



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS AND MANAGEMENT

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**THE ROLE OF SMALL URBAN TOWNS IN IMPROVING RURAL LIVELIHOOD  
CASE STUDY: FERESMAY, RAMA AND MAYKINETAL CENTRAL ZONE, TIGRAY, NORTHERN ETHIOPIA**

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**ABSTRACT**

*This research tries to assess the role of small urban towns in improving rural livelihoods. Specifically, the main objective of this paper is to assess the role of small urban towns in improving rural livelihood of rural Tabias around the towns of Feresmay, Rama and Mykineta in the Central Zone of Tigray, Ethiopia. To achieve this objective, relevant data were gathered from both primary and secondary sources. The major primary instrument of data for the study was questionnaire that was distributed to the rural Tabias surrounding these small urban centres. A sample of 225 household heads were selected using systematic random sampling method from the villages of each selected Tabias and responses of the questionnaire survey were entered into STATA Software for analysis. Focus group discussions were also conducted to supplement the results of the data collected through structured questionnaire. The result of the finding shows, small urban towns are serving as a market and service centres to surrounding hinterlands. Farmers sell their agricultural products and by industrial products both agricultural inputs and household goods in this centres. Residents of these towns are the primary consumers of agricultural output. In addition to this, they serve as transit market for rural products. Furthermore, they serve as administrative, educational, health and credit service centres. Investment in these urban centres can create job opportunity and contain migration to larger towns. This indicates the relationship between small urban towns and the rural areas is the real and first ladder in the urban-rural linkage.*

**KEYWORDS**

Linkage, Livelihood, Rural, Small, Urban.

**INTRODUCTION**

**BACKGROUND OF THE STUDY**

It is believed that when a country becomes more developed measured in terms of per capita income, the population living in the urban areas will be larger. Nowadays, it is the least developed countries that have a faster rate of urbanization. According to Todaro (2000), the rapid growth of cities in developing countries is one of the most significant of all post war demographic phenomena and the one that promises to loom even larger in the future. He further stated that, with regard to particular cities, current rate of urban population growth range from under 1% per annum in two of the world's largest cities, New York and Tokyo, to over 6% per annum in many African cities including Nairobi, Lagos, and Accra. However, the rapid growth of urban poverty and deepening inequalities in cities are the main concerns. Solutions to today's urban problems, call for good urban governance and appropriate strategies and intervention to ensure local development, whether the issues concern the infrastructure, housing, service provision, environmental quality or violence (UN, 2001).

Considering the first city bias, the largest or the first city receives a larger share of the investment and incentives for private investment in relation to the country's second city and the second city in relation to medium and small sized towns. Furthermore, Hansen (1990) has strengthened this assertion as large cities and particularly national capitals of developing countries are given preference in the allocation of investment that support industry, create employment opportunities, provide health, education and social services, and offer amenities to attract better domestic and foreign investment. This leads to concentration of population in large cities, mainly by migration, which has created severe urban management problem such as more pressure on the services provided and infrastructure, high unemployment rate, slum and shanty areas, etc. To ensure a balanced population distribution and managed cities, the new perspective is to increase and emphasize on small towns. Emphasis on small towns helps to control migration to congested cities and to enhance their contribution to the development of the rural communities. This paper deals with the role small urban centres have in improving rural livelihood. It shows how the small towns serve as input and output markets for rural households. It also deals with the public and administrative services that rural households receive in the small towns.

**LITERATURE REVIEW**

**THE CONCEPT OF RURAL-URBAN TOWNS AND RURAL LIVELIHOOD**

Small urban towns may be defined differently under different contexts. The demographic and economic criteria are used to define urban and rural areas although the criteria can vary widely between different nations (Tacoli, 1998). In Ethiopia, demographic and economic criteria are used to define rural and urban areas. According to the Ethiopian Urban Plans Proclamation No. 574/2008 Article 2/8, "Urban centre" means any locality with established municipality or having a population size of 2,000 or above inhabitants of which 50% of its labour force is primarily engaged in non-agricultural activities. On the other hand, settlements whose economic base is dominantly agriculture are considered to be rural areas.

