact, the introduction of new technologies and design approaches, or to leverage significant local funding in the achievement of significant urban policy objectives. A preliminary list of the types of capital assistance projects which might be considered would include:

- Small scale infrastructure distribution systems to facilitate economic development.

- Maintenance and rehabilitation of infrastructure.

- Facilities related to urban economic development such as central markets, or sites for small/medium scale enterprises.

- Loan programs to support such activities as building materials production and the construction industry.

D. PROJECT INPUTS

The UDSS Project will require $11.07 million to fund its activities from FY84 to FY88. The financial inputs have been programmed to reflect the buildup of the program over the five-year period and for inflation of the unit costs. (See Section VII for details.)

The funding will be used to provide 41.5 person years of consultant technical assistance to the selected LDCs and to build up PRE/H's program management capacity through the provision of 20 person years of contractual support.

Whereas the UDSS Project does not provide for any capital assistance it is expected that the technical assistance will be used in part to generate urban capital assistance projects to be financed through other AID funding sources including DA loans and grants, the HG program, ESF, PL-480, and possibly, in selected cases, by other donors.

E. PROJECT OUTPUTS

The project outputs by the four major groupings of activity are anticipated to include:

1. **Assess Broadly/Within AID**
   - 10 reports on urban trends
   - 4 method and technique reports
   - 8 applied research reports
   - 15 CDSS urban development sections
   - 9 urban development assessments
2. **Assess Broadly/Within LDCs**
   - 6 national urban policies
   - 22 sectoral assessments
3. **Target Selectively/Within AID**
   - 21 person years of contractual management support
   - assistance in the development of 10 PIDs, 10 PPs, and 5 evaluations
4. **Target Selectively/Within LDCs**
   - 23 short-term technical assistance assignments

- 250 participants at in-country workshops
- 115 participants at 5 international workshops
- 18 action planning assignments
- 6 designs for capital assistance projects

These projected outputs must be considered tentative in that periodic evaluation results may modify the priorities and programs as work continues. (See Section VIII for details)

F. IMPLEMENTATION PLAN

The UDSS Project will respond partly to requests for services from LDCs through USAID Missions and AID Bureaus and partly to the development of a PRE/H implementation strategy (see Section VIII, for details). This approach reflects the growing recognition on the part of LDC governments of the importance of urbanization to their national economic development.

AID Missions and regional bureaus, in response to LDC requests and perceptions of the urbanization process in the LDCs are already seeking support from PRE/H. Recent USAID Mission requests to PRE/H for urban activity support have included Peru for the preparation of the urban component of the CDSS, Senegal for a study of secondary cities, Somalia for an analysis of urban development trends in Mogodishu, Nepal for an urban development assessment, Ecuador for an urban management study of secondary cities, and Jamaica for an urban management audit for Kingston. In addition, the African Bureau and the Near East Bureau have requested overall analyses of urban indicators in their respective regions. All of these kinds of activities fit within the components of the UDSS Project.

PRE/H is also initiating its own program of selected development of methodological approaches to assess broadly the problems of urbanization. Already developed is a methodology for undertaking Urban Development Assessments and underway is a methodology for conducting Land Needs Assessments. Several urban seminars have been undertaken to bring experts to AID to discuss various aspects of urbanization and related issues as a means of building experience and familiarizing the Agency with the tasks ahead. Work has started on defining appropriate training programs for LDC personnel in West Africa and East and Southern Africa through the efforts of the respective RHUDOs. All of these activities are designed to assist PRE/H develop an integrated and coherent approach to LDC development.

The UDSS Project is intended to continue these kinds of activities and expand them as required by building a cadre of experienced staff, contracted personnel and consultants to implement the program.

III. TECHNICAL ANALYSIS

A. METHODOLOGY USED TO DETERMINE PROJECT FEASIBILITY

Since receiving its mandate for urban programs in 1982, PRE/H has been reviewing the worldwide concern with urbanization and formulating its response, one part of which is represented by the UDSS Project.

The evidence that LDCs are experiencing rapid urban growth which is presenting them with complex and critical urban problems has been documented by many researchers and recognized by AID policy statements as well.

The more difficult problem is how AID should, and can, respond to these urban problems. PRE/H commissioned two papers ("The Nature of Urban Problem Issues and Urban Policy Response Options," PADCO, January 1983; and "Priorities for Expanded PRE/H Activity in Urban Development," Rivkin Associates, June 1983) which highlighted the nature of the urban problems.

From a review of these papers and other sources the following major conclusions are drawn:

1. Urban development is not a "sector" in the sense that there is a transportation sector, health sector, industrial sector, etc. Urban is a spatial concept within which all of the traditional sectors impact.

2. Urban development encompasses the network of urban settlements within a nation and this network is interdependent. Each urban center within the network plays a positive role in overall national development and the most efficient development strategy takes into consideration the functioning of the overall network in order to best define strategic investment within the system.

3. Urbanization and economic development are positively correlated. Higher levels of urbanization are associated with higher levels of GNP per capita. In general, this is a result of concentrating economic activities and labor force to produce "agglomeration economies." Many important industrial and commercial activities require high thresholds of urban population size and labor force to be efficient. Larger urban areas also provide both a greater mix of labor skills and a market for goods and services that are produced. However, deviations from the average in percentage of the population in urban areas and in GNP per capita exist and must be studied to determine appropriate strategies.

4. Urban development and rural development are interdependent and require national strategies to be balanced regardless of whether the economy is essentially agriculturally driven or manufacturing driven.

5. Each LDC Government is faced with complex "trade-offs" in the realization of development objectives.

a. Trade-offs in economic policy: investment based on efficiency criteria versus investment to achieve regional and social equity; the scale and balance between investment for export and investment for domestic production; the mobilization of international investment resources versus mobilization of domestic resources; the role of the public sector in the economy versus the role of the private sector. The outcome of these decisions (whether de facto or planned) will greatly affect the rate, scale, and locational choice of urbanization.

b. Urban spatial decisions will greatly affect the performance of the national economy for better or worse. Among the "trade-offs" of concern are: agglomeration economies versus diseconomies; concentrated versus dispersed urban growth; upgrading and maintenance of existing urban structure versus new developments; the relationship of physical and spatial standards versus individual and national levels of affordability.

c. Urban governance also presents difficult "trade-off" decisions. Among them are: centralized versus decentralized administration; degree of public intervention in the urban land market; the use of urban subsidies versus national affordability and cost recovery; the capacity of urban institutions to execute their tasks versus the assignment of responsibilities.

6. Most LDCs are facing, to a greater or lesser extent, similar fundamental urban problems. Among them are:

a. Physical deficits in existing urban infrastructure, shelter, and related facilities, an issue complicated by the widespread tendency to impose too high physical standards.

b. Land markets that fail to provide adequate, well-located urban land for expansion or in-fill at prices affordable to low-income groups.

c. Urban economies which are not expanding at rates sufficient to provide jobs for the growing labor force.

d. Failure to effectively mobilize the resources of the informal sector to make its maximum contribution.

e. Increasing rates of urban poverty which can threaten national stability.

f. Failure to effectively mobilize government revenues through poor tax policies and ineffective cost recovery from urban services.

g. Poor capacity of urban institutions to effectively and efficiently manage urban services and growth.

Four fundamental principles have guided the development of this paper. They are:

1. The UDSS Project should be used to facilitate the overall work of AID in urbanization including the USAID Missions and Bureaus and not just the programming of direct concern to PRE/H. The complexity of the issues to be addressed, the growing recognition of these urban issues throughout AID as being of concern, and the overall lack of Agency expertise (fully recognizing that other parts of AID do have limited experienced personnel who can also make a major contribution to the urban work) necessitate that part of the UDSS resources should be made available upon request to other parts of AID to facilitate their work.

2. Urban applied research and monitoring is essential to the development of strategic methods for successful urban programming and policy dialogue with the LDCs. Even though much useful work was done by the former Office of Urban Development, much remains to be done. The "state-of-the-art" is changing very rapidly with the widespread introduction of micro-computers and many complex analytical procedures can now be developed which offer the promise of vastly improved quantified information for decision-making. Other important gains in the information base are coming from the use of LANDSAT aerial photography. The UDSS, therefore, is allocating part of the funding to develop the essential methodological tools so that AID will be a "state-of-the-art" participant in the urban policy dialogue.

3. PRE/H recognizes that given its limited resources that its efforts must be clearly prioritized and focused. Urban policy is recognized as the most critical focus. This requires the ability to "assess broadly" the urban situation in the LDCs in order to prepare a framework for urban policy dialogue. Most LDCs can, through more effective policy choice, substantially improve the performance and management of the urbanization process with current levels of resources and additional resources to be locally mobilized. Second, PRE/H recognizes that it must "target selectively" within LDCs by carefully selecting the countries, the urban areas, the urban poor and the critical urban institutions as target groups. The work to be done through the UDSS Project directly in the LDCs should build rapport through sequential assistance over a number of years including short-term technical assistance, training, and limited capital assistance.

4. The UDSS Project, because of its limited resources, should be used to leverage additional support of two kinds. First, UDSS resources can be drawn upon by USAID Missions to prepare more comprehensive urban programs to be financed out of Mission or Bureau funds as part of regular Mission country programs. Second, the UDSS Project will provide support for the preparation of capital assistance projects to be funded through the HG program of PRE/H, other AID capital assistance resources, or in selected situations, other international donors.

B. SUBPROJECT FEASIBILITY

The feasibility of subprojects will be established on a case-by-case basis through discussion with the requesting office within USAID and the LDC institutions involved. Each subproject will have to meet the project selection criteria discussed in Section IX to ensure that it represents a high priority opportunity. In addition, sub-project activities would have to fall within the general resource constraints of the UDSS. The UDSS is limited to providing short-term assistance generally not expected to exceed six person months of technical effort per activity. If a project request, even meeting all the other criteria, is likely to require more than this level of effort, alternative means of financing should be considered and the UDSS resources used only to facilitate project preparation.

Another important constraint in establishing the feasibility of sub-projects will be the availability of qualified technical experts. Difficulties are anticipated, particularly during the initial years, in mobilizing the essential skills. This problem recognizes that the United States urban development experience is frequently not relevant to LDCs at their present stage of development and with their different institutional, financial and legislative structures and that the pool of United States urban professionals can not necessarily supply the correct mix of skills and talents in all cases. Furthermore, the critical issue of urbanization as it relates to national economic development in the LDCs is presently an evolving concept without a firm body of knowledge and proven techniques in place. (For more detail, see Technical Annexes)

IV. SOCIAL ANALYSIS

This section discusses current and future implications of the absolute size of the urban population and its increasing share of the total population in LDCs. Among the most significant implications are those which relate to the growing urban population's requirements for jobs, shelter, and services and the ability of the urban population to obtain necessary consumption goods, such as food.

A. DEMOGRAPHIC DIMENSION OF URBANIZATION AND URBAN CONCENTRATION

Annex 1A discusses current demographic dimensions of urbanization and urban concentration in LDCs and compares overall data with that of USAID-assisted countries. The salient points are:

- Middle Income Countries are 2.65 times more urbanized than Low-Income Countries and the ratio of their primary cities' population to total urban population is 2.42.
- These statistics for USAID-assisted countries as a group are roughly equivalent to those for all Low- and Middle-Income Countries as a group.
- For all global regions there is a steady increase in poor households in urban areas whereas the opposite is true for poor rural households, except for Eastern Africa.

B. FUTURE URBANIZATION IN LDCs

Estimates of future urban population are subject to a great deal of uncertainty. Annex 1B shows that for LDCs different methods of calculations result in quite different total percentages (40%, 50% and 54%) of urban to total population in the year 2000. One point, however, is clear: a continuation of recent past rates of urban growth in LDCs over the next two decades would dramatically increase the number of urban households, poor and non-poor alike, which would require jobs, shelter and services.

Furthermore, by calculations for small LDCs presented in Annex 1B, the possibility is shown to exist that the urban population could grow by even more than the amount that creates average urbanization levels of 57 percent while the economic underpinnings would support even less than 46 percent urbanization. This is, in short, a recipe for urban disasters in many of these countries.

It might be supposed, given this, that it would be a good idea to prevent urbanization. There are two fundamental problems with this supposition. First, urbanization itself contributes to economic growth, so that a successful effort to reduce migration would be likely to slow economic growth even further, thus increasing the disaster proportions. Second, efforts to prevent urbanization incur financial and other costs,

and have generally been ineffective anyway. Thus, such an effort would reduce available funds to handle urban requirements, even though the requirements would be increasing at about the same rate.

The essential conclusion, therefore, is that there appears to be no serious alternative to the selection of the most "efficient" (cost effective) means of meeting urban job and service requirements. This will require precisely the kind of selective targeting (by location, sector, and project within sector) called for in this project.

C. FUTURE GROWTH OF THE LABOR FORCE: EMPLOYMENT REQUIREMENTS

The number of new urban jobs required for the additional future population and for those currently un- or underemployed in LDCs is difficult to establish definitively. Annex 1C discusses different methods for calculating future urban job needs, resulting in a low estimate of 279 million and a more likely high estimate of 603 million new urban jobs by the year 2000. The investment resources needed to provide these jobs (assuming $10,000 per job) represent 5.3 (low) and 11.5 (high) times the total Gross Domestic Investment of all Low- and Middle-Income Countries in 1980. The magnitude of these requirements once again suggests the importance of careful selection of countries and urban areas within them for priority in receiving assistance.

D. URBAN REQUIREMENTS FOR LAND, SHELTER, INFRASTRUCTURE AND SERVICES

Assuming that the total population of Low and Middle Income Countries in 2000 will be 4,879 million as projected by the World Bank and that the urban population will be approximately the amount projected from recent urban population growth rates, the urban population requiring urban services would reach between 2,440 to 2,635 million by 2000 — an increase in urban population of between 1,560 to 1,755 million between 1980 and 2000. This very large increase, coupled with existing deficits in the range and quantity of urban services, clearly implies heavy financial and managerial burdens in urban areas.

1. **Land Requirements**
   Annex 1D shows that land needs for total urban population would increase by 142 to 160 percent of current urban land unless means are found to increase development densities.

2. **Shelter**
   LDC shelter requirements represent a large portion of the needed new urban investment. Annex 1E calculates that the cost requirements for providing each urban household in poverty in 2000 with a basic unit of shelter would be 116 billion (1975 US$) using World Bank estimates. Shelter costs for all income levels in 2000 would range from $374 billion to $421 billion. (Estimates for all income groups based on Egypt National Urban Policy unit costs.)

3. **Water, Sanitation, Other Physical Infrastructure, Education, and Health**
   Annex 1F shows that, depending on the technological mix of solutions, the total requirement for new and upgraded services in this category would be between $914 billion and $1,020 billion to serve the year 2000 total urban population.

4. Social Indicators

Social requirements of LDCs are extensive because of both their current low levels of services and income and the expected rapid increase in urban population which will generate new requirements. Table IV-1 summarizes, for the Low- and Middle-Income Countries, their current status on a variety of social indicators (unfortunately without rural/urban difference due to absence of relevant data).

Making up a portion of these differences plus providing new services for additional urban population provides a major challenge to the LDCs and development support agencies. Funds and other assistance available through development support agencies, given the magnitude of the social development requirement must, necessarily, be appropriately targeted and translated into programs and projects which together provide a reasonably high probability of achieving their objectives. The combination of development assessments and selective investments proposed for this project, while clearly of very small magnitude relative to the requirements, is intended to help increase this probability.

TABLE IV-1

SOCIAL INDICATORS FOR LOW-AND MIDDLE-INCOME COUNTRIES
COMPARED TO INDUSTRIAL COUNTRIES

Group	Adult Literacy 1977	Life Expectancy 1980	Child Death Rate 1980	Population Per Physician 1977	Percent of Population With Access to Safe Water 1975
				(people)	
Low Income	50%	57yrs	12%	5,810	31%
Middle Income	65	60	11	5,840	50
Industrial Economies	99	74	1	620	n/a
3 less 1 above	-49	-17	-11	-5,190	n/a
3 less 2 above	-34	-14	-10	-5,220	n/a

SOURCE: World Development Report, 1982

V. ECONOMIC ANALYSIS

This project will provide resources necessary to support AID and LDC initiatives in designing and implementing efficient urban development policies, programs and projects. The evidence is overwhelming that urbanization issues and urban development prospects in LDCs are intimately and inseparably connected with economic growth and development in LDCs.

