

Contribution pour le Séminaire préparatoire
au Sommet Mondial pour le Développement Social
(Copenhague, mars 1995)

LE DÉVELOPPEMENT PEUT-IL ÊTRE SOCIAL ?

*Pauvreté, chômage, exclusion
dans les pays du Sud.*

Royaumont, 9-11 janvier 1995

**"POLITIQUES DE PROMOTION DE LA PETITE ENTREPRISE
ET POLITIQUES D'AMÉNAGEMENT URBAIN :
COMMENT LES RENDRE COMPLÉMENTAIRES ?**

Isabelle/MILBERT

ORSTOM

MINISTÈRE
DES AFFAIRES ÉTRANGÈRES

Fonds Documentaire IRD



010024444

**ORSTOM, Département SUD
colloque de Royaumont
9 - 12 Janvier 1995**

**Politiques de promotion de la petite entreprise
et politiques d'aménagement urbain:
comment les rendre complémentaires?**

**Isabelle MILBERT
Institut d'Etudes du Développement.
24, rue Rothschild
case postale 136
1211 Genève 21, Suisse
tél. 41 22 342 14 27
fax 41 22 738 44 16
email: MILBERT@uni2a.unige.ch**

Fonds Documentaire IRD

Cote: B*24444 Ex: Unique

La promotion de la petite entreprise fait l'objet, dans les pays du Sud, des soins attentifs des organisations internationales, des bailleurs bilatéraux et des organisations non gouvernementales. Une telle préoccupation est compréhensible. En effet, nombreux sont les experts qui ont démontré la capacité de ces petites entreprises à irriguer le milieu économique, à créer des emplois et à fournir de multiples services, en particulier au milieu rural environnant.

Les politiques de renforcement de la micro-entreprise comprennent une palette de moyens d'intervention, qui sont souvent utilisés de concert: octroi de crédits à des taux bonifiés, fourniture de machines, appui à la gestion, formation des apprentis, soutien et formation en marketing, soutien aux associations d'entrepreneurs...

D'autre part, presque toutes les agences ont inscrit dans leur agenda des politiques d'aide à l'aménagement urbain et à la décentralisation. Les premières consistent souvent à soutenir l'élaboration d'un certain nombre d'outils de prévision et de gestion (plan d'urbanisme, plan cadastral...), ainsi que des opérations mêlant offres d'habitat à faible coût et meilleure fourniture des services (eau, assainissement, collecte et traitement des ordures ménagères, transports, électricité, communications). Les secondes visent à renforcer les collectivités locales urbaines par la formation des personnels, la constitution de services financiers, et le transfert de fonctions du centre aux collectivités.

Cependant, il est curieux de constater ici un important clivage Nord-Sud: ainsi, de façon de plus en plus précise, les collectivités locales du Nord se sont impliquées dans le développement économique, dans le soutien à la création d'entreprises et d'emplois, y compris et parfois de façon exemplaire, dans les villes intermédiaires; au contraire, on constate, dans le Sud, que les acteurs économiques locaux ont certes un poids important dans le fonctionnement de la vie locale, et qu'ils profitent parfois indirectement des effets de la décentralisation, mais il n'en résulte pas de rapprochement entre les politiques urbaines (en particulier au niveau des services) et la politique de promotion de l'entreprise locale. Même dans la passation des marchés de travaux concernant la fourniture de services de base aisés à réaliser, nous ne connaissons que quelques exemples rarissimes (Madras en particulier, dans le cadre du projet de réhabilitation de bidonvilles sur financements de la Banque Mondiale) où les lots ont été suffisamment réduits pour permettre aux entreprises locales de concourir. La règle générale, au Pakistan par exemple, est au contraire d'encourager la soumission de très grandes entreprises de travaux publics, complètement étrangères à la région.

De même, fort peu nombreuses sont les agences de coopération qui réfléchissent à la localisation de ces micro-entreprises. Il semble trop difficile, et souvent périlleux pour la structuration des agences elles-mêmes, que des projets étiquetés "promotion de l'entreprise" puissent faire l'objet d'une réflexion ou d'une évaluation prenant en compte l'environnement urbain de l'entreprise. En effet, à l'intérieur de l'agence le système matriciel (divisions sectorielles d'un côté, cellules responsables des aires géographiques et gestionnaires des projets, de l'autre) est déjà suffisamment compliqué pour qu'on ne vienne pas obliger deux divisions sectorielles à se coordonner et à proposer des projets ensemble.

Pourtant, sur le terrain, nous constatons que de nombreux facteurs d'échec de ces projets résident bien dans l'absence totale de soutien de la part de la municipalité. Il en découle des délais très longs pour l'obtention d'autorisations ou de services indispensables au fonctionnement de l'entreprise (électricité, eau...).

Nous constatons également que les acteurs chargés de la mise en oeuvre des projets d'aide au développement de la micro-entreprise ne prennent pas en compte l'espace dans lequel ils s'insèrent. Les agences de coopération définissent le type de région où concentrer ces aides: En général, elles essaient de localiser leurs projets dans des régions démunies, marginalisées, excentrées par rapport aux grands moyens de communication et souvent privées de matières premières et de grands centres urbains. Mais il n'est pratiquement jamais précisé si la localisation de ces entreprises est rurale ou urbaine. Le terme souvent entendu est "semi-rural", qui reste bien peu précis. De fait, les lieux de l'aide se trouvent en général dans des villes. Ainsi, pour promouvoir le "non-farm sector" des activités rurales, le gouvernement indien localise les instruments de sa politique (centres de formation, institutions de crédit...) dans des villes de 200 000 habitants au moins. Cependant, l'impact de ces actions sur l'économie de la ville elle-même reste ignoré.

Dans cette recherche, nous avons donc essayé de faire le diagnostic de la situation des collectivités locales intermédiaires et des projets d'appui à la micro-entreprise, et d'examiner comment diminuer ce cloisonnement entre deux types de projets qui pourraient assez facilement se renforcer mutuellement

The research led in 1992-93 in the North Western Frontier Province of Pakistan (NWFP) was based on the constation of the weak results of different policies on promotion of the small-scale enterprise. One of the hypotheses was therefore that a better linkage between small and medium-sized enterprises promotion and the meso level of supportive local management would facilitate longer term efficiency and bring in a more sustainable regional development. The research tried to evidence that the economic fabric of small and medium enterprises (SME) would be reinforced if SME policies were supported by the following elements:

- improvement of urban service management (infrastructure, economic and social services, education/training)
- regular functioning of the local decision making process (municipal boards, local socio-professional groups, coordination with the Provincial authorities)
- promotion of supportive services to the private sector in the field of training and socio-technical services.

The reinforcement of such services in a dynamic intermediary town relies on motivated actors having direct access to supportive decision-makers, and having interaction with SMEs, at the meso level which is more easily accessible than in large cities or in rural areas.

1. URBANIZATION IN PAKISTAN

The urban population was 31% of the total population in 1988 (Pakistan National Report, 1992, p.10). By the year 2003 it is expected that Pakistan's urban population will reach at least 67 million (Richardson, 1984, on the basis of the NHSPS - National Human Settlements Policy Study). With an annual growth of the population at 2.6%, the core of the problem is that three-fifth of the population growth is destined for the urban areas, with very high per capita absorption costs (cf. Richardson, 1984).

Pakistan's urban hierarchy is relatively well developed. Every decade, there has been a large number of new entrants into the various categories of small and intermediate towns. Yet the urban hierarchy is much less balanced if one considers the cases of such provinces as Sind or NWFP.

If one considers the rate of growth by city size from 1951-1981, it shows that there is no clearcut correlation over time between city size classes and growth rates. However, the rapid growth of the smaller intermediate sized cities (200,000 to 500,000) during the 1970s suggests the beginning of a process of polarization reversal. This reinforces the idea that it is the right moment to intervene in the intermediate cities, in order to benefit this positive trend.

The contribution of urban areas to national economic activity is large. Almost 80% of industrial value added, 61% of trading and 56% of services originate in the urban sector.

The study realized on the request of the Pakistani Government between 1981 and 1983 is in itself extremely interesting to consider, since it has been trying to quantify city-specific costs for each of the 293 cities and towns larger than 10,000. Although one could argue that this study was relying on datas which are now 10 to 12 years old, and that the situation in the considered cities has changed rapidly, yet the methodology of the study was original and challenging. For this reason, and since it was touching directly the question of city productivity and economic growth through urban development, we shall rapidly summarize the method that was used. NIISPS drew a sharp distinction between the most efficient" distribution (defined in terms of maximizing GNP) and the "least cost" distribution (defined in terms of minimizing investment costs). NHSPS divided the costs of urbanization into three main components, namely direct investment (i.e. job creation) costs, intraurban infrastructure costs and interurban infrastructure costs.