For the sake of administration and management, urban towns in Tigray are divided into three: Infant/emerging, Town and Metropolitan (Proclamation 107/1998 Article 9/1). According to this proclamation, an emerging town is a town with no less than 2000 population provided that it is recognized as a town by the regional government. The growing town can have the status of municipal administration according to the regulation to be enacted by the regional government

executive committee (Proclamation 107/1998 Article 29/1). Thus, the above definitions of emerging and growing towns comply with the description and purpose of this research project. This means the emerging/infant and growing towns are considered in this research as small urban centres.

Another important concept in this research is household livelihood. A livelihood comprises the capabilities, assets (including both material and social resources) and activities for a means of living (Scoones, 2009). Livelihoods include specifically, natural, physical, human, financial and social assets. Human capital emphasises the importance of labour, health, education, and skill assets required to achieve household livelihood (Ellis, 2000 in Boli 2005) in Educated and trained and healthy labour is important to increase productivity and thereby improve livelihoods. Financial capital refers to the amount of money and financial assets such as loan, deposits, shares etc., and household possessions, which can be converted into other assets through the purchase of household consumable items or the conversion into other items such as livestock, commercial items or fixed assets (Boli, 2005). It can be also used to buy agricultural inputs.

Rural-urban linkages or relationship are vital for integrated rural-urban development. This linkage takes different forms. According to the United Nations (UN) (2005), however, rural-urban linkages refer to the flow of people, capital and goods, ideas, innovation and information between rural and urban areas. Nevertheless, lack of integration of Urban and rural development plans is one of the problems of rural-urban linkage. One of the reasons for the separation of the development plans is that urban areas are generally recognized as engines of economic growth as well as the focus of most development policies (UN, 2005). As a result, capital cities and large urban agglomerations became the focus of government to address urban-based economic growth and the reduction of urban poverty while the potential of small towns for economic growth, reducing poverty and mitigating rural-urban migration from larger cities has often been neglected (UN, 2005).

#### **THE ROLE OF SMALL URBAN TOWNS IN IMPROVING RURAL LIVELIHOOD**

Small urban towns provide access to markets for agricultural and non-agricultural goods produced by rural households, improved access to inputs needed for agricultural production and better access to consumer goods and employment and investment opportunities to both kinds of residents and attract temporary and permanent migrants from the rural areas (Kammeier, 2003; Dercon and Hoddinott 2005). According to Dercon and Hoddinott (2005), urban markets are important sources of demand for rural products and rural residents are sources of demand goods sold in urban areas. They further stated that small and intermediate urban towns provide improved access to public services such as health, education and administrative services to rural residents.

Small urban towns serve as market centres for the production and/or distribution of goods and services to the rural area. The location of service supply points supplying a variety of services, agricultural inputs and consumer goods to the rural areas plays a crucial role in rural development (Tacoli, 1998). Tacoli also wrote that proximity to urban markets improves farmers' access to the inputs and services required to increase agricultural productivity. The urban towns serve as centres for agricultural inputs such as fertilizer and farming tools which are important for agricultural intensification.

Small urban towns serve as markets for agricultural and non-agricultural products for the small urban town population and function as nodes in a wider marketing network, channelling demand from outside the small urban towns (Satterthwaite and Tacoli, 2003; Kammeier 2003). They serve as market centres for rural agricultural products either as direct consumers or as transit markets. They are major markets for agricultural inputs and sales of crops and livestock for rural households (John & Stefan 2005). This market opportunity motivates farmers to improve agricultural productivity and thereby their income (Kammeier, 2003).