A. URBANIZATION AND GNP PER CAPITA

Although there are special circumstances which influence the level and rate of growth of the urban population in a particular LDC, there is a pervasive and positive relationship between the percent of the population in urban areas and the level of GNP per capita. The general tendency is for higher levels of urbanization to be associated with higher levels of GNP per capita.

The explanation for this relationship is complex, but essentially what happens is that, on one hand, the concentration of economic activities and labor force in urban areas produces economic advantages (called "agglomeration economies") for undertaking additional productive economic activities. Similarly, many important industrial activities and business services require that thresholds of population size and labor force (and skills embodied in the labor force) be reached in order to be undertaken without financial and economic loss. Such thresholds exist both on the input and output side — as urban areas grow larger, they have a greater chance of having workers of the types and skills needed for a wide range of activities and a greater chance of providing a market for the goods and services provided by the economic activity.

The general tendency for urbanization and GNP per capita to grow together can be taken as established (see Annex 2A). It is clear, however, that not every country exactly follows this general pattern. It is useful to examine in greater detail (see Tables 1 and 2, Annex 2B) the deviations of individual countries from the general pattern to determine if the deviations represent disfunctional levels and rates of urbanization in the individual countries. In general, countries with substantially higher levels of urbanization than would be expected from their level of economic development (measured in terms of GNP per capita) may have considerable difficulty in financing the provision of essential urban jobs, housing and residential services for their urban population. At the other end of the scale, countries with substantially lower levels of urbanization than would be expected from their level of economic development may be unable to generate sufficient industrial and service growth efficiently to raise their rate of economic growth to levels that can provide resources for meeting the needs of their growing total populations. The UDSS Project provides funds for improving understanding of the deviation from the general pattern in individual countries and providing support for needed policy and program efforts undertaken by other parts of USAID, other international donors and LDCs themselves.

B. URBANIZATION AND ECONOMIC TRANSFORMATION

Just as urbanization is related to the level of GNP per capita, so too is the normal pattern of employment and output by sector (primary, industry, and services). In general, increased urbanization and GNP per capita are associated with a rising share of output and employment in industry and services and a declining share of output in agriculture and other primary products.

This occurs for two principal reasons. First, urban areas as described above provide both the labor and markets which permit expansion of industry and service activities. Second, as income rises there is a shift in the relative share of consumption demand for different products. In particular, the demand for industry and service outputs (which are most efficiently produced in urban areas) goes up, relatively increasing their share, while the demand for food products declines as a proportion of expenditures. This combination of factors tends to shift the orientation of domestic production toward industry and services and away from agriculture. The normal pattern of these relationships is shown in Annex 2C.

As suggested in Section A, above, individual countries vary somewhat from these general patterns. The economic development puzzle faced by many LDCs is how to effect these transformations in ways that are both efficient and equitable.

The assessment aspects of this project are intended, in part, to identify appropriate economic development interventions that increase the availability of industrial and service employment to meet the job requirements of the growing urban labor force in ways that maintain a reasonably high rate of overall economic growth. The investment aspects of this project will necessarily encompass efforts both to facilitate these changes in output and employment mix, and to selectively target more customary urban activities — shelter, community facilities and services, and intra-urban infrastructure.

C. URBANIZATION AND AGRICULTURE

In all economies there is interdependence between urban industry and services and agriculture. This interdependence is particularly pronounced in many LDCs. Among the reasons for this are:

1. In the early stages of industrialization, the processing and distribution of agricultural products comprises a substantial portion of the urban economies of the LDCs.

2. The growth of urban income increases the demand for food products and shifts demand composition among product types. This may lead to a change in cropping patterns or creation of more elaborate arrangements for exporting some types of food products in exchange for those in greater demand.

3. Agricultural regions tend to become major sources of migrants to urban areas while those who find urban employment become a source of rural income as earnings are returned in part to rural relatives.

4. Industrialization strategies which provide for relatively more capital per worker, tend to be applied to agriculture, reducing the requirements for farm laborers. Furthermore, rural population growth may be generating higher person/land ratios on existing agricultural land than can be accommodated by rural jobs.

The implication of these interdependencies between urbanization and agriculture is that effective urban policies and programs must take into account their likely effects on agriculture and, in turn, on agricultural outputs, employment and rural to urban migration. Similarly, those responsible for generating urban employment need to be aware of the possibilities for linking urban industrial growth to agriculturally related industry, as well as to the distribution and marketing of rural products.

D. THE BENEFITS AND COSTS OF URBANIZATION .

As indicated elsewhere in this paper, rural development has tended to play a more prominent role in AID programming than has urban development. This has tended to be true, also, of other international donors. The justification for this has largely been the recognition that the low-income poor is a very important target group for economic and development assistance and that the rural poor has been the most significant part of the poverty population. Section IV shows that this is changing and that by 2000 more of the poor will be living in urban than in rural areas. To the extent that poverty is the criteria, a shift toward an urban emphasis is appropriate.

The location of the poor, however, has not been the only justification for focusing on rural areas. Many have contended that costs of providing equivalent benefits for urban populations are far greater than for rural populations, and that the costs of urbanization exceed the benefits thus making it economically sound to slow or even reduce the levels of urbanization. This second contention has an important corollary — namely, that the costs of primary city growth exceed the benefits derived from it and, therefore, that it is a desirable urban strategy to foster rural development or decentralization to secondary cities to slow or reduce primary city growth. These two contentions plus the corollary, are seriously open to question and are examined in detail in Annex 2D.

All the findings from Annex 2D indicate that benefits from urbanization (economic growth, employment and income earning opportunities, provision of public services, efficient location of industry, equity programs, etc.) outweigh the costs. The evidence suggests benefits that correlate with overall urbanization and urban areas with larger-sized cities.

Furthermore, the Egypt NUPS findings (see Annex 2D) show that the relative benefits depend upon careful selection of locations for investment and the sectoral composition of the investment. The broad assessments and selective targets provided for in this project, in countries selected for priority attention, can facilitate both the choice of urban strategies (policies, spatial and sectoral priorities and programs) and an understanding of the potential gains and losses of alternatives.

VI. ADMINISTRATIVE/INSTITUTIONAL ANALYSIS

The UDSS Project activities will, in aggregate, be focused on strengthening LDC institutions concerned with various aspects of urban development. This will include the formulation of urban policy, planning and programming, the delivery of urban services, the creation of urban jobs, economic development, and the financial and managerial administration of urban centers.

The range of LDC institutions playing important roles in urban development is extensive even in relatively small LDCs. Chart VI-1 relates the typical LDC institutions to basic urban development functions.

The structure of government in most of the LDCs has special implications for urban programming by AID. The significant difference between urban development in the United States and in the typical LDC is the role played by the national government. In the US, the individual urban center has broad control over its own urban development process, can raise its own revenues for development (through bonds or taxes) and can control all aspects of land use regulation, building codes, zoning, etc. The role of national government agencies is primarily limited to providing certain levels of funding support for identified programs for which local government can apply if they so choose. In essence, USA urban centers are competitive with each other in seeking economic development and in the provision of the quality of life for their citizens.

In LDCs, national governments typically play a much more controlled and decisive role. National governments usually provide 75 to 90 percent of all available funding to a given urban center, control in large measure the location and distribution of industrial development among urban centers, legislate national controls and procedures which must be followed by local governments, undertake the bulk of the urban development investments in infrastructure and publicly provided shelter, and provide much of the local urban center's professional staffing.

In participating in the urban development process, USAID must thus be prepared to span the range of urban institutions from the national to the local level in order to achieve meaningful results. However, since it is not going to be generally feasible to make massive interventions in the urban systems of the targeted countries, a means of selecting target institutions will need to be developed. The target group selection process is discussed in Section IX.

The primary issues to be addressed in urban institutional development include:

1. **Determining the appropriate policy role of the public and the private sector in supporting urban development**
   The public sector in general can play three roles, separately or (most likely) in combination. First, the public sector can build (for example, shelter, infrastructure, and facilities, but also industrial plants and enterprises). When the public sector builds, it is both capital-intensive and management intensive. It is the best policy to shift, to the maximum extent feasible, the burden of building to the private sector.

CHART VI-1

RELATIONSHIP OF URBAN DEVELOPMENT RESPONSIBILITIES
TO PUBLIC SECTOR INSTITUTIONS

TYPICAL LDC PUBLIC INSTITUTIONS	URBAN POLICY	URBAN PLANNING & PROGRAMMING	DELIVERY OF URBAN SERVICES	URBBAN ECONOMIC DEVELOPMENT	URBAN MANAGEMENT & FINANCE
PRESIDENT and CABINET	X	X	X	X	X
CENTRAL MINISTRIES:					
FINANCE	X			X	X
CENTRAL BANK				X	X
ECONOMY & PLANNING	X	X			
AGRICULTURE				X	
INDUSTRIES & LABOR				X	
HOUSING & PUBLIC WORKS	X	X	X		
WATER			X		
TRANSPORT			X		
COMMUNICATIONS			X		
POWER			X		
EDUCATION			X		
HEALTH			X		
LOCAL GOVERNMENT					X
PUBLIC FINANCE INSTITUTIONS			X	X	X
PARASTATALS			X	X	
SPECIAL AUTHORITIES			X	X	
PUBLIC ENTERPRISES				X	
MAJOR CITY GOVERNMENTS		X	X	X	X
LOCAL GOVERNMENTS			X		

Second, the public sector can finance the private sector through loans and grants. In fact, it is easier and more effective if private sector financing can be used to achieve public sector objectives. This is more capital conserving (particularly if there is a full cost recovery) and it has fewer management requirements (most often in short supply).

Third, the public sector can facilitate private sector development efforts through the mix of legislation, regulation, procedures, tax policy, and other incentives. The issue of public/private partnerships in urban development is critical to achieving sustained growth and economic development. The economic and develoment climate established by the government to encourage private sector initiative is an important area of concern, being the most capital conserving of all public sector functions as it relies primarily on private sector finance mobilization.

2. **Establishing a viable and effective decentralization policy**
Most LDCs have stated policies in support of decentralization. However, LDC de facto policies usually reflect the status quo. Many decentralization policies are established without sufficient economic justification while sectoral planners are generally inclined towards more pragmatic programs. In addition, decentralization plans have failed due to a lack of trained government personnel to accept increased responsibilities, the unwillingness of national governments to delegate financial and decision-making control to lower government levels, and the lack of analytically based strategies for achieving decentralized development at a cost the government can afford. In general, the UDSS Project will help assess the potential and suitability for "selective" decentralization.

3. **Obsolete Procedures, Lack of Trained Staff, and Lack of Equipment**
Within most LDC institutions there are problems to be addressed in policy execution, regardless of overall policy composition. These problems include the lack of trained professional staff and their reluctance to locate and work outside the capital city or for the national government. In part, these problems are associated with the generally non-competitive government salary structures (a difficult issue for a donor agency to address) and unclear career opportunities for other than central government civil servants. Nonetheless, training can effectively increase capacity, particularly if the training programs are comprehensive enough to have an overall national impact. This latter point recognizes that another problem of institutional development is the frequent transfer of staff between agencies and positions which prevents continuity and the buildup of effective experience.

In addition to the limitations of institutional staff, many of the daily institutional procedures are unresponsive to the requirements of rapid urbanization. Many of these procedures date to former colonial administrations when the pace of urbanization was slow if not effectively discouraged (in that colonial powers controlled countries from urban centers and restricted urban development for local populations through elaborate regulations and very high development standards).

Urban economic development was of little concern as the colonial powers were primarily interested in agriculture and resource exploitation. These conditions, within independent countries, have changed enormously and urban development must now be viewed as a "twin engine" of development along with agriculture. Residual administrative procedures and regulations need to be changed in many cases to relect the emerging functions of urbanization in relation to national economic growth.

Finally, most LDC institutions are seriously constrained by the lack of modern office equipment (from typewriters to computers) essential to the manipulation of the data base required in urban management. Mapping, aerial photographs, and the use of LANDSAT information all have a vital role to play, but rarely are available in useful form if at all. USAID should be prepared to selectively improve basic office capacity in targeted urban institutions.

VII. FINANCIAL ANALYSIS

The overall funding requested for the UDSS Project is $11.07 million over a five-year period between FY84 and FY88. This level of funding represents the minimum required to build AID's urban expertise and technical approaches as well to as conduct selective demonstration programming in LDCs.

A. UNIT COSTS

The basic unit costs are those associated with the person months of effort from various sources of personnel plus their related direct costs. The unit costs and calculations are presented in Table VII-1. The key elements are as follows:

1. Other Direct Costs
   Other direct costs cover all of the items associated with mobilizing personnel other than salary, overhead, and fees. This includes international and local travel, per diems, communications, and publication of reports for personnel on short-term assignments, and the above plus housing and education allowances for personnel on long-term assignment. For all work overseas a unit cost of $5,000 per month has been used. For long-term assignments, it is assumed that education, moving and housing allowances plus post differentials will equal the short-term costs. An inflation factor of 10 percent per year was calculated for each of the four succeeding years after FY84.

2. Salary and Overhead for Contracted Personnel
   It is anticipated that contracted personnel will be used to implement parts of the UDSS Project. Their costs have been calculated using an average salary base of $45,000 and an overhead factor for social costs (medical insurance, social security, etc.) of 30 percent of salary. A factor of 7.5 percent for salary increases has been added for each of the four years after FY84.

3. Salary, Overhead, and Fees for Consultants
   It is expected that a substantial part of the work to be done under the UDSS Project will be accomplished by consultants. PRE/H has Indefinite Quantity Contracts with firms which have capability for undertaking the kinds of assignments contemplated. In addition, PRE/H has developed working relationships with several universities which are also expected to contribute to the work. To establish an average cost per consultant person month, an assumed base salary of $40,000 was selected and a multiplier (for overhead and allowable fees) of 2.1 was used. A factor of 7.5 percent related to salary increases was applied to each of the four years after FY84.

TABLE VII-1

UDSS FINANCIAL PLAN FY84 - FY88
UNIT COSTS

	FY84 $ per P/M[1]	FY85 $ per P/M	FY86 $ per P/M	FY87 $ per P/M	FY88 $ per P/M
A. Inflation at 10% for ODC per year					
1) ODC per month overseas $5,000[2]	5,000	5,500	6,050	6,655	7,320
2) ODC per month domestic $500[3]	500	550	605	665	730
B. Salary increases at 7.5% per year					
1) PSC salary $45,000 FY84 with 1.3 multiplier to $58,500	58,500	62,900	67,600	72,700	78,000
2) Consultants base salary $40,000 with 2.1 multiplier to $84,000	84,000	90,300	97,000	104,400	112,200
C. Total Cost per Man Month					
1) PSC (overseas)	9,875	10,740	11,685	12,715	13,820
2) Consultant (domestic)	7,500	8,075	8,688	9,365	10,080
3) Consultant (overseas)	12,000	13,025	14,133	15,355	16,670
D. Training Participants $3,000 each with 10% increase	3,000	3,300	3,600	4,000	4,400

[1] P/M = person months

[2] Includes 30-day per diem at $75/day, $2,000 international travel, and $750 for other costs.

