

## **AN INTEGRATED RURAL DEVELOPMENT STRATEGY FOR KWAZULU NATAL. TOWARDS THE FORMULATION OF AN EFFECTIVE POLICY**

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### **The Conception and Scope of Rural Development<sup>1</sup>**

In a recent paper entitled 'Reconstructing the South African Countryside' (1994:361-2), Dewar notes that 'For too long, "urban development" and "rural development" have been polarised and pursued in almost total isolation: rural development is about agriculture and urban development is about the management of big cities'.<sup>2</sup> Hart (1996:1-2) makes a similar point. She identifies the 'competing and deeply problematic visions of the city' and 'the countryside' as a compact between business and labour on the one hand, and an obsession with small-farmers on the other.<sup>3</sup> The symptom of these competing visions is that critical issues are being addressed in total isolation from each other. Hart (1996:1) states that from a policy point of view industrial restructuring, the land question and agrarian reform, and the setting in place of new systems of local government are considered as separate and discrete issues, although there are obvious and important connections. Consequences of narrow exclusionary conceptualisations of the parameters of urban and rural development are that policies may be contradictory rather than complementary, and that strategies and initiatives will fail to maximise on development opportunities because they do not take account of fundamental socio-economic realities.

If exclusionary and isolationist approaches have been a characteristic of inter-sectoral policy formulation, the same has been true, in some instances, of intra-sectoral policy formulation. As will be illustrated in this paper, serious incompatibilities and contradictions have emerged within the sphere of land redistribution and agrarian reform. What compounds the problem is that policies are being formulated and implemented simultaneously at both the national and the provincial levels. The connection between these processes has been tenuous.

An effective rural development strategy for KwaZulu Natal will need to take cognisance of the plethora of existing policy initiatives, and of the research which

has tried to redefine the development challenge. Indeed, as a preliminary to formulating a rural development strategy, what we need to do is to identify the complementarities and contradictions in existing and emerging policies which impinge on the rural sector. Then, the task is to flesh out a policy direction on the basis of a common purpose and a common set of goals.

The goals need to be founded on a clear understanding of the socio-economic context. The Rural Development Policy of the Government of National Unity (GNU) (1995) has been sharply criticised by the Centre for Development Enterprise (CDE) (1996) precisely because it is not grounded in socio-economic realities. The primary failing of the national document is that it is a 'wish list' which does not identify opportunities and constraints. It fails to capture the fundamental facts about the rural areas, or the trends which are at work. Therefore, it can neither identify policy choices, nor can it provide a strategy for action. It does not ask (and therefore cannot attempt to answer) the questions which are basic to formulating a constructive policy.

Key questions are:

- What is the economic potential in the rural areas?
- Where is this economic potential located?
- How can this economic potential be realised?
- What should be done about the areas with little or no economic potential?
- Should public resources be channelled to obviously uneconomic places?
- Will some policies assist people equally wherever they are?

What is argued in this paper is that it is imperative to move beyond ideals and theories, and to begin to identify specific and obvious areas for intervention. Research has provided a basis for understanding the context, and has indicated the socio-economic trends which should be taken account of, and built on, in policy design. Concepts and approaches which will help to identify the nature and scope of nascent economic opportunities can be exploited in formulating concrete and practical development strategies.

### **Existing and Emerging Policies which Impact on the Rural Economy - Strengths and Weaknesses, Complementarities and Contradictions**

Complementarities and contradictions may be evident between national and provincial policies and strategies, between different sectoral policies, between

initiatives emanating from different departments and/or institutions, and within particular policies. It is not possible, in the context of this paper, to give a comprehensive account of complementarities and contradictions within and between policy areas at all of these different levels. Instead, land and agricultural policies are taken as a case study to illustrate the nature, and the degree of some of the incongruities.

### **Land and Agriculture - A Case Study**

A critical contradiction between policies pertaining to land and agriculture is highlighted through posing a simple question. It is a question posed by the Centre for Development and Enterprise (CDE) (1996) to underline the absence of a clear perspective in the National Rural Development Strategy (1995), but it applies equally to the strategies, and the proposed strategies which have emanated from the Departments of Land Affairs and Agriculture. The question is 'Does government see increased urbanisation as necessary for effective rural development, or is its rural development strategy designed to hold as many people out of urban areas as possible?' (CDE, 1996:8). The land reform policy spelt out in the recently released Green Paper on Land Reform (1996), currently being implemented in the Land Reform Pilot Projects will tend to set a brake on the urbanisation process. The Green Paper articulates a powerful populist position which proposes demand-driven and participatory land-settlement programmes directed to alleviating poverty and redressing past injustices.

In direct conflict with this, the Department of Agriculture's Farmer Settlement Policy which involves the settlement of selected beneficiaries on 'economic units' of farm land implies a process of rapid urbanisation. Implicitly, this policy subscribes to the old Department of Agriculture adage - 'not everybody can be a farmer', sometimes couched in more voluntaristic terms as, 'not everybody wants to be a farmer'. Should the policies articulated by these two Departments be escalated, and carried through on a broad basis, they would clearly have diametrically opposite effects. It is hard to imagine what the outcomes would be.