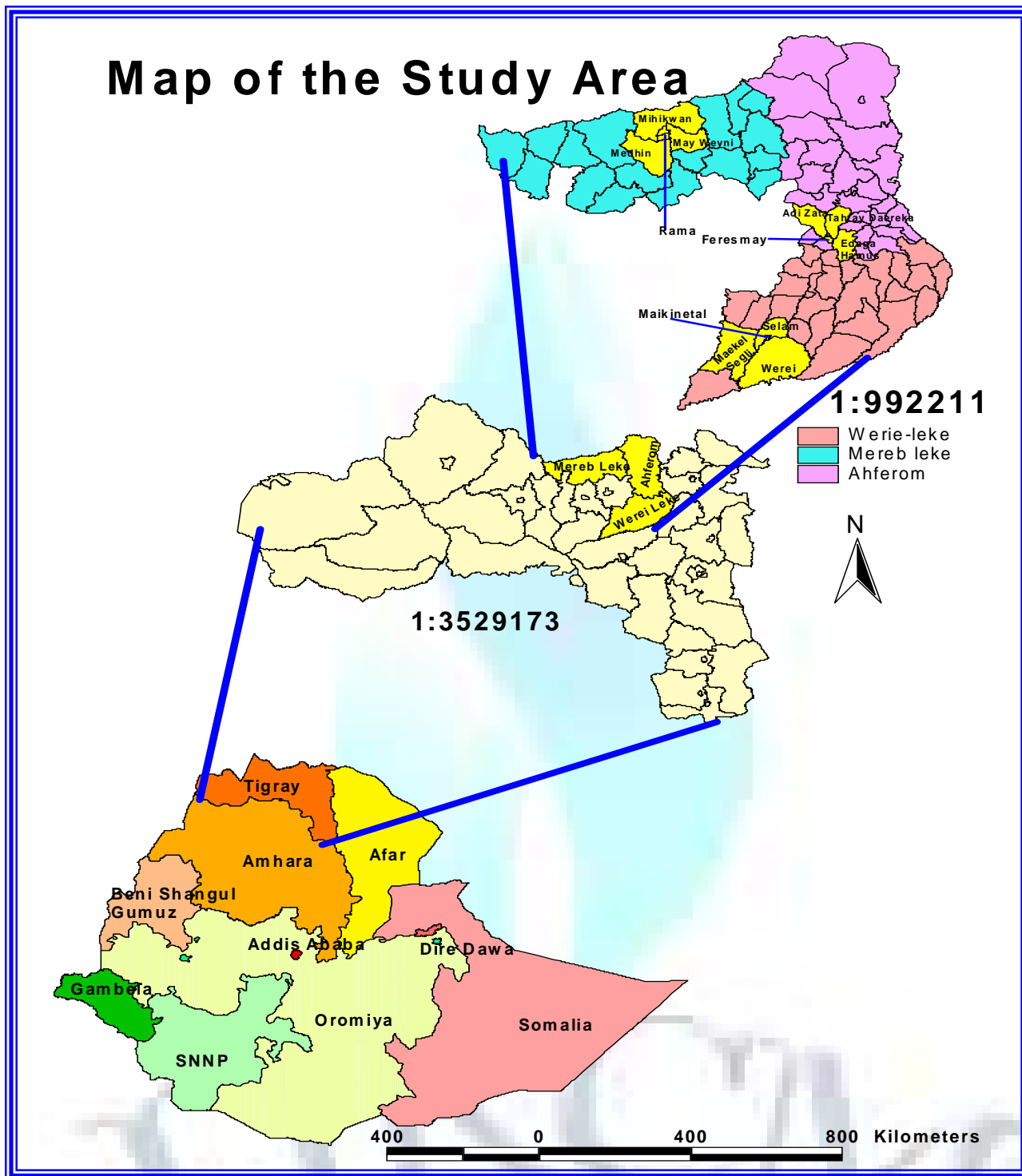
Access to markets is a prerequisite to increase rural agricultural incomes, and the proximity of local small urban towns to production areas is assumed to be a key factor. Whether small urban towns develop as markets for rural producers, among others, depends on a number of factors such as accessibility and affordability of transport and roads infrastructure; the presence of local urban demand which is much influenced by population and income levels and links with a wider network of markets and the relations between producers and traders (Satterthwaite and Tacoli, 2003). Traders are the main link with urban markets. They often provide a vital link for small and diversified production flows that are not sufficiently profitable to attract large-scale trading organizations. According to Pedersen (2000), Traders are a vital link between farm and non-farm activities and between local markets and national and international markets. They often provide credit and technological advice to producers.