[3] To cover costs of publication of reports and miscellaneous

ODC = Other Direct Costs

TABLE VII-2
UDSS FINANCIAL PLAN FY84 - FY88

ACTIVITY	FY84		FY85		FY86		FY87		FY88		Total by Activity	Totals by Component
	P/M[1]	$	P/M	$	P/M	$	P/M	$	P/M	$	$	$
I. ASSESS BROADLY												
A. WITHIN AID												
1) Monitor urbanization trends, develop methods & techniques, applied research	17C[2]	127,500	21C	169,600	12C	104,256	6C	56,140	6C	60,480	517,976	1,541,946
2) Provide support to USAID missions for CDSS & UDAs	12C	144,000	18C	187,600	15C	211,995	15C	230,325	15	250,050	1,023,970	
B. WITHIN LDCs												
1) Support national urban policies	12C	144,000	15C	195,400	12C	165,596	12C	184,260	12C	200,040	889,296	1,902,806
2) Support sectoral assessments	12C	144,000	17C	177,140	15C	211,995	15C	230,325	15C	250,050	1,013,510	
II. TARGET SELECTIVELY												
A. WITHIN AID												
1) Develop urban programs management capacity RHUDOs	21PSC[3]	207,400	48PSC	515,500	48PSC	560,880	60PSC	762,900	72PSC	995,040	3,041,720	3,823,916
2) Support USAID Missions for PIDSs, PPs, and evaluations	6C	72,000	12C	156,300	12C	169,596	12C	184,260	12C	200,040	782,196	
B. WITHIN LDCs												
1) Support for urban institutions												
a. Short-term TA	8C	96,000	15C	195,400	15C	211,995	15C	230,325	15C	250,050	983,770	
b. Training	30T[4]	90,000	46T	151,800	45T	162,000	60T	240,000	60T	264,000	907,800	3,801,611
2) Action planning and programming	9C	108,000	15C	195,400	15C	211,995	15C	230,325	15C	250,050	995,770	
3) Preparation for selective capital assistance programs	9C	108,000	12C	156,300	12C	169,596	15C	230,325	15C	250,050	914,271	
TOTALS	21PSC 85C 30T	1,240,90	48PSC 125C 46T	2,100,440	48PSC 108C 45T	2,179,904	60PSC 105C 60T	2,579,185	72PSC 105C 60T	2,969,850	11,070,279	11,070,279 249PSC 528C 241T

[1] P/M = Person Month

[2] Consultant

[3] Personal Service Contractor

[4] Trainee

4. **Training Participants**
   Training will be done in-country, regionally, and in the United States. The training will vary from one week to perhaps a month. An approximate average figure of $3,000 per trainee month is assumed and a 10 percent inflation factor per year is added.

5. **The Burdened Monthly Rates**
   Using the assumptions above, calculations were made for each of the three kinds of person month costs which are anticipated. The burdened salaries of contracted personnel and consultants were divided by 12 to arrive at a monthly rate. Then, for work intended to be overseas, the overseas other direct costs were added to establish the overseas total average cost. If the consultant's work is intended to be in Washington, DC, then a domestic direct cost charge of $500 per month was added. These summary unit cost estimates are shown by fiscal year in Table VII-1.

B. WORK ASSIGNMENT LEVEL OF EFFORT ESTIMATES

In determining the distribution of the level of effort among the various potential activities to be supported by the UDSS Project, a few simple guidelines were established as follows:

1. It was assumed that all contracted personnel would work a full year at a time. They would be assigned to RHUDOs in response to increased UDSS activities in a given region (i.e., the first two RHUDO contracted personnel would be assigned in FY84 to the RHUDOs with the greatest UDSS Project workload. Others would be assigned in FY85 - FY88 at a rate of one per year to the next regions with the heaviest workload to complete the coverage of all the RHUDOs by FY88).

2. It is anticipated that consulting services will be used on all of the short-term activities supported under the UDSS. For calculation purposes the following assumptions have been used to establish the average level of effort per consulting assignment:

   a. Assist USAID Missions with the CDSS: one person month

   b. Undertake an Urban Development Assessment: three person months

   c. Preliminary project development (PID): 1.5 person months

   d. Project Development (PP): three person months

   e. Conduct an evaluation: two person months

f. Conduct short-term assignments within LDCs (institution building, action planning or programming, or develop a capital assistance project): three to six person months

g. Support National Urban Policies: six person months

h. Undertake sector assessments: three person months

C. LDC CONTRIBUTIONS

It is extremely difficult to make any assumptions regarding LDC financial contribution to UDSS Project activities. However, the following observations can be made:

1. There will be no LDC contribution to those UDSS activities which are concerned with internal AID assignments to build capacity and develop methods and techniques.

2. Short-term assignments to LDCs will be done at the invitation of the particular country and it is presumed that the LDC institutions involved will make an "in-kind" contribution to the work. For the most part, their contribution will be in the provision of staff to work with the consultants, local transportation, office space, and secretarial support. An approximate calculation of value might be to assume that the local in-kind contribution will be approximately 25 percent of the AID funding. This would mean an overall LDC contribution of approximately $1.2 million.

VIII. IMPLEMENTING PLAN

UDSS Project activities will be partly "demand driven" by requests for assistance from USAID Missions (in response to Mission needs and requests from LDC governments and institutions) and partly undertaken as an integrated program generated by PRE/H. The concept is predicated on the assumption that there is a growing recognition by LDC governments of the importance of urban development to national economic growth and social equity for the urban poor.

There is evidence that this is the case, given the increasing number of requests for assistance being received by PRE/H. In the past six months alone, urban support has been requested by USAID Missions in Peru (CDSS urban section), Jamaica (urban management and planning), Senegal (secondary cities related to rural development), Somalia (urban development in Mogadishu), Nepal (UDA) and Ecuador (urban management in secondary cities). Also, both the African and the Near East Bureaus have requested studies on general urban indicators in their respective regions.

Using UDSS Project funding, PRE/H intends to build a cadre of staff, contracted personnel and consultants with the expertise to respond to these requests on a timely and efficient basis. PRE/H, working with other AID offices, will also undertake to systematically build a capacity for monitoring urbanization trends in LDCs, to prepare methods and techniques for general application to the range of Mission generated requests, and to undertake applied urban research as required regarding policy and program issues of widespread concern in LDCs. As part of this effort, PRE/H will disseminate the results to USAID Missions for their use and will extend basic PRE/H support to the USAID Missions.

Table VIII-1 presents the expected project outputs to be generated by the UDSS Project over a five-year period. The presentation is divided by Fiscal Year and into the four basic components of the program.

Activities in all four basic components of the UDSS Project will be generated in the first year (FY84), but the initial priority will be given those activities which fall under the component of Assess Broadly/Within AID. The reason for this is the importance of establishing for AID in general the urbanization monitoring system, and of developing the methods and techniques which will guide the implementation of other components. The need in this area has been demonstrated by the recent development within PRE/H of a UDA methodology and both overall and region-specific Urban Indicator papers. Considerable additional work in this area is required with early priority on the development of Land Needs Assessment, National Urban Policy, and Public/Private Partnership methodologies as LDC requests for assistance in these areas are expected.

TABLE VIII-1
UDSS EXPECTED OUTPUTS

UDSS ACTIVITIES	FY84	FY85	FY86	FY87	FY88	Totals
I. ASSESS BROADLY						
A. WITHIN AID						
1. Monitor urbanization trends	2 semi-annual reports	2 semi-annual reports	2 semi-annual reports	2 semi-annual reports	2 semi-annual reports	10 Semi-annual reports
2. Develop method & techniques	3 publications	2 publications	----	----	----	4 Method & Techniques Reports
3. Applied research	1 publication	3 publications	2 publications	1 publication	1 publication	8 Applied Research Reports
4. Support CDSS	3 CDSSs	3 CDSSs	3 CDSSs	3 CDSSs	3 CDSSs	15 CDSSs (Urbanization sections)
5. Conduct UDAs	1 UDA	2 UDAs	2 UDAs	2 UDAs	2 UDAs	9 UDAs
B. WITHIN LDCs						
1. Support National Urban Policies (NUPS)	1 NUPS	1 NUPS	1 NUPS	1 NUPS plus 1 follow-up	2 NUPS	6 National Urban Policies
2. Sectoral Assessments	3 assessments	4 assessments	5 assessments	5 assessments	5 assessments	22 Sectorial Assessments
II. TARGET SELECTIVELY						
A. WITHIN AID						
1. Develop RHUDO capacity	2 PSC	4 PSC	4 PSC	5 PSC	6 PSC	21 Person years of PSC support
2. Support USAID missions						
a) Prepare PIDs	2 PIDs	2 PIDs	2 PIDs	2 PIDs	2 PIDs	10 PIDs
b) Prepare PPs	1 PP	3 PPs	2 PPs	2 PPs	2 PPs	10 PPs
c) Conduct evaluations			1 evaluation	0 evaluations	1 evaluations	2 Evaluations
B. WITHIN LDCs						
1. Support for Urban Institutions						
a) Short-term TA	3 assignments	5 assignments	5 assignments	5 assignments	5 assignments	23 Short-term TA Assgnmts
b) Training	30 participants in-country	40 participants in-country	40 participants in-country	70 participants in-country	70 participants in-country	250 Participants at in-country workshops
	15 international workshops	25 international workshops	25 international workshops	25 international workshops	25 international workshops	115 Participants at 5 international workshops
2. Action Planning Programming	2 assignments	4 assignments	4 assignments	4 assignments	4 assignments	18 Assignments
3. Prepare Capital Assistance Projects	----	----	2 projects	2 projects	2 projects	6 Capital Assistance Projects prepared

A regular report on urbanization trends will be undertaken by PRE/H in order to compile the results and findings from all PRE/H activities, including those funded by the UDSS, and to more effectively disseminate this information to USAID Missions and offices, LDCs and other donor agencies, as a contribution to overall AID (and others) policy and programming. This framework for monitoring LDC urbanization and the valuable experience of PRE/H activities currently does not exist. It is expected that UDSS Project activities, especially in the Assess Broadly/Within AID component, will generate significant and increasing demand for such dissemination of information over the five-year project period.

In the second and subsequent years of the UDSS program, the priority of PRE/H activities will shift to direct programming in LDCs. Because of the limited resources available to PRE/H through the UDSS Project, these interventions will be selectively targeted to high priority countries and institutions, with a limited level of effort of one to six person months per activity.

To further the critical objective of transferring "state-of-the-art" technology to LDCs a training program will be developed, having as its centerpiece an annual Urban Development Workshop for senior level LDC participants. This workshop will be modeled on PRE/H's successful and influential Shelter Sector Workshops. In addition, it is anticipated that short regional training programs will be developed perhaps in connection with PRE/H's regional conference program. In-country training workshops will also be conducted, usually as part of on-going support to a particular urban institution.

Another set of activities will support USAID Missions concerned with undertaking long-term assistance with other sources of AID funding. PRE/H assistance will be available to USAID Missions for the development of PIDs, PPs, and evaluations of urban programs whether or not PRE/H has a continuing role in the projects. In this way, UDSS Project activities can play a supportive and important role in generating more extensive urban activities than would be possible within the UDSS Project funding level.

Starting in FY84, it is expected that UDSS Project activities will include the preparation of a limited number of projects for capital assistance. The development of a capital assistance program is related to buildup of a body of experience in AID, useful in focusing and prioritizing the kind and scale of capital assistance. It is anticipated that the HG program authorization would be expanded in terms of eligible urban project annual total funding levels in order to establish a funding base for high priority urban capital assistance loans from US private lenders in the same manner as the HG program now operates in the shelter sector.

A. RELATIONSHIP WITH OTHER AID OFFICES

The UDSS Project activities have been designed to be directly supportive of AID offices and Missions. It is recognized that AID's growing concerns with urban development issues will require a decentralization of program implementation capability among a variety of AID offices. The UDSS Project activities are designed to be supportive of these activities and PRE/H will continue to develop working relations with other AID units involved in urban activities.

The central role of PRE/H as developed through the UDSS Project will be to provide the overall framework on urbanization information, concepts, and approaches in support of all AID urban activities, as well as to selectively assist LDCs directly in support of urban activities not generally associated with other AID offices in such areas as national urban policy, sectoral assessments, and support for urban institutional development and action planning and programming areas of importance not now specifically covered by other AID offices.

The overall objective sought will be to provide an integrated urban development assistance strategy for AID combining the resources of all the component parts of the AID organizational structure as it impacts urban development issues in the LDCs.

B. RELATIONSHIPS WITH LDC INSTITUTIONS

UDSS Project activities directly in the LDCs will depend on the establishment of working relationships with selected urban institutions. The experience of PRE/H in shelter sector institutional development has been that a combination of periodic short-term technical assistance, provision of training and conference seminar opportunities, and access to HG loan funding will over time build a strong linkage between AID and the LDC institution which is conducive to achieving policy change. It is anticipated that the same mix of support will, over time, achieve the same result in establishing working relationships with urban development institutions.

It must be expected, however, that these relationships will take some time to build and the full impact in the achievement of significant urban policy change in the LDCs will not be felt for some years into the program. It is of the utmost importance to the overall UDSS program that long-term relationships with LDC insitutitions be built through the mechanism of short-term technical assistance and training. This issue will be made more complicated because of the great variety of urban institutions and the multi-functions associated wtih urban development as compared to a single sectoral approach such as the shelter sector work of PRE/H.

C. RELATIONSHIP WITH OTHER DONORS

The UDSS program will be discussed with other donors. Where appropriate coordination will take the form of co-sponsorship of certain activities, and in some cases the UDSS Project will be used to facilitate the provision of major capital assistance from appropriate multi-national financial institutions such as the World Bank and regional development banks. The urban development activities of other donors are discussed in Section X.

D. EVALUATION AND MONITORING PLAN

Requests for UDSS Project assistance will be monitored to assess demand. The two major indicators will be:

1. The number and kinds of requests received by USAID Missions from LDC institutions involving urban development assistance. It is likely that, when systematically reviewed, certain patterns will be identified which will feed back into the research and development aspects of the UDSS Project in order to ensure that the appropriate expertise is available and methods and techniques are responsive to the LDC requirements within overall resource availability.

2. The number and kinds of requests generated by USAID missions for support in the development of their programs concerned with urban development (CDSS, UDA, PID, and PPs) and the number and kinds of requests from other AID offices for supplemental support for their activities.

It is presumed that the allocation of the available resources from the UDSS Project would be made in response to these demand criteria. In this sense the financial plan in Section VII is considered indicative of likely requirements and would be adjusted to reflect demand. The monitoring procedure would also directly contribute to the identification of research priorities and assist in focusing the overall urbanization monitoring activities of PRE/H.

A mid-term and final project evaluation will be conducted (FY86 and FY88). It is expected that these will be undertaken by direct-hire staff, contracted professionals and/or consultants in close collaboration with USAID staff and LDC institutions. The mid-term evaluations will permit modification, if necessary, in basic methods and techniques during the latter half of the project.

The evaluations will consider:

1. Evaluation with LDC and AID recipients of UDSS Project activities as to their satisfaction with the services rendered and their usefulness in achieving their objectives.

   A partial list of pertinent issues for detailed consideration would include: a) impact of project activities on institutional capacity; b) impact of same on urban policies, programs and planning; c) expansion and multiplication of linkages between USAID and LDC urban institutions, especially regarding requests for UDSS Project activities; d) increased public-private cooperation in urban development activities; and e) improved cost recovery, subsidy reduction, affordable standards and urban upgrading.

2. Evaluation of the technical content of the work undertaken in order to improve future performance on similar tasks and to improve methods and techniques thereby increasing output per person month of work accomplished.

   Specific issues for consideration would include: a) number and type of UDSS Project activities requested and performed; b) requests for and application of technical material by other (than PRE/H) offices within USAID, other donor agencies, LDC institutions and the professional community; c) PRE/H and RHUDO perceptions of present and future utility of UDSS Project technical materials, especially regarding its relevance to emerging LDC urban issues and its enhancement of USAID and LDC urban programming.

3. In support of the key concerns of affordability and replicability, the design and evaluation of prototype subprojects will give due emphasis to economic viability. In each case, the data required will be identified and a framework for evaluation will be proposed.

4. Evaluation of the personnel undertaking UDSS Project assignments because PRE/H will be expanding its consultant base and utilizing individuals with skills heretofore not required in the shelter sector work of the office. An effort will be made through evaluation of individual performance to build an experienced cadre of resource specialists to undertake UDSS Project activities.

   Personnel evaluation would consider, among other issues: a) number and skill type of additional contracted staff; b) review of consultant roster; c) pattern of requests within USAID and LDC institutions for UDSS Project supported activities performed by additional contracted staff and consultants; d) time actually spent on performing various UDSS Project activities compared to that projected as necessary in Chapter VII.

The mid-term evaluation scheduled in FY86 will take all of the above into account in order to identify positive elements to build upon and gaps to fill in. The final evaluation scheduled in FY88 would once again focus on the above to measure progress in the latter half of the project and provide an overview of the UDSS Project experience and serve as a basis for further programming options.

IX. TARGET GROUP SELECTION

It is clear that the magnitude of the urban development task in LDCs which AID, in general, and PRE/H, in particular, is attempting to address far exceeds the level of resources available. The issue is how to make the assessment and investment resources available for Urban Development Support Services have the greatest positive impact in accomplishing this task.