A further effect of a scaling up and an escalation of these policies in their present form could well be an entrenchment of the dualism which characterises the rural economy. This dualism was identified by Merle Lipton in her paper 'South Africa: Two Agricultures' (1977). A scaling up of projects which attempt to settle poor landless people in areas of very poor agricultural potential, and on the basis of very small state subsidies will inevitably mean dense settlement of the land acquired. Beneficiaries are almost entirely dependent on the subsidies because they have no resources of any significance. In a context where poverty is likely to exclude people from financial markets, however these are structured, the

outcome of land reform is likely to be the 'bantustan resolution' of the land question much feared by commercial farmers (McIntosh, 1995:11). Indeed, a replication of the conditions which prevail in the former bantustan areas in the commercial farm lands targeted for land reform seems almost inevitable, given present policy parameters.

The Department of Agriculture's Farmer Settlement Programme on the other hand, is likely to do little more than replicate in the settlement areas, the enterprise structure characteristic of the present commercial farming areas. How closely the settlement areas will approximate the present commercial farmlands will, of course, depend to some extent on the nett disposable income which bureaucrats decide on as appropriate for previously disadvantaged farmers operating full time on 'economic units'.

What are the roots of the glaring policy contradictions which have been identified? The Department of Land Affairs' policy derives from an intimate knowledge of the undermining impacts of apartheid land policy on communities and individuals. It is informed by the specific experiences of land dispossession resisted through community mobilisation by land-interested NGOs during the 1980s. These were the experiences of labour tenant evictions, of 'black spot' removals, and of state-induced bantustan incorporations. It derives its rationale from these intense but quite narrow experiences of apartheid land policy, rather than taking as its starting point the existing conditions in the former homelands, and in the commercial farmlands. Although, in principle, the land reform policy takes cognisance of the need to use land productively, acquisition of land for the purposes of agricultural production is not a central concern. Land reform is primarily a means to redress past injustices, and to alleviate poverty.

The Department of Agriculture's Farmer Settlement Policy, on the other hand, articulates a set of preoccupations which have been an element of agricultural policy for decades. As Colin Murray notes, the presumption that the beneficiaries of land reform should be full-time farmers committed to farming for a livelihood is subscribed to by officials who represent a long tradition of state intervention 'from above' (1995:1).

The mutually contradictory policies which have emanated from the Departments of Land Affairs and Agriculture are not the only contenders in the land and agriculture policy arena. The populist paradigm articulated in the Green Paper currently dominates the debate about land reform. However, the construction of populist paradigms has not been the sole prerogative of the Department of Land Affairs. Equally powerful populist positions are founded on the premise that there is very significant scope for the creation and enhancement of rural livelihoods through strategies and policies which will foster and support

small-holder agriculture. The focus within this paradigm is on efficient market-driven small-holder production systems which will create a plethora of employment opportunities, both on the land, and through the development of agriculture-related enterprises. The belief is that an efficient small-holder agriculture can be created through opening access to land, to financing, and to agricultural support services.

The idea that small-farmer development is a significant mechanism for the restructuring of South Africa's rural economy probably has as long a history as the concept of settling full-time farmers on 'economic units' of land. Indeed, these two approaches to rural development have often intersected, as is the case in the recommendations of the Tomlinson Commission, which appeared in 1955, and which had a pervasive influence, although they were never formalised into policy.

More recently, World Bank positions on South Africa's rural economy have supported ideas of restructuring based on the development of smaller scale units (World Bank, 1993). The World Bank's *Options for Land Reform and Rural Restructuring in South Africa* (RRP) (1993) sees land reform as promoting 'a wide range of land use activities' including small-scale farming, trading activities and small-scale enterprises. According to the ANC's *Reconstruction and Development Programme* (1994), restructuring the agricultural sector consists in spreading the ownership base, encouraging small-scale farming, and increasing production and employment (ANC, *RDP*, 1994:103). The ANC's agricultural policy document (nd) also places emphasis on promoting efficient small-scale farming which ensures household food security, and creates a plethora of employment opportunities. Support for a market-based, labour-absorptive small-farmer strategy for rural development, has been articulated by academics also. Merle and Michael Lipton argue that agricultural reform must create decent livelihoods through the promotion of efficient small-holder systems (Lipton and Lipton, 1993).

There are thus two very familiar conceptions of viable and efficient modes of agricultural production which dominate present policy prescriptions for the reform of the rural economy. The first is the conception of a commercially sustainable agriculture based on medium- to large-scale enterprises run by full-time owner/managers. The second is the conception of an ultra-efficient labour-absorptive small-holder agriculture utilising family labour, and generating as a spin-off non-agricultural opportunities. A third well-known concept is also still current in the agricultural policy arena. This is the concept of farmer support, previously articulated by the Development Bank of Southern Africa (DBSA) through the Farmer Support Programmes (FSPs) (Van Rooyen

et al, 1987), and now being realised in the shape of the BATAT Programme (the Broadening of Access to Agriculture Thrust) (1995).

BATAT is strongly reminiscent of the apparently now defunct Farmer Support Programmes initiated by the DBSA in 1987. The intention of the Farmer Support Programmes were to make a range of appropriate services (like credit, inputs supply, and extension advice) available to farmers at a local level on a request-based, user-pays basis. (This was in sharp contrast with previous practices in the former homelands of simply providing various services (like ploughing) irrespective of the needs or desires of the recipients of such services.)

The BATAT Programme differs from the Farmer Support Programme in that it is strongly directed to institutional reform and re-orientation, and to human resource development. Areas of institutional intervention are the revamping of the curricula and methods in the agricultural colleges, the re-orientation of the agricultural research system, and the facilitation of farmer associations among Previously Disadvantaged Farmers (PDFs - formerly 'emergent' farmers). The focus on human resource development includes the drawing up of a Farmer Training Programme, and the preparation of agricultural materials such as a workbook, and a glossary of concepts (Rural Development Strategy, 1995). Under BATAT, a new programme of production loans is proposed - the Agricultural Finance Assistance Programme (AFAP).

