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AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

September 19, 1989

MEMORANDUM

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FROM: Sonia Hammam, PRE/H *Sonia Hammam*

SUBJECT: Background Materials for Second Urban Economics Seminar

Enclosed are the background readings for the second in a series of seminars sponsored by the Office of Housing on Urban Economic Development. As a reminder, the seminar will focus on "The Urban Role in Sectoral Development Strategies" and will be held Thursday, September 21, 1989 from 9:30 a.m. until noon in Conference Room 1408 NS.

We look forward to your participation.

| | | |
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AFTIN REGIONAL STUDIES

URBAN-RURAL LINKAGES: MACROECONOMIC AND REGIONAL IMPLICATIONS

INTERIM REPORT

J.M. Cour
11/09/88

Urban-Rural Linkages: macroeconomic and regional implications

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SUMMARY AND PRELIMINARY RECOMMENDATIONS.

Purpose of the study.

- The purpose of this interim report is to present the analyses and conclusions reached so far in the study of the "macroeconomic and regional implications of urban-rural linkages", undertaken by AFTIN, as part of the program of regional studies managed by the Technical Department.

- The main study objectives, as defined in the initial study proposal (see Annex 1) are: "to improve our understanding of the nature and importance of urban-rural linkages in SSA countries that are experiencing rapid changes in their population distribution; to draw the consequences of these linkages on macroeconomic and sector work; to prepare a framework for a forecast of demand for regional infrastructure and urban services needed to support improvement in the efficiency of agriculture; and to identify policies to strengthen the territorial administration and to improve resource mobilization at the regional level".

Main tasks undertaken so far.

During the first year of the study (FY88) the following tasks were undertaken:

- (i) Conceptual framework and general methodology: a general conceptual framework has been prepared and discussed (see Annex 2). This framework has served as a basis for a new presentation of macroeconomic aggregates and national-regional accounts, taking into consideration urban-rural linkages, and for the analysis of the economy of small areas composed of secondary towns and their hinterlands: the main flows of goods and services and the financial flows between and among urban and rural agents and activities are presented in the form of "local social accounting matrices".
- (ii) Case studies at the macro level: interactions between urban growth and macroeconomic performance: country case studies have been undertaken or initiated in Burundi, Kivu and Zaire, Niger, Ghana and Cote d'Ivoire. The report on "population distribution, urbanization and macroeconomic growth in Cote d'Ivoire: a review of past performance and lessons for future development strategies" is presented in Annex 3. These various case studies show the growing importance of urban-rural exchanges in countries where the process of population redistribution has not been hindered by inadequate policies. These urban-rural exchanges form the most promising source of long-term economic growth, based on endogenous activities, employment and income.

(iii) Case studies at the micro level: linkages between secondary towns and their hinterlands:

The Burundi case study has been finalized (see Annex 4). The local Social Accounting Matrix (SAM) prepared for the commune of Gitega has been used to assess the "costs and benefits" of various scenarios of urban growth. This study has played a key role in the decision of the Government to launch a new policy of accelerated urbanization and increased division of labor between urban and rural areas. The local SAM has also been used to undertake a comprehensive benefits-cost analysis of the second urban project negotiated in June 1988.

Several other case studies have been launched in Cote d'Ivoire (regional impact of a rural development project and role of the local secondary towns, cost-benefit analysis and monitoring and evaluation of the economic impact of the municipal development project: see annex 5), and in Madagascar (urban-rural linkages in the Antananarivo Plain and cost benefit analysis of the Antananarivo Plain regional project).

(iv) Dissemination and participation in seminars:

Several informal discussions and internal seminars on the nature and importance of the urban-rural linkages and their impact on the emergence of domestic and regional markets in SSA have been held with AFT divisions, various AF country teams, SPRSP, CECSS and INU. Close contacts have been kept with USAID teams working on urban-rural linkages and urban strategies (see Annex 6).

Preliminary conclusions and recommendations.