It has been shown earlier that other international donor agencies, as well as AID, are becoming increasingly interested in urban-related investments. This creates the potential for leveraging the funds provided by the UDSS Project if a careful selection is made of places (countries and urban areas) in which the resources are used, the institutions within LDCs which are involved, and the groups which are intended to be the primary initial beneficiaries of assistance. These considerations highlight the importance of target group selection in the design of the UDSS Project.

A. COUNTRIES SELECTED FOR PRIORITY ATTENTION

In addressing the question of which countries should receive priority for assessment and selective investment, it is important to emphasize that there is no single criterion adequate to identify countries in which urbanization presents critical development problems. The population or geographic size of the country is not a criterion which distinguishes sharply among those in need of assistance and those which are not. Nor is the level or rate of urbanization in an LDC a sufficient criterion by itself. In other words, there are countries, large and small, and with both high and low levels of urbanization which could substantially benefit from the types of assistance to be provided by and leveraged by UDSS Project.

Another way to make this point is to say that there is not one type of "urban problem" to be addressed but many different types. Among the broad approaches that will be used to identify which countries should receive priority attention and what types of assistance are most needed include:

- Recognition that rapid change is much more difficult to manage than more moderate change. An assessment will be carried out to determine which LDC countries are experiencing the most rapid increases in their urban population relative to their total population growth (see Annex 3A).

- Cross-classification of countries by the degree to which their current level of urbanization is supported by their economic growth (or their domestic ability to provide needed urban resources) and the liklihood, given past patterns of both urban and economic growth, that they will be able to provide needed resources in the future.

- Comparison of the need for urban assistance with the countries' resource capacity to meet their needs. Priorities based upon these criteria for a sample of

countries served by the Near East Bureau are shown in Annex 3A, Tables 3A-5, 6, and 7. It is anticipated that the above can be carried out through periodic assessment. When these are complete, the following should also be addressed to isolate target countries.

1) Evidence of interest in addressing urban issues in the LDC.

2) Willingness to respond to such interest on the part of the country USAID Mission, the relevant AID Bureau, and the RHUDO.

3) Current and likely future degrees of expected requirements for urban employment, housing, shelter, infrastructure and programs to alleviate adverse social conditions associated with poverty.

4) Current and likely future domestic resources capacity to meet these requirements from expansion of their domestic resources and/or prevailing levels of international assistance.

B. URBAN AREAS SELECTED FOR PRIORITY ATTENTION

Once a decision has been reached to assign a high priority to urbanization assistance in a particular country, the significant question of which urban areas should receive priority attention remains.

In addressing this question, two observations must be made. First, in most LDCs the largest (or primary) city is growing, not only more rapidly than total urban population, but, also, more rapidly than other urban areas. This tends to produce increasing concentration of the urban population —which is often referred to as "polarization."

Table 3B-1, Annex 3B shows a sample of large cities in African countries and their high average population growth rates.

On average, the percent of the total population residing in the largest city, in low-income countries, grew from 2.75 percent in 1960 to 6.32 percent by 1980. For middle-income countries, the comparable figures are 9.24 percent in 1960 to 13.05 percent in 1980. In most of the LDCs, the primary city has a disproportionately larger share of industrial and service employment than its population and provides disproportionately higher levels of income per capita than other cities.

On the face of it, then, it appears that urbanization issues in most LDCs will revolve, to a considerable extent, around the primary city. Evidence cited in Section V supports the necessity to devote some portion of the attention to deciding what, if anything, should be done to assess development problems and invest in the primary city.

The second general point to be made is that in most LDCs it is the size and the rate of growth in the primary city, along with the difficulties in managing that growth, that is the major impetus for interest in developing urban strategies. Thus, whether

or not a decision is taken to give priority attention to the primary city, issues associated with its size and rate of growth will tend to dominate urban policy formulation in any case. For this reason, if no other, it is useful to explicitly deal with the primary city — at least in the assessment of options. Furthermore, as discussed in Section V and Annex 2D, it is unwise to ignore the potential of the largest city to provide major economic and social benefits in future development.

There has been, of course, a great deal of discussion about the obvious social and economic costs associated with large size. However, the weight of the conceptual and empirical evidence does not support the contention that it is necessarily desirable to slow the growth or reduce the size of the primary city once both benefits and costs have been taken into account. It is more accurate to say that the evidence suggests that the basic issue is to decide how to provide necessary economic and social requirements and manage the growth of the primary city, rather than to retard its development and growth.

Even granting this, however, there remains the problem of what other urban areas should receive priority attention and what the principles should be for their selection. To the extent that LDCs have already adopted explicit urban strategies, they have tended to be strategies which emphasize decentralization away from the primary city toward secondary cities or rural market towns. The objectives of these strategies — other than reducing population growth in the primary city — usually include regional equity objectives (more equalization of incomes and services across regions), national security (in settling relatively under-developed border regions) or social equity objectives (more equality in the provision of social services across the urban system).

The previous sub-section has argued that in the setting of country priorities it is essential to take both needs and resource capacity into account. The same is true in selecting priorities among urban areas. Previous analysis has demonstrated that the consequences of indiscriminate or broadly based decentralization can be achieved, if at all, only at the risk of substantially increasing overall development costs and substantially reducing the expected economic and income growth of the economy — thus reducing future resource capacity. The issue, then, is to set priorities for other urban areas which have a reasonable chance of success without adding excessively to costs or substantially reducing the capacity of the economy to generate future resources.

In general, this requires the setting of priorities among urban areas other than the primary city in which:

1. The area has demonstrated some growth capacity, which might be indicated by its recent past rates of employment or population growth.

2. The area is likely to be a suitable place to locate industry and commercial services without a high probability of economic loss or the necessity for continuous subsidy, which can be indicated by recent rates of growth in industrial employment or firms and by the share of the local employment base represented by industry.

3. The area has suitable vertical or horizontal options for expansion in density and/or physical size without the necessity to build completely new infrastructure systems or incur major costs to overcome physical barriers.

4. The anticipated investment for employment, housing, shelter, and infrastructure in the aggregate for urban areas selected will not exceed the anticipated future resource pool.

The application of these criteria will generally lead to the selection of only a few secondary cities for priority attention, rather than a more scattered approach that tries to distribute a small amount of the available resources to a large number of places. Ultimately, the rationale for this approach is that some viable decentralization can occur while growth occurs in domestic resources which can then be used for more targeted application to the social needs of specific population groups to improve social equity among individuals and households.

C. POPULATION TARGET GROUPS

Section IV and Annex 1A demonstrates that the urban population of LDCs will continue to grow relative to the rural population and that this shift will result in an increase in the proportion of poverty households in urban areas over those in rural areas. Thus, it is clear that the urban poor need to receive greater attention than has previously been the case.

It has not been possible to establish with certainty the effects of increased urbanization on the incidence of poverty. The World Bank has estimated the number of poor urban households in 1980 to be 41 million. The total urban population in 1980 in low- and middle-income countries is estimated to be 880 million people. Thus, there are approximately 4.7 poverty households per 100 people living in urban areas in 1980. The urban poverty households in 2000 are estimated to be 74.3 million out of a total urban population of about 2,430 to 2,680 million people. On this basis, there would be between 3.0 and 2.8 poverty households per 100 people living in urban areas. That is, the incidence of poverty is estimated to decline.

The prospects of this happening are conditional on the maintenance of relatively high rates of growth in GNP per capita between now and the end of the century. In this sense, economic growth and urbanization are important anti-poverty forces. At the same time, it is relatively certain that there will be a residual (and, perhaps, substantial) poverty population which will need priority attention in each LDC — with well-targeted programs.

D. INSTITUTIONAL TARGET GROUPS

As has been emphasized earlier, policies and programs which have potential urban effects extend well beyond those which have traditionally been thought to comprise the "urban sector." In fact, one of the potential advantages of the UDSS Project is that it can provide broad enough assessments to identify and select for priority attention those institutions and institutional decision-makers whose policies and programs make up the major elements of an often "implicit" urban policy.

As suggested in Section V, the critical element in determining the urban areas likely to expand in population is the allocation of investment funds. Within the categories

of investment funds, existing research suggests that industrial investment flows are the primary determinant. Shelter, intra-and inter-urban infrastructure investments are also influential in determining future patterns of urban population location and their levels of well-being.

There is, of course, considerable variation among LDCs in terms of relative shares of investment by sector which are publicly or privately provided. However, in most LDCs, both the public sector's direct role in investment and its indirect role in setting the context for investment are extensive. Thus, it is important to give priority attention to those national institutions which participate in setting overall allocations of investment, industrial policies (especially industrial location policy) and major sectors of intra-urban infrastructure, housing and services.

It has been repeatedly demonstrated that when spatial policies (i.e., decisions about where population and redistribution are desired) and sector policies diverge, the objectives of the spatial policies will not be achieved. It is normally necessary, therefore, to broaden the range of institutions receiving priority attention well beyond the ministries directly responsible for planning, housing, and residential services programs. Ministries of Finance, Industry, Trans- portation, Power, and Communications, as well as banks and other financial institutions, should receive attention.

Because total resources for investment are likely to fall short of the levels needed to finance all desirable programs and projects, it is particularly important to involve sectoral ministries, and offices within them, responsible for setting service standards and establishing cost-recovery mechanisms and levels.

Aside from the effects of standards and prices of services on population location choices, standards of service provision and prices charged to recipients of services determine the overall costs of urban development efforts and the level of replenishment of the future resource pool for investment.

In addition to national ministries, priority attention should be given to local government and service authorities (such as local water utilities and housing authorities) in high priority urban areas. As at the national level, it will often be necessary to involve a broader range of local government officials to achieve the most beneficial effects of sectoral programs and policies.

X. OTHER DONORS

Most other donors were slow to recognize the growing importance of urban development to national economic growth in the LDCs. The United Nations Center for Housing, Building, and Planning was the only multi-national agency actively involved in urban technical assistance up until the late 1970s, and their work tended to be along traditional "master planning" lines. However, concern about urbanization accelerated throughout the donor community during the 1970s.

The United Nations sponsored two major conferences which focused on urban issues (the Stockholm Conference on the Environment in 1973 — which gave life to the United Nations Environmental Program; and the Vancover Conference on Human Settlements in 1976 — which led to the reorganization of the UN's urban activities in Nairobi with UNCHS and Habitat Foundation). In addition, the World Bank and other multi-national banks formed urban lending units. Most bilaterals agencies have generated various urban technical assistance projects on a generally small scale.

Altogether, the urban focus of the donor community has continued to play a secondary role to rural development and agriculture. Nonetheless, increased funding has been made available to urban activities during the last decade. For example, the World Bank from next to no urban specific lending in 1970 (though many other projects had an urban impact) had allocated slightly over two billion dollars by 1976 to urban projects and $3.8 billion by 1982. The World Bank projects over $4 billion in new urban commitments during the coming five years. Other multi-national donors are similarly increasing urban lending.

The World Bank continuing commitment to LDC urbanization was recently expressed in their publication, "Learning by Doing," a 10-year retrospective on the World Bank urban project experience. In the conclusions (page 49) to the report, it states:

> Despite the progress made in overcoming problems in the urban sector, the challenge of urban growth has not diminished over the past decade. Urban populations have continued to grow in every country, even where rural development efforts have been effective and sustained. Higher energy costs and worldwide inflation have placed new strains on productivity, much of which continues to be generated in urban areas in developing countries. Supporting services and infrastructure essential for efficient urban economic activity continue to be needed in the metropolitan agglomerations, as well as in the new secondary urban centers where much of the current growth is taking place. In the constrained economic and financial conditions of the 1980s, sound economic financial policies governing urban development are critical if productivity is to be maintained. Finally, the need to increase institutional capacity, whether in providing new infrastructure and shelter or in maintaining and operating existing investments, remains a key lesson of project experience.

> Projected growth in every region suggests that urban development efforts will have to be redoubled over the next decade if the solutions developed during the 1970s are to be extended to growing populations.

Given the vast range of urban problems to be addressed, and the enormous capital assistance requirements, the expanding role of the multi-national donors and bilaterals alike should be welcomed. There is clearly a role for all to participate in the efforts to assist the LDCs in overcoming urban problems.

In reviewing the present and pending work of other donor agencies, PRE/H has determined that the appropriate role for the UDSS Project should be determined in part by the participation of other donors and their program emphases. Among the conclusions drawn from the review are the following:

1. The overall capital requirements for urban infrastructure and facilities are so large that the multi-national banks should be viewed as the major source of capital assistance to most of the AID-assisted countries. AID's role should be to use its limited capital assistance capacity and the HG program resources for interventions selected primarily to achieve urban policy objectives. Nonetheless, the availability of capital assistance is recognized as an essential part of the overall AID urban strategy.

2. That opportunities to leverage AID's technical and capital assistance by generating follow-up financing from the multi-national donors should be exploited where possible. For example, AID-supported development planning of urban projects in Medan, Indonesia and the Asian Development Bank is now providing the capital assistance for their implementation.

3. When high priority opportunities for long-term technical assistance have been identified through the UDSS Project, and funding is not available from USAID Mission budgets, then possible opportunities for obtaining technical assistance should be explored with UNCHS.

4. In spite of the resource limitations within AID which underscore the importance of cooperation and coordination with other donors, the review of other donor's activities also suggests several unique contributions which the UDSS Project can make. AID, through the UDSS can make a major contribution to the methods and techniques to be used in addressing LDC urban problems. In particular, the growing awareness on the part of donors and LDC governments alike regarding the importance of urban policy issues, offers AID a major opportunity to take a leadership role in the urban policy dialogue.

   In addition, AID's recognition of the private sector's importance to overall national development and urban development, in particular, also gives AID a perspective, not yet widely recognized by other donors, from which to provide a unique contribution to the urban dialogue.

ANNEX 1A

DEMOGRAPHIC DIMENSION OF URBANIZATION AND URBAN CONCENTRATION

The countries of the world classified as Middle- and Low-Income Countries by the World Bank had a total population of 3,300 million people in mid-1980. Of this total 880 million people lived in areas classified as urban. Of these, 367 million lived in Low-Income Countries (with per capita GNP less than $430) and 513 million lived in Middle-Income Countries. Overall, 27 percent of the population was urban. In Low-Income Countries, the urban population comprised 17 percent of the population; while, in the Middle-Income Countries, the urban population had reached 45 percent of the population.[1]

The primary cities of each of almost all these countries have grown rapidly and by 1980 had reached a cumulative population of 192 million, or 22 percent of the urban and 6 percent of the total population. The Low-Income Country share of this primary city population was 44 million or 12 percent of the urban and 2 percent of total population. In Middle-Income Countries, the primary city population was 149 million, or 29 percent of urban and 13 percent of total population.

AID-assisted countries contained a total population of 1,874 million (57 percent of the population in all Low- and Middle-Income Countries) in 1980 of which 552 million was urban. The urban portion of AID-assisted countries is 29 percent of their total population. As a group, therefore, they are slightly more urbanized than the average of Low- and Middle-Income Countries, although they include countries with very low levels of urbanization (Burundi: 2 percent and Rwanda: 4 percent), and some with very high levels (Israel: 89 percent and Lebanon: 76 percent).

The total population of the primary cities in each of the AID-assisted countries was 117 million in 1980. This total represents 21 percent of the urban and 6 percent of the total population of these countries. Thus, AID-assisted countries, as a group, are very similar to all Low- and Middle-Income Countries in the degree of concentration of their urban systems in the primary city. Again, however, there is a tremendous range with Guinea having 80 percent of its urban population in its primary city and India having 6 percent. Sixty percent of the total population in Lebanon is in its primary city, at the high end, and India has only slightly over 1 percent of its population in its primary city, at the low end. (These data are summarized in Table 1A-1.)

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[1]See Section V and Annex 2A for a discussion of the relationship between urbanization and GNP per capita.

There are substantial regional variations among AID-assisted countries, in their levels of urbanization and the percent of their urban population in the primary city. Table 1A-2 shows these group averages compared to equivalent averages for all Low- and Middle-Income Countries.

