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**AGRICULTURAL GROWTH AND  
MARKET TOWN DEVELOPMENT**

**Summary of Conclusions  
and Recommendations**

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**Prepared by**

**Abt Associates Inc.  
Harry Garnett**

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**Abt Associates Inc.  
55 Wheeler Street  
Cambridge, MA 02178**

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# AGRICULTURAL GROWTH AND MARKET TOWN DEVELOPMENT

## Conclusions and Recommendations

### 1. Introduction

USAID's Regional Housing and Urban Development Office for East Africa sponsored the Eleventh Conference on Housing and Urban Development in Lilongwe, Malawi from May 18 to 20, 1988. The Government of Malawi's Ministry of Agriculture was the co-host. The focus of the conference was agricultural growth and market town development. The conference brought together over 100 delegates from 20 countries in the region including experts on rural and urban development in Africa, AID and other donor officials, government officials and representatives of the private sector.

This report summarizes the conference's conclusions and recommendations. The report begins with the opening presentations and continues with findings of the working groups.<sup>1</sup>

### 2. Opening Presentations

The conference was officially opened by The Honorable Mr. M. Mwakikunga, Minister of Local Government, Malawi.

Mr. Peter Kimm, Director of Housing and Urban Programs at USAID, introduced the opening speakers. In his own opening remarks, Mr. Kimm said that donors now agreed that in order to make Africa's economies more efficient, it is important to study the locational aspects of market activities in urban areas as part of the design of programs for income and employment generation.

Opening statements were made by U.S. Ambassador George Trail and Mr. Charles Gladson, Assistant Administrator for Africa, USAID.

Ambassador Trail pointed out that experience has shown us repeatedly that governments, the donor community and the private sector must work closely together, given limited financial and human resources, to foster agricultural growth and market town development.

Mr. Gladson argued that for the agricultural sector to be efficient and to contribute to national self-sufficiency, it must be linked to an urban network. "Without that network, farming would be stifled at the subsistence level. Farmers will exchange goods among themselves or through intermediaries, but they will lack the incentive to increase production that comes with the ability to market their goods in a competitive environment."

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<sup>1</sup>This summary was prepared by Harry Garnett of Abt Associates, a chairperson of one of the working groups.

Keynote speeches were made by two experts on agricultural growth and market town development, Dennig Rondinelli of the Research Triangle Institute and Uma Lele of the World Bank.<sup>2</sup> Delegates from five countries commented on the keynote speeches. The main points raised by the keynote speakers and commentators are as follows:

- There is a strong need for governments and donors to pay considerable attention to both the urban and agricultural sectors. Although Africa is now the least urbanized region in the world, its rate of urban population growth is the highest. By 2000, more than 340 million people or about 42 per cent of the population will live in towns and cities, and there will be about 60 cities with more than 1 million inhabitants. On the other hand, agriculture does and will continue to play a very important role. Agriculture contributes on average 40 per cent to gross domestic product and engages 75 per cent of the labor force. Many studies have shown that the expansion of private enterprise in market towns is essential for developing agriculture and for generating off-farm employment. Rural enterprises now provide a primary source of employment for between 25 and 33 per cent of the rural labor force in developing countries.
- As agricultural productivity increases and farming becomes more commercialized, farming depends more heavily upon imports to the region such as pesticides, implements, and transportation equipment that are produced in cities and distributed in rural regions through market towns.
- Rising incomes from increased agricultural production create demand for a wider range of consumer goods that can be produced in, or distributed through, towns.
- The ability of towns and cities to perform important functions in rural and agricultural development depends heavily upon the diversity and quality of their infrastructure and services, the planning, management, and financial capability of local governments, and on the strength of private enterprise to provide necessary services and productive activities.
- Macroeconomic reforms, including producer price and exchange rate liberalization, will stimulate African agriculture. Action will be required on non-price factors to complement these reforms. There is abundant empirical evidence to suggest that investment in infrastructure in market towns and transportation help to develop the markets needed to promote efficient agriculture by improving factor mobility and market information and by reducing transportation costs.

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<sup>2</sup>These and other papers distributed to delegates are listed in the Annex.