The new financial assistance programme involves the use of a broader spectrum of financial intermediaries on lend to farmers. One problem with the Development Bank's Farmer Support Programme was that take-up of the opportunities on offer was weak and uneven. This was partly because the homeland parastatals were used to implement the programmes, and some of these were notoriously inefficient and riddled with corruption. However, the problem cannot be attributed simply to the shortcomings of the implementing agencies. The partial take-up of opportunities also reflected the small constituency for the programme - the narrow band of people operating on a semi-commercial basis able to make use of a demand-led, market-driven support system.

The question which arises from a brief reflection on the shortcomings of the Farmer Support Programmes is whether the BATAT Programme is any more appropriately targeted. How does the BATAT Programme fit with the aims and the orientation of existing and proposed policies around land and agriculture? Put more simply - where are the small-farmers being targeted by this Programme? Where is the demand for the benefits which the programme is meant to deliver? These small-farmers will certainly not emerge from the Land Reform Pilot Project as currently conceived and implemented - nor will they emerge as a result of the state and private sector large- and medium-scale settlement

programmes. The needs and aspirations of people benefiting from these programmes are likely to be consonant with the needs and aspirations of commercial farmers who have been well-served by existing credit, support, and research systems.

In short, the BATAT Programme falls between two stools. It does not mesh with the land reform programme, and neither does it mesh with the Farmer Settlement Policy. The constituency it is meant to serve does exist within the contract farming schemes of the sugar and timber industries, but those producers have long had access to broadly-based credit schemes, and are beginning now to have access to well-targeted training programmes, all orchestrated by the private sector. Otherwise, the constituency which the BATAT Programme is meant to serve exists only in the minds of its proponents - the World Bank, and an array of academics.

The assumption underlying the land and agricultural policies which have been discussed are summarised in the table below.

Table 1: Land and Agriculture Existing Policies			
Land Reform DLA	Farmer Settlement DOA	Small-holder Agriculture National Rural Development	BATAT Programme DOA
Settlement Programme	Proposes full-time farmers on economic units	Proposes highly efficient labour-intensive small-scale farming. (No specific programme.)	Farmer support. Institutional reform / human resource development.
Assumes holding people in rural areas	Assumes process of urbanisation	Assumes holding people in rural areas.	Assumes small / medium holder sector
Beneficiaries: the poor and landless	Beneficiaries: people with resources and skills, including rural elites.	Beneficiaries: land poor people with an interest in agriculture.	Beneficiaries: small and medium-scale farmers.

What the current set of policies around land and agriculture prompt is the refrain "The more things change, the more they stay the same". However, it is not the historical continuity in current policy approaches which is the most serious cause for concern. The serious causes for concern are first, the glaring inconsistencies, and, secondly, the failure to identify and maximise economic opportunities.

The Department of Land Affairs appears not seriously to have considered production options in the context of land reform. Although welfarist strategies will need to be central to an effective rural development programme, welfarism is not an adequate or appropriate premise for the restructuring of the rural economy. The Farmer Settlement Policy could provide opportunities, but this would be for a very narrow band of beneficiaries. The proponents of the small-farmer development path are projecting a rural idyll onto what are generally hostile and inappropriate conditions. The BATAT Programme is unfocused and targets an almost purely imaginary or theoretical constituency.

The question is whether anything can be rescued from this contradictory and seemingly unprepossessing set of policies. Are there any ideas here which could contribute to the formulation of a constructive and focused rural development programme? The answer is that elements of all of these policies have the potential to be key components of a rural development strategy.

However, there is a critical need for a re-orientation of objectives and strategies in the light of socio-economic trends and realities, and in the light of useful developmental concepts and approaches. Indeed, re-orientation is essential if economic opportunities are to be maximised.

For the Department of Land Affairs, re-orientation will mean modifying the presumption that land reform can assist the poorest of the poor, and broadening the scope of land reform to target areas where providing access to land can unlock economic opportunities. For the Department of Agriculture, re-orientation will mean modifying farmer settlement policies in recognition of the fact that many of the beneficiaries will probably not be full-time farmers, and that there is a need to provide a diversity of economic opportunities in commercial agriculture.

For the advocates of a small-holder path to rural restructuring, re-orientation will mean recognition of the limited contexts within which small-holder production is viable and sustainable. The creation of income-generating opportunities through extending small-scale agricultural production is a strategy which is likely to be successful in a few limited and quite specific contexts - contract farming with the support of agri-business, or market gardening on the urban fringes. Beyond these specific contexts, the prospects for significant improvements to rural livelihoods founded upon small-holder agriculture are very weak. For the BATAT Programme, re-orientation will mean identifying the scale and location of the production base to which the Programme is meant to relate. It may well be the case that elements of the Programme will simply not be cost-effective.

A re-orientation of policies around an understanding of socio-economic trends, and around commonly accepted developmental approaches and concepts will



provide the basis for overcoming contradictions and achieving complementarity. Such complementarity is fundamental to the formulation of a focused rural development strategy, which makes the most of the region's potential to create income-generating and employment opportunities, and which takes account of what people need and want.

What, then, are the socio-economic trends and realities in the light of which policies should be re-oriented? And what are the developmental approaches which could help to weld common policy objectives?