Based on the work undertaken so far, the following conclusions and recommendations appear clearly:

Urban-rural linkages are at the core of many development problems in sub-Saharan Africa, and their study deserves more attention at all levels of Bank's work: economic and sector work, country strategies, policies and project identification, implementation and evaluation.

by definition, urban-rural linkages studies are multidisciplinary and require inputs from and coordination with many sectors. Some improvements in the present organization of the T.D. regional studies should be sought to effectively undertake multisectorial work (the various studies managed by the TD divisions have had very few interactions so far).

the study of urban-rural linkages draws the attention on the importance of the spatial and regional dimension of development, and on the strong interactions between population redistribution, and structural changes in African economies and macroeconomic performance. It is recommended to undertake long-term demoeconomic country assessments similar to the one presented in the Cote d'Ivoire case study on a systematic basis, as a standard component of country economic reports, and to fully take into account these country assessments in the preparation of country strategy papers.

It also appears from the analysis of urban-rural linkages issues that the present way of undertaking PIP and PEP reviews should be seriously reconsidered, in order to better reflect the need for intersectorial consistency and complementarity of investments and expenditures at the local and regional levels. One could think of a presentation of PIPs and PEPs that would be "urban centered" to the traditional presentation by sector, reflecting the division of responsibilities among the various departments of the central administration, would be added a presentation by major administrative unit (region, province) reflecting the importance of local decision-makers (governors, prefets...) and of their respective cities in the management of development in their territory and hinterland.

The local SAMs provide an efficient tool for more comprehensive cost benefit analyses of urban projects and rural development projects, taking into account direct and indirect effects of these projects, and for monitoring their impact on local economy. It is recommended to develop the use of these SAMs in the economic analysis and evaluation of these urban and rural projects.

Recommendations for the continuation of research and other studies on this subject of urban-rural linkages are presented in section VI of the report.

I. INTRODUCTION

1. Almost any economic activity implies exchanges of goods and services and financial flows among agents, and the level of development and standard of living are, to a large extent, dependent on the nature and intensity of these exchanges. The process of urbanization, which is one of the most evident and the earliest form of division of labor in developing economies, has an obvious impact on the nature, intensity and effects of the exchanges that take place in these economies. It is so evident that Richard Cantillon, one of the pioneers in political economy (1680-1734) devoted a section of his "Essay de la nature du commerce en général" to the analysis of these urban-rural exchanges (see Annex 7: Bibliography). He presented a very interesting analysis of the circulation of goods, services and money between farmers, landlords and urban entrepreneurs, showing how urban and rural income were generated in that process. However, for reasons that will be recalled later, modern economists have tended to pay more attention to the linkages and exchanges that take place between sectors (see the input-output matrices and models) than to linkages and exchanges between settlements, like urban and rural areas. Things are changing with the recent multiplication of research and studies on the "urban-rural linkages", a concept which today appears more attractive to economists than the old and somewhat discredited concept of regional development.

2. Defining with precision the characteristics and the various types of these linkages is not easier than defining the concept of regional development: it depends on what we are interested in. Urban-rural linkages are, among others, demographic (migrations, mobility), physical (infrastructure networks), economic and commercial (exchanges of goods and services), financial (circulation of income and savings, transfers), administrative and institutional (central power, local government...), social and cultural. Several documents mentioned in the bibliography in Annex 7 (Dennis Anderson for instance) present a review of these various types of linkages. In the present study, the focus is put on the demographic, economic and financial aspects of urban-rural linkages.

3. - Recent studies undertaken inside and outside the Bank have been reviewed and are presented in Annex 6 (bibliography) and, with more detail, in Annex 6 in the case of the U.S. Agency for International Development which has been remarkably persevering in this field.

4. Although the existence of these "linkages" and their significance to the process of development of SSA countries are now widely acknowledged, one must realize that the impact of this research on country strategies, economic work, sector work and project work has remained limited so far. For instance, national accounts and macroeconomic models still do not reflect exchanges between urban and rural areas and modifications in the nature and intensity of these exchanges that accrue from the process of urbanization. Most reports on

sub-Saharan Africa dealing with macroeconomic or sectorial issues do not even mention the process of population redistribution which is one of the major determinants of the dynamics of exchanges and of the development of domestic and regional markets; sector policy papers on agriculture, food security, rural development, poverty, etc. generally fall short of introducing the urban-rural dimension of the problems addressed; and, still, most projects are identified, appraised, implemented and evaluated in the frame of narrowly-defined sectors where urban-rural linkages remain unexplored or even ignored.