An aspect of the changing demography is an increase in the numbers of poor households in urban areas. In 1980, the number of urban households in poverty was estimated to be 41.17 million.[2] This means that there were 25 poor urban residents for each 100 urban residents in 1980. At an average of five persons per household, this translates to one out of every four urban households experiencing poverty conditions.

TABLE 1A-1

TOTAL, URBAN AND PRIMARY CITY POPULATIONS, 1980

Country Group	1980 Total Population (Millions)	1980 Urban Population (Number)	Percent of total	1980 Largest City Population Number	Percent of urban	Percent of total
Low Income	2,161	367	17	44	12	2
Middle Income	1,139	513	45	149	29	13
Total	3,300	880	27	192	22	6
AID Assisted Countries	1,874	552	29	117	21	6

[2]From Table 1, p.3, "Shelter, Poverty and Basic Needs Series," World Bank, September 1980.

TABLE 1A-2

URBANIZATION AND CONCENTRATION
(1980)

AID Assisted Countries[1]	Urban Population as Percent of Total	Largest City Population as Percent of Total Urban	Largest City Population as Percent of Total
Asia	22	15	3
Caribbean	40	57	23
Central America	62	32	20
South America	66	21	14
East/Southern Africa	16	43	7
West Africa	24	29	7
N. Africa/Near East	44	32	14
Overall	29	21	6
All Low Income	17	12	2
All Middle Income	45	29	13
Overall	27	22	6

[1]The regional figures for columns (1) and (2) are from "Urbanization and Urban Growth as Development Indicators in AID-Assisted Countries," Newman and Hermanson Company, 1983. The Low and Middle Income figures are from "World Development Report, 1982," The World Bank. The final column is calculated from these figures as are the overall figures for AID-Assisted Countries.

ANNEX 1B

FUTURE URBANIZATION IN LDCs

One way to get a sense of what is implied by a continuation of recent past urban growth rates in LDCs is to compare recent rates of growth of total and urban population.[3] From 1970 to 1980, total population in the Low-Income Countries increased at a rate of 2.1 percent a year while urban population grew at a rate of 4.1 percent a year. The corresponding figures for Middle-Income Countries were 2.3 percent a year and 4.0 percent a year respectively.

Total population in Low-Income Countries was 2,161 million and urban population was 367 million in 1980. The World Bank estimates that the year 2000 population for Low-Income Countries will be 3,090 million. Continuation of the growth rates for urban population would raise urban population to 820 million by 2000. This would increase the urban percent of total population from 17 percent to 27 percent. A similar calculation for Middle-Income Countries with a total population of 1,139 million and an urban population of 513 shows a prospective 2000 total population of 1,789 million and an urban population of 1,124. This would increase the percent urban from 45 percent in 1980 to 63 percent by 2000. The overall change would be from 27 percent to 40 percent urban. Some estimates have put the year 2000 urban percent of total population as high as 50 to 54 percent (based on UN estimates in the first case and individual country growth rates rather than group averages in the second case.) In spite of the range of these estimates, any of them would indicate a very substantial reorientation of the population and a dramatic shift in the share of requirements for jobs, shelter, and services from rural to urban areas.

Previously referenced projections of poverty by the World Bank, estimate the number of urban households in poverty in 2000 at 74.3 million. The estimate of urban population based on individual country total and urban growth rates (54 percent of total population), would put the incidence of urban poverty at 3 poor households per 100 people in urban areas. On this basis, even though the incidence of urban poverty would decline, the number of poor urban households would increase by over 33 million from 1980 to 2000.

Data on the household income distribution by country is very scarce and that on urban-rural differences more scarce still. Furthermore, that which does exist is not necessarily reliable. The World Development Report provides some limited data which is shown in Table 1B-1.

The relationship between urbanization and GNP per capita is a fairly accurate predictor of levels of urbanization in LDCs. In 1980, for example, overall average actual urbanization rates were 36.1 percent of the population of LDCs

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[3]See Table 3A-1, Annex 3A.

whith less than 10 million population while the average predicted urbanization rate was 37.1 percent. Projecting urban growth to 2000, however, on two different assumptions about its pattern reveals a striking contrast. If urbanization is projected by assuming a continuation of the 1970-80 rates of urban population growth for each individual country, average urbanization by 2000 in the small LDCs would equal 57.0 percent of the population. If urbanization is projected, on the other hand, by assuming a continuation of the relationship between GNP/capita and urbanization plus a continuation of growth rates in GNP/capita between 1960-1980 to 2000, the average percent urban would be 46.0 percent of the population.

The significance of this is that national population growth statistics and expected low levels of expansion possibilities for agricultural employment make a continuation (or possible acceleration) of past urban growth rates likely. At the same time, an international decline in prices of primary products, high levels of energy costs, and the general recession in national economies makes the continuation of the relatively high rates of economic growth unlikely.

TABLE 1B-1

HOUSEHOLD INCOME DISTRIBUTION

	Percent Share of Household Income				
	Low Value	High Value	Median Observation	Average of Observations	Cummulative Based Upon Average by Quantile
Low Income (N=6)					
Lowest 20 percent	4.6	10.4	6.9-7.0	7.0	7.0
Second Quintile	8.0	11.7	10.2-11.1	10.2	17.2
Third Quintile	11.7	16.1	13.9	14.2	31.4
Fourth Quintile	14.8	23.5	19.7-20.5	19.4	50.8
Highest Quintile	42.2	59.2	49.4-50.4	49.2	100.0
Middle Income (N=17)					
Lowest 20 percent	1.9	6.6	3.5	4.0	4.0
Second Quintile	5.0	11.2	8.0	8.1	12.1
Third Quintile	9.4	18.7	12.9	13.1	25.2
Fourth Quintile	17.0	23.9	21.4	21.0	46.2
Highest Quintile	38.7	66.6	54.0	53.8	100.0

ANNEX 1C

FUTURE GROWTH OF THE LABOR FORCE: EMPLOYMENT REQUIREMENTS

The number of new jobs required to provide employment for the new urban population and to reduce current levels of unemployment or under employment is extremely difficult to establish definitively. The 1980 World Tables estimated that the labor force would grow at an average annual rate of 2.3 percent a year between 1977 and 2000 in Low-Income Countries and by 2.2 percent a year in Middle-Income Countries. The World Development Report, 1982 estimated the potential labor force (percentage of the population of working age: 15-64 years) in 1980 as 59 percent in Low-Income Countries and 55 percent in Middle-Income Countries. These figures, taken in conjunction with population figures cited above provides some basis for making a low-side estimate of future job requirements. These are shown in Table 1C-1.

The estimated requirement for 279 million new urban jobs is a low side estimate because:

- it does not take into account the need to reduce current urban unemployment;
- it does not take into account the normally positive difference between the portion of the population in the labor force in urban and rural areas; and
- it does not take into account the relatively higher population growth rates in urban than in rural population expected between 1980 and 2000.

An alternative estimate could be made assuming that the potential labor force would remain the same portion of projected 2000 population as it was in 1980. This procedure estimates total urban labor force in 2000 at 1100 million and the required new jobs as 603 million, which is likely to be nearer the mark than the previous estimate. If the capital costs per job average about $10,000, investment resources needed to provide this many new urban jobs represents about 11.5 times the total gross domestic investment of all Low- and Middle-Income Countries for all purposes in 1980. If the low-side estimate turns out to be more accurate, the requirement would still be 5.3 times total 1980 gross domestic investment.

ANNEX 1D

FUTURE URBAN LAND REQUIREMENTS

In a recent report prepared by PADCO for PRE/H, "Urban Land Need Assessment Methodologies," the populations of 40 major Third World Cities were reviewed to project their future land needs. Since no maps or other physical data were available, the projections were made using absorption capacity methodology and data drawn from World Bank and UN sources and the UITP Handbook of Urban Transport.

The cities were selected from Africa, Asia and Latin America and were primarily chosen because there was data available showing populations and corresponding land areas. Although the cities ranged in size from 250,000 to 10,900,000 their mean size in 1975 was 3,600,000. They display a wide range of densities from very low in predominately African cities to over 500 persons per hectare within the city limits of Bombay. Where possible, all of these densities were measured using the population within the areas defined by municipal or city boundaries rather than metropolitan areas. This was done to more closely reflect actual living conditions inasmuch as metropolitan areas can sprawl over vast areas at low densities. Furthermore, metropolitan areas frequently have vague boundaries making projections of densities inaccurate. Thus, the first column of Table 1D-1 population figures show the populations over which densities were measured while the second set of population data show metropolitan populations. These metropolitan populations were used to project future populations and land needs.

The projection of future urban land needs shown on Table 1D-1 indicates future land needs if the cities accommodate their future populations at their current densities. In most cases, the physical areas of these settlements would have to more than double if this were to be done.

The data from this Table show that unless means are found to increase development densities, the additional land requirements will be very large. For the cities shown in Table 1D-1, urban population is projected to increase 3.54 times while urban land requirements in square kilometers increase 2.84 times. Thus, it can be said that a 1 percent increase in urban population will increase land requirements by 0.8 percent, assuming these cities to be representative. On this basis, land needs for total urban population would increase by 142 to 160 percent of current urban land.

The data in Table 1D-1 can be used, also, to show that .06 km^2 are required for each thousand new people. On this basis, new urban land requirements would range from 40.8 thousand km^2 to 105.3 km^2, with accompanying urban services.

TABLE 1D-1

PROJECTED 2000 POPULATIONS AND LAND NEEDS IN THIRD WORLD CITIES

CITY	POPULATION 1 (000S)	LAND AREA (KM2)	DENSITY (P/HA)	POPULATION 2 1960 (000S)	POPULATION 2 1975 (000S)	GROWTH RATE (%)	2000 PROJECTION (000'S)	GROWTH RATE (%)	LAND NEED (KM2)
ABIDJAN****	1750	135	130	330	950	11.15	5750	7.47	370
AHMEDABAD	1588	93	171	1181	2063	3.79	5502	4.00	201
ALGER*	943	210	45	871	1179	2.04	2651	3.61	375
ANKARA*	1270	48	265	650	1725	6.72	5262	4.56	134
ALEXANDRIA**	2318	193	120	1500	2447	3.32	5599	3.37	262
BAGHDAD***	2260	139	163	983	3433	8.69	10907	4.73	460
BANGKOK*	2050	291	70	1710	3277	4.43	11030	4.97	1101
BOMBAY*	3840	68	565	4060	7094	3.79	19065	4.03	212
BOGATA**	2818	131	215	1662	3416	4.92	9527	4.19	264
BUENOS AIRES*	2972	200	149	6700	9332	2.23	13978	1.63	313
CARACAS*	1800	112	161	1283	2673	5.02	5963	3.26	205
CAIRO**	7000	297	236	3711	6932	4.25	16398	3.50	402
CASABLANCA	1791	113	158	967	1856	4.44	5248	4.25	214
CALCUTA*	4200	127	331	5500	8017	2.59	19663	3.62	350
COLOMBO*	559	37	151	503	655	1.78	1269	2.68	41
COTONOU*	111	47	24	200	300	5.20	826	5.19	223
DELHI	4044	1404	27	2263	4489	4.61	13220	4.42	3204
FREETOWN	128	35	37	100	360	6.61	1320	6.71	263
HONG KONG*	2808	75	374	2706	4010	2.66	5515	1.28	40
ISTANBUL	8800	1054	83	775	2064	6.75	8284	5.72	752
JAKARTA	5000	369	136	2702	5593	4.97	16933	4.53	837
KAMPALA	332	268	12	139	590	7.50	2506	7.50	1547
KARACHI***	4000	237	169	1848	4465	6.06	15852	5.20	675
KINSHASA	1323	202	65	451	2049	10.62	9112	6.15	1078
LAGOS*	1500	70	214	775	2064	6.75	9437	6.27	344
LIMA	3600	164	220	1784	3901	5.35	12130	4.64	375
MADRAS*	2470	128	193	1706	3748	5.39	10375	4.16	343
MANILA	3900	600	65	2240	4444	4.67	12683	4.28	1268
MEXICO CITY	9000	1500	60	4910	10942	5.49	31616	4.34	3446
MONTEVIDEO*	1100	58	190	1159	1559	2.00	2223	1.43	35
NAIROBI*	509	509	10	272	741	6.91	3371	6.25	2530
OUAGADOUGOU***	135	30	45	135	250	8.01	787	5.90	119
RANGOON	1927	120	161	992	2449	6.21	7372	4.51	307
RIO DE JANEIRO*	1805	130	139	4392	8328	4.36	19383	3.44	796
SANTIAGO	3700	250	148	1876	3063	3.32	5119	2.08	139
SAN PAULO*	5241	857	61	4383	9965	5.63	26045	3.92	2629
SEOUL	5510	367	150	2361	7286	7.80	18711	3.84	761
SINGAPORE	2100	61	344	1133	2027	3.95	3029	1.62	29
TEHERAN	3600	350	103	1870	4435	5.93	13785	4.64	909
YAOUNDE****	267	14	189	206	617	5.64	1849	5.64	65
MEAN	2752		154			5.29	9738	4.34	693
STANDARD DEV	2174		111			2.16	7268	1.52	858

* Cities in which densities and land areas cover the municipal boundaries only. Metropolitan populations are higher.

** Data from National Urban Policy Study in Egypt.

*** Data from World Development Report, 1982, The World Bank. Population projections are based on 1960 and 1980 populations.

**** Data from Recent Shelter Sector Assessment and World Development Report, 1982.

Source: UITP Handbook of Urban Transport. International Union of Public Transport, 1975, Brussels; Global Review of Human Settlements: Statistical Annex; World Development Report, 1982, and PADCO analysis.

ANNEX 1E

FUTURE URBAN SHELTER REQUIREMENTS

Shelter requirements would represent a large portion of the needed new capacity. Assuming an average household size of five people, the net increase in urban population of from 1,560 to 1,755 million would represent 312 to 351 million new urban households.

As indicated earlier, the World Bank has estimated the increase in urban households in poverty to be 33.1 million. The cost requirements for providing each urban household in poverty in 2000 with a basic unit of shelter would be 116 billion (1975 US$) using World Bank estimates. The regional breakdown of these estimates is shown in Table 1E-1.

The National Urban Policy Study in Egypt estimated the per unit costs of providing both rehabilitation and new units (in a ratio of 1.38 rehabilitated units to 1 new unit) to be L.E. 1,085 (1979 prices) or about $1,200 (U.S.) to create or rehabilitate the needed housing. On this basis, total shelter costs would range from between about $374 billion to $421 billion. It is expected that a large share of these expenditures would be private rather than public in origin, of course, but would create nevertheless an enormous social requirement.

TABLE 1E-1

THE TOTAL INVESTMENT REQUIRED IN ORDER TO PROVIDE EACH HOUSEHOLD LIVING IN POVERTY IN 2000 WITH A BASIC UNIT OF SHELTER
(billions of 1975 U.S. dollars)

Region	In Urban Areas	In Rural Areas	Total
Latin America & the Caribbean	62.0	7.0	69.0
Europe, Middle East & N.Africa	11.0	3.0	15.0
Eastern Africa	6.0	5.5	11.5
Western Africa	4.0	2.0	60.0
South Asia	25.0	20.0	45.0
East Asia and the Pacific	8.0	8.0	16.0
Total	116.0	45.5	161.5

Source: "Shelter, Basic Need Series, World Bank, 1980, p.

ANNEX 1F

FUTURE URBAN WATER SANITATION, OTHER PHYSICAL INFRASTRUCTURE, EDUCATION, AND HEALTH REQUIREMENTS

The World Bank has estimated the total per capita costs of alternative types of water supply and sanitation as shown in Table 1F-1.

To serve the expected new urban population (1,560 to 1,755 million people) completely with house connections to water would cost between $187 and $210 billion in 1978 U.S. dollars. If only standpipes were used, the costs would be reduced by two thirds to about $62 to $70 billion. Since a mix of solutions is more likely, the actual cost requirement could fall between these extremes. There would, of course, be additional costs to make up for current deficits in service (about 280 million out of the total urban population in 1980 of 880 million). These would range from about $34 billion to about $11 billion.