## **Working Towards a Common Vision - Recognising Trends and Identifying Approaches**

### **The Socio-Economic Context**

#### ***Multiple Livelihoods***

The Provincial Growth and Development Strategy recognises that many households rely on mixed livelihoods. 'Households in both rural and urban areas engage in multiple livelihood strategies whereby household members might simultaneously engage in formal employment, informal self-employment, and agricultural production' (1996:5). The list of income-generating strategies which are combined in creating household livelihoods could be considerably lengthened.

Mixed or multiple livelihoods is a phenomenon long recognised by social scientists, but seldom seriously taken into account in policy formulation and implementation. What does a recognition of mixed livelihoods mean for policy? At the simplest level, it means that policy needs to accommodate the ways in which the poor survive, and the ways in which the better-off accumulate wealth. Policy which is aimed at creating or developing *elements* of a household livelihood will contribute to the security and stability of poor households. The corollary to this is that it may well be impractical for policies to attempt to impose a single livelihood strategy, even in the case of policies which target rural elites. This is because better-off households also typically depend on a range of income sources. The difference between poor and better-off households is that the poor rely on a range of riskier, more dependent, and more marginal livelihood strategies (wage labour, subsistence production, pensions and remittances), whereas the better-off tend to rely on a range of entrepreneurial activities, deploying capital, assets and skills across several linked enterprises. Income from entrepreneurial activities may be supplemented by income from a salaried job.

It might be useful to consider the reality of multiple livelihoods strategies in relation to present land and agricultural policies in the Province. The problem with the Land Reform Pilot Project is that little or no attention is being paid to the creation of livelihoods, or to elements of livelihoods. Although the Pilot Project area is depressed (an ill-chosen area in the view of many), initiatives to promote and support modest production opportunities which could help to underpin household food security need to be taken. The Department of Agriculture has the experience and the expertise to assist with the establishment of community gardens, and to provide the support for these. The Department of Water Affairs and Forestry has the experience and the skills to assist with social forestry. If communally-owned land is to be used for grazing, then the development of a community-based livestock management system is important. The development of livelihoods along these lines is as important as the issues of tenure and financing which are currently being investigated.

The consequences of failing to create livelihoods in the context of land reform can be adduced from Colin Murray's (1995) study of land use and land reform in the environs of Botshabelo, a rural slum in the Free State, created through apartheid removals. In Botshabelo, the pursuit of livelihoods has taken on a specific meaning. Murray says 'In the face of deepening economic recession and their own escalating crisis of unemployment and poverty the hungry people of Botshabelo pursued diverse strategies of livelihood. They systematically cut fences and stole cattle and sheep and in these ways, probably without political motivation, they forced the retreat of large-scale white farmers ...' (1995:8). Murray talks about 'ripples of "unfarmability" radiating outwards from the rural slum' (1995:8). The ripples of unfarmability have rendered the surrounding countryside commercially unviable for old white farmers, and new black farmers alike. It would be ironic indeed if the land reform programme itself were to create sites of poverty and need analogous to those created by the removals policies of the former government.

The problem with the Department of Agriculture's Farmer Settlement Policy is that it attempts to impose a *single* income source. In the light of past farmer settlement experiences, it is more realistic to accept that farming is unlikely to be an exclusive activity. What is more likely is that it will be a mode of livelihood complementary to other economic activities. Indeed, on the basis of the recent research conducted in the Free State referred to above, Colin Murray (1995) notes that the presumption that beneficiaries of farmer settlement programmes will be full-time farmers is at a distance from the realities. His case studies of beneficiaries of an AGRICOR programme implemented in the late-1980s and early-1990s show that those who acquired land had built up the resources to enter

farming through non-agricultural economic activities. They became weekend farmers living and working away from the land, and using hired employees. Those who did become full-time farmers were older men with quite humble backgrounds. After years of struggle they had become more, or less, successful full-time farmers.

A measuring of land and agricultural policies against the fundamental reality of multiple livelihoods indicates a need for policy and/or implementation adjustments.

### *Population Shifts*

The CDE's response to the National Rural Development Strategy document notes that there are 'serious information shortfalls in our current factual understanding of South Africa's rural people and places' (CDE, 1996:3). The response asserts that 'one crucial area of ignorance concerns the nature, rate and pattern of migration' (CDE, 1996:3). This point is also made by Julian Kiepel who notes that the processes of migration from the rural areas in the Province are not well understood (1994:13).

In the absence of a clear understanding of the volume and the character of migration, it is almost impossible to target policies effectively. A review of existing and ongoing research on this issue would establish what work needs to be done to achieve a reasonable understanding of the trends. An indication of the trends can be gleaned from recent work on other themes (for example, the CDE's recent study of South Africa's Small Towns (1996), and Beinart's work on small-scale farming in the Transkei (1992). In addition to these sources, we have some preliminary results of a study on populations shifts in the region funded by the Development Bank of Southern Africa, and the Land and Agriculture Policy Centre (Cross, et al, 1996).

What does this incidental and preliminary evidence tell us? What are the implications of this evidence for land and agricultural policies?

The familiar pattern of circular migration which allowed households to sustain options in both the rural and the urban areas seems to be declining. High levels of unemployment may be one reason for this. Fewer rural households are able to send their adult sons and daughters to find work in the urban centres, and people who have lost their jobs are returning 'home'. There is certainly clear, if incidental evidence of these trends in qualitative data gathered in the cane growing areas over the last few years. One discernible trend is thus *back migration* from the cities to the traditional rural areas which still provide a refuge in times of unemployment and ill-health.