- Urban dwellers and farmers are linked by flows of credit. According to World Bank studies, only Africa's larger farmers have tended to benefit from institutional credit; small farmers have had to depend upon urban remittances. Agriculture has performed best in countries that have given small farmers good access to credit (and land). Where such a policy has been pursued, market towns have grown rapidly.
- Although it is clear that policies and programs for developing market towns and strengthening urban-rural marketing linkages will stimulate agricultural development and guide urbanization in mutually beneficial ways, more research is needed into the most effective means to do so. This research should include comparisons of organizational structures for decentralizing financial and management responsibilities to municipal governments, on effective ways to generate local revenues, and on assessments of the structure and performance of critical agricultural marketing subsystems linked to market towns.

### 3. Working Groups' Conclusions and Recommendations

Each of the seven working groups spent two days discussing the conference theme, market town development and agricultural growth. Each group had a wide representation of skills and experience: urban and rural experts; farmers, large and small scale business people, publishers, engineers, economists, sociologists, anthropologists, government officials from many African countries, and representatives of many donors. Their conclusions and recommendations, which were presented by the groups' chairpersons to the conference as a whole prior to the closing ceremonies, are summarized in this section.

- The "market towns" under discussion at the conference, and which do or could promote improvements in agricultural productivity, in the words of one group, "represent a leap in sophistication from the traditional market centers which are typical of rural Africa". This means transforming market centers that are now limited to very local exchange into market towns that will be linked to other trading and processing centers. The groups agreed that the definition of market towns can include large as well as small towns. Secondary cities and smaller towns both have important roles to play in stimulating agricultural productivity improvements.
- In selecting towns for market towns projects, locations that are already economically active should be favored. In general, stagnant or declining areas should be avoided. However selection criteria should be flexible. There may be a strong case to make for selecting previously neglected areas of considerable future development potential based upon unexploited natural resources, pest eradication, or even increased producer prices. In addition, selection criteria must be clear and economically and socially

sound: too often the choices have been dominated by political considerations, leading to projects that cannot be sustained.

- Among the functions performed in market towns that promote agricultural development are the following:
  - market towns are, most importantly of all, markets, centers of demand for farm products and where farmers and others can buy the goods and services they need;
  - market towns are centers of information for farmers on prices, markets and technical options;
  - market towns typically need storage and processing facilities, buildings for traders, and places to acquire farm implements and other farm inputs. There was disagreement as to whether or not the government should provide these facilities if the private sector proved to be unwilling to do so;
  - market towns can be training centers. Vocational training was thought to be particularly important;
  - market towns are sources of formal and informal sector credit. Encouragement should be given to the banking system to decentralize to market towns. Studies have shown the agricultural productivity improvements have been strongly linked to proximity to sources of credit;
  - market towns are centers of primary and secondary education and of health care;
  - market towns are administrative and government service centers.
- Effective market town support for agricultural development is associated with the decentralization of responsibilities to local authorities, since local government is in a position to be more sensitive to local development potential and needs.
- The case for decentralization is reinforced by the need for projects to be sustainable and not depend indefinitely on central government subventions. To this end, local development projects should be based as much as possible on local human and financial resources. However it is unrealistic to assume that it will be possible to rely entirely on local resources, particularly for countries at an early stage of development and for smaller market towns projects.
- A key to effective decentralization is to take steps to make local government less financially dependent on central government. Strenuous efforts should be made to raise more local revenue through development levies, business and property taxes. To quote one working group, "a town should be managed as an enterprise itself, rather than only as a provider of services". Raising local

revenue will be easier to achieve if local people can see a close association between the taxes and charges they pay and the services they receive. This is a more difficult association to make if all taxes and charges are remitted to central government.