The study found that highly efficient urban population distributions tended to be costly, while the less expensive distributions tended to be very inefficient. This suggested that the key to a

preferred strategy was to seek at the city specific level to promote urban areas with high efficiency cost ratios. In Pakistan, the primate cities (Karachi and Lahore) did not emerge as the top priority for an efficiency oriented strategy.. although Karachi is 52.9% more efficient than the national urban average, it is at the same time 69.3% more costly, implying an efficiency-cost ratio of 0.90. The intermediate towns considered in NWFP showed opposite results.

This study has been quoted and discussed by several authors (Richardson, 1984; Watts, 1992, in Harris, 1992). The idea of identifying all of the potentials that exist in urban areas within a country is indeed in itself a challenge. Watts questions "whether a single study of this type can be expected to provide more than a "snapshot" of what is happening in a country at the time when the study is undertaken, while perhaps overlooking the almost imperceptible stirrings of new enterprise in unlikely places". Generally speaking, and without putting into question the very original methodology, we noticed the difficulties to have the model function in a dynamic perspective (cf. Richardson, 1984), and also we found that the exercise itself relied sometimes on data which were themselves very difficult to ascertain in Pakistan.

2. URBAN AND ECONOMIC GROWTH IN NWFP.

1). Urban growth

The most recent population data is provided by the 1981 Census of Pakistan. It is very difficult to estimate the real growth of intermediate cities in NWFP since the boundaries of the administrative areas have very often changed between census dates. For example, Mingora Municipal Committee area was enlarged by about 100 per cent between two census.

Yet, in spite of these difficulties, the Asian Development Bank (ADB) consultants have drawn some population estimates in 1988, as well as some future population estimates. The growth rates of these different cities are rather uneven, ranging from 2.8% (Abbottabad) to 4.6% (Mingora) per year.

Migration is occurring in NWFP from rural areas to urban areas and from NWFP to other provinces (In 1981, 600,000 people were recorded in other Provinces who had migrated from NWFP). The major rural-urban migration is into Peshawar, which is the region strongest magnet.

The extent of migration from rural areas to the intermediate towns is not clear from the Census reports, but the attraction of these towns could increase if they offered more opportunities and facilities.

2). Economic growth.

Decentralization of industrial location has been an objective of policy since the 1950s. The policy is presently being pursued through incentives and controls on private industrial activity, direct public investment in primary manufacturing, and more indirectly through financial institutions. Special incentives such as tax holidays and concessions are given to the entrepreneurs investing in the less developed regions. Although this was primarily meant as a strategy for balanced growth, it has also helped in the identification of potential growth points. Pursuing the same strategy, infrastructure for industrialization was provided not only in the form of the establishment of industrial estates in different regions but also in building of roads and a communications network between the potential industrial agglomerations and the hinterland, providing both raw materials and a market for manufacturing activities. (ADB, 1987, p.652)

Yet, it appears that so far the decentralization of large scale industry has not been so much of a success. The industrial distribution is much more skewed for the large scale industry than for the small scale industry. In 1983 (see GOP, NHSPS, 1983, appendix II, p. 30), the two cores (Karachi and Lahore regions) with 44% of the population had more than 70% of the large scale industry, but only 47% of the small scale industry. In fact the actual position might even have been better because there was likelihood that data coverage of small scale industry in Baluchistan

and NWFP was much worse than in Punjab and Sind. As far as Karachi is concerned, along the same study, it loses its dominant position if only small scale industry is considered and in fact it has about the same share as its population share.

NWFP has largely benefitted in the last fifteen years of the fiscal incentives decided by the Government of Pakistan to try to influence the decisions regarding the location of industry in the private sector.

The problem, then, is to identify where the potentials and difficulties lie in a "lagging region"; there are certainly potentials in these places which already possess a capacity for growth. But is it enough for contributing more than other places to the national economy, if supported by a variety of means?

Generally speaking, the prospects for improving NWFP's economic base had been considered not to be so good as in Punjab, especially as far as employment opportunities were concerned. Quoting the ADB sponsored report (Vol.I, p.14): "The exploitation of minerals is capital intensive and does not employ large numbers of workers. Agricultural resources are significant, but agricultural production in NWFP is less than in the Punjab. The Northern areas have a shorter growing season than those in the South. Agro-processing industries have the same locational disadvantages as other industries in the area. It is unlikely that the Province can continue to rely on its service and trading functions to create future employment opportunities. These sectors are not expected to grow fast enough to absorb the increased workforce. (...) For the individual towns there are two potential sources of economic growth. These are specific Government assistance at provincial and federal levels and the development of the non-industrial activities". It is true that the 6 intermediate towns of the Province are predominantly market and services centers for their own populations and rural hinterland. Yet industrial activity is obviously developing in some of them, and we do not share the negative approach developed by the ADB in the mid eighties

In the past, major bottlenecks for NWFP industrialization have been identified as such:

- location far away from the main markets and centers of economic activity;
- lack of raw materials which have to be transported into the Province;
- lack of skilled industrial labour;
- lack of entrepreneurial skills and commercial enterprises;
- lack of industrial tradition;
- infrastructure deficiencies: power supply, good quality housing...

The problem now is that the development effort is going to take place in a context where the population, the economic actors and the authorities have integrated the idea of NWFP being an economically marginal area.

However, this point of view is not unanimous: the analysis of Richardson (1984), for example, leads to a recognition of a regional growth belt Peshawar-Nowshera-Mardan-Jahangira-Taxila-Haripur, which should be promoted to exploit high potential areas. "The most efficient cities are to be found in the Punjab and in NWFP", insists the author after having strongly criticized the options taken by the World Bank to lead some projects in Lahore and Karachi, "of the least promising cities in efficiency-cost terms"(1984, p.32-33)

The same author is critical about the current locational policies giving tax holidays and capital goods import duty exemptions to selected areas. His point of view is that this policy makes no sense, either because the priority districts selected by the provincial governments have little economic potentials (ex. D.I.Khan, Shikarpur) or because they fail to disperse industrial development. (ex. districts in the South, where tax exemptions actually subsidize Karachi firms).

A major problem is that a sensible industrial location policy requires extreme locational discrimination in favor of specific high efficiency and/or low-cost towns and would be difficult to implement given the current state of Federal Provincial relations and for political reasons.

A major set of implications refers not to spatial issues or the urban sector specifically but to other sectors such as power, industry and transport.

An efficiency case can be made to promote medium-sized cities. This contrasts with the earlier view that medium-sized cities might be supported to improve interregional equity and to stimulate local economic development, and that a medium size city strategy may be consistent with economic efficiency in the very long run only (Richardson, p.33). But the evidence from studies on Pakistan demonstrates that a selective medium size cities strategy can help to promote economic growth and efficiency even in the short run, because some of the medium-size (and small) cities are among the most productive locations in the economy. Moreover, in many cases, the high productivity of these places is not eroded by the high investment costs (in both job creation and infrastructure) that usually incur when growth is concentrated in the big cities.

3. THE ADMINISTRATIVE STRUCTURE OF LOCAL GOVERNMENTS

The present system of Local Government relies mainly on the reform introduced in September 1979. The Provinces have been allowed to frame their own local government laws. The NWFP local Government Ordinance has been promulgated in 1979. In NWFP, there are four types of urban administration: Town Committees (for small towns), Municipal Committees and Municipal Corporations. Only Mardan and Peshawar have been given this statute, which is reputed to be slightly more prestigious. The Cantonment Boards are regulated along military constraints.

The Municipal Committees are the elected bodies dealing with intermediate towns, from 20,000 to 500,000 population. They comprise 11 to 25 members in NWFP.

Legally and officially, the Municipal Committees are responsible for the supply of water and drainage facilities, health and sanitation, street lighting, arboriculture, maintenance of statistics of births and deaths, slaughter houses, educational institutions, adult education, libraries, fire-fighting, civil defence, gardening, social welfare, prevention of diseases, traffic control, cultural activities...

However, many of these functions are **generally not performed by Municipal Committees**, partly owing to the non-availability of technical and financial resources, and partly to the performance of local functions by Departments of the Provincial Government. What is generally left to an intermediate city Municipal Committee is therefore:

- garbage collection
- water supply (charge collection, maintenance, repairs)
- street lighting and street maintenance
- public health (anti-malaria spray, immunization, killing of errant dogs, ...)
- markets, slaughterhouses, bus stands management
- fire prevention
- registration of births and deaths

Intermediate cities in NWFP would have one member elected from each ward (25 wards in Mingora for example), and two reserved seats for women. The members elect the Chairman. Under the Chairman, the Chief officer is a civil servant, and the Head of the Executive. The personnel under the Chief officer is extremely reduced for a 100,000 population city, especially if one considers the very weak amount of people belonging to the managerial staff, and their low administrative grade (see in 4.2, the administrative organisational chart of Mingora).