The other significant migration trend, suggested by the preliminary findings of the DBSA study, is from the areas of dispersed settlement, and from the commercial farms to the peri-urban fringe, to smaller centres, and to places along transport routes which have a relative spatial advantage. The CDE study, *South Africa's Small Towns* (1996), which notes the presence of displaced farm workers in small towns, corroborates one aspect of these preliminary findings.

A migration trend which tends to be a hidden phenomenon is intra-rural migration. Research in the cane belt over the past few years has indicated a degree of in-migration to these areas, not only from the remoter parts of the Province where income-generating opportunities are almost non-existent, but also from the Transkei and Mozambique (Vaughan, 1993). There is also incidental evidence of migration between sites of economic activity.

Migration to the peri-urban areas, to the small towns, and to areas of locational advantage suggests that these destinations might well be targeted for effective land reform programmes. The CDE study of small towns which involved a survey of 400 black peri-urban residents of Vryheid found that 80 percent were interested in small-scale farming (1996:14). The CDE study concludes that 'encouraging small-scale farming in and around small towns is a logical route to follow' (1996:19). Because of the limited potential for farming in these contexts agricultural production 'needs to be viewed as part of a mixed-income strategy for many' (1996:19).

### *The Impacts of Past Policies*

Rural areas throughout South Africa have been shaped and conditioned by past policies. These policies have influenced or determined settlement patterns and demographic profiles, access or lack of access to services and facilities, and the location and character of economic activity. Present interventions need to be informed by a clear understanding of the effects of past policies. Ironically, the multiple impacts of previous policies have created configurations within which livelihoods enhancing strategies could be deployed. This is convincingly demonstrated by Hart (1996) in her recently conducted study of Ladysmith and Newcastle. Hart shows how different aspects of apartheid policy coalesced to produce a set of conditions within which strategic land reform interventions could open up livelihoods chances for people resident in the surrounding relocation townships. At present these people do not have access to land.

Forced removals and dispossession created reservoirs of labour in the vicinity of these towns, which simultaneously were constituted as industrial enclaves within which industrialists prepared to relocate were eligible for massive subsidies. The growth of industry in these places was due, however, not only to

government incentives. As has been argued by Bell (1983 and 1987, cited in Hart, 1996:5), the movement of labour-intensive industries into peripheral areas cannot be put down entirely to the fact that apartheid policies distorted economic incentives. Movement was also due to the imperative to reduce production costs, and the proximity of a pool of cheap labour was an obvious attraction in this regard. At the same time, the spatial dynamics of apartheid, as played out at the level of the local authority, have left tracts of vacant land, originally intended as buffer zones, between the formerly white towns and the townships.

Although the subsidies under the Regional Industrial Development Programme have been sharply reduced, the anticipated shrinkage and dissolution of industries within the decentralisation zones, and a relocation of industries to the metropolises does not appear to be occurring. Indeed, there is evidence of a second wave of Taiwanese investment in the Newcastle/Madadeni area (Hart, 1996).

The spatial and economic configurations which are an outcome of previous policies have created a context for what Hart refers to as 'multiple-livelihood agrarian reform in the context of local government restructuring.' In other words, household livelihoods, which are partly dependent on low-wage jobs in the clothing factories located in peripheral industrial towns, could be supplemented and improved through a land reform which made available small plots for food production in close proximity to these towns. While conducting research in Newcastle, Hart came across a sign which said 'Clothes for next to nothing.' She comments that the low wages in the clothing industries could be supplemented by 'Land reform next to something' (Hart, 1995:45).

#### *Approaches to Development. The Developmental Role of Small Towns*

Since the socio-economic trends and realities, in terms of population shifts, and in terms of configurations created by past policies, suggest quite strongly that the environs of small towns and the peri-urban fringe, rather than relatively remote rural areas, might be positive contexts for land reform initiatives, the role of small towns in rural development demands consideration.

There is considerable potential for growing and processing vegetables, sub-tropical fruits and niche crops like herbs and cut flowers in proximity to urban markets. This is because marketing strategies could be fairly easily developed. Also, it would be possible to concentrate support services in urban centres, rather than to attempt to provide such services over wide areas, as has been done with little success in the past. Production opportunities could include contract arrangements assuring guaranteed markets. The development of small business opportunities in the marketing of vegetables produced for local and

niche markets would be an important aspect of the strategy (McIntosh and Vaughan, 1996).

The CDE's study of the role of small towns in growth and development considers options and opportunities from the small town point of view. The study suggests not only that small towns can play a role in land reform programmes, but that the relationship between the towns and such initiatives could be symbiotic. 'Agricultural revitalisation in the vicinity of some towns might be linked to the revitalisation of the towns themselves' (CDE, 1996:18). The survey conducted in the Vryheid area referred to above attests to the demand for land for productive purposes in the vicinity of some small towns.

An important point made by the CDE study is that not all small towns have potential for growth and development. While locally-driven entrepreneurial approaches will be successful in some towns, others will continue to have a welfare distribution function, and will need to survive on that basis. Towns in the former homeland areas like Tugela Ferry and Keiskammahoek are cases in point (CDE, 1996:9-10). The useful categorisation of towns in the study underlines the importance of defining realistic and appropriate roles for small towns in the rural development process.

### *Local Economic Development*

Local economic development is currently a fashionable concept. The concept is a key element in the Provincial Growth and Development Strategy (1996), and also in the National Rural Development Strategy (1995). The National Business Initiative has recently produced a local economic development kit to assist people to formulate approaches and strategies. What do we understand by this concept, and what is its practical significance in the rural context? The definition of local economic development in the Provincial Growth and Development Strategy is as useful as any. 'Local economic development should be seen as a process of deliberate intervention in the economy of a particular locality to stimulate economic growth by creating a local business climate which fosters sustained private investment. For communities, the results of the process are jobs, revenue, investment in social infrastructure and long-term economic prosperity' (1996:24).