Small towns provide public services such as education, health and administrative services to rural areas (Bryceson, 1999; Kammeier 2003; Satterthwaite & Tacoli 2003). Higher-level health and educational rural services are located in small urban towns. The health and educational services include clinics/health centres and high schools for both rural and urban population. Furthermore, the services rural people receive from small urban towns include agricultural extension, credit services, postal and telephone services, transportation services, etc. Access to improved road infrastructure results more access to transportation services and reduced transportation cost (Dercon and Hoddinott, 2005). This means the connection of the small urban towns with the rural areas is assumed to reduce costs and improve access to a variety of services. The basic services have a major impact on livelihoods of the rural people for they improve individuals' and households' capabilities. For instance, educational service skills knowledge and information are generally seen as a prerequisite for households to be able to take advantage of many new livelihood opportunities. Access to education is generally required for the formation of human capital (Boli, 2005). Moreover, credit enables individuals and households to widen their income earning options.

According to Mendola (2010), the mobility of people for temporary or permanent labour purposes is a routine part of agricultural activity. People migrate to smaller towns from rural areas for search of education and health services and employment opportunities (Braun 2007). Migration is the source of remittance which can play a very important role in supplementing incomes in receiving households (Dercon and Hoddinott, 2005; Braun 2007). Therefore, one of the key potential roles of small urban towns is that of attracting rural migrants from their surrounding rural through demand for off-farm labour and thereby increase local opportunities for income diversification and decrease the pressure on larger urban towns (Satterthwaite and Tacoli, 2003). Off-farm activities help as a means of employment or additional income for the farmers who lack land or have inadequate land, or suffer from seasonal income fluctuations.

The migrants can be both the seasonal workers and those who want to change their settlement from rural to urban. An essential pre-condition for migrants moving to small urban towns is the availability of employment in different activities such as trade, services and construction. Migration is increasingly recognized as an essential component of the livelihoods of most households.

FIGURE 1: MAP DESCRIPTION OF THE STUDY AREA



**METHODOLOGY AND STUDY AREA DESCRIPTION**

**STUDY AREA DESCRIPTION**

Tigray is one of the National Regional States of Ethiopia found in the northern part of the country. It is bounded by Eritrea in the north, Sudan in the West, Amhara National Regional State in the south and Afar National Regional State in the East. The Region covers approximately 54,527 square kilometres and has a total population of 4.33 million of which 82% live in rural areas (Central Statistics Authority - CSA 2007). The region has 34 rural Woredas (districts) and 12 urban Woredas. There are also towns having municipal status but subordinated to the rural Woreda administrations. The study area covers the small urban towns categorized as emerging/infant or small towns in Tigray National Regional State in the Central Zone, Ahferom, Mereb-Leke and Worie-Leke woredas (Figure 1). The small towns of the study area are Fersmay, Rama and Maykinetal while the rural Tabias include Adizata, Tahtay-Da-Ereka, Edaga-Hamus, Miqan, Mayweine, Medhin, Werie, Selam and Felafil (Figure 1). The economic base of the region is dominantly agriculture. The economic base of these small urban towns is mainly merchandise, service businesses and agriculture while the economic base of the rural households is dominantly agriculture.

**DATA TYPE AND SOURCE**

In this research a mix of qualitative and quantitative methods is used. The qualitative method focused on focus group discussion while the quantitative method involved household survey. This mixture of qualitative and quantitative method of data collection has been gaining acceptance in the literature on development research methods (Bryman 2008). Moreover, the research used both primary and secondary sources. One of the primary source instruments was questionnaire



that was distributed to the rural household respondents in Tabias surrounding the small urban towns. The second primary instrument was in depth focus group discussion with different stakeholders such as woreda administration representative, town administrators, high school directors, woreda educational office heads, selected Tabias and villages chair persons, Tabia rural development office supervisors and health centre heads from the town and rural areas. Secondary data were collected to complement the primary data from publications, documents from urban and rural organizations and institutions, woreda administration offices.