Without an adequate system of finance, the concept of local government cannot exist. It seems that very little attention has been paid to this point so far. Reliable statistics were difficult to find during our survey, at the provincial level, except with NWFP Development Statistics and with the World Bank. According to them, over 70% of Pakistan's public expenditure is made by the Federal Government. The provincial governments spend approximately 25%, mostly on agriculture and irrigation, law and order, transport, social services, debt service and

administration. The remaining 5% is spent by local governments mainly on solid waste management, local roads, street lighting, water supply and administration.

Municipal Committees depend heavily on the administrative structure:

- Local Government and Rural Development Department
- Physical Planning and Urban Department
- Provincial Urban Development Board
- Project Management Unit
- Development Authorities
- NWFP Water Supply and Power Development Board
- Provincial Finance Department (and Local Fund Audit Directorate)

Many of the municipal functions are being performed by government bodies, and have thus escaped the competence of municipal committees:

- Development Authorities, especially as far as town planning is concerned (see following chart, from Shelter, 1991)
- Water supply development boards, as far as water works are concerned
- District Education Office, for primary education.
- SHO Police Officers, for the law and order and public safety considerations

Some of these intermediate cities, like Abbottabad, are run only partly by the Municipal Committee, the territory of which does not comprise more than half of the urban agglomeration: the Cantonment Board, where military authorities play a crucial role, has a lot to say about urban development and management, since most of the urban growth is taking place on the territory that it supervises.

Since there has been a reluctance in promoting decentralization in favour of local elected governments, a stopgap solution was found in entrusting these expansion activities to Development Authorities in different regions. These Authorities are dependent from the Province for financial resources and administrative tutorship. Being appointed and not elected, the administrative chain runs directly to the provincial Government.

The situation has the following major consequences:

- areas of responsibility are divided between the different organizations, and many of the actors are not clear as to where the responsibilities for specific functions lie. This applies to the local actors as well as to GONWFP line Departments which may have to perform their urban functions together with a multiplicity of partners.
- there is inevitably a gap in communication and coordination between the different organizations.
- even more serious than the gap in communication is the gap in thinking. There is no overall conceptualization or vision for the NWFP intermediate towns that would lead to coordinate town planning. There is no common data base for various urban indicators and little attempts to pool the experiences of different towns.

4. THE POLITICAL SETTING

During the field work done in 1992-93, it could be witnessed that most of the Municipal Committees as well as the Districts Councils have been suspended, and the municipal functions are performed by government departments or local bodies. New elections should take place in NWFP in the last weeks of the year 1992. In the meantime, their functions are being performed by a member of the administrative cadre, generally designated by the Deputy Commissioner, and normally of the level of Assistant Commissioner. The primary administrative function of the latter remains law and order. Municipal affairs are normally not his only function and not the most important one. During the supersession, there is no more close, immediate involvement of the elected members, and all long term thinking on municipal affairs come to a halt. More and more day to day responsibilities are developed on the Chief officers of the Municipal Committees who lack the training to undertake planning activities, and political influence to bring urgent matters to the attention of higher political and administrative authorities.

One hypothesis which has often been emitted in front of us has been that the supersession of elected bodies at the municipal level, under the assumption of mismanagement, constituted a good opportunity of keeping or regaining power for many structures: on the one hand, the bureaucracy can function and complete its administrative tasks without being "bothered" by the elected members of Municipal Committees; on the other hand, this first level of democracy being suspended, the second level of democracy (mainly, the elected members of the Provincial Assembly...) gains more direct influence on the community.

The evidence is that Municipal Committees are still weak. They are still young, not deeply rooted in the institutions. Their existence is not guaranteed by the Pakistan Constitution. Their elections, functions, the controls put on them and their mode of finance depend directly on the Provincial government, which is little tempted to delegate powers at the local level.

The situation, broadly speaking, is exactly the one described by Peterson (1992): "Even the technical capacity of local government is likely to remain lacking, or at least untapped, as long as local governments do not actually make decisions on their own, but have technical analysis performed for them, and decisions made on their behalf, by central authorities. There is a "chicken and egg" dilemma here. Central authorities are reluctant to hand over service responsibilities because local governments lack capacity; local governments lack capacity, at least in part, because they have few significant functions to perform that require qualified personnel" (p.5)

5. THE MUNICIPAL COMMITTEE, KEY ACTOR IN A PROJECT ?

The attitude of municipal and district authorities in intermediate towns shows that they are not yet aware that support to SMEs could bring long term benefits to their areas, to their towns and to their finances. Neither authority at present has the financial, technical or organisational resources to undertake the type of urban development within which SME support policies can be planned and implemented.

The municipal committees could be considered too weak to be the central link, the main contractual partner, in this strategy. Yet since they are centrally located, and the structuring capacity of their resources and spendings is an evidence, we propose that a specific effort would be done towards strengthening them.

The weaknesses of the local bodies are:

- technical: lack of technical and managerial skills
- political: lack of support by Pakistanese authorities
- economic: lack of funds
- human resources: lack of training and of stability of municipal staff.

6. THE URBAN PROJECTS PLANNED IN NWFP INTERMEDIATE TOWNS.

As a result of the rapid growth of large cities in the Third World and the problems which have resulted (poor housing, overload of services, unemployment, delinquency), many analysts and international agencies have in recent years started to take into consideration the potentials of intermediary cities. Several agencies have been working in these last few years on the preparation of urban projects in NWFP intermediate towns. It is true that the surveys made under the auspices of ADB show an appalling state of urban services. But none of them has developed an explicit approach towards local industry, and even less towards SSEs.

- The Second Urban Development Project

The ADB financed project has concentrated on infrastructure: the Immediate Action Programme (1993-95) comprises projects in water supply, drainage, solid waste management, roads, footbridges and slum upgrading. The long-term programme (1995-97) comprises the

following elements: drainage and sewerage, slaughterhouse improvements, traffic management and slum upgrading.

- The SHELTER Programme

In order to facilitate access of low income communities to housing and basic services related to shelter, the Government of Pakistan has requested Switzerland and Japan to support a "Shelter for low income communities study" administered by the World Bank. Three pilot projects have been selected, among which the NWFP Community Infrastructure Program.

- Development Authorities New Settlements projects

Most Development Authorities have set up plans for NWFP intermediary towns, foreseeing the development of residential neighbourhoods in the vicinity (but not in the immediate periphery) of these towns. The actual physical implementation does not seem extremely rapid, and the first dwellings should be ready after 4-5 years (1997), according to the Development Authorities themselves.

II. Small scale enterprise promotion and urban management promotion: how to link both?

1. New approaches;

Secondary cities provide substantial amounts of employment in agricultural processing, commercial and service activities, and cottage and artisan industry for their own residents, but have limited capacity to absorb large numbers of rural migrants. Their share of commercial and service activities often seems to be disproportionately low compared to their share of population.

On the other hand, the urban system may be viewed as a way of organizing economic activity in space. The structure of the urban system of a region depends very much on the structure and size of its economic base.

In many developing countries, the public sector has dominated the urban scene for a long time. Now it is obvious that the private sector demonstrates a strong dynamism. Quite a few researchers advocate that towns must adapt to this phenomenon by taking into consideration the particular needs of the private sector and by adapting their structure so that the private sector agents could have their voice heard at the municipal level. (Stren, 1992, p.35)

The contribution of towns to the productivity efforts will certainly depend on their capacity to conclude a "New Deal" with the different economic agents of the private sector: business men, trade unions, professionals, salaried workers, investors, traders, real estate managers, private and multinational firms, banks etc...In many countries since Independence, there has not been a normal functioning of the relationships between municipal boards and the private sector. As a consequence there has been a growing dependance by the municipalities on the private sector.

One of the most important roles to be played by cities is to facilitate the circulation of innovation and information, as well as promoting trade, associations and free enterprise.

The local economic activities of the intermediary town may be concerned with:

- local distribution of local production
- collection and processing of local (agricultural) products for export out of the region,
- distribution of products produced outside the region, both consumer goods and inputs and investment goods to the local production,
- local processing of non-local inputs for a non-local market.

2. The experience gained in secondary cities promotion

Why have secondary cities remained a relatively weak component of the urban settlements system? One frequent explanation (which is certainly not sufficient) is that these cities have received a disproportionately low share of national investments in infrastructure, services, industry and other activities compared to the largest cities.

If secondary cities are to be strengthened, decision-makers must be able to identify those that have a **good potential** and that will have "developmental" impacts on their regions. It would be much less efficient to try to force economic development on towns which are bound to remain weak links in the urban network.

Strengthening the linkages among settlements is another essential part of a national strategy: unless secondary cities are linked to smaller and larger places, it is unlikely that they will play a catalytic role in stimulating regional development.