5. It is, therefore, useful to ask ourselves: why is so little actually being done to take into account urban-rural linkages in economic and sector work and in project work? Why, beyond general statements about the reciprocal advantage of these linkages, is it so difficult to operationalize this concept, to take it into account in CESW, to identify concrete actions to promote these linkages, and to effectively tap this potential source of development? Four main interrelated reasons contribute to the present situation: the nature of the conceptual framework underlying economic work, the time horizon of economic and sector work, the focus on the modern sectors of the economy, and the fact that most analyses concerning urban-rural linkages have remained qualitative and therefore hard to take into account in economic work.

6. The conceptual framework which governs economic work is, to a large extent, "utopian", which is to say deprived of any spatial dimension. In that framework, economic agents and activities interact in various ways (see for instance input output models) and respond to incentives and macroeconomic environment, but their spatial distribution, their vicinity relations are not explicitly considered: it is obviously hard to deal with urban-rural linkages within a conceptual framework that ignores spatial patterns of settlement and activities, and where the "market" is an abstraction rather than a network of market places.

7. The time horizon of most economic and sector work is limited, and even when longer term retrospectives, scenarios and projections are prepared, they are basically conceived in a short-term vision. The most important structural change that SSA countries are experiencing over the long duration, which is population growth and population redistribution, is overlooked. In many cases, population, being considered as given, is not mentioned. However, unlike in developed countries, rates of change in the size and distribution of population, which are in the range of 3% to 10% per year, and even more in growth poles, are indeed of paramount importance and have repercussions on all economic and socioeconomic variables, through resulting modifications in vicinity relations and in urban-rural and regional exchanges.

8. Most economic and sector work is strongly focused on the modern sector, and on the foreign trade and balance of payments issues, while most urban-rural linkages take place in the so-called informal or underground sectors and are components of the domestic markets, which are

less closely looked at than external markets. The usual distinction and opposition made between "tradable and non-tradable", although justified from the point of view of the balance of payments, is symbolical of this bias. When they are not ignored, informal and underground sectors are merely considered from a social point of view (protection of vulnerable groups, poverty impact of structural adjustment).

9. Finally, unlike in other areas, most of the research on urban-rural linkages has tended to remain qualitative and descriptive. The lack of quantification is an obvious obstacle to their effective integration in macroeconomic and microeconomic analyses and models. While it is true that even in the lower-income countries of SSA, rural-urban linkages are already complex and involve not only economic matters, but also sociological, geopolitical and cultural issues, this should not dissuade to substitute for this complex and diverse reality, simple models specifically conceived to reflect spatial and urban-rural interactions that common sense shows to be important for our understanding of the real economy of African countries and for a more effective approach to regional development issues.

II. STUDY OBJECTIVES

10. Considering the disappointing results of past research and its meager impact on policy, economic, and sector work, the first objective of the study must be to try and overcome the basic obstacles to a more effective approach to urban-rural linkages issues, and this requires some changes in the existing conceptual framework. In the proposed framework presented in section III and annex 2, long-term changes in population size and distribution, location of settlements and activities, vicinity relations, and their implications on the behavior of households, on division of labor, exchanges, employment and income generation and economic growth are emphasized.

11. This conceptual framework can be used at two different levels of space and duration: the macro and long-term level, and the micro, local level. At the macro level, the objective is to better understand and to make explicit the interactions between population redistribution and urbanization on one hand, and the dynamics of exchanges, the emergence of domestic markets and long-term macroeconomic performance of various countries and regions of SSA on the other hand. At the micro, local level, the objective is to better understand the functioning of the economy of small areas composed of small cities or towns and their rural hinterlands, to identify and quantify the flows of goods and services and the financial flows that take place among and between households and institutions of the urban center and of the rural hinterland, and between the area considered and the rest of the country, and to understand how activities, employment and income are generated and resource mobilization is improved by these exchanges.

III. THE CONCEPTUAL FRAMEWORK

12. Future historians, analyzing the process of development of SSA countries over the 20th century, will almost certainly mention the tremendous population growth (multiplication by 10 within 100 years) and its geographic redistribution (implying a hundredfold increase of population densities in some regions) as a major, if not the most remarkable and far-reaching event of the present century. Therefore, the conceptual framework used to analyze economic, socioeconomic and geopolitical issues in SSA, to organize information systems, statistics and accounts, to build models and to design strategies, policies and projects must fully take into account the dynamics of population redistribution and the spatial dimension of the development process.