**SAMPLING AND SURVEY DESIGN**

As shown in figure 1, the study areas covered were three small urban towns and their surrounding rural Tabias in the central zone of Tigray Werie-leke, Ahferom and Mereb-leke Woredas (Figure 1). The unit of analysis of this research are the small urban towns and rural Tabias. From the rural Tabias around Feresmay and Rama three Tabias were selected and from each Tabia three villages were selected, based on lottery method, to distribute the questionnaire (n=180). But in the case of Mykinetal, three Tabias are having a dominant proximity to the town. These Tabias were selected based on judgmental method and household heads were given their responses (n=45). The total sample size from all rural Tabias is 225 household head respondents. These respondents were chosen from the list of households of the villages in the rural Tabia administrations based on systematic random sampling method.

**DATA PROCESSING AND ANALYSIS**

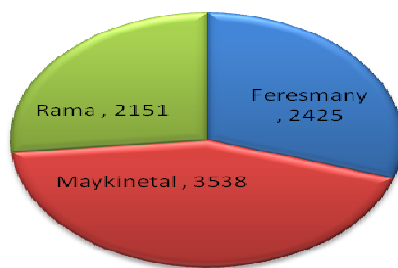
Responses of the questionnaire survey were entered into STATA Soft Ware for analysis. In the analysis of the data, averages and percentages are presented in the form of tables. To see the relationship of two variables, the scatter plot is used. The information gathered from the secondary source and from the focus group discussions was also summarized and analyzed together with the information gathered through the household survey questionnaire.

**RESULT AND DISCUSSIONS**

The respondents considered in the survey were household head respondents and focus groups. The households are sample representatives from the rural Tabias in the study area while the focus group members are rural Tabia and Village chairpersons, small urban town administration, clinic/health centre, and agricultural office and high school representatives.

For the sake of fair representation, 28% of the total household respondents are female. With regard to age, the majority of the households were between 30 and 51 (61.3%) years. As far as educational level is concerned the majority (51.6%) of the respondents are illiterates. On the other hand, education is vital human capital required to improve rural household livelihood. The average household size of the total sample of the study is 5.6 persons which is similar to the national household size. The average land holding size of the total sample size of the study is 0.77 hectare and the land holding size is small for the households. In addition to this, there is large number of landless farmers. The survey result indicates that farm income is positively related with land size. The household head farm income increases with the increase of land holding size. This indicates that the productivity of the land is almost similar with the exception of certain individual variations.

Figure 2: Average household farm income of farmers around small towns (in Birr)



The economic base of the rural people is mainly land. The average annual farm income for the rural households, as indicated figure 2, around Feresmay, Rama and Maykinetal is Birr 2,425, 2,151 and 3,538 respectively. Nevertheless, majority (86.89%) of the households are food unsecured due to lack of adequate land size and low productivity. 47% of the households said that their farm income covers for less than six months time while 43% of them said that their farm income covers six to eleven months. Thus, the rural household income depends on diversified sources such as farm and off-farm income, income from safety net, food aid and from other sources. To fill the income deficit, 44% of the respondents use safety net whereas, 22% of them use off-farm income.

The safety net and off-farm income sources seem play a significant role to cover the food deficit of the households. But how sustainable are they? Except the off-farm income, the safety net income source cannot be sustained because the purpose of safety net is to heal food deficit resulted from certain shocks. Therefore, the main means of ensuring sustained food security are farm and off-farm income sources. To this end, the small urban towns contribute to increase the off-farm income of farmers and provide more job opportunity for the rural households.