The problem of choosing which city to favour through government action and cooperation is, of course, a complex and politically sensitive one. It has often ended up, in the past and in other large developing countries, with scattered and inefficient measures, when politicians imposed too large a number of intermediary towns to benefit government measures. **Mosely** (1974) suggested some broad criteria which may be useful in choosing the initial cities for concentrating intervention and investment:

- 1) location — existing or potential inter- and intra-regional accessibility, and potential for becoming a service center for a wide area;
- 2) human resources — the size, occupational range, quality, and diversity of the labor force, the quality of local leadership, entrepreneurial ability, and attitudes of government and business leaders toward local development;
- 3) service capacity — the existence of or potential capacity to provide a wide range of services and facilities needed to attract industry, business, and professionals;
- 4) past growth performance — indications that the city already has some capacity to create new employment opportunities and to attract new business and industry.

The urban growth centre policies in the 1960s aimed at generating growth in the peripheral regions by allocating national investments to large scale infrastructure and industrial projects.

Yet, during the seventies, it appeared evident that the hopes put in intermediary towns were often remaining unfulfilled. Innovations and services did not spread out of the larger towns as expected. Large enterprises transferred to intermediary and small towns rarely led to the multiplication and growth which were hoped for. Instead they remained enclaves in the local economy without much local impact other than the direct wage multiplier.

As a consequence, small towns have generally not been considered to be a positive force in the development process. Service activities operating in these small and medium-size towns are generally viewed as **part of the administrative and corporate hierarchies** to which they are attached rather than as part of the small towns where they are located.

In such a view, growth or decline of the small town is viewed as the result of processes decided upon in centralized ministries and headquarters of large national or provincial enterprises. Development policies focused on rural districts as a whole and did not recognize the small town as playing any distinct role in the development process.

4. The most recent urban policies focus rather on developing local initiatives and resources for local development.(cf.Peterson, 1992)

Today, according to international agencies, four essential elements of a secondary city development strategy include:

- (1) increasing the quality and coverage of basic social and municipal services, facilities, and infrastructure;

- (2) improving physical infrastructure so that secondary cities can attract and support more diversified economic activities;
- (3) strengthening the economic base and employment structure to raise productivity and income and increase the capacity of secondary cities to continue to grow and diversify;
- (4) building the administrative, planning, and financial capacity of secondary city governments to manage their development more effectively in the future. (See Rondinelli, 1983, p.233)

3. Small scale enterprise in intermediary cities

The dynamics of SSEP have been analyzed in relation with their environment (see following sketches, as well as the Wechsler-Saghir report), but their interrelations with the management of intermediate towns remains very little analyzed.

From the point of view of the urban specialists, even among the most interested aid donors (including the Urban Management Programme) "one searches in vain for an examination of the real city economy and existing social conditions, an assessment of the sources of urban productivity and poverty, and of the desirability and practicability of different responses by urban managers" (Harris, 1992, pp.175-176)

Even the most skilled specialists in the urban sector do admit that "there are notorious problems in reconciling the sectoral preoccupations of line ministries and the mutisectoral concerns of territorial areas, cities and regions.".."For those that manage cities, this is very troublesome: they are urged to pay attention to productivity and poverty without having access to the key sectors for productivity growth or poverty reduction". (ibid.)

At the city level, it is rare that there are people who perceive with any precision the economic role of the city and its changing contribution to the national and international economy, and therefore what the key priorities for urban borrowing should be if programmes are to have the greatest effect on the economy. City officials are almost invariably completely preoccupied with routine administration, the provision of services and political survival in a system dominated by the national government.

Therefore, a lot of questions remain to be answered:

What are the **localization factors** of small scale enterprises? Which factors make an urban agglomeration attractive for an enterprise? These factors have been much studied as far as great firms are concerned, but much less concerning SSE or the "informal" sector.

What are then the respective roles of socio-cultural identities, **municipal incentives**, the presence of support services, the **social networks**, the proximity of training centers, the proximity of inputs and raw materials, the proximity of a market?

An **urban territory** can be considered to have its own regulation system. The small scale enterprise entrepreneur **chooses** to fit inside this territory preferably to another one for X reasons. Inside this territory, local initiatives, which could be called endogenous actions, will create territorial comparative advantages.

Each territory is constituted along a double logic, which will be the basis for the decision of the small entrepreneur:

- a sectorial logic, from the point of view of the activities installed
- a territorial logic, for the consequences of proximity will create transversal relationships which cannot be reduced to sectorial perspectives only.

But territories are also open systems: their dynamics are not only due to the good mastering of the evolution of endogenous factors, but it depends also very much on their capacity to establish **coherence with exogenous factors**, sectorial as well as more generally speaking macro-economic ones. (Cf. Waseem, on Faisalabad city)

The fact that the SSE caters primarily for the local market does not mean that they only operate with local contacts. Rather, they function often as **mediators** between the local market and outside sources of consumer goods, production inputs and information.

4. THE PUBLIC RESPONSIBILITY OF LOCAL GOVERNMENT

This is a very controversial point, especially in Pakistan. A strong tendency perceived among several intellectuals interviewed has been for them to consider that there should be as little public responsibility as possible in local development. In such an approach, the only public role would be to offer supporting services to the small scale enterprise, mainly water and electricity, which by the way could also be rather easily privatized.

The role of the municipality also has been played down, some advocating to reinforce the district level, others to reinforce Development Authorities, which are more directly under administrative control. This may be a good idea in terms of regional planning, but the urban management component is too neglected at these two levels for these proposals to be considered in our case.

Yet it has been demonstrated that the local governments do have a heavy responsibility in the achievements of industrial development, SSEP, and urban development (see the cases of South Korea, Japan, France...). In a well equilibrated project, the three components go together from the beginning.

The question is therefore to identify the potential role of public bodies, and to strengthen their capacity of intervention.

We are quite conscious that, especially in intermediate towns, the municipal bodies have limited means and capacities. And also there are limits, which have appeared clearly in the 1980s, to a voluntarist approach of urban planning, zoning, creation of industrial estates.

However, it has now been established (cf. Poitiers seminar, 1986) that, in a favourable context, the local government could position itself not only as a provider of essential urban services and as the representative of the State and of the citizens at the local level, but also in two ways:

- The municipality taking over the role of a builder.

Such a body would have the means and capacities to create industrial zones, to propose buildings ("clusters" in the Pakistani context) to the micro and small entrepreneurs; it would obey the logics of town-planning in the classical way, but with the means to implement its views on planning. As far as we know, it seems still early for proposing such an approach now in NWFP.

- The municipality taking the role of a developer.

This strategy involves community action, contractualization, professionalism.

These two approaches, which have been widely developed in the West during the eighties economic difficulties, cannot yet take place for the moment in Pakistan, where the municipal bodies have first to be reinforced in order to perform their essential duties: providing basic infrastructure, services, social equipments, and bringing those services which are indispensable for a normal functioning of the enterprise. The strengthening of the municipal institution and the establishment of a strong link between the community, the local economic forces and the municipal representatives are the first imperative. These two new roles of the municipality also imply a good leadership at the municipal level, with representatives who are conscious of the usefulness of promoting the economic growth of the city.

Local development cannot be analysed and promoted without considering its **territorial** component as well as the **entrepreneurial** practices which are locally possible. Different urban territories have qualities which must be identified and promoted. In the West, during the 1980s, in order to face the economic crisis hitting very hard some intermediary cities, some new strategies were developed, with a strong insistence on training and human resources, creation of

enterprises strongly supported in the beginning by the municipalities ("pépinières d'entreprises")... but also strategies relying on marketing techniques to promote the image of the town and to sell it to private investors. Such instruments could not be applied immediately to NWFP, but the underlying strategy should be considered: it brings evidence that nowadays in Europe, the link between enterprise promotion and urban management is considered to be indispensable.

5. SSEP IN INTERMEDIATE TOWNS OF NWFP

At the NWFP Government level, the Small Industries Development Board has been trying to set up structures to channel support down to SSE. At the local level, from what we have seen, the representatives of the same Board have been implied in the setting up of industrial zones outside the cities, and seem to concentrate their efforts towards middle size enterprises.

At the city level, we have not met institutions' representatives with a holistic approach to SSEP.

Although they have been recognized (see GOP, NHSPS, 1983) to be key factors of economic growth and population distribution, SSEs are obviously not given the priority in the share of resources by government bodies, lagging behind large and medium scale industry and the agriculture. In practice they receive very little assistance from governmental channels.

