

Nkonkobe: Regeneration Study

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Executive summary

This study outlines a framework for economic development of Nkonkobe based on analysis of the existing economic structure and dynamic. The approach to this is from three angles: collection and analysis of relevant information, identification of key institutions and mapping out options available to address the challenges faced by the district in accordance with longer-term development goals. In mapping out options, the potential of two sectors, citrus and forestry, is evaluated.

The study is situated in the context of the ongoing IDP processes and locates economic development within the development of the capacity of Nkonkobe local municipality as a developmental local government structure. In line with the Terms of Reference, the study does not aim to provide an economic strategy itself but rather to provide the basis in terms of information and analysis for such a strategy. This strategy of the municipality requires consultation with other major stakeholders in the development process to ensure consensus on the key objectives and co-ordination of the activities of different organisations.

The Nkonkobe economy: socio-economic profile and main sectors

Section 2.1 reviews indicators of economic activity at different levels. The socio-economic profile drawn in 2.1.1 highlights the overall legacy of apartheid on the Nkonkobe economy and sets out the main development challenges. This is based mainly on analysis of information on labour market conditions, educational profile, occupational profile, industrial profile and access to basic social services. It is found that there is a very low level of employment in the district with only 31% of those aged 15 and over having a job. It is furthermore found that the majority of the people are engaged in elementary or unskilled activities and the educational profile of the district is skewed towards lower levels of education. Thus, a strategy for the economic development of the district must be targeted towards labour-intensive activities in the short and medium terms.

The analysis also revealed that the Nkonkobe economy is very dependent on inflows of income to those who are employed in public sector services including education and health. Education accounts for 55% of the gross geographic product, followed by health at 11%. This implies that the economy of the district has a narrow productive base. With the state restructuring its expenditure and down-sizing, it becomes more imperative for the district to develop alternative sustainable sources of income by strengthening currently existing economic linkages and creating new linkages.

We also find that although there has been progress in the provision of services such as electricity, telecommunications and water, much still needs to be done. Lack of sustainable economic activities means that these services cannot be afforded by the majority of the people. Access to water is still a problem in most communities in the district, as is the provision of sanitation.

Examination of data on socio-economic development by magisterial district reveals that quite different development paths have driven different parts of the Nkonkobe economy. The poorest areas in terms of income distribution, human development, and poverty are Seymour and Middledrift which have little larger-scale commercial activity, but are composed of dispersed villages with historically poor access to infrastructure and services,

and relatively poor land. This is also true for many areas around Alice, however, the existence of Fort Hare and municipal services provide important sources of employment and income. In contrast, in Fort Beaufort and Hogsback there are relatively high levels of activity and wealth, yet there are very high levels of unemployment and the apartheid dispensation has left land unavailable to the majority, notwithstanding the lodging of land claims. A strategy needs to address these differing features, and particularly the livelihoods of those living in areas forming part of the former Ciskei where data indicate the needs are greatest.

In