TABLE 1: AVAILABILITY OF AGRICULTURAL INPUTS IN THE SMALL URBAN TOWNS

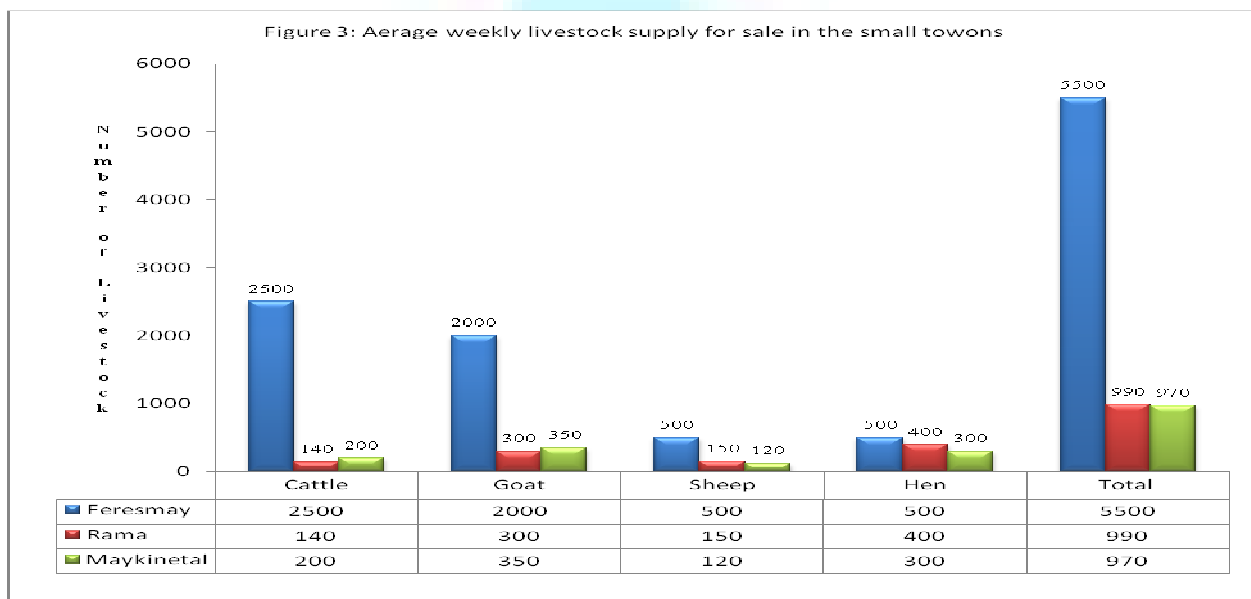
Agricultural inputs	Number of respondents of Rural Tabias											
	Fersmay (n=90)				Rama (n=90)				Mykinetal (n=45)			
	Yes	%	No	%	Yes	%	No	%	Yes	%	No	%
<b>Selected seed</b>	84	93.3	6	96.7	82	91.1	8	8.9	30	66.7	15	<b>33.3</b>
<b>New breed</b>	70	77.8	20	22.2	84	93.3	6	6.7	30	66.7	15	<b>33.3</b>
<b>Fertilizer</b>	87	96.7	3	3.3	83	92.2	7	7.8	30	66.7	15	<b>33.3</b>
<b>Pesticide</b>	73	81.1	17	18.9	85	94.4	5		45	100	-	-
<b>Herbicide</b>	71	78.9	19	11.1	83	92.2	7	7.8	31	68.9	14	<b>31.1</b>
<b>Agricultural tools</b>	88	97.8	2	2.2	83	92.2	7	7.8	45	100	-	-

All small urban towns in the study area have periodic weekly markets mostly for rural agricultural and non-agricultural products. Most rural households (86.2%) obtain their major agricultural inputs such as selected seed, new breed, fertilizer, pesticide, herbicide and agricultural tools from their respective nearby towns. This is similar with the study of Satterthwaite and Tacoli (2003) that says small urban centres serve as market for agricultural produce. The small urban towns are also centres for all household goods. The focus group discussants also confirmed Small urban towns are the centres for all agricultural inputs and household goods. The response of the focus groups substantiates that the small urban towns are serving as market centres for agricultural inputs and services as well as household goods and services. The urban towns are serving as market intermediaries between the rural people and the higher level towns and among the rural households. This is in accordance of the statement of Demse (2006) that small towns play a key bridging role between rural farming and larger urban centres. Nonetheless, government supports are more concentrated on larger towns (UN, 2005)