During the different interviews held with small scale entrepreneurs of different cities of NWFP during 1992, none of them had any idea of the way the municipal or even governmental authorities could interact with them. It seemed that the lack of communication was deep:

- The Municipal Committee employees, especially the collectors of water and electricity charges (their only direct contact with public services), had a very bad image, corrupted and inefficient; the entrepreneurs interviewed did not even express a frustration about some municipal duties which should have been performed and which were not executed. They were clearly not conscious of the municipal functions which should have been performed.
- None of them mentioned traffic as a major impediment to their work, or congestion of the bazaar as a threat for the future;
- Some entrepreneurs mentioned the problem of industrial waste, noting for example (automobile repair shops) that they had to burn the used oils or to sell it to the brick factories, which otherwise would certainly be resold on the market if they gave it back to the producers;
- The totality of the entrepreneurs interviewed were renting from a landlord their shop or the land on which the structure was built (a landlord would generally own the whole cluster, or a row of 15-20 shops). Although some were complaining of the lack of space, none of them considered this situation of rent as too expensive, fragile or prejudicial to their production, and they were happy with the localization of their production unit, whether it was central or on one of the main roads to go out of the city. Most of them had their house and family near-by, in an adjoining lane. Only a minority of them (automotive repair) mentioned the advantage of concentrating the same type of activity in a precise location of the city; The advantage that they were finding then was mutual help (lending of tools...) and better contact with the clients who would easily get to the specialists.

This total absence of contact between SSE and municipal bodies was reflected also in the Municipal Committee interviews. **But the situation was very different** when we listened to the members of the **Producers and Traders Association**, who were so conscious of the issues at stake in urban management that **they are now envisaging to run, as a group for the next municipal elections in Saidu Sharif / Mingora**. Among the main issues, they mentioned traffic in the bazaar, water, sewage, lack of space... The difference of approach between the two levels of entrepreneurs (micro and meso) was striking. In our view, it is one more sign that there is good prospect for work at the meso level, which would certainly have a good capacity for repercussion at the micro level.

The governmental schools, especially primary and secondary ones were described as "useless" and overcrowded. Small entrepreneurs do not have any consideration for the banking systems of credit. Again the assumption of corruption is always mentioned, as well as the very high rates of

interest. None of the small entrepreneurs interviewed had any knowledge of the small scale enterprise credit projects set up through the banking system of Pakistan in the last ten years. The World Bank Project was mentioned only once by the civil servant in charge of the Small Industries Development Board in Abbottabad.

Except for the small entrepreneurs specialized in servicing the vicinity inside the city or in its hinterland, the dependency on Punjab appears in the interviews greater than any kind of relationship with the urban network of NWFP: raw material, and often the market but also the retailers for machines and the specialists for repairs would be found in Faisalabad or Lahore.

Quite a few projects are taking place in the SSEP sector, especially with German and Dutch funds. But as far as we know, none of them has taken into account the urban dimension so far.

As a conclusion, it seems that the urban management weaknesses, as well as the long-term non-prioritization of SSEP in NWFP, have made it impossible so far to conceive policies linking both.

III MINGORA AND ABBOTABAD FIELD STUDY

These towns have their origin not as trading centers or stations along major trade routes, but have rather developed from large agricultural markets/input supply centers, or as extensions of military cantonment areas, generally from colonial times. Some, like Nowshera, are a combination of both.

Intermediate towns in Pakistan including NWFP have shown rapid economic, urban and population growth. The sources of this growth, especially in recent times, have been principally:

- trading as a consequence of the continued agricultural growth of the hinterland, especially as mechanization and other factors have boosted both agricultural productivity and the demand for agricultural machinery and other inputs as well as demand for manufactured consumer goods;
- fragmentation of land holdings and underemployment have swelled a transient population that constitutes a considerable supply of urban labour;
- industrial growth, principally that of small industry. Large scale industry growth in NWFP has been slower than in Punjab and Sind and has been concentrated around Peshawar and Mardan.

Since unplanned growth is a feature of most intermediate cities, the inner centers have generally become crowded and land values high. This has the effect of redirecting new urban developments to the town fringes - sometimes beyond municipal limits. In this case, extension of municipal limits to include these new areas is a decision dependent upon the provincial government which generally takes time. In the meantime, the municipal authorities have neither the mandate to collect revenues nor the responsibility to provide services to these areas. This lies under the competence of a third actor, the districts councils, which are wholly geared towards rural needs and rural infrastructure where such services as sanitation, street lighting of garbage collection are low on the list of priorities.

One way in which planned urban development is brought into the intermediate cities has been to plan entirely distinct satellite neighbourhoods, sometimes at a distance of several miles from the old town center. GONWFP (but this pattern is a national one) has given the responsibility of planning and implementation to Development Authorities, which are in charge of administrative divisions. These D.A. often remain responsible for considerable periods for planning, construction and provision of municipal services to these areas.

1). MINGORA

This twin city (Saidu Sharif/Mingora) can be considered one for the present purpose. It serves not only Swat but also to some extent the neighbouring areas of Dir and Malakand and the SME sector gives the impression of the most dynamism among the cities of the NWFP Pakhtun belt considered here. This may be due in part to a small but significant shift in medium to large scale industry owing to liberal tax policies (tax free zone). This tax-free zone seems to have had positive results in terms of location of industries. Yet it is a handicap against the autonomy of the

local authorities, which are as a consequence dependant on other subsidies. Saidu Sharif / Mingora is the only serious rival of Nowshera in the Pakhtun belt for consideration as a case study.

a. Basic economic and demographic datas

The 1988 population estimates for Mingora were 115,000. The projection done, using the district growth rate of 3.9%, gave an estimate of 169,000 population in 1998. Yet Mr Hamid preferred using a more realistic rate of urban population growth of 4.5% which would lead to a total of 203,000 citydwellers in 2000.

Originally two distinct towns, Mingora and Saidu Sharif are now contiguous and form part of the same city. It is located on the Southern part of the Swat district, of which it is the capital. The city is 170 km North of Peshawar, the main route passing through Mardan. It is separated from both cities by the Malakand pass and thus forms a natural economic focus not only for Swat valley but, in the past, for other points North of the Malakand Pass, such as Dir and Chitral. The rainfall is higher than the national average and the climate is temperate. The hinterland of Mingora comprises valleys with a high agricultural and horticultural potential sloping upwards to high mountain areas. This agricultural potential is gradually being realised as productivity increases and transport difficulties are overcome. The rural hinterland, which starts immediately outside the city, is impressionning by the variety and the intensity of cultivation.

Mingora is the main market town and service center of the Swat valley. It is also an important transportation centre, as evidenced by the high proportion of employment in this sector.

Mingora has traditionnally been a center for the manufacture of silk and rayon. There are a number of factories operating power looms. Much of the yarn is brought from Afghanistan without payment of tariffs. Punjab based entrepreneurs are the eventual buyers of the finished cloth, which is sent to Lahore or Faisalabad for drying and finishing.

Scope for improvement and development of tourism exists in all parts of the Swat valley, and Mingora could very well benefit from it.

b. Structure of the town.

Lack of recent mapping and uncertainty of population are a characteristic of these intermediary towns. We had the surprise to realise, on the spot, that even the urban authorities did not have in their possession a detailed map of the existing agglomerations.

Industry Type	Percent of Labour force
Agriculture	7%
Manufacturing	6%
Utility Services	1%
Construction	11%
Wholesale/Retail	27%
Transport	18%
Finance/Insurance	2%
Community Services	26%
Other	2%
TOTAL	100

Source: Second Urban Development Project, Vol. II, final report, 1988.

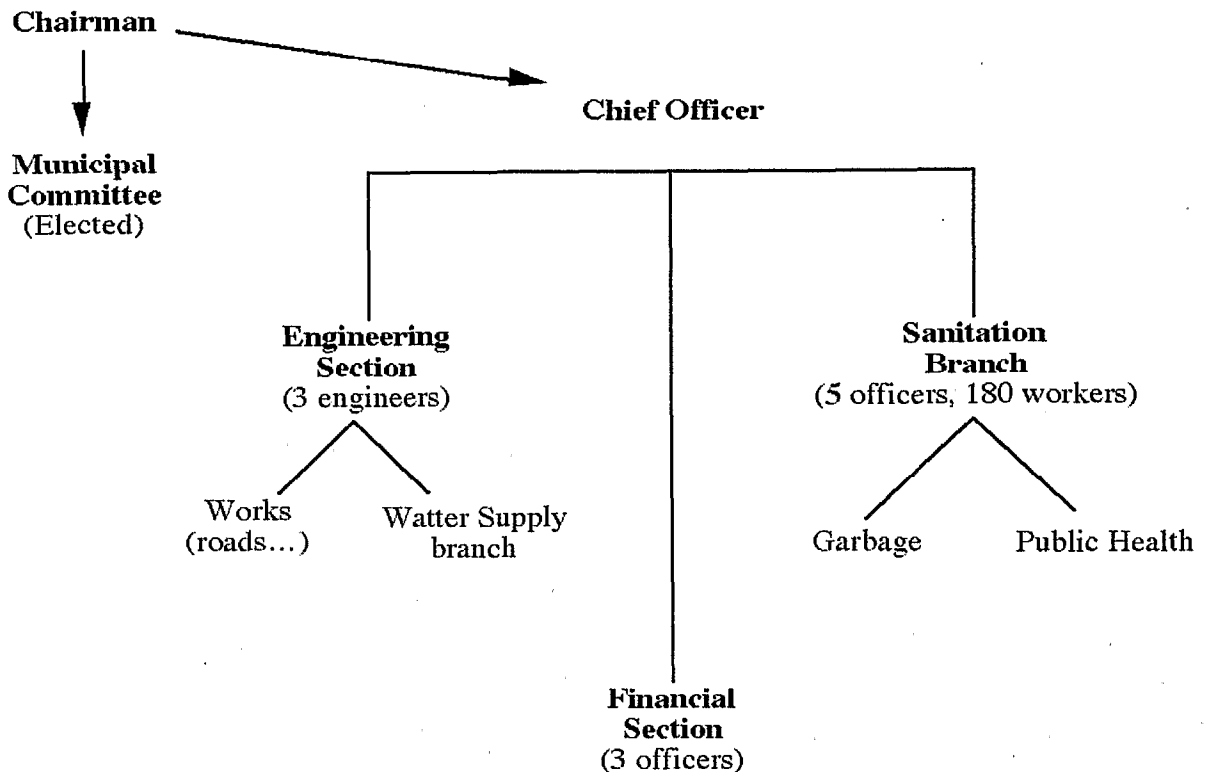
The city of Mingora appears at first sight to be booming with activity. Even during religious festival days, we never saw more than one-fourth of the shops closed in any of the five bazaars. Several bazaars stretch along each road going out of the city ("doigts de gant" urbanization). Its center itself is so active that vehicles traffic is rendered nearly impossible by the trade and producers activity. The preceding table gives a good idea of the importance of the bazaars, but does not take into account the good prospect existing for tourism.