Application of the concept to specific contexts is a practical way of welding a common vision and common development goals. Formulating an approach to development on the Makhathini Flats can be taken as an example. The potential of the area is widely recognised. However, successful development is unlikely on the basis of the plethora of existing conflicting agendas and approaches. Sugar cane is one option. (It would be possible for the area to support a 250 thousand

tonne sugar mill (Vaughan, 1996.) However, there is sensitivity over the possible environmental impacts, and the tourist potential of the area also needs to be considered.

If the area were to be established to cane what would be the structure of the production base? It might be comprised of irrigated small growers along the lines of the Biyela Scheme; or it might be settled by larger farmers in line with the Department of Agriculture's Farmer Settlement Policy; or it might be comprised of contract farming schemes surrounding a nuclear estate. The third option would probably be favoured by the Commonwealth Development Corporation which may have an interest in investing in the area. There would undoubtedly be consensus on one point. And that is that the mistakes made on the Mjindi Scheme, which ranks with the large irrigation schemes in the Transkei as one of the notable aberrations of apartheid development, should not be replicated.

Adoption of an LED approach would shift the development debate about the area away from the articulation of particular development agendas and ideologies towards consideration of the development potential of the area as a whole. The approach would focus on realising the economic potential of the area through a range of strategic policy interventions consonant with the Provincial Growth and Development Strategy (1996).

Although the idea of LED is currently both popular and fashionable, it is not often recognised that we have a few instances of LED in our rural areas which can yield lessons for future initiatives. The Umvoti Valley and the Biyela Irrigation Scheme are cases in point. Irrigated small-holder cane production is at the core of these local economies. A range of economic activities is sustained and supported by cane cultivation. The most obvious are those which are agriculture-related. The introduction of a commercial crop has enhanced opportunities for wage work on the land, and agricultural services are provided by local small businesses.

Economic activity in the non-farm sector is also sustained or enhanced by the fairly substantial agricultural base. Although the incomes derived from cane production are generally too small to support individual households, cane production generates a substantial flow of income in the community as a whole. It is on this basis that the demand for commodities and services has emerged.

The table below indicates the substantial investments made by the various institutions involved in establishing the Biyela Irrigation Scheme near Empangeni. The Biyela Irrigation Scheme has stimulated local economic development through increasing disposable incomes, and creating opportunities for second-tier agricultural activities. However, the public leverage required was

substantial - R1.6 million in grant financing, and R1.1 million in low-interest loans. High leverage ratios are likely to be a feature of many rural LED initiatives.

**Table 2: Investment by the various organisations involved in the Blyela Irrigation Scheme**

Organisation	Form	Purpose	Amount (R)
KFC	Loan	Irrigation system	1.6 million
KwaZulu Government	Grant	Infrastructure and site preparation	1.6 million
FAF	Loan	Crop establishment	1.1 million
Tongaat Hulets	Grant	Irrigation costs and a Resource centre	440 000

Source: McIntosh, Sapsford and Vaughan, 1995.

The cane belt examples of LED have some serious limitations. They have been informed by a fairly narrow set of agricultural interests and priorities. A crucial objective has been to increase and sustain production of a single agricultural commodity. The key implementing agency (the sugar industry) has, by its very nature, been constrained in the sort of initiatives which could be taken. The development initiatives it has been able to push forward have been conditioned, not only by a somewhat narrow interest, but also by a narrow capacity. So, for example, infrastructural development has been shaped by the needs of the industry, and by the capacity that the industry has had to bring pressures to bear on relevant state departments for development to occur. The road networks have largely been developed for the transportation of cane. The limited electrification was originally implemented to serve only the needs of the irrigation schemes. Access to clean safe water has remained a problem for households, since water systems have been designed for agricultural use only.

A clear understanding of the strengths and weaknesses of LED in the Umvoti Valley and at Blyela is a useful basis for formulating future LED approaches. Collaboration between agribusiness and government is crucial to broadening the basis of such local economic development initiatives, which should build in the provision of basic services as a matter of course.



### *The Developmental Role of the Private Sector*

The private sector in KwaZulu Natal has a multiplicity of roles in rural development. These include the creation of income-generating opportunities and employment in agricultural production and in the small business sector; human resource development and the building of capacity at a local level; and participation in, and management of rural development programmes like the IDT's Relief and Development Programme, and the RDP's community-based public works programme. Agribusiness has had an interest in rural development, not through a vague altruism, but through a need to extend and sustain a viable production base in the small-grower sector.

The sugar industry is the most experienced and significant private sector actor in the sphere of rural development, but sugar is not the only sector which has had a vested interest in expanding and supporting viable small-scale production. The timber industry has also played a role in small-holder development. However, the timber industry has not yet made significant rural development interventions which go beyond basic credit and extension support, and even at this level, the industry has limited capacity. It has relied on the expertise of NGOs to carry forward some of the support programmes (MacDonald and Vaughan, 1995).

The income-generating opportunities which have been created by agribusiness are significant. Indeed, they would be impossible to replicate through state-led development initiatives. A land reform programme which addressed land demand in areas where agribusiness is prepared to support production could make a significant impact in enhancing and sustaining rural livelihoods. Rural elites are likely to capture some of the benefits of such a programme. But the majority of cane growers are women producing on small areas of land. Most timber growers also have access to plots of very limited size. These relatively land-poor producers are the people who could be targeted in such a programme. Indeed, the Department of Land Affairs policy objectives of alleviating poverty, and of assisting poor rural women to acquire land in their own right could be pursued with reasonable hope of positive impact in the cane-growing areas, where there is already a basis for agricultural production which generates a guaranteed return. Land reform in the cane-growing areas is supported by the Provincial Growth and Development Strategy (1996).