TABLE 2: MAJOR RURAL PRODUCTS SOLD IN URBAN TOWNS

Agricultural output	Number of respondents of Rural Tabias					
	Feresmay (n=90)	%	Rama (n=90)	%	Mykinetal (n=45)	%
Crop and cereals	82	91	82	91	45	100
vegetable	81	99	62	100	45	100
Animals and animal products	86	96	83	92	45	100
Bee/honey	53	99	52	100	16	100
Craft	33	100	49	100	16	100
Forest products	55	100	49	100	16	100
mining	14	97	29	96	-	-

Small rural towns constitute an important market outlet for rural farm and non-farm products. It is certainly true that access to markets is essential for rural households. For instance, the small urban towns are market centres for the products of more than 90% of the households (Table 1). The focus group discussants also replied that almost all rural products are sold in the small towns. They have indicated that there is no demand problem for almost all agricultural products. Residents of small urban towns greatly depend on the farm and rural based non-farm products of the rural producers. Small and medium-scale traders also play a crucial role in collecting and channelling agricultural and non-agricultural products from diverse and often geographically dispersed rural areas. The buyers of the rural products include consumers in the urban towns and the rural area as well as the retailers, wholesalers and transit traders. The primary buyers of agricultural products are consumers in the small urban towns and farmers who have no land or inadequate land in rural areas. The buyers at the second level are consumers, wholesalers, retailers in the small urban towns and those traders from other distant towns. Certain fruits from rural areas are also sold to wholesalers and retailers in the respective small urban towns and other higher level towns. For instance, the buyers of most livestock (Figure 3), hides and skin are traders either from the small towns or outside of the small towns.



The annual potential supply of live stock as calculated by the researchers is cattle 147,680 (2,840\*52 weeks), goat 111,800, sheep 39,000 and hen 62,400. The main supply sources of the livestock are all rural households around the small urban towns. In addition to the livestock, milk is sold both in the rural and small urban towns.

Most of the population in rural areas depend on small urban towns for educational, health, credit, infrastructural, telephone, electricity and administrative services. For example, all rural households depend on the small urban towns for high school (9<sup>th</sup> -10<sup>th</sup>) educational services. This shows each small urban town provides high school educational services to seven rural Tabias and itself. Health is another vital household asset that improves household livelihood. Adequate health service creates healthy and productive workforce. All the rural communities get health service from health centres in the urban towns. For instance, a total of 31, 294 (14, 428 male and 16, 866 female) patients from rural areas got medical services in the clinics/health centres located in urban towns within one year.

Formal credit systems are providing a significant support to individuals and groups of households of the rural people to fill their financial need. The two main formal financial sources for rural households are package and Dedebit Credit and Saving Institution. 50% of the rural households around Feresmay and Rama use package as a source of credit; but, only 27% of households around Maykinetal use package as a source of credit. The mean credit amount per year is computed to be Birr 2,278, 1893 and 1358 for rural households around Feresmay, Rama and Maykinetal respectively. However, there is unwise utilization of borrowed money among borrowers. Some borrowers use the money for non-value added activities such as for consumption and ceremonial purposes. Defaults are also another problem to the institution and the borrowers.

One of the key potential roles of small urban towns is attracting rural migrants from rural areas. People migrate for off-farm labour as well as the need for urban settlement. This increases opportunities for rural household income diversification and at the same time decrease pressure on larger urban towns whose unemployment rate is greater than 20% (ILO, 2009). Remittances from rural-migrants are a vital part of rural household income and main blend for the continued links between the migrants and their home areas (Bah M. et al 2003). As the survey indicates, there are 3,283 rural households who live in their own houses and 1,800 households who live in rented houses in the small urban towns while their economic activity is mainly agriculture. In addition to this, there are farmers doing business in the small towns. For instance, in the small town of Feresmay, there are 621 farmers engaged in trading activities living in rural areas.