It would be rather difficult to project the labour force employment proportions of 1981 (see table above, from the ADB sponsored project) to future years. In 1981, based on a labour force participation rate of 27%, there was a total labour force of 21,227, of which community services (health, education, municipality, administration) is the second largest proportion (26%). The largest (27%) is wholesale/retail or trading, which reflects Mingora's position as an important market and commercial center in the region. The key role of transportation is reflected in the 18% of the total labour force thus engaged, while the 11% of the labour force employment in the construction equally reflects the importance of this growing sector. The proportion employed in manufacture (6%) seems low until it is realized that the majority of the small scale enterprises would be classified in other sectors such as transport and construction even though some may well be engaged in a degree of manufacture. It would also be reasonable, in the light of the observable rapid expansion of these sectors, to expect that both SSE and manufacturing would have increased their share in both employment and economic activity in 1992 compared to 1981.

In Mingora city, the residential zones concentrate inside the blocks, along small lanes inaccessible for vehicles. A lot of houses are being built on the hills, sometimes in a way which suggest very high density and great difficulties for essential services. But the great majority of houses are built with *pakka* materials, with bricks, cement and wooden poles.

As well as in Abbottabad the very strict separation between public space and private space was very striking. There is not any of the semi-private spaces which are so useful as a compensation for the exiguity of houses, where for example a lane is used and shared by children to play and have school, by the housewives to cook in the dry season, by the potter to dry its pots, by the dying shop to have the material dried...

**Mingora
Municipal Committee**



- The Traders and Producers Association

We had the opportunity to meet several persons belonging to this Association, which appears to be very structured and active. The Swat Trade Federation is 4-5 years old. The head office acts as a Federation of different specialised Associations. We were explained that for each activity there is an Association of industries. The main Associations are in the following sectors:

- wood-working
- marble
- silk yarn industry
- furniture makers
- pottery (China clay)
- soap
- cosmetics
- light and welding metal working
- agricultural materail
- plastic industry
- match box
- polyethylene shop bags
- electric bulbs and tubelights
- food conservation, fruit and vegetable
- carpets, blankets, wollens
- handicrafts

The Federation is very well structured, with an excective body of 4 members, elections held every two years, and a lot try to intervene in different fields of interest for their members:

technical problems, taxes, residence, labour, non availability of some raw materials. We were told that the Association would intervene to help a newcomer find a location for his shop.

The Federation of Association has good relations with the Municipal Committee. They consider that one third of the former Municipal Committees members were their friends. Yet, in order to have more things done in the urban sector, they have now the idea to get some of their Federation members in the next municipal elections "in order to solve our problems ourselves".

They have very precise positions whether on the economic future of the city or on its management. They consider that wool and silk industry have a very good prospect, as well as mushroom agroindustry and woodworking. As far as youth employment is concerned, the new cosmetics industry in the process of being set up in the region has a good potential. As far as urban management is concerned, they are very preoccupied with the extremely narrow roads inside the bazaars and fear that after a few years the center of the city could enter in a deep crisis because of the rise of population, the density of shops and clusters and the inaccessibility by vehicles. They also complain about the very bad problem of garbage collection, and declare themselves to be ready to pay for a good service. They insist on the problems of drinking water, drainage and street lighting.

We also had the opportunity to meet the Chairmen (present and former) of the Silk Industry. They appear just as "city-conscious" as their colleagues from the Federation, underlining the same types of urban problems being a nuisance to their activities.

They put a lot of insistence on the fact that localization of industries and industrial policy were very sensitive politically, and they invited us to draw a comparison between the map of industrial estates and the political map. They developed some bitterness on their dependance from Punjab at all stages of their activity. Although silk industry is organized in medium size enterprises, one could see, all around the mills, repair shops obviously making a living out of the proximity of the mill.

Contrary to Abbottabad, the question of women's employment was never mentioned.

2. ABBOTTABAD

Abbottabad is a well developed intermediary city, where the district headquarters are sitting. It is an important military town, and a very important commercial center. Light metal work is less important than in Haripur, but wood-working is very well developed

a. Basic economic and demographic datas

The Abbottabad urban area is a conglomeration of settlements administratively very separated. It includes the central area administered by the Municipal Committee, the Cantonment, adjacent villages in the process of being integrated and recent suburban developments, including the Medical College, the Military Academy and the Industrial Estate.

In 1988, the population estimates done by ADB was 95,500. The future population projection for 1998, using the district growth rate of 2.8%, was 126,000.

Abbottabad is a major army base and one of the largest Cantonments in the country. The dominance of the military presence is reflected in the distribution of the workforce by type of employment.

Industry Type	Percent of Labour force
Agriculture	4
Manufacturing	6
Utility Services	1
Construction	7
Wholesale/Retail	14
Transport	10
Finance/Insurance	1
Community Services	52
Other	5
TOTAL	100

Source : Second Urban Development Project, Vol. II, final report, 1989.

There was virtually no manufacturing industry in Abbottabad in 1981. Industries have been concentrating in the close-by city of Haripur, which benefits from a favourable location close to Islamabad, Rawalpindi and the rest of Punjab. The ADB source (see table) shows an impressive dominance of "community services", while trade, construction, transport activities' share are obviously less important than in Mingora.

Abbottabad is also a summer retreat for people from Islamabad and Rawalpindi, and a transit point for travellers to the North. It is the last major town on the Karakorum Highway until Gilgit, 400 km to the North.

Along the final report (vol II) concerning the ADB funded project, "the prospects for the economy of Abbottabad will depend on the continued presence of the military and the development of its tourist potential. Although light industrial activities will continue, it is unlikely that this sector could become a major contributor to the town's economy". We consider that in the medium and long term, the tourist potential is much less than in Mingora, unless some specific investments (hotels, leisure grounds etc...) are brought in, in order to help Abbottabad becoming a week-end hill resort benefitting the proximity of Islamabad and Rawalpindi.

b. Structure of the town

The urban fabric is mixing heavily the bazaars and the housing units, which are however concentrating in back lanes and not always easy to approach. The bazaars are more concentrated in the center of the town, with some elements of specialization. Yet the workshops which we visited (mainly wood-working and light metal) were spread out in all parts of the city, including in backlanes. One can see the presence of some modern commercial compounds in the center.

Being in Abbottabad in the time of flood, we have been in a position to witness the important defaults of the water, drainage and sanitation system.

One is surprised in Abbottabad, in comparison with Mingora, by the great number of private courses offering training for computer jobs.

Contrary to Mingora, it seems that Producers and Traders Associations have had very little success in Abbottabad. We could not locate any active one at present. A few Unions are present, or informal associations of people running the same business. Nothing to compare with the solid structures described in Mingora.

3. MUNICIPAL LEVEL STRENGTHENING

After the field work in these two cities, it appeared clearly that if one wants to reach results in intermediary cities of NWFP, a lot of work has to be done at the municipal level. Without this first step, we fear that very few results could be obtained in the long run.

- **municipal democracy:**

- at the constitutional level, local democracy should be guaranteed as the third level of democracy.

- **municipal taxation policy**

From World Bank sources, local governments derive their incomes from taxes (62%), fees and charges (23%) and capital receipts (15%). On average, municipal income amounted to Rs.65 per capita in FY86. The bigger the city, the higher the municipal income per head.