Data on sanitary sewage disposal costs and differences in urban/rural access is not widely available in comparable form. The World Bank has estimated per capita costs for providing sewer service at $250 in 1978 U.S. dollars, a septic tank at $100 and a latrine at $30. On this basis, the cost requirement to serve the potential new urban population with sewerage systems would be between $390 billion and $439 billion. Analogous costs for septic tank solutions would be $156 billion to $176 billion. The National Urban Policy Study (NUPS) conducted in Egypt for AID provides an alternative estimate based upon requirements for adding to existing systems, making up deficits, and rehabilitation of existing systems on a year 2000 urban population basis ($92 per capita in 1979$). From these estimates, the total cost for sanitary service would reach about $163 billion, for a mixed technological solution, including costs for making up deficits.

Excluding costs for housing, water, and sanitation, NUPS estimates for other physical infrastructure and education and health facilities was $586 per capita using total year 2000 urban population as the base. Accepting this parameter to provide order of magnitude costs, suggests a total requirement in these categories of between $914 billion to $1,020 billion to serve the year 2000 total urban population of 1,560 and 1,755 million people respectively.

TABLE 1F-1

CAPITAL COSTS PER CAPITA OF ALTERNATIVE TYPES
OF WATER SUPPLY AND SANITATION
(1978 U.S. dollars)

Type of Service	Urban	Rural
Water Supply		
with house connection	120	150
with standpipe	40	40
with hand pumps	-	25
Sanitation		
with sewerage	250	250
with septic tank	100	-
with latrine	30	20

Source: "Water Supply and Water Disposal," Basic Needs Series, World Bank, 1980, p.16

ANNEX 2A

URBANIZATION AND GNP PER CAPITA

The strong positive relationship between higher levels of urbanization and GNP per capita has been documented repeatedly over the post-war years. One of the most extensive empirical investigations of this relationship was conducted in the mid-1970s by Hollis Chenery and Moises Syrguin for the World Bank.[4] In this study, the authors reviewed data from 101 countries for thirty variables representing development processes. The data base contained over 20,000 observations.

The equation, which they estimated, related the present level of urbanization (the percent of the total population residing in urban areas) to GNP per capita and total population size.[5] Their estimates showed that the level of GNP per capita was a powerful explainer of urbanization. Table 2A-1 shows some sample calculations from their report for a country of 10 million at various levels of GNP per capita (in 1964 US$s).

More recently, the relationship between urbanization and GNP per capita for all low- and middle-income countries was estimated for a report prepared for PRE/H, "African Urban Indicators".[6] This report utilized data from the World Bank "World Development Report, 1982" to make separate estimates for small (less than 10 million people) and large (more than 10 million people) low- and middle-income countries. Table 2A-2 shows sample calculations for a small and a large country using the equations estimated for "African Urban Indicators."[7]

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[4]Hollis Chenery and Moises Syrguin, Patterns of Development: 1959-70, Oxford University Press, 1975.

[5]The estimated equation was:

Percent Urban = 1.154 + .365 (ln GNP/capita)-.016 (ln GNP/capita)^2 + .019 (ln total population) - .002 (ln total population)^2

The R^2 was .666 and the standard error of the estimate .127.

[6]"African Urban Indicators," prepared by PADCO, Inc., in association with Garn Research for PRE/H, December 1982.

[7]The equations were:

(Small Country) Percent Urban = -.89894 + .19218 ln (GNP per capita)

(Large Country) Percent Urban = -.89048 + .18653 ln (GNP per capita)

The respective $R21_s$ were .665 and .662.

TABLE 2A-1

URBANIZATION AND GNP/CAPITA
(1964 U.S.$s)

	GNP/Capita				
	Under 100	200	400	800	1000
Percent Urban	12.8	36.2	49.0	60.1	63.4

TABLE 2A-2

URBANIZATION AND GNP/CAPITA
(1980 U.S.$s)

	GNP/Capita				
	300	500	1,000	2,000	4,000
Percent Urban (Small Country)	19.7	29.5	42.9	56.2	69.5
Percent Urban (Large Country)	17.3	26.9	39.8	52.7	65.7

ANNEX 2B

URBANIZATION PATTERN DEVIATIONS

Tables 2B-1 and 2B-2 present a listing of countries that shows the amount and degree of deviation from the general pattern for all low- and middle-income countries for which the relevant data is available. A more detailed typology is shown in Section IX and Annex 3A.

TABLE 2B.1

CURRENT AND PROJECTED URBANIZATION
ABSOLUTE AND RELATIVE DEVIATION FROM GENERAL PATTERN
(Large Countries)

	Actual[1] 1980	Predicted[2] 1980	Difference[4]	Relative Difference[5]	Projected[6] 2000	Predicted[7] 2000	Difference[8]	Relative Difference[9]
Bangladesh	11	1.7	9.3	5.47	24.3	1.7	22.6	13.29
Ethopia	14	3.1	10.9	3.52	23.1	8.3	14.8	1.78
Nepal	5	3.1	1.9	0.61	8.6	3.9	4.7	1.21
Burma	27	6.8	20.2	2.97	39.6	11.2	28.4	2.54
Zaire	34	11.6	22.4	1.91	75.8	12.3	63.5	5.16
Mozambique	9	12.4	-3.4	-0.27	24.4	12.0	12.4	1.03
Sri Lanka	27	15.4	11.6	0.75	38.3	24.2	14.1	0.58
Tanzania	12	16.1	-4.1	-0.25	33.1	23.1	10.0	0.43
Pakistan	28	17.3	10.7	0.62	39.9	27.6	12.2	0.44
Uganda	9	17.3	-8.3	-0.48	9.2	14.7	-5.5	-0.37
Sudan	25	23.2	1.8	0.08	54.2	22.4	31.8	1.42
Ghana	36	23.6	12.4	0.53	49.5	19.9	29.6	1.49
Kenya	14	27.6	-13.6	-0.49	23.0	37.5	-14.5	-0.39
Indonesia	20	24.1	-4.1	-0.17	29.7	38.7	-8.9	-0.23
Egypt	45	29.6	15.4	0.52	51.9	42.1	9.7	0.23
Thailand	14	32.3	-18.3	-0.57	18.9	49.5	-30.6	-0.62
Philippines	36	32.9	3.1	0.09	46.5	43.2	3.3	0.08
Morocco	41	37.8	3.2	0.08	56.6	47.0	9.5	0.20
Peru	67	38.4	28.6	0.74	98.3	42.5	55.8	1.31
Nigeria	20	40.0	-20.0	-0.50	25.1	60.0	-29.8	-0.50
Colombia	70	42.9	27.1	0.63	3/	53.9	3/	n/a
Turkey	47	47.0	0.0	0.00	76.0	60.2	15.8	0.26
Korea	55	47.6	7.4	0.16	3/	72.9	3/	n/a
Malaysia	29	48.8	-19.8	-0.41	36.7	64.5	-27.8	-0.43
Algeria	44	51.5	-7.5	-0.15	74.1	63.2	10.9	0.17
Brazil	68	53.2	14.8	0.28	3/	71.7	3/	n/a
Mexico	67	53.6	13.4	0.25	94.4	63.1	31.3	0.50
Chile	80	54.1	25.9	0.48	93.3	60.0	33.3	0.56
South Africa	50	55.3	-5.3	-0.10	51.9	63.8	-11.9	-0.19
Rumania	50	55.7	-5.7	-0.10	78.6	86.4	-7.8	-0.09
Argentina	82	56.1	25.9	0.46	3/	64.2	3/	n/a
Yugoslavia	42	57.8	-15.8	-0.27	63.8	77.4	-13.6	-0.18
Iraq	72	60.4	11.6	0.19	3/	79.7	3/	n/a
Venezuela	83	63.8	19.2	0.30	3/	73.4	3/	n/a

See "Notes to Tables," p.72.

TABLE 2B.2

CURRENT AND PROJECTED URBANIZATION
ABSOLUTE AND RELATIVE DEVIATION FROM GENERAL PATTERN
(Small Countries)

	Actual[1] 1980	Predicted[2] 1980	Difference[4]	Relative Difference[5]	Projected[6] 2000	Predicted[7] 2000	Difference[8]	Relative Difference[9]
Mali	20	11	9	0.82	32	16	16	1.00
Burundi	2	12	-10	-0.83	2	21	-19	-0.90
Rwanda	4	12	-8	-0.67	7	18	-11	-0.61
Upper Volta	10	13	-3	-0.23	19	13	6	0.46
Malawi	10	15	-5	-0.33	20	26	-6	-0.23
Haiti	28	18	10	0.56	52	20	32	1.60
Sierra Leone	22	18	4	0.22	30	18	12	0.40
Guinea	19	19	0	0.00	37	20	17	0.85
Cen.African Rep.	41	20	21	1.05	60	23	37	1.61
Benin	14	20	-6	-0.30	16	22	-6	-0.27
Niger	13	22	-9	-0.41	26	15	11	0.73
Madagascar	18	23	-5	-0.22	23	21	2	0.10
Togo	20	26	-6	-0.23	37	37	0	0.00
Lesotho	12	26	-14	-0.54	3/	49	3/	n/a
Yemen PDR	37	26	11	0.42	49	70	-21	-0.30
Yemen AR	10	27	-17	-0.63	31	44	-13	-0.30
Mauritania	23	27	-4	-0.15	58	33	25	0.76
Senegal	25	28	-3	-0.11	28	26	2	0.08
Angola	21	28	-7	-0.33	38	19	19	1.00
Liberia	33	31	2	0.06	48	36	12	0.33
Honduras	36	32	4	0.13	56	36	20	0.56
Zambia	43	32	11	0.34	83	32	51	1.59
Bolivia	33	32	1	0.03	46	40	6	0.15
Zimbabwe	23	34	-11	-0.32	35	37	-2	-0.05
El Salvador	41	35	6	0.17	44	41	3	0.07
Cameroon	35	35	0	0.00	89	45	44	0.98
Nicaragua	53	37	16	0.43	69	41	28	0.68
Papua	18	38	-20	-0.53	53	49	4	0.08
Congo	45	41	4	0.10	58	44	14	0.32
Jamaica	41	44	-3	-0.07	49	46	3	0.07
Guatemala	39	44	-5	-0.11	51	55	-4	-0.07
Ivory Coast	40	46	-6	-0.13	3/	55	3/	n/a

See "Notes to Tables," p.72.

TABLE 2B-2 (continued)

	Actual[1] 1980	Predicted[2] 1980	Difference[4]	Relative Difference[5]	Projected[6] 2000	Predicted[7] 2000	Difference[8]	Relative Difference[9]
Dominican Rep.	51	46	5	0.11	88	59	29	0.49
Ecuador	45	47	-2	-0.04	59	64	-5	-0.08
Paraguay	39	48	-9	-0.19	53	60	-7	-0.12
Tunisia	52	48	4	0.08	72	66	6	0.09
Syria	50	48	2	0.04	76	62	14	0.23
Jordan	56	50	6	0.12	75	71	4	0.06
Costa Rica	43	53	-10	-0.19	60	66	-6	-0.09
Panama	54	53	1	0.02	66	66	0	0.00
Portugal	31	59	-28	-0.47	49	78	-29	-0.37
Uruguay	84	63	21	0.33	69	68	1	0.01
Hong Kong	90	71	19	0.27	3/	96	3/	n/a
Trinidad	21	71	-50	-0.70	17	83	-66	-0.80
Greece	62	71	-9	-0.13	90	93	-3	-0.30
Singapore	100	71	29	0.41	3/	99	9	0.09
Israel	89	72	17	0.24	3/	86	3/	n/a

NOTES TO TABLE 2B-1 and 2B-2

[1]Percent urban in 1980 as reported in World Development Report, 1982

[2]Percent urban predicted from equation for relationship between percent urban and GNP per capita

[3]Continuation of past urban growth rates to 2000 would not be possible since projected percent urban would exceed 100 percent

[4]The column is the difference between actual 1980 and predicted 1980

[5]The column is the difference divided by the predicted percent urban. Thus it shows percent over- or under-urbanized relative to the norm

[6]The column is percent urban in 2000, if current ratio of urban population growth continues to 2000

[7]The column is percent urban in 2000, if projected on the basis of continued current rates of growth in GNP per capita

[8]The column is projected 2000 minus the predicted 2000

[9]The column is the difference shown in the previous column divided by the predicted 2000. Thus it shows percent over- or under-urbanized relative to the norm

ANNEX 2C

THE TRANSFORMATION OF OUTPUT AND EMPLOYMENT

	GNP/Capita (1964 $U.S.)				
	Under 100	200	400	800	1000
Percent Urban:	12.8	36.2	49.0	60.1	63.4
Shares of Output:					
a. Primary	52.2	32.7	22.8	15.6	13.8
b. Industry	12.5	21.5	27.6	33.1	34.7
c. Services and Utilities	35.3	45.7	49.6	51.4	51.5
Shares of Employment:					
a. Primary	71.2	55.7	43.8	30.0	25.2
b. Industry	7.8	16.4	23.5	30.3	32.5
c. Services	21.0	27.4	32.7	39.6	42.3

Source: Chenery and Syrguin, op.cit., pp.20-21

These patterns are based on projected values estimated by Chenery and Syrguin.

ANNEX 2D

BENEFITS AND COSTS OF URBANIZATION

Johannes Linn recently reviewed information on urbanization costs related to these contentions that costs for providing equivalent benefits are far greater for an urban than for a rural population and that the costs of urbanization exceed the benefits.[8] On the first point, he concludes that it is generally true that per capita public expenditures tend to be higher in urban areas than in rural areas and in larger cities than in smaller ones. He correctly emphasizes, however, that a considerable part of the explanation for this is that incomes are higher in urban than rural areas and in larger cities relative to smaller ones; thus there is a higher level of demand for urban services than for rural services. He concludes that:

> "...the demand for public services and the politically determined investment decisions are such as to result in higher average per capita service levels for most public services in larger compared with smaller settlements. It is predominately for this reason, rather than because of higher unit costs, that per capita public expenditures in urban areas tend to be higher than in rural areas and that they tend to be higher in large than in small urban areas."[9]

Linn argues that the evidence of economies of scale in provision of public services (which would lead to lower unit costs in urban areas) is inconclusive. The recently completed National Urban Policy Study for Egypt[10], however, provided support for lower unit costs for provision of water, sewerage, transportation and electrical power as a function of urban density. Cost equations were estimated from data on recent development projects in each of the above sectors and showed declining unit costs as densities increased. Although the correlation is not perfect, higher densities tended to be related to city size.

Thus, although the evidence is mixed, cost grounds alone do not provide a basis for attempting to slow down the rate of urbanization — even though fiscal requirements are high. Linn stated it this way:

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[8]See Johannes F. Linn, "The Costs of Urbanization in Developing Countries," Economic Development and Cultural Change, Vol. 30, No. 3, April 1982, pp.625-48.

[9]Linn, Ibid, p.646.

[10]See "Final Report," National Urban Policy Study on Egypt, PADCO, Inc., USAID Contract No. 263-0042, 1982.

> "In sum, industrialization, population growth and increases in per capita income, all of which tend to be concentrated in urban areas, impose a rapidly growing fiscal burden on governments in developing countries. However, there is little reason to suspect that slowing down the urbanization process per se will reduce the burden unless it is accompanied by reduced rates of industrialization or reduced population and income growth... The claim that rapid urbanization is the primary cause of international indebtedness of developing countries is inaccurate and misleading.[11]

These comments, as well as the previous discussion of links between urbanization, income growth, and transformation of output and employment toward more urban-oriented activities suggest that there are likely to be substantial economic benefits associated with urbanization that compensate and may exceed the increased cost.

In fact, there is substantial empirical support for this view. The strong positive relationship between urbanization and GNP per capita cited earlier provide such support. Koichi Mera has shown that available empirical evidence for 46 developing countries supports the idea of economic gain being associated with urban growth and primary city growth.[12]

Harry Richardson points out that:

> "The economic advantages of primate cities in developing countries are considerable: higher returns to investment than at alternative locations, economies of concentration in urban service provision in capital-poor economies; transportation advantages, communication economies, the dominant source of innovation and managerial expertise and the diffusion center for developmental impulses and for economic, technical and social change. The finding that in a study of 46 countries there was a strong positive association between aggregate growth performance and increasing primacy deserves emphasis. The economic and social benefits of large relative to small cities (e.g., a wider range of job opportunities including employment for secondary workers in the 'informal' service sector, better health and education facilities) appear stronger in developing than in the developed countries."[13]

The analysis by Koichi Mera, referred to above, has been extended in a later study

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[11] Linn, op.cit., p.647

[12] Koichi Mera, "On Urban Agglomeration and Economic Efficiency," Economic Development and Change, No. 21, 1973.