- Linking institutional development and training, and some technical assistance, will be required to give local government the capacity to manage its own development. Particular attention will have to be paid to financial management, including revenue collection. Training will also be required in tax assessment and valuation.
- Poor infrastructure was identified by each of the working groups as a major constraint. There was almost unanimity that better main and feeder roads would probably do more to increase agricultural productivity than almost anything else. Many if not most market towns in areas of high agricultural potential have very poor roads, water supply, sanitation, electrical power, and telecommunications.
- Care must be taken to identify the most productive investments in infrastructure. The problem with meeting apparently urgent infrastructure needs is that the necessary financial and human resources are in very short supply. Under structural adjustment, governments are tending to reduce rather than increase expenditure on infrastructure, particularly expenditure involving foreign currency. In reality, maintenance and rehabilitation will tend to absorb most of the resources that can be raised for a number of years. In selecting the best infrastructure programs, it is important to trace the benefits from the market towns into the rural areas, from urban to agricultural activities. Further research into urban-rural linkages will help analysts to advise decision-makers in this regard.
- Market towns and their hinterlands would benefit greatly from much greater attention being paid to the maintenance of infrastructure. In particular many roads are so badly maintained that they effectively cut farmers off from market towns. Road maintenance was thought to be so critical by some of the groups that they recommended setting up special road maintenance funds based upon earmarking vehicle taxes.
- One aid to "self-selection" of the most appropriate infrastructure projects is to set up an infrastructure or municipal development fund from which local authorities can borrow to finance projects. Only local authorities that can afford to borrow will do so. This will tend to mean investment is most likely to take place in regions currently experiencing rapid growth or with good potential for future economic growth, since loans have to be repaid from the increased earnings of beneficiaries. By being able to borrow from such a fund, local authorities will be able to implement the projects that they can afford as well as need, paying for them out of local taxation or user fees, or by issuing bonds backed by local revenue mobilization capacity.

- Due attention should be paid to the informal or **microenterprise** sector. This sector employs almost everyone working in the smaller market towns and the great majority in larger secondary towns. In most cases support for microenterprises most of all means ceasing to discriminate against them in terms of regulatory requirements and access to suitable sites.
- Means should be sought to improve the supply of **credit** to all microenterprises: urban entrepreneurs and farmers. Some groups thought that the key to this is granting secure land tenure, so that property can be used as collateral. Others urged that improved access to credit not await lengthy and expensive land titling exercises, citing cases where credit is made available to farmers and urban business people on the basis of individual trust and competence. Cooperatives and "solidarity" groups can also be set up to overcome problems associated with the lack of physical collateral. All groups agreed that market interest rates should be charged.
- **Non-Governmental Organizations (NGOs)** tend to be very active in market towns and rural areas. There was some disagreement on how to incorporate their activities into market towns projects. Some groups favored formal integration, even strict government supervision so that government and NGO agendas be harmonized. Others favored a more informal relationship, even the "benign neglect" recommended by some for the informal sector. However in designing market town programs recognition should be given to the important role that NGOs can and do play in promoting programs for women: income generating activities, water and fuelwood supply, training in agriculture, and home economics. To this list could be added projects that focus on the role of women in the intensification of urban-rural exchanges. In many countries the trading activities that link farmers to markets and one market to another are organized, and to a large extent carried out, by women.
- Local authorities, particularly the larger ones and market towns servicing a large agricultural hinterland, should have a **business promotion** function. An economic development officer could be appointed to market the location to business people from outside the area, and help local and outside business people to locate sites, deal with infrastructure supply agencies, and meet regulatory requirements. Such should be the focus on helping business that, in the words of one working group, "governments must be accountable in the ways they use their taxes and other revenues to enhance informal and formal sector enterprises".
- Market towns projects, because of their multisectoral characteristics, provide a unique opportunity, in fact need, for donor **collaboration** and for a particularly close working relationship between donors and the central and local government departments involved.

#### 4. Closing Activities

Each of the speakers and commentators responded to the reports of the working groups. All agreed that the working groups' reports comprehensively defined an agenda for future action.

In his closing remarks, Mr. Kimm proposed that the conference agree to support the following actions:

- hold smaller subregional conferences on the subject to focus on more detailed and operational aspects of the the role of market towns in agricultural growth; and
- carry out market development assessments in selected countries.

ANNEX

PAPERS DISTRIBUTED AT THE CONFERENCE

Abt Associates, Urbanization in African Development: Issues and Opportunities, USAID, 1988.

Cour, J-M., Urban Rural Linkages and Regional Development in Sub-Saharan Africa, World Bank, 1987.

Lele, Uma and Robert E. Christiansen, Markets, Marketing Boards and Cooperatives: Their Role in Agricultural Development, World Bank, 1988.

Rondinelli, Dennis A., Market Towns and Urban Rural Linkages, Research Triangle Institute, 1988.

SARSA, The Kutus Region of Kenya: An Exercise in Rural-Urban Exchange Analysis, 1988.