The importance of building partnerships between the private sector and government around development initiatives has been highlighted in the discussion of LED.

### *An Approach to Rural Development?*

What has been outlined is an approach to rural development focused on maximising economic opportunities through recognising and understanding socio-economic realities, and using these as the building blocks for policy interventions, and effective action, rather than regarding them as stumbling blocks. Developmental concepts and approaches create a framework for achieving a common vision, and for co-ordinated well-targeted action.

### *The Broader Implications of the Approach*

Land and agricultural policies have been used to show the importance of overcoming contradictions, and to illustrate the dimensions and the implications of the suggested approach to rural development. However, the principles which have been outlined and illustrated are applicable to all the policy initiatives which should feed into the forging of a rural development strategy. Policies for the provision of rural financial services, and for the support of small businesses serve as further brief examples.

A fundamental position adopted in the Interim Report of the Strauss Commission is that there should be no subsidised credit in future financing programmes. This is in direct contradiction to the financing programmes of the Agricultural Credit Board (a lender of last resort) which are the proposed financing support mechanisms for the Department of Agriculture's Farmer Settlement Policy. It is also in direct contradiction to the financing practices of the Financial Aid Fund, and The KwaZulu Finance Corporation. Clearly, some common understanding of the principles of credit need to be worked out. Programmes of credit need to be devised in the light of socio-economic trends and realities, and informed by broadly accepted developmental approaches and policy objectives. (The concern about the distortion of financial markets articulated in the Interim Report of the Strauss Commission (1996) is perhaps not an appropriate premise on which to begin to build a financing policy, although certainly, distortions which impact negatively on specific groups of users of financial services are undesirable.)

The dynamics of small businesses in rural areas are imperfectly understood. However, recent surveys have thrown some light on the character of small businesses in small towns and rural areas, and have indicated some of the serious constraints. The surveys have revealed, for instance, that small businesses in small towns are worst provided with facilities and services, and that lack of access to financing is probably one of the most serious constraints. Once again, the question is whether policies to support and develop small businesses are sufficiently grounded in the socio-economic realities - whether they are

appropriately targeted. If this is not the case, then it is unlikely that they will provide the enabling environment which is being aimed at.

The developmental approaches and concepts which have been sketched out are central to fostering small business development. Contexts within which local economic opportunities exist, or have been developed, are the contexts within which small businesses flourish. Indeed, LED strategies generally include a small business component, or spin-off. The examples of LED already cited are cases in point. Bearing this in mind, it would be pertinent to consider area-based strategies for small business support and development. In other words, the opportunities for value-added assistance need to be identified. Such an approach would involve adding a dimension to conceptions of small business support and development, which, typically, have focused only on the individual enterprise.

### **Areas of Low Economic Potential - a Development Dilemma?**

The foregoing exploration of the possibilities for maximising economic opportunities leaves out of account the crucial question posed in the CDE response to the National Rural Development Strategy document (1996). What should be done about the areas with little or no economic potential? Should public resources be channelled to evidently uneconomic places? Many such places are not areas of 'natural' settlement, but are inhabited by the victims of apartheid removals and consolidations. Does it make sense to fund projects in these marginal areas which were created through the social engineering of the apartheid government?

The most that will be achievable within many marginal areas is poverty alleviation through social strategies. Interventions like land reform programmes, and attempts to develop small-holder farming are not likely to impact very significantly on the endemic poverty in these areas. Social strategies are understood to include the provision of basic services, an efficiently managed system of social transfers, and poverty-alleviating development projects.

One of the guiding principles of the Growth and Development Strategy for KwaZulu Natal is that all communities have a right to basic services wherever they are located (1996:4). The Water Supply and Sanitation Policy White Paper adopts the same principle, noting that funding beyond the basic services level should hinge on development potential (1994:21).

The Growth and Development Strategy also states that social inequities should be addressed through identifying and supporting poor, vulnerable, and marginal areas and communities (1996:4). It is worth considering programmes which have attempted to do this as a way of identifying the possibilities and the limitations of such efforts.

The implementation of development projects through application-based funding has been one mechanism which a number of organisations have used in attempts to ameliorate conditions in bleak under-resourced rural contexts. Two organisations/institutions which have used this mechanism in KwaZulu Natal are the Independent Development Trust (IDT) and the Joint Services Boards (JSBs). It is also the central mechanism of the state's Reconstruction and Development Programme.

Application-based programmes have been successful in many respects. However, the approach has limitations. Application-based systems are more accessible to better-endowed, well-organised communities and groups, particularly those which enjoy support and assistance from NGOs or the private sector. Such systems are relatively ineffective in reaching marginalised groups, sectors and regions. This is borne out by the fact that IDT funds for the Relief and Development Programmes were particularly successfully used in the sugar-growing areas of the Province where assistance and support were provided by the sugar industry.

Within the component of the community-based public works programme being run by the South African Sugar Association (Siyakha), the experience of the IDT's Relief and Development Programme is being built on to overcome some of the limitations of the application-based model. To achieve inclusivity, community plenaries have been held to augment the original Development Task Groups. A broader spectrum of interests has been brought in. Efforts have been made to bring the application process closer to the local level by making the Development Task Groups responsible for receiving and prioritising applications. In an attempt to target the areas which are most disadvantaged, indicators are used for prioritisation of projects. These indicators are levels of unemployment, lack of education, and per capita incomes.