[13] Harry W. Richardson, "City Size and National Spatial Strategies in Developing Countries," World Bank Working Paper, No. 252, April 1977, pp.12-14.

by this same author, in which he found that, within the system of urban places, there is a strong tendency for both output and income to be positively correlated with city size.[14]

The most comprehensive effort to date to measure urban development costs (for investment in employment, shelter, urban community, and both intra-and inter-urban infrastructure) and benefits for a developing country was undertaken in the National Urban Policy Study for Egypt.[15] In this study, a recommended strategy was compared with six alternative spatial and sectoral strategies for urban population. A strategy of locating investment primarily in urban areas with the highest probability of generating employment most efficiently turned out to have the highest level of benefits and benefits net of costs. Of the tested alternatives, the most beneficial alternative located industrial and service investment most heavily in places with established industrial potential. The alternatives with the least benefits, and benefits net-of-costs was a broadly-based strategy of decentralization to secondary cities and urban areas in relatively remote desert regions. The results are shown in Table 2D-1.

The preferred strategy, in the example above, can be seen to have slightly lower benefits and net benefits than Alternative A. This is due to a choice of a feasible level of decentralization with careful attention to the magnitude of the expected loss of benefits associated with the choice.

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[14]The general relationship which fits the empirical data from his and other studies is:

Output (or income = a (population size of city)^b. The parameter, "b", is greater than one and ranged from .04 to .20 depending upon the definition of output or income used. See Koichi Mera, "City Size Distribution and Income Distribution in Space," Regional Science Journal, 1981.

[15]PADCO, Inc., National Urban Policy Study for Egypt, op.cit. See especially the "Final Report" and for a summary of benefit/cost estimation, pp.25-51 in that report.

TABLE 2D-1

SUMMARY OF NUPS BENEFIT/COST ANALYSIS

Settlement Alternative	Inter-Urban Annual Average Net Benefits Per Capita (1985-2000) Total (L.E.)	Inter-Urban Annual Average Net Benefits Per Capita (1985-2000) As Percent of Preferred (%)	Annual Average Net Benefits w/Inter-Urban Infrastructure Included (1985-2000) Total (L.E.)	Annual Average Net Benefits w/Inter-Urban Infrastructure Included (1985-2000) As Percent of Preferred (%)
Preferred Strategy	635	100	521	100
Alternative A (concentration in places with economic growth potential)	643	101	540	104
Alternative C (decentralization to multiple growth nodes and remote areas)	423	67	241	56

ANNEX 3A

COUNTRIES SELECTED FOR PRIORITY ATTENTION

Table 3A-1 shows a priority listing of countries classified as low-income (GNP per capita less than $420) by the World Bank in 1982, according to increases in urban population relative to total population growth.

Tables 3A-2 and 3A-3 show a sample of a cross-classification for countries served by AID's African Bureau. Table 3A-2 shows three categories: countries currently less urbanized than expected from their level of economic development, those already more urbanized than expected, and those with about the expected level. Countries in the first category should expect increasing urbanization and begin now to make the requisite planning and program choices to meet these requirements. Countries in the second category are already more urbanized than can be readily financed from their own resources and are likely to have immediate need for external assistance. Countries in the third category are likely to have the potential for coping with urbanization, but may be in need of assistance in managing urban areas and choosing appropriate investment allocations by urban location and sector.

Table 3A-3 shows three categories of countries ranked by the anticipated degree of difficulty in providing urban resources in the future. These rankings are based upon the difference between their growth in GNP per capita and their growth in urban population. Table 3A-4 summarizes the priority information from both sets of criteria and suggests a combined priority ranking in each of the three categories of countries.

Tables 3A-5, 3A-6 and 3A-7 establish priorities (based upon comparison of the need for urban assistance with the resource capacity to meet such a need) for a sample of countries served by USAID's Near East Bureau. Data for these countries have been developed in "Near East Bureau Countries: Current and Projected Urbanization and Associated Indicators" prepared by PADCO for PRE/H, and have been used as a basis for Tables 3A-5, 3A-6 and 3A-7.

TABLE 3A-1

GROWTH RATES AND RATIOS OF URBAN TO TOTAL POPULATION GROWTH RATES FOR LOW-INCOME COUNTRIES

Country	Growth Rate of 60-70 Population	Growth Rate of 60-70 Urbanization	Ratio	Growth Rate of 70-80 Population	Growth Rate of 70-80 Urbanization	Ratio
Upper Volta	2.0	5.7	2.85	1.8	5.9	3.28
Chad	1.8	6.7	3.72	2.0	6.5	3.25
Lao PDR	2.6	3.5	1.35	1.8	5.2	2.89
Haiti	1.5	4.0	2.67	1.7	4.9	2.88
Ethiopia	2.4	6.5	2.71	2.0	5.4	2.70
Togo	2.7	5.6	2.07	2.5	6.7	2.68
Zaire	2.0	5.2	2.60	2.7	7.2	2.67
Tanzania	2.7	6.3	2.33	3.4	8.7	2.56
Bangladesh	2.4	6.3	2.62	2.6	6.5	2.50
Niger	3.3	7.0	2.12	2.8	6.8	2.43
Malawi	2.8	6.6	2.36	2.9	7.0	2.41
Sudan	2.1	6.7	3.19	3.0	7.1	2.37
Afghanistan	2.2	5.4	2.45	2.5	5.8	2.32
C.African R.	1.9	5.1	2.68	2.1	4.8	2.29
Sri Lanka	2.4	4.3	1.79	1.6	3.6	2.25
Bhutan	1.8	4.0	2.22	2.0	4.4	2.20
Somalia	2.4	5.3	2.08	2.3	5.0	2.17
Guinea	2.8	6.2	2.21	2.9	6.1	2.10
Mozambique	2.1	6.5	3.10	4.0	8.3	2.08
Mali	2.4	5.4	2.25	2.7	5.6	2.07
Nepal	1.8	4.2	2.33	2.5	4.9	1.96
Rwanda	2.6	5.4	2.08	3.4	6.3	1.85
Burma	2.3	4.0	1.70	2.4	4.2	1.75
Madagascar	2.1	5.4	2.57	2.5	4.3	1.72
Sierre Leone	2.2	5.5	2.50	2.6	4.3	1.65
Benin	2.5	5.3	2.12	2.6	3.7	1.42
Pakistan	2.8	4.0	1.43	3.1	4.3	1.39
Uganda	2.9	7.1	2.45	2.6	3.4	1.31
Burundi	1.6	1.6	1.00	2.0	2.5	1.25
Vietnam	3.1	5.3	1.71	2.8	3.3	1.18
MEAN			2.31			2.30

Source: World Development Report, 1982, and PADCO calculations

TABLE 3A-2

CLASSIFICATION OF AFRICAN BUREAU (ABC) COUNTRIES

Countries Likely To Experience Mounting Urbanization Pressure[1]	
Country	Current Urbanization Level
Nigeria	20%
Kenya	14
Uganda	9
Lesotho	12
Zimbabwe	23
Burundi	2
Niger	13
Rwanda	4
Mozambique	9

Countries Which Already Have More Urbanization Than Expected[2]	
Country	Current Urbanization Level
Central Afr. Rep.	41%
Zaire	34
Zambia	43
Mali	20
Ghana	36
Ethiopia	14
Congo	45
Sierra Leone	22
Liberia	33
Benin	14

Countries Which Have About The Level of Urbanization Expected[3]	
Country	Current Urbanization Level
Cameroon	35%
Guinea	19
Senegal	25
Sudan	25
Upper Volta	10
Mauritania	23
Malawi	10
Madagascar	18
Ivory Coast	40
Togo	20

1 Countries are ranked by the amount of difference between the actual and predicted levels of urbanization in 1980. These countries all have substantially less urbanization than predicted.

2 Countries are ranked by the amount of difference between the actual and predicted levels of urbanization in 1980. These countries all have more urbanization than predicted.

3 Countries are ranked by how close their actual and predicted levels of urbanization are in 1980. These countries all have urbanization rates closer to predicted values than countries in the other two categories.

Source: PADCO calculations from data in World Development Report, 1982.

TABLE 3

COUNTRIES RANKED BY GREATEST TO LESS DIFFICULTY
PROVIDING DOMESTIC URBAN RESOURCES

Greatest Difficulty[1]	Mid-Range Difficulty[2]	Less Difficulty[3]
Lesotho	Zambia	Burundi
Cameroon	Tanzania	Nigeria
Zaire	Guinea	Rwanda
Mauritania	Zimbabwe	Malawi
Ivory Coast	Upper Volta	Kenya
Sudan	Liberia	Benin
Central African Republic	Mozambique	Uganda
Ghana	Togo	Senegal
Niger	Madagascar	Ethiopia
Congo	Sierra Leone	Somalia
	Mali	

1 These countries have the greatest negative difference between their 1960-80 growth in GNP per capita and the growth consistent with 60-80 growth in urban population. These differences range from -15.1% for Lesotho to -4.8% for the Congo.

2 These countries have differences between their 1960-80 growth in GNP per capita and the consistent rate of growth from -4.7% for Zambia to -2.3% for Mali.

4 These countries have differences between their 1960-80 growth in GNP per capita and the consistent rate from -2.0% for Ethiopia to -0.5% for Burundi.

Source: PADCO

TABLE 3A-4

PRIORITIES FOR FURTHER URBAN DEVELOPMENT ASSESSMENT[1]

Countries Most Likely To Experience Increases in Urbanization Pressures				Countries Already Experiencing Higher Levels of Urbanization Than Expected from Economic Growth				Countries With About The Level of Urbanization Expected			
(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)	(a)	(b)	(c)	(d)
Country	Ranking By Increased Urbanization Pressure	Ranking By Degree of Likely Shortfall in Domestic Resources	Combined	Country	Ranking By Increased Urbanization Pressure	Ranking By Degree of Likely Shortfall in Domestic Resources	Combined	Country	Ranking By Increased Urbanization Pressure	Ranking By Degree of Likely Shortfall in Domestic Resources	Combined
Lesotho	3	1	1	Zaire	1	2	1-2	Ivory Coast	2	3	1
Kenya	2	6	2-3	Central Afr. Rep.	2	1	1-2	Togo	1	5	2
Zimbabwe	5	3	2-3	Zambia	3	5	3-4	Mauritania	5	2	3
Nigeria	1	8	4-6	Ghana	5	3	3-4	Madagascar	3	8	4-6
Uganda	4	5	4-6	Mali	4	7	5-6	Sudan	7	4	4-6
Niger	7	2	4-6	Congo	7	4	5-6	Cameroon	10	1	4-6
Mozambique	8	4	7	Sierra Leone	8	6	7-9	Upper Volta	6	7	7
Burundi	6	9	8	Ethiopia	6	8	7-9	Malawi	4	10	8
Rwanda	9	7	9	Liberia	9	5	7-9	Guinea	9	6	9
Benin	10	10	10	Liberia	9	5	7-9	Senegal	8	9	10

[1] Numerical rankings are from 1 = most severe condition on the listed criteria to 10 = least severe condition on the listed criteria within each group. The combined rank is derived from the average of the other two rankings. The data for the rankings are taken from Table VIII and XIII. Several of the smaller ABC Countries are not ranked on this priority list, due to incomplete or out-of-date data. If included in the listing several would be assigned high priority. Botswana, for example, would be listed among the countries most likely to experience increases in urbanization pressures and would rank (on the basis of available data) between Lesotho and Kenya.

Source: PADCO Calculations.

TABLE 3A-5

COUNTRIES RANKED BY SEVERITY
OF ADJUSTMENT PROBLEMS

Change in Percent Urban[1]		Average Change in Urban Population[2]		Social Indicators	
Country	Average Percentage Point Changes	Country	Ratio of Added Urban to Added Total Population	Country	Index of Adverse Social Conditions[3]
Turkey	24.55	Portugal	2.45	Yemen AR	-1.69
Yemen AR	23.25	Israel	1.36	Morocco	-0.761
Tunisia	23.10	Turkey	1.21	Jordan	-0.030
Portugal	22.85	Lebanon	1.15	Tunisia	0.139
Jordan	20.20	Jordan	1.11	Egypt	0.222
Morocco	14.85	Tunisia	0.92	Turkey	0.332
Lebanon	13.10	Egypt	0.83	Israel	0.353
Egypt	12.95	Morocco	0.75	Portugal	0.929
Israel	11.00	Yemen AR	0.74		

1 These figures are the average of the two projected 2000 urban percentages from Table 3* minus the 1980 urban percentage for the country.

2 These figures are the average of the two estimates of urban population growth from Table 3* divided by the projected total population growth.

3 These figures are the unweighted averages of the social indicators shown in Annex C, Table C.2*.

* From "Near East Bureau Countries: Current and Projected Urbanization and Associated Indicators," prepared by PADCO for PRE/H.

TABLE 3A-6

COUNTRIES RANKED BY ADEQUACY OF ECONOMIC RESOURCES

Domestic Investment Levels[1]	
Country	Number of Years
Morocco	20.3
Jordan	16.2
Egypt	14.0
Turkey	13.1
Yemen AR	13.0
Tunisia	12.6
Israel	6.4
Portugal	3.2
Lebanon	Data Unavailable

Domestic Saving Levels[2]	
Country	Number of Years
Yemen AR	Indefinite/Negative Saving
Jordan	Indefinite/Negative Saving
Morocco	38.8
Egypt	27.1
Turkey	19.6
Israel	17.6
Tunisia	14.1
Portugal	7.3
Lebanon	Data Unavailable

Index of Economic Capacity[3]	
Country	Index
Yemen AR	-0.469
Turkey	-0.263
Morocco	-0.164
Egypt	0.041
Jordan	0.181
Israel	0.331
Tunisia	0.409
Portugal	0.612
Lebanon	Data Unavailable

[1]These figures show how many years of investment at 1980 total domestic investment levels would be required at unit urban development costs, shown in Section II* and Annex A*, to provide for the projected urban population only.

[2]These figures show how many years of investment at 1980 total domestic saving levels would be required to provide for the projected urban population only.

[3]These figures are the unweighted average of the economic performance indices shown in Annex C, Table C-3*.

*From "Near East Bureau Countries: Current and Projected Urbanization and Associated Indicators", prepared by PADCO for PRE/H.

TABLE 3A-7

RELATIVE SEVERITY OF URBANIZATION PROBLEMS IN NEB COUNTRIES[1]

Country	Urban Percent Change	Urban/ Total Change	Social Conditions	Domestic Investment	Domestic Savings	Economic Capacity	Average Rank
Yemen AR	2	7	1	5	1-2	1	2.9
Jordan	5	4	3	2	1-2	5	3.4
Turkey	1	3	6	4	5	2	3.5
Morocco	6	8	2	1	3	3	3.8
Egypt	7	6	5	3	4	4	4.8
Tunisia	3	5	4	6	7	7	5.3
Israel	8	2	7	7	6	6	5.5
Portugal	4	1	8	8	8	8	6.2

[1] The rankings in this table are from 1 = most severe to 8 = least severe. Lebanon is unranked due to unavailable data, and also, because of the recent war damage to Beirut and other Lebanese settlements. Rankings are taken from Tables 3A-5 and 3A-6 above. The average rank is the sum of the ranks divided by six, i.e., an unweighted average.