**CONCLUSION AND RECOMMENDATON**

The finding shows that small urban towns are market centres for almost all rural products. They channel industrial products of higher level towns to rural buyers and the rural products to the higher level town buyers. This in accordance with the study of Tacoli (2004) that exchanges of goods between urban and rural areas are an essential element of rural-urban linkages. The buyers are urban residents, rural households, wholesalers, retailers and transit traders. The small urban towns serve as intermediaries between the rural and the higher level towns. Small urban towns are market centres for goods and services required by rural areas either as agricultural inputs or household consumable and non-consumable goods. The rural people buy industrial goods from the traders in the small urban towns or transit traders. Agricultural inputs such as fertilizer, herbicides, pesticides, farming tools, etc are distributed to farmers from the urban

towns. The finding also indicates that there is no demand problem for the rural products rather than shortage of supply. This means farmers have good market opportunity for their products which encourages their productivity and improve their income and thereby their livelihoods.

The small urban town are market centres for rural products. Residents of these towns are the primary consumers of agricultural products. Agricultural products of the rural areas are sold either directly to consumers in the rural areas and towns, to wholesalers and retailers or to transit traders in who sale to higher level towns. The periodic weekly markets help sellers and buyers from both rural and urban areas to transact in the urban towns. Mining products such as stone and sand from the rural areas are sold in the urban towns for construction purpose.

The small urban towns play an important role in providing government administrative services such as court, police, training, marriage contract, meeting, conference, extension supervisory, and food aid distribution services because they have better facilities and accommodation than the rural Tabias. They provide high school (9<sup>th</sup> – 10<sup>th</sup>) educational services and health services at clinic/health centre level because these services are located in the small urban towns to serve both the urban and rural people. The credit service agencies and institutions are located in the urban towns. The money borrowed by rural households is mainly used to buy agricultural inputs. Nevertheless, there are two controversies with regard to access to credit services. On one hand there a complaint that the borrowed money is small. On the other hand, there is unwise use of the fund because some borrowers use the money for non-value added activities such as for consumption and ceremonial purposes.

Migrants in small the small urban centres are both job seekers in the small urban towns and those who want to change their settlement. Small urban towns create non-farm employment opportunities for rural farmers temporarily and permanently. For instance, many farmers are engaged in different trade activities permanently and in construction as well as other activities temporarily. This indicates the small urban towns have good potential for containing migration and generating non-farm income to rural households. However, the extent of job opportunity created and the degree of the containment of migration depends on the size and degree of development of the small towns. If the growth of the small urban towns is not accelerated, people will bypass them and migrate to larger towns because they will neither have the capacity to accommodate the migrants nor attract them to work or settle in the towns.

The small urban towns have better road and transportation access to higher level towns than the rural areas. The towns have access to infrastructures such as roads, electricity and telephone services. The availability of the infrastructure is very important to facilitate the exchange of rural and urban products and services among the rural and urban people.

For Ethiopia with about 84% of its population's livelihood is dependent on agriculture and where most of its towns are small towns, small town development and integrated rural-urban linkage strategy at lowest echelon has to be one of the priorities. For instance, except Mekelle the capital of the National Regional State of Tigray the populating of all towns in the region is less than 100,000. Unlike the time of the industrial revolution in Europe, the Sub-Saharan size of towns is growing without adequate industrialisation. For instance, in Europe, the economic transformation and expansion stimulated migration to cities since new industries created new massive jobs because the process of industrialisation and urbanisation were parallel, (Beall and Fox 2009). As a result, 95% of the workforce of the richest countries is engaged in industry and services while over 50% of the workforce of the Sub-Saharan Africa and South Asia is engaged in agriculture due to low industrial development in urban areas (Beall and Fox 2009). Therefore, Improvement and growth of the urban towns is important for the integrated rural-urban development and to contain migration. This in turn, requires formulating a policy that can guide responsible stakeholders to integrate their development plans at all levels so as to solve the problems of rural-urban linkages and thereby improves the livelihoods of both the rural and urban households.

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