13. It is therefore proposed to start from the people and to consider that people behave in function of their demographic and socioeconomic environment. They produce, consume, buy, sell, save, invest, exchange in very different ways according to whether they live in remote areas or close to market, in densely populated or scattered areas, in homogeneous or high income disparity areas. So, the first problem is to identify where people are, in which physical environment, type of settlement, and human environment they are living, in which type of activity they are engaged, and why and where they eventually move. The matrices of population distribution relate distribution by type of settlement (city size, periurban, rural, remote rural, etc.) to the distribution by type of activity (mainly agricultural, non-agricultural informal, modern public and private). Factors which favor or restrain mobility are analyzed.

14. Then, the distribution of population and its dynamics are interpreted in terms of economic activity, and macroeconomic aggregates are presented in such a way as to reflect changes in the matrices of population distribution, and to evidence interactions between economic growth and population dynamics. The economic behavior and productivity of various population subgroups are considered as, in part, determined by their population (and market) environment. For instance, the food productivity (food production per farmer) is influenced by the size of the regional or local market (number of consumers per farmer) and by the distance and accessibility to this market. Similarly, the average productivity of the informal (rural and urban) sector depends on the cost of basic needs for the corresponding population of this informal sector in its local (rural or urban) environment. This means that, in the long term, and on average, population in the informal sector manages to adjust its income and therefore its productivity to its unavoidable expenditures (taking into account interhousehold transfers).

15. Cities and towns are viewed as central places where division of labor is favored by the market environment and entailed by high population densities. Urban intermediaries incite rural agents to sell

and buy and to modify their consumption and production patterns. Rural economy progressively shifts from a non monetized, local self-sufficiency pattern to a monetized, market-oriented pattern, with growing exchanges of goods and services, an accelerated circulation of money, and a wider mobilization of resources.

16. Domestic markets progressively emerge from this process of redistribution and concentration of population in and around cities and towns. These cities and towns benefit from the concentration of power, infrastructure and wealth, develop their influence over their hinterland, and give rise to new functions and activities made feasible by economies of scale and regional specialization. Two important components of these emerging domestic (and regional) markets are: (i) the food complex (feeding the cities) which generates a large part of rural-urban exchanges and explains a large part of rural and urban economies; and (ii) the construction complex (building and maintaining the network of cities and towns) which generates huge financial transfers among and between rural and urban dwellers (rural savings are in part invested in the expansion of urban areas) and forms one of the engines of the urban activity.

17. This conceptual framework is presented in detail and applied to a retrospective (1950-1980) and a long-term perspective (1980-2010) of SSA population and economic growth in Annex 2. Other aspects, including the dynamics of urban and periurban patterns of population and activity and structural changes in the patterns of regional and intraAfrican trade are presented in documents listed in the bibliography.

IV. STUDIES AT THE MACRO LEVEL. INTERACTIONS BETWEEN URBAN GROWTH AND MACROECONOMIC PERFORMANCE.

18. Using the proposed conceptual framework, a new presentation of regionalized national accounts based on the dynamics of population redistribution by size of settlement, by region and by type of activity (agricultural, non-agricultural modern, administration, informal) has been developed. This new presentation facilitates cross-country comparisons and helps to reassess the contribution of informal sectors to GDP and long-term trends in productivity and GDP growth rates. Several country case studies have been initiated and developed at various stages, depending on the opportunities offered by the country economic and sector work (CESW). These include Burundi, Kivu, Niger, Ghana and Cote d'Ivoire. The latter two present contrasted cases of low and high population mobility, with dramatic differences in the nature and intensity of urban-rural exchanges and in the development of domestic markets. The Cote d'Ivoire case study analyzes the conditions and factors that have fostered population redistribution (including immigration, internal migrations and urbanization) and presents a tentative overall analysis of benefits and costs of this process of population redistribution. One important aspect of these benefits is the steady growth rate of urban-rural exchanges and related activities and

incomes (see annex 3). Ghana and Cote d'Ivoire, which in many respects, have similar characteristics, have had very different outcomes in terms of promotion of mobility: since independence, Cote d'Ivoire has faced its regional responsibility by accommodating 3 million immigrants from overpopulated sahelian countries, while Ghana has had a negative balance of migration. This, indeed, must be taken into account in the assessment of country performance, in the design of future development strategies and in the allocation of external aid and public expenditure.