Despite these creative innovations, application-based funding is likely to continue to have uneven impacts. It is in recognition of the limitations of application-based systems that the Growth and Development Strategy for the Province states that a balance of demand-driven and supply-driven approaches will be required to meet basic needs and to alleviate poverty (1996:4).

An alternative strategy for poverty-alleviation is the setting up of a locally-based centre to address a range of welfare needs, and to provide income-generating opportunities. An example of an organisation which has built up a local infrastructure over many years is the Valley Trust which operates in the Valley of a Thousand Hills near Durban. The Valley Trust focuses on primary health care, but it is also concerned with the development of infrastructure, water provision, sanitation, conservation, community gardens, formal and informal

education, employment generation through public works programmes and housing. Significant emphasis has been placed on addressing these needs through democratic community organisation (McIntosh and Vaughan, 1996).

The Valley Trust is a significant multi-sectoral, and targeted intervention. However, very considerable resources are required to support broadly-based community development initiatives like the Valley Trust. The possibilities for replicating such comprehensive area-based development initiatives are limited.

A recognition of the limitations of project-based poverty-alleviation initiatives underlines the importance of developing effective local government systems to ensure adequate coverage with regard to provision of basic services, and administration of social transfers, particularly in the most marginal and deprived areas. In these areas providing access to services is the first and most significant step in enhancing livelihoods.

In sum, the development dilemma in areas of low economic potential needs to be approached realistically. Public investment needs to be guided by a recognition of objective realities, and not by development ideologies which claim to hold an answer to rural poverty.

### **Towards the Formulation of a Rural Development Policy for KwaZulu Natal**

Despite the contradictions and shortcomings of existing sectoral policies, these will have to be used as a resource - as the building blocks for the formulation of a rural development policy. A critical review which identifies the complementarities and the contradictions of existing policies, which assesses these policies in the light of the socio-economic context, and which draws out the essential elements for a rural development policy, is the first step towards a rural development policy.

The second step is to identify broadly the potential areas for intervention, and to prioritise these. In places with economic potential this will mean identifying small towns as nodes for agricultural and small business support, identifying possibilities for partnerships between government and the private sector, and identifying areas for LED intervention. In depressed places with little economic potential this will mean identifying small towns as nodes for welfare distribution, and identifying poverty alleviation projects. The rationalisation and co-ordination of service provision, and the provision of infrastructure is crucial to realising the economic potential of better-endowed areas, as well as to improving the quality of life in depressed areas. Levels of investment in infrastructure and services need to be guided by the potential of these investments

to release and mobilise productive resources. The Provincial Growth and Development Strategy is a key resource for this phase in the formulation of an effective strategy. Effective policy implementation hinges directly on the capacity of institutions to deliver on priorities. The third step in the policy formulation process should thus be a critical review of the existing institutional framework.

The starting point for an institutional review is recognition of the rigidities and shortcomings in the existing institutional framework. These are not difficult to identify. The experience of the Land Reform Pilot Project in the Province has highlighted how difficult it is to orchestrate a co-ordinated effort through an implementing structure which represents line departments. Line departments tend to prioritise in terms of their own autonomous functions and budgets. At the grassroots level, the emphasis on community participation, and on capacity building has led to a proliferation of community-facilitation personnel in government line departments, in consultancies, and in NGOs. Little thought has been given to the need to co-ordinate these facilitation efforts. Community development workers with different briefs and responsibilities descend on communities in a random fashion. A history of top-down development has left communities ill-prepared to deal with this range of un-co-ordinated and incoherent interventions. These problems of co-ordination at the level of line departments, and at the community level strongly suggest the need to build local government capacity to play a co-ordinating role.

Key questions to be addressed in the process of an institutional review are thus:

- What is the capacity to deliver on the priorities?
- What interventions would increase or maximise institutional capacity?

The priorities which have been identified will need to be reviewed in the light of implementation capacity. The fourth step in formulating a rural development strategy is, therefore, to subject priorities to a 'reality' check in terms of existing and potential institutional capacity.

What should be drawn from the process which has been outlined is a set of detailed recommendations. A fifth step in formulating a strategy will be broad consultation to shape the recommendations into a set of policy guidelines.

#### NOTES

1. This paper was commissioned by the KwaZulu Natal Department of Local Government and Housing to initiate the process of formulating a rural development strategy for the Province. The sponsorship of the Department is gratefully acknowledged.

2. Dewar makes this point in a discussion of the developmental role of small towns in the restructuring of the South African countryside. Small towns, he argues, could be restructured to 'integrate town and countryside into powerful symbiotic relationships' (1994:362). Dewar's diagnosis of the failings of previous policies is useful, not only in highlighting the historical separateness of urban and rural initiatives, but also in drawing attention to limited conceptions of the scope of urban and rural development.
3. The small-farmer vision constitutes a powerful rural development ideology which, as Hart rightly points out, has been widely articulated. It is, however, not the only rural development ideology which has currency at present. Other (competing) ideologies are as powerful in influencing development interventions. This will be evident in the discussion which follows.
4. The current conception of capacity building is narrow and limited. Capacity building tends to be conceived of as committee training, with, perhaps, some minimal skills training for specific projects. Often, the training does not go beyond the committees to empower the community. There is no focus on empowering people to prioritise their own needs, and to identify and take up economic opportunities.

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