ANNEX 3B

LARGE CITIES IN AFRICAN BUREAU (ABC) COUNTRIES

Countries	Cities*	Year - Population	Year - Population	No. of Years	Annual Rate of Growth %	Percent Urban Population in Largest City 1960	Percent Urban Population in Largest City 1980	Estimated Population in Largest City 1980
Population Below 1,000,000								
Guinea-Bissau	Bissau	- -	70 - 71,169	-	-			
Gambia	Banjul	67 - 31,900	77 - 43,890	10	3.74			
Cape Verde	Praia	60 - 13,142	70 - 21,494	10	5.04			
Equatorial Guinea	Malabo	50 - 11,098	60 - 37,237	10	12.87			
Djibouti	Djibouti	- -	70 - 62,000	-	-			
Swaziland	Mbabane	66 - 13,830	73 - 20,800	7	6.08			
Botswana	Gaborone	64 - 3,849	71 - 17,718	77	24.37			
Mauritius	Port Louis	52 - 69,893	69 - 138,140	17	4.11			
Seychelles	Victoria	60 - 10,304	71 - 13,736	11	2.47			
Gabon	Libreville	61 - 31,027	67 - 57,000	6	10.67			
Small Low Income								
Somalia	Mogadiscio	67 - 172,677	72 - 230,000	5	5.90		34	410,000
Mali	Bamako	66 - 161,784	76 - 404,022	10	9.62	32	34	480,000
Burundi	Bujumbura	65 - 71,000	70 - 78,810	5	2.11			
Rwanda	Kigali	70 - 34,403	78 - 117,700	8	10.13			
Upper Volta	Ouagadougou	66 - 77,500	77 - 180,000	11	7.96		41	250,000
Malawi	Blantyre-Limbe	66 - 109,461	76 - 219,900	10	7.18		19	110,000
	Lilongwe*	66 - 19,666	76 - 75,000	10	14.32			
Sierra Leone	Freetown	63 - 127,917	74 - 214,443	11	4.81	37	47	380,000
Guinea	Conakry	58 - 78,388	67 - 197,267	9	10.80	37	80	800,000
Central Afr. Rep.	Bangui	64 - 126,607	71 - 187,000	7	5.67	40	36	320,000
Benin	Cotonou	63 - 111,100	73 - 178,100	10	4.88		63	370,000
Niger	Niamey	68 - 78,991	75 - 130,299	7	7.43		31	270,000
Madagascar	Antananarivo	69 - 339,233	71 - 317,600	2	[illegible]	44	36	580,000
Togo	Lome	70 - 148,156	77 - 229,400	7	[illegible]		60	500,000
Large Low Income								
Ethiopia	Addis Ababa	68 - 684,100	77 - 1,133,700	9	5.77	30	37	1,630,000
	Asmara	68 - 190,500	77 - 344,020	9	7.46			
Tanzania	Dar Es Salaam	67 - 272,821	75 - 517,000	8	[illegible]	34	50	1,170,000
Zaire	Kinshasa	69 - 1,788,127	74 - 2,008,352	5	9.29	14	28	2,690,000
	Kananga	69 - 478,960	74 - 601,000	5	6.98			
	Kolwezi/Dilolo	69 - 298,151	74 - 337,000	5	3.64			
	Kisangani	69 - 229,596	74 - 311,000	5	6.62			
Mozambique	Maputo	60 - 178,565	70 - 383,775	10	7.95	73	83	910,000
Uganda	Kampala	59 - 123,337	69 - 330,700	10	10.36	38	52	570,000
Sudan	Khartoum	64 - 173,500	71 - 261,840	7	6.06	30	31	1,460,000
	Omdurman	64 - 185,380	71 - 258,552	7	4.87			
Small Middle Income								
Lesotho	Maseru	66 - 18,000	72 - 29,049	6	8.30			
Mauritania	Nouakchott	65 - 15,000	76 - 134,000	11	22.10		39	120,000
Senegal	Dakar	61 - 374,700	76 - 798,797	15	5.18	33	65	910,000
Liberia	Monrovia	62 - 80,987	74 - 204,210	12	8.10			
Zambia	Lusaka	63 - 100,200	72 - 448,000	9	18.10		33	880,000
	Kitwe	63 - 101,600	72 - 331,000	9	14.02			
	Ndola	69 - 150,800	72 - 233,000	3	13.94			
Zimbabwe	Harare	68 - 380,000	76 - 588,000	8	5.15	40	50	850,000
	Bulawayo	68 - 270,000	76 - 340,000	11	2.97			
Cameroon	Douala	70 - 250,000	76 - 458,248	6	10.63	26	21	610,000
	Yaounde*	69 - 165,810	76 - 313,706	7	9.43			
Congo	Brazzaville	67 - 175,000	70 - 175,000	3	3.28	77	36	390,000
Ivory Coast	Abidjan	55 - 127,565	64 - 287,000	9	9.21	27	34	1,170,000
Large Middle Income								
Ghana	Accra	60 - 388,396	70 - 738,498	10	6.64	23	35	1,410,000
	Kumasi	60 - 218,177	70 - 345,119	10	4.69			
	Sekondi/Takoradi	60 - 123,313	70 - 160,586	10	2.69			
Kenya	Nairobi	69 - 478,000	77 - 776,000	8	6.24	48	57	1,740,000
	Mombasa	69 - 246,000	77 - 371,000	8	5.21			
Nigeria	Lagos	63 - 665,246	75 - 1,060,848	12	3.97	13	11	2,130,000
	Ibadan	63 - 627,379	75 - 847,000	12	2.93			
	Ogbomosho	63 - 343,279	75 - 432,000	12	1.93			
	Kano	63 - 295,432	75 - 399,000	12	2.94			

Sources: U.S. Yearbooks and Agency for International Development, 1980

ANNEX 4

EVOLUTION OF AID URBAN DEVELOPMENT POLICY

The evolution of AID involvement in urban development activities and the development of policy in this area will be traced through the review and comparison of a number of policy papers prepared during the last ten years:

1. Policy Determination Papers
   PD-54-Guidance Statement on Urban Development, June 15, 1973
   PD-55-Shelter Program Objectives, October 22, 1974
   PD-67-Urbanization and the Urban Poor, May 27, 1976

2. Urban Development Policy Issues, written March/April 1983

The papers concern somewhat different topics and present material in varied ways, but there are sufficient similarities to permit a comparison of the perception of urban problems and the conclusions and recommendation drawn from the perceptions. PD-54 also outlines involvement with urban development during the earlier decades of the agency.

A. URBAN DEVELOPMENT ACTIVITY PRIOR TO 1971

Even though there was no urban policy, there was considerable urban-related activity on the part of the Agency as summarized in PD-54.

> "Urban and urban-related activities are not new to the Agency. An analysis of AID and predecessor agency involvement in this field from FY49 through FY71 indicates 154 technical assistance and 115 capital assistance grant and loan projects which addressed urban development in some form. In addition, there have been 640 capital assistance projects whose effect on urban development is believed to have been considerable. The nature of urban development in cutting across other sectors is such that many of the Agency's investments in both capital and technical assistance impact on urban centers and influence urban development, either directly or indirectly."

The expenditures for the 755 capital assistance projects represents 67.5 percent of total expenditures for capital assistance by the agency between 1949 and 1971, while the expenditures for the 154 technical assistance projects represent only 1.5 percent of total expenditures, indicating a strong preference for capital assistance to resolve urban problems. It should also be noted that capital assistance activities are often associated with the Housing Guarantee (HG) program. Since this program started and was strongest in Latin America, well over 50 percent of all urban-related funding was spent in this region.

Almost $4.5 billion has been dispersed through the urban-related projects so it was not an insignificant commitment during the early years.

B. PERCEPTIONS OF URBAN PROBLEMS

The rapid growth of urban areas in LDCs and some of the factors contributing to this growth are explained in PD-54, which then concludes that the following facts must be recognized:

> "A large and growing proportion of LDC people are in urban areas. This situation often makes it easier to reach them effectively in pursuit of priority development goals such as employment, health, education, and family planning. Urbanization is a major dimension of development, affecting both rural and urban areas, that cannot be separated out or ignored by LDCs as they strive for better lives for their peoples.
>
> "The developing countries, AID, and other donors continue to make heavy investments in urban areas, without an adequate knowledge base or analytical guidance on the effects of alternative investments and policies, in the urban context, on their array of development goals. These investments will rise rapidly, regardless of the involvement of AID capital assistance.
>
> "There may well be an increasing number of situations in which LDCs are particularly interested in AID assistance in urban contexts. LDCs correctly see the United States as having relevant technical talents."

These perceptions of the importance of urbanization remain basically unchanged in later papers. PD-67 adds some additional data concerning the magnitude and the projected increases of the urban poor but accepts the evaluation of overall urban needs expressed in PD-54.

The 1983 paper on Urban Development Policy Issues contains updated figures on urbanization in LDCs and gives the following reasons for reexamining AID's urban development policy:

> "Although world poverty remains concentrated in rural areas, such a characterization is not representative of all the countries in which AID works;
>
> "Urbanization is increasing at such a rapid pace that by the year 2010 the majority of people living in LDCs will live in cities;
>
> "Despite our perception of ourselves as an Agency concentrating on rural development we already have a very large, if somewhat imbalanced, urban portfolio.

> "Our focus on private enterprise development, economic policy reform, institutional development, and technology transfer provides us with an opportunty to reexamine the linkages between the development of rural areas and rural peoples and the growth of urban areas and urban peoples; and
>
> "Urban centers presently, and will continue to, consume vast amounts of country resources (the management of which can have substantial positive or negative effects on overall development)."

From this it is evident that the basic perceptions of the urban situation and its importance in the development process has not changed appreciably in the various urban policy statements.

C. POLICY RECOMMENDATIONS

While some elements of the urban policy have been consistent among the different papers, there are definite differences in emphasis and approach reflecting particular overall agency policies. Areas of agreement are:

- Official recognition should be given to urban development as a part of the total development effort. This is a qualified recognition in PD-67 since it indicates that the primary focus of AID's activities are to remain on rural areas and on the rural poor.
- Increased knowledge of urban development processes as well as the effect of implications of AID activities on the urban situation.
- HG loans are to be used as the principal mechanism for housing assistance in LDCs. Technical and grant assistance could be provided in conjunction with HG loans where appropriate.
- The capacity of urban governments to plan and provide services should be strengthened.

There has been a change in emphasis of activities between the earlier Policy Determination Papers and the most recent policy issues papers. The earlier statements recommended that activities consist of research and development with pilot projects or inter-regional service activities. PD-54 proposed that these activities be concentrated on:

- The awareness and understanding of decision makers;
- Improving the quantity, quality and accessability of information, and
- Expanding the skilled manpower in LDCs to guide urban development.

In PD-67, the recommended activities were in three areas:

- Problems and prospects for employment generation,
- Improved urban planning, and
- Impact of social welfare programs.

The Urban Development Policy Issues paper recommends activities relating to "The four emphases of the Agency: private enterprise development, policy reform, institutional development, and technology transfer." Recommended programs include:

> "Activities that improve the working of capital and labor markets;
>
> "Activities which strengthen the capability of urban governments to undertake necessary public functions such as land use planning, revenue collection and the provision of infrastructure;
>
> "Urban infrastructure;
>
> "Housing, particularly sites and services;
>
> "Activities to promote the growth of the non-farm private sector;
>
> "Reform of policies which lead to a misallocation of resources between urban and rural areas, or an inefficient allocation of urban public services; and
>
> "Activities which provide human capital services to urban populations on a fee-for-use basis."

D. CONCLUSIONS

1. There has been an involvement by AID in urban-related activities since the creation of the agency even though there was no comprehensive urban policy in the early years and, in some cases, in spite of pro-rural policy.

2. The perceptions of urban problems and the importance of recognizing urban development as a part of the overall development process have remained basically unchanged over the last ten years.

3. Proposed approaches for involvement in urban areas have varied in details to reflect current agency policy but there are areas of agreement on types of activities to be initiated.

4. An integrated and coordinated approach is required with both urban and rural projects related to each other and developed as part of a comprehensive country strategy.

ANNEX 5
PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title & Number: Urban Development Support Services

Life of Project from FY84 to FY88
Total U.S. Funding $11.07 million
Date Prepared: 8/83

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: (A-1) o Improve the quality of life of the urban poor by strengthening the ability of AID-assisted countries to efficiently guide national urbanization in order to achieve the maximum contribution to national economic growth while ensuring the achievement of social equity in terms of access to basic urban services.	Measures of Goal Achievement: (A-2) o Greater access of the urban poor to urban services. o Positive changes in national urban policies. o Stimulation of urban economies through the enhancement of private sector initiatives and job generation. o Improved efficiency and capacity of urban institutions. o Transfer of technology through the adoption of appropriate standards, cost recovery from urban services, and selection of least-cost acceptable technologies.	(A-3) o National surveys. o AID data country reports. o Baseline data update reports. o Semiannual reports. o Adoption of NUPS preferred strategy. o Evaluations.	Assumptions for achieving goal targets: (A-4) o Availability of AID resources on a gradual but increasing basis to address urban issues. o Attainable consensus on program activities which reasonably balance social equity and economic efficiency. o Willingness of urban and national institutions to adopt changes.
Project Purpose: (B-1) o Provide AID with a vehicle for demonstrating to LDCs methods, techniques, and programs, consistent with its overall policy objectives, and to build agency expertise in urban programming activities, in response to the growing demand for support from LDCs and in recognition of the importance of urbanization in national development.	Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2) o Increased AID-supported urban development projects in LDCs. o Increased urban program management capacity within PRE/H and selected RHUDOs. o Network of consultants developed and being utilized by AID Missions. o Assistance to PPC or USAID Missions in conducting evaluations of urban projects.	(B-3) o Urban development projects approved o ABSs o PRE/H and RHUDOs contractors roster o Consultants roster o Requests for PRE/H assistance from AID or USAID Missions. o CDSS analyses	Assumptions for achieving purpose: (B-4) o AID and LDCs recognition of urbanization problems. o Willingness of AID and LDCs to cooperate and reach agreements on urban development activities. o Availability of suitably qualified consultants and contractors. o Agency coordination
Project Outputs: (C-1) o Applied research, urban and sector assessments, evaluations, policy studies project development and data/trend monitoring o Training seminars o Improved national and local institutions through direct application of analytic products.	Magnitude of Outputs: (C-2) o 10 Semi-annual reports o 4 methods and techniques reports o 8 applied urban research reports o 15 CDSSs (urbanization sections) o 9 UDAs o 6 NUPS o 22 sector assessments o 10 PIDs o 10 PPs o 2 program/project evaluations o 6 CA projects prepared o 18 Action planning programming assignments o 250 trained participants	(C-3) o Printed studies and reports o Workshops/seminars o Evaluation reports	Assumptions for achieving outputs: (C-4) o LDCs request and utilize TA to improve policy and program goals and objectives.
Project Inputs: (D-1) o Provision of technical assistance and contractor support o Project funding	Implementation Target (Type and Quantity) (D-2) o 44 person-years of short-term consultant technical assistance. o 21 person-years of RHUDO contractor support. o Budget of $11.07 million over 5 years.	(D-3) o Contractor work plans and vouchers o Consultants roster o Record of project drawdowns o Monitoring by RHUDO and MBO system	Assumptions for providing inputs: (D-4) o Availability of suitably qualified consultants and contractors. o LDC national and local government absorptive capacity can be improved to utilize funds effectively. o Project approved, funds made available.

ANNEX 6

ENVIRONMENTAL STATEMENT

This project, which consists of technical assistance, training, and students, does not have an effect on the natural or physical environment. As per AID's Environmental Procedures, Section 216.2, C.2. (i), (iii), (v), and (xiv), the project is not subject to the procedures for the preparation of an Initial Environmental Examination.

PROJECT AUTHORIZATION

Name of Country: Worldwide

Name of Project: Urban Development Support Services

Number of Project: 940-1002

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Urban Development Support Services Project involving planned obligations of not to exceed $11,070,000 in grant funds over a five-year period, subject to the availability of funds in accordance with the A.I.D. OYB allotment process and the congressional notification process to assist in financing the foreign exchange and local currency costs for the project. The planned life of the project is five years from the date of initial obligation.

2. This project will provide financing to assist Missions, host country governments and others to analyze urban issues and address urban problems. The project is concerned with the long term reduction of urban poverty and will deal with the broader issues including urbanizaton as it relates to national economic growth, the enhancement of opportunities for urban-based private enterprise initiatives, national urban policies and systems, appropriate urban standards and selective use of capital investment and the strengthening of urban institutions at the national and local levels.

3. Obligating documents under the Project, which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. Regulations and Delegations of Authority, shall be subject to such terms and conditions as A.I.D. may deem appropriate.

4. Except as provided herein or as A.I.D. may otherwise agree in writing, commodities financed by A.I.D. under the Project shall have their source and origin in the cooperating country or in the United States. Except for ocean shipping, the suppliers of commodities or services shall have the cooperating country or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

Elise R. W. du Pont
Assistant Administrator
Bureau for Private Enterprise

9/29/85
Date