19. In each of these country studies an attempt has been made to assess the informal and or underground components of the economy, which are poorly reflected in national accounts, although they obviously contribute to the real economy. One general conclusion emerges from this analysis: the overall growth of the real economy of SSA countries over the past decades has generally been underestimated, and the long-term prospects for economic growth are higher than usually estimated, thanks to the dynamics of population redistribution and to its impact on urban-rural exchanges and on the resulting emergence of endogenous sources of economic activity, employment and income.

20. Some specific policy recommendations have been derived from these country case studies, particularly in terms of providing an environment favorable to population mobility and division of labor: these recommendations are related to the planning process (national spatial planning), to territorial administration and local institutions, to urban and regional policies; to infrastructure policies, to allocation of public expenditures, and to intensification of urban-rural exchanges and resource mobilization (including the role of rural-urban transfers).

21. This macroanalysis of interactions between population redistribution, structural changes in African economies resulting from urban-rural division of labor and exchanges, and macroeconomic performance, is extremely interesting and should be systematically undertaken in all countries of SSA: indeed, very high population growth rates at the continental level, inadequation between location of population, natural resources and markets, and balkanization of the continent make mobility one of the major requisites of sustained economic growth and long-term viability of African societies.

V. STUDIES AT THE MICRO-LOCAL LEVEL: LINKAGES BETWEEN SECONDARY TOWNS AND THEIR RURAL HINTERLANDS.

22. Using the conceptual framework presented in section III, a simple model of the real economy of urban-rural areas of SSA has been prepared. The basis of this model is an accounting framework (a local social accounting matrix: SAM) as consistent as possible with the characteristics of African Secondary towns and their rural hinterlands, completed with a few behavioral relations and consumption and production patterns of various categories of households. Since, even in the low

urbanized countries of SSA, urban-rural exchanges are already very complex, it has been decided to focus the present study on the simplest situation where the area considered includes only one small to medium-sized town, with a population in a range from 10,000 to 100,000 inhabitants, and its rural hinterland assumed to correspond to one or several administrative units. Considering relatively small towns avoids difficulties accruing from more complex issues linked to the modern sector of large cities. However, the same model, used in the case of one capita city and its hinterland (Antananarivo plain), has proved to be useful in analyzing the segment of the urban economy that is directly linked to basic needs of households and local governments. The urban-rural "model" and the methodology to build local SAMs are presented in annex 4, based on the case studies conducted in Burundi and Madagascar.

23. The main virtue of these local SAMs is to force consistency between expenditure and income of each category of household, institution and activity, by balancing the totals of rows and columns of the matrix representing incomings and outgoings of each corresponding account. Since household expenditure patterns can generally be easily estimated, these SAMs provide a guide for reassessing total household incomes and therefore activities and transfers that generate this income. The local SAMs, taking into account monetized and non-monetized current and capital expenditure, provide a good picture of the real economy of rural-urban areas including its informal and eventually underground components.

24. The degree of disaggregation of the various accounts considered, and the presentation of the matrix can be adapted to the particular problem under review. For instance, Table ___ hereafter presents four simplified versions of the same matrix with 10 and 16 rows and columns respectively (see Annex 4 for details). Each element of the matrix represents the consolidated value of the flows of goods, services, or money which take place between the corresponding accounts. For instance, in row 2, column 1 of the first matrix, the "governments" receive 3960 (FMG million) from the area's households, and in row 1, column 5, these households receive 102,985 from the activities that take place inside the area. In this first matrix, the total value of both monetized and non-monetized ingoings and outgoings are considered. The second matrix gives the value equivalence of non-monetized consumptions (such as food self-consumption and owner-occupied housing), contributions to governments (such as forced labor), savings and investments (mainly self-construction). The third matrix gives the flows of ingoings and outgoings restricted to monetized activities only. The fourth matrix, where urban and rural households, and urban and rural activities are separated, identifies the fraction of the total exchanges that take place between the urban center and the rural hinterland. For instance, in row 2.1, column 1.1, the local government (commune) receives 1618 from the urban household, and, in row 1.1, column 5.2, urban households receive 5391 from the construction and public works activities.