In the intermediary cities considered, for the time being, octroi still constitutes the major resource (octroi is a tax on goods imported into the local government limits for consumption either directly for households or for processing by industry). This type of tax is well known to be anti-economic, and a serious handicap for the growth of trade and production, since it is perceived each time the goods are transported beyond the considered administrative limits (city, district boundaries...). It is also a source of considerable delays in the transportation of goods. Octroi thus tends to limit the exchanges inside a close market. In NWFP, the collection of octroi is often contracted out to private enterprises who take the responsibility of collecting this tax. In Mingora, this tax constitutes more than 60% of the municipal revenue (it accounts for more than 75% of local taxation for urban councils as a whole). Octroi was often mentioned in the interviews as an important handicap for small scale enterprises needing inputs from other districts or Provinces. Even worse, it is an important psychological barrier for any attempt to try and sell products outside the administrative limits.

Yet, one has to be extremely careful before advocating the suppression of octroi, since at the moment there seems to be no alternative or no other tax system ready to replace octroi in the local finance system. Other taxes have a very limited scope and can be considered as very minor: bus-stand fees, license fees (hotels, vegetable market, slaughter house), cattle fare fees, tax on transfer of property.

The taxes reflecting economic activity, and the ones which do progress along with economic growth (income tax, wealth tax...) are benefitting the Provincial or Federal Government.

Contrary to what often happens in other countries where local bodies are automatically given back a percentage of some national taxes, there is little refunding of the Municipal Committees in Pakistan, and little practice of loans or grants for these intermediary cities. World Bank sources indicate that only about 6% of the total income is derived from government transfers, and that therefore local government is essentially self-financing.

It would be urgent to launch a reflexion on the reform of municipal taxation. It is an essential link that **the municipality can benefit of the dynamism of activities** in town, and **render back these funds under the form of good and modern services**. Therefore it is not so much the classical taxation on property which would be recommended, but more a taxation on commercial and production activities, like for example a professional tax. Such a tax needs not be heavy, it needs only to be regularly paid by all producers and traders.

The introduction of such a tax, apart from the usual negative reactions to any fiscal policy, would no doubt meet many oppositions: first from the people who would like these districts to remain as much as possible tax-free zones, and most of all from the usual collectors of the taxes directly related to economic activities, i.e. the higher levels of State administration.

The two following tables, although dating back to 1985-86, show the budgets of the Municipal Committees as well as those of the districts. (Source: NWFP Development Statistics, 1986).

- **Municipal functions**

On the ground of incompetence, most intermediary towns have been deprived of the usual functions of municipal bodies, and the elected representatives have been sent back home. It is

the worst way to train a local elite in urban management, and it impedes any further progress in urban management.

The progressive but full recovery of municipal functions by the municipal committees should also be a long term objective, which implies negotiations and coordination at all levels.

• **Municipal personnel**

The Government of Pakistan has been conscious of the necessity of training the local councillors and their staff. Several Universities and Institutes in the country (including Peshawar University) have been involved in local government training. Yet a lot of work remains to be done, and a lot of frustration can be perceived at the local level: the image of local government is not as brilliant as it could be, and this contributes to their disaffection by competent administrators.

A number of measures should be taken to give more glamour to the administrative posting in the urban staff in general and in the staff of an intermediate town in particular.

For the time being, such posting is provisional, badly paid, badly considered, and only officers of a very low rank accept to be assigned there.

Considering the situation, a number of measures could be considered, in the context of projects or programs concerning municipal bodies straghtening:

- **on the job training** would be a first approach, for short-term and medium-term action. But the very instability of the municipal personnel may dilute the efficiency of these measures
- consideration of **the organisation of the administrative service** would be an other approach, in the long term. It is interesting to keep in mind the approach of the "Programme de Développement Municipal" taking place in Western Africa presently, and the projects led with the help of the French cooperation in Bangui for example, where there has been a delegation of a French City Administrator, who has managed for several years simultaneously the process of decentralization, the reorganization of the administrative service and the training of the staff.

IV. THEORY AND REALITY

1. The concept of "**localized industrial fabric**" stresses the accent more on the **local cohesions** than on the industrial cohesions (cohesiveness). It enables one to bring in evidence **the mode of articulation between the territorial component and the sectorial component on the one hand, and between the endogenous components and the exogenous components on the other hand**, through the modes of organization that a territory has choosen and which are a basis of his functioning as a system. The result will be progressive or regressive processes: this will **depend on the capacity of the transversal partenarial approaches to be coherent by organised and to be able to match together endogeneous and exogeneous strategies.**

So, along such a concept, we have to analyse the elements which determine a territory, and the management of this territory, as a **factor of productivity**. The conditions of such productivity are linked to the behaviour of several key-actors and to the predetermined territorial policies.

Another important questions is: **what is the territorial level where a SSEP policy is most efficient?** Is it at the neighbourhood or municipal level, at the district one or at the provincial one?

The emergence of dynamics in such territories is a very delicate question: should such dynamics emerge from exogenous actors? from the State? from the Province? From new professionnals, including NGOs or consultants? Which type of internal dynamics can they promote and accompany? With which kind of key-actors?

2. Major issues

A number of major issues have been identified, among which:

- communication between the different actors
- training of the meso-level municipal and economic agents
- financial management and mobilization of resources at the urban level
- delegation of power from the Province to the local government
- vision of the economic potentials of the cities

Different types of programmes/projects would be eligible for cooperation:

- enhancing finance mobilisation capacity for local bodies
- networking with actors (forum), institution building
- facilitation of interlinkages
- supporting actors to take into account the importance of industrial growth in their town
- strengthening supporting institutions so as to improve the town services to the SSE.

Cooperation policies are apparently very different, if one considers the types of projects promoted in the SSEs or in the urban field:

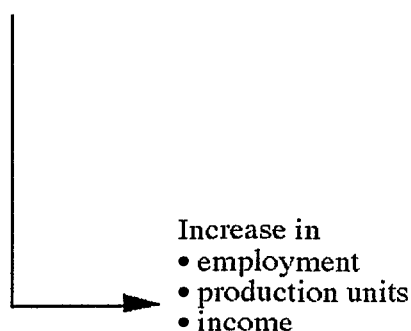
Composition of small scale enterprise promotion and urban management promotion: where they meet to reach a common objective.

SSEP	Credit	Training	Management	Markets	Meso Association	Macro policy	levels
-------------	--------	----------	------------	---------	------------------	--------------	--------

UMP

<p>Municipal Strengthening</p> <ul style="list-style-type: none"> • Constitutional law • Training • Resources • Devolution of functions <p>Services</p> <ul style="list-style-type: none"> • Garbage collection • Water • Sanitation • Transport, traffic, roads • Electricity • Communications <p>Land accessibility</p> <p>Shelter</p> <ul style="list-style-type: none"> • Slum upgrading • Sites and services <p>Macro level policies</p>	
---	--

However, the objectives of these two types of projects are the same, inside the city:



6.2. An other option: the integration of SSEP in an urban project

The second option, that is the building of an urban project with a strong component of SSEP, has met with very positive reactions from the persons interviewed in Pakistan, although they admitted that they had not considered this type of integration sooner.

The basic idea is the following: although the usual contents of SSEP projects are very different from UMP projects, and although apparently their logics are different, actually they have three points in common:

- the beneficiaries of the two types of projects are belonging to the **same social strata** (that is, urban population stricken by poverty, but with a small financial capacity). Very often, the small entrepreneurs live in the neighbourhoods where shelter projects are going to take place.
- the objectives of the two types of projects are the same in the long run: **increase in income and in employment for a poor section of the urban population**. If one applies the logics of international bodies like the World Bank or UNICEF (see Lavigne, Milbert, 1983), one can see that in the two types of projects, economic growth and enterprise promotion is indispensable in the long run for the neighbourhood to pay for its services and to avoid falling back into a state of slum.
- **municipal strengthening** is a basic component of the urban projects, and we have already demonstrated how useful can be a strong and respected local body towards SSEs.

Yet, the implementation phase, so far, has seldom managed to link both types of projects efficiently. For example, in at least one World Bank Urban project in India, the training for employment creation inside the slums was never actually implemented: this was the responsibility of the Department of Industries of the concerned State, and communication being inexistent with the Department of Urban Development, this part of the project actually never reached the slums where the rehabilitation was taking place under the World Bank auspices.