25. The structure of these SAMs appears to be highly dependent on: (i) the distribution of population (urban-rural, modern-informal) at the local level and at the national level; (ii) the dynamics of this population distribution; and (iii) the degree of connection between the areas considered and the market (distance and accessibility to major infrastructure and urban regions). Let us consider, for instance, the influence of the dynamics of population distribution: a higher growth rate of the urban center generates modifications in the flows of rural-urban exchanges, not only for consumer goods and services, but also through the construction complex which involves financial transfers between rural and urban areas. Rural savings, resulting from the increased sale of food to urban areas, contribute to the financing of the urban growth. For instance, a typical secondary town of a non-oil or mining export country, with a population growth rate of 10% per year (which is therefore considered as attractive by private investors and speculators) has a private investment in housing representing 20% of its GDP, and 50% of this private investment is financed by transfers from rural savings: a secondary town with a high population growth rate mobilizes regional savings and is an efficient tool of private capital accumulation.

26. These local SAMs can be used in a variety of ways: (i) for an improvement of regional data bases and economic accounts: contribution of non-monetized and informal activities to GDP and private investment in the construction sector can be reassessed (and they do need to be reassessed!); (ii) for cross-country comparisons: differences in the nature and degree of urban-rural and regional linkages and in the degree of population mobility largely explain the differences in the levels and trends of agricultural productivity and rural income, and in the levels of activity in some sectors like construction and trade; (iii) for comparing overall, direct and indirect costs and benefits of various scenarios of population redistribution, urbanization and division of labor between rural and urban areas and for analyzing their consequences on the urban, rural and local balances of payments; (iv) for more comprehensive benefits-costs analyses of rural development projects and urban projects, and for the monitoring and evaluation of the impact of these projects on the local and regional economy. For instance, the local SAMs can help to trace the regional impact of an increase in the monetary income (and expenditures) of farmers resulting from a rural development project and to assess the local multiplier, which depends on the ability of the urban network to capture and circulate the corresponding purchasing power and savings; (v) for identification of policies and projects more closely adapted to the characteristics and real needs of local economies, that the traditional sectorial split (for instance, agriculture, urban,...) tends to obliterate.

27. So far, case studies using this methodology have been undertaken in three countries: Burundi, Cote d'Ivoire and Madagascar. In Burundi, 3 communes with various shares of their population in urban areas were analyzed, with detailed local accounts and a SAM for the

TABLE : Simplified social accounting of the Antananarivo Plain (first draft): A: total values (monetized and non-monetized); B: value equivalence of non-monetized consumptions, contributions and investments; C: value of monetized exchanges.

| A MATRICE SOCIALE AGREEE VALEURS TOTALES (EN MILLIONS FMS) | | | | | | | | | | |
|---|------------|------------|--------|-------------|------------|-------------------|-----------------|--------------|-----------|--------|
| 1982 | | | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | HOUSEHOLDS | GOVERNMENT | HANTS | COMMODITIES | ACTIVITIES | CAP. ACC. HOUSEH. | CAP. ACC. GOVTS | TOTAL COMPRE | INTERIEUR | TOTAL |
| 1 HOUSEHOLDS | 3513 | | | | 162985 | | | 106498 | | 106498 |
| 2 GOVERNMENTS | 3960 | | | 4897 | -8251 | | | 17107 | 25973 | 43081 |
| 3 HANTS | 87820 | 46674 | | | | 12364 | 2578 | 143464 | | 143464 |
| 4 COMMODITIES | | | 143464 | | 42037 | | | 105902 | 19026 | 204928 |
| 5 ACTIVITIES | | | | 153673 | | | | 153673 | | 153673 |
| 6 CAP. ACC. HOUSEHOLDS | 9863 | | | | | | | 9863 | 2502 | 12364 |
| 7 CAP. ACC. GOVERNMENTS | | 2307 | | | | | | 2307 | 151 | 2578 |
| 8 TOTAL COMPRE | 105163 | 43081 | 143464 | 158570 | 153673 | 12364 | 2578 | 2307 | 151 | 2578 |
| 9 INTERIEUR | 1335 | | | 46350 | | | | | | |
| 10 TOTAL | 106498 | 43081 | 143464 | 204928 | 153673 | 12364 | 2578 | | 47603 | 47693 |

| B MATRICE SOCIALE CORREEE VALEURS NON MONETAIRES (EN MILLIONS FMS) | | | | | | | | | | |
|---|------------|------------|-------|-------------|------------|-------------------|-----------------|--------------|-----------|-------|
| 1982 | | | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | HOUSEHOLDS | GOVERNMENT | HANTS | COMMODITIES | ACTIVITIES | CAP. ACC. HOUSEH. | CAP. ACC. GOVTS | TOTAL COMPRE | INTERIEUR | TOTAL |
| 1 HOUSEHOLDS | | | | | 5934 | | | 5934 | | 5934 |
| 2 GOVERNMENTS | 239 | | | | | | | 239 | | 239 |
| 3 HANTS | 4425 | 0 | | | | 1271 | 239 | 5934 | | 5934 |
| 4 COMMODITIES | | | 5934 | | | | | 5934 | | 5934 |
| 5 ACTIVITIES | | | | | | | | 5934 | | 5934 |
| 6 CAP. ACC. HOUSEHOLDS | 1271 | | | | | | | 0 | | 0 |
| 7 CAP. ACC. GOVERNMENTS | | 239 | | | | | | 1271 | | 1271 |
| 8 TOTAL COMPRE | 5934 | 239 | 5934 | 0 | 5934 | 1271 | 239 | 239 | | 239 |
| 9 INTERIEUR | | | | | | | | | | |
| 10 TOTAL | 5934 | 239 | 5934 | 5934 | 5934 | 1271 | 239 | | | |

commune of Gitega, the main secondary town of Burundi. This urban-rural linkages study was extensively used to assess costs and benefits of a national policy of accelerated urban growth and division of labor between urban and rural areas. ^{1/} Eventually, this policy of accelerated urbanization and division of labor was fully endorsed by the Government of Burundi. This study also served as a basis for the benefits-cost analysis of the second urban project which aims at enhancing the contribution of secondary towns to the development of the domestic market and to economic growth (see Annex 4 and bibliography in Annex 6).

28. In Cote d'Ivoire, two sets of urban-rural linkages studies were launched. The first one (conducted in the frame of the third urban project) focuses on the "urban dimension" of integrated rural development projects. In two "départements" of the area covered by the ongoing "Projet agricole centre ouest" (PACO), the study will identify the role played by the cities (Daloa and Gagnoa) in the implementation and development of this agricultural project, with particular attention to the identification of the bottlenecks which restrain the local multiplier and to the identification, destination and tracing of circulation of additional farmers' incomes and savings generated by the project. The second set of urban-rural linkage studies will be undertaken in the context of the Municipal Development Project, under appraisal. Local SAMs will be prepared for three secondary towns covered by the project and their hinterland, and used as tools to monitor the impact of the project on the local economy and to improve mobilization and use of resources by local governments.

29. In Madagascar, an urban-rural linkages study is being undertaken in the context of the regional development project of the Antananarivo plain. This project, to be appraised in May 1989, combines flood control and water management, irrigation and rural development, urban drainage and sanitation, and institutional building components. Rural and urban settlements and activities are intricately connected, most households combining rural residence with urban and rural activities and incomes. The urban-rural linkage study will provide the basis for the cost benefit analysis of the project and for the monitoring and evaluation of the impact of this project on regional economy, including on the potential for resource mobilization and cost recovery by local governments. The large size of Antananarivo (around 1 million inhabitants), the high population density of the plain, and the relative complexity of the economy of this metropolitan region make this case study more complicated. However, the first draft of the local SAM, presented in annex, reveals major weaknesses of the economy of the

^{1/} Among many other things, the study showed that, if present trends of low urban growth and systematic dispersal of population growth were to continue, farmers would soon become unable to pay for the monetized agricultural inputs necessary for intensification (increase of agricultural output per unit of land).

capital hinterland: extremely low levels of urban-rural exchange and of monetized non-food consumption, lack of any form of periurban farming (most farms of the plain are not even self-sufficient in basic food products), low level of division of labor among households and between the city and its hinterlands.