Still in India, the urban programme called "IDSMT scheme" (Integrated Development Scheme for Small and Medium Towns) which took place during most of the eighties, has had direct economic benefits for the employment of the community as well as for the municipalities' finance. "The amelioration measures and environmental upgradation/addition to the services and infrastructure of the towns provided under the scheme have led to many secondary developments through backward and forward linkages, generation of more employment at grassroot level and development of skills raising their per capita income, and thereby helping the urban poor to rise above the poverty line". (NIUA, p.77)

But the linking between SSEP and UMP is still more efficient if it is explicitly part of the problematics of the project since its planning phase. It implies a lot of **coordination**, and a very close follow-up. The objective of SSEP and improvement of the income of the target population have been reached in two projects which we can mention: one is the Madras World Bank Urban Project. The second one, again supported by the World Bank, is the Pakistan Program on improvement and maintenance of highways. In both projects, the objective since the beginning has been to give employment to the local small enterprises. To reach these objectives, maintenance as well as public works contracts have been sliced up. In the case of the Pakistani

Program of maintenance of highways, 800-900 contracts are now giving work to local contractors in the vicinity of highways.

The potential contractors must be listed in consideration of their capacity. There are ceilings of capacity for each group of contractors (10,000, 20,000 50,000 Roupies). Some of the works (depending of the technicalities required) are sliced up and then advertised for. This system enables the small contractors to graduate to higher levels of biddings progressively.

Several constraints and **difficulties** must not be forgotten:

- this type of project favours explicitly one type of SSEs: the ones which are related to urban maintenance services and works
- not any kind of urban services or public works can be easily sliced up and splitted
- responsibilities must be easy to establish between the different beneficiaries of the contracts
- some preliminary training is necessary to make it possible for the SSEs or answer the biddings
- the administrative and monitoring costs of so numerous contracts are high
- these types of works must be continuous for several years, if one wants to have a real impact on the structure of small enterprises. For this reason maintenance works are particularly well adapted.
- existing rules on public tenders are often making it impossible to favour the local SSEs, unless government and international agencies help to adapt them.
- strong lobbies could oppose the coming of SSEs in a sector which has traditionnally been very fruitful for big companies.

Yet the **advantages** largely surpass the difficulties:

- this kind of project an important impact on SSEs and on employment locally
- the community participation and control on the works is strongly reinforced.
- the final quality of the works is much better, (in the case, which we know, of slum rehabilitation for example) in comparison with what happens when big firms have been allotted the contract.

This coordination between SSEP and UMP could be promoted strongly in the following sectors, on a long term basis:

- garbage collection (at the neighbourhood level)
- sanitation works maintenance
- road maintenance

Moreover, not only these three services can be performed by SSEs at the neighbourhood level, but the good implementation of these services is of direct interest for the whole economic fabric of SSEs in the intermediate cities.

Other types of works could be allocated to SSEs, in the course of an urban project, in:

- superstructure building (schools, health centers)
- sites and services
- slum upgrading.

The case of slum upgrading is where the big enterprises have encountered most difficulties, considering the density of population, the imperative of coordination with the population inside the slums, and the general lack of technical skills in this field. But in intermediary cities of NWFP where relatively few slum pockets are there, this component of a project might be too small to provide a long-term market to SSEs of different specialities.

This approach has some advantadges

- it could fit into an urban project with a strong community participation component
- the target group is easy to reach
- effect of efficiency on the urban project
- good prospect for policy dialogue in this field.

The linkage between SSEP and UMP is indispensable in the long run, even if at the present time this linkage is still seldom considered and not clearly felt by the actors themselves. On the field, we have felt an excellent response from the local actors, but cooperation agencies and national departments are structured in such a way that these "integrated projects" raise

Notes

This communication has been written thanks to the Swiss Development Corporation, which financed our research on Pakistan in 1992-93. Three other members of the Institute of Development Studies participated in the consultation process launched by SDC to build a new concept for small scale enterprise promotion in Pakistan, namely Dr M.Carton, Pr J.L.Maurer and Dr Ph.Régnier.

Selected Bibliography

1) General information on Pakistan

ADB

Pakistan Urban Sector Profile, Manila, 1986

ETIENNE (G.)

Le Pakistan, don de l'Indus. Economie et politique. PUF, Paris, 1990.

Government of Pakistan

Pakistan National Report to UNCED, Environment and Urban Affairs Division, 1992

Government of Pakistan. Bureau of Statistics, Planning and Development Department, Government of NWFP
NWFP Development Statistics, Peshawar, 1986

KENNEDY

Bureaucracy in Pakistan. Oxford University Press, Oxford, 1987.

JAMEELUR REHMAN KHAN (Ed.)

Government and Administration in Pakistan. Pakistan Public Administration Research Center. Government of Pakistan, Islamabad, 1987.

WEISS (Anita M.)

Culture, class and development in Pakistan. The emergence of an industrial bourgeoisie in Punjab. Vanguard. Lahore.

ZAIDI (S.Akbar)

Regional imbalances and the national question in Pakistan. Vanguard, Lahore, 1992.

2) General information on small scale enterprise promotion and urban management promotion

AZAIS (Ch.)

"L'industrie grippée dans la ville qui tourne. Réflexions sur le développement dans les formations sociales sous-développées". Article en cours de publication, 1992.

BAIROCH (P.)

"Employment and large cities: problems and outlook" in *International Labour Review* 121 (182) pp. 519-533.

CADMAN (D.), PAYNE (G.)

The living city. Towards a sustainable future. Routledge, London, 1990.

DUPONT (Véronique)

Impact of in-migration on industrial development in a middle sized town of Gujrat. Document de travail ronéoté n°2, équipe ORSTOM-CNRS "Entrepreneurs des villes petites et moyennes en Inde", November 1990.

- GYAWALI (D.) et al.
Rural-urban linkages: a challenge for Swiss Development Corporation. Fonds National Suisse. Décembre 1991.
- HARRIS (N.) (Ed.)
Cities in the 1990s. The challenge for developing countries. UCL Press Ltd, London, 1992.
- ILO, ARTEP
Evaluation of the rural industrialization programme of Punjab Small Industries Corporation. New Delhi, 1989.
- KAHNERT (F.)
Improving urban employment and labour productivity, Discussion paper n°10, World Bank, Washington D.C., 1987.
- MOSELY (M.J.)
Growth centers in Spatial Planning, Oxford, Pergamon, 1974.
- NIUA (National Institute of Urban Affairs)
Integrated Development of Small and Medium Towns (IDSMT). An evaluation study. Research Study Series, n°42, New Delhi 1990.
- PETERSON (G.E.)
Le renforcement des collectivités locales. Note de la délégation des Etats-Unis, CAD-OCDE, 6 octobre 1992.
- RONDINELLI (D.A.)
Secondary cities in developing countries. Policies for diffusing urbanization. Sage Publications, Beverly Hills, 1983.
- RONDINELLI (D.A.) et al.
Urbanization and population distribution policies in Asia and the Pacific. in *Regional Development Dialogue*, vol.11, n°1, Spring 1990.
- WAAS (E.)
Quels emplois et revenus pour les citadins dans les pays en développement? DDA, Direction de la coopération au développement et de l'aide humanitaire. Berne, 1992.
- 3) Sectoral information on the subject**
- MUHAMMAD AFZAL
Local Government. in "*Government and Administration in Pakistan*", pp.632-659.
- BENGALI (K.)
Why unemployment? Pakistan Publishing House, Karachi, 1991.
- ABID AMAN BURKI, QAISAR ABBAS.
Earning functions in Pakistan's informal sector: a case study. in *The Pakistan Development Review*, 30:4 Part II, Winter 1991, pp.695-706.
- DRMS (EDC, M.A.Hussein, A.Majid)
Analysis of baseline survey of workshops. Secondary target data. prepared for Agricultural Light Engineering programme (ALEP). 1990.
- Government of Pakistan
National Human Settlements Policy Study. (Appendix II Spatial impact of macro-economic and sectoral policies.) mimeo, prepared by PEPAK, Lahore. 1983.
- Government of Pakistan
Report of the National Manpower Commission. (Chapter 14, summary of conclusions and recommendations). Islamabad, 1989.
- Government of Pakistan (Ministry of Housing and Works), UNICEF
National Seminar on Urban and Development Management. Islamabad, January 1987.
- M. FRAMURZ KIANI, H.B.SIYAL.

Dimensions of urban growth in Pakistan. in *The Pakistan Development Review*. 30:4. Part II. Winter 1991. pp.681-691.

SHAHID IQBAL RANA

Pakistan country paper. in *Regional seminar on major national urban policy issues*. , ADB, Manila, 1987. pp.643-687.

RICHARDSON (H.W.)

Urban crisis and the resource crunch in Pakistan. The costs of urbanization and the National Human Settlements Policy Study. mimeo., The World Bank, Washington D.C., 1984

RICHARDSON (H.W.)

Spatial strategies, the settlements pattern, and shelter and services policies mimeo. Revised draft. State University of New York at Albany, June 1985.

VAN DER LINDEN (J.), SELIER (F.) (Ed.)

Karachi. Migrants, housing and housing policy. Vanguard, Lahore, 1991.

The World Bank

Project completion report. First small industries project (credit 1113-Pak). World Bank Industrial Development and Finance Division. South Asia Projects Department. May 19th, 1987.