VI. NEXT STEPS.

30. As discussed in previous sections, the urban-rural linkages topic is highly relevant to the development issues of sub-Saharan African countries. Indeed, this topic is at the core of the problem of the gradual emergence of domestic and regional markets in SSA, and of the so-called endogenous sources of growth that appear so desperately needed. By definition, this urban-rural linkages topic is multidisciplinary: it inevitably deals with population, environment and geography, macroeconomy, infrastructure, agriculture, rural development, industry, urban sector, trade, public sector management, financial sector, etc. Therefore, effective promotion of research and studies in this field of urban-rural linkages inside the Bank is difficult, and perseverance of efforts is hard to maintain. Neither the TD nor PPR is organized to effectively undertake multisectorial work, and the CODs, where dialogue between various disciplines actually takes place in the frame of country teams, are much too busy with current operations to play an active role. As a consequence of this institutional bias, each sector, at one time or another, is lured by such a popular theme, engages its own research by itself with no input from other sectors, but eventually gives up for lack of internal constituency and resources. This has been the case for the urban sector of OPS (WUD), for the Special Office for Africa (see market towns and service linkages in SSA) and for the agricultural sector (see farm-non farm linkages in rural sub-Saharan Africa, PPR WPS6).

31. Therefore, although useful things can be done here and there within the existing organization, one should not underestimate the formidable, and largely artificial, obstacle that the absence of an adequate multisectorial structure opposes to this type of study.

32. - Given these constraints, further research and studies around the theme of urban, rural, regional and macroeconomic linkages will be limited to the opportunities offered by the CESW, with the underlying objective of progressively expanding the number of case studies, of improving methodologies and of developing operational implications.

33. As regards the conceptual framework, a more sophisticated representation of the behavior of various categories of households should be developed. Interesting fields of investigation would be the determinants of mobility (with an analysis of the impact of the ongoing structural adjustment process on regional and local migration patterns), the influence of the urban and regional markets on farm productivity, the role of disparities in population redistribution and emergence of

domestic markets, the impact of population redistribution on resource mobilization and capital accumulation, the functioning of urban economies (linkages between formal, informal, underground sectors), the financing of population redistribution (the needs for transfers), and the patterns of regional (intraAfrican) trade.

34. As regards case studies at the macro level, as suggested in para. 18, analyses of long-term interactions between population redistribution, structural change in African economies and macroeconomic performance should be undertaken on a systematic basis as a component of country economic reports, and the results of these analyses should be taken into account in country strategy papers: population redistribution is one of the major components of structural adjustment policies considered in their long-term dimension. In addition to improving our assessment of past performance of SSA countries and to expanding the scope and time horizon of structural adjustment policies, these country case studies could provide the basis for a better understanding of the real economics of SSA countries (including their unrecorded, informal and underground components), of regional issues in SSA, including the processes of concentration of population and activities, and of the dynamics of domestic and regional markets and intraAfrican trade. Eventually, country strategies could become more deeply rooted in the long-term and regional context, taking into account geopolitical and geographic characteristics and specific problems of regions of potential immigration (like Cameroon and Zaire) and regions of potential emigration (like Sahelian countries and Great Lakes countries).

35. As regards urban-rural linkages studies at the micro level, case studies initiated in Cote d'Ivoire and Madagascar will be finalized in FY89 (Cote d'Ivoire Urban 3, Antananarivo regional development plain project) and in FY90 (Cote d'Ivoire municipal development project). Several other countries offer good opportunities to develop similar exercises: Malawi, where a new impetus to population mobility, urban growth and urban economy is highly desirable; Niger, where urban growth rates are and should remain high and where 80% of the urban economy is based on informal and underground activities. In this case, the linkages to be studied are less urban-rural than urban-regional including border trade with Nigeria; Kivu and other regions of Zaire, where the dramatic decay of transport and urban infrastructure severely restrains the contribution of towns to regional economy and the speed of expansion of agriculture in high potential areas; the Senegal valley in Mauritania and Senegal, where development of irrigation and intensification of agriculture will be hindered by the weaknesses of the urban networks on both banks of the Senegal river.

36. The main problem of these ongoing and prospective urban-rural linkages studies is the lack of resources available in the region for the identification, management and supervision of these studies. Even if, as it is in the case so far, the studies can be financed in the context of sector and project work of the CDs and contracted to consultants, more

resources are needed at the TD level to provide technical assistance, develop methodologies, draw conclusions, conduct cross-country comparisons and provide cross-sectorial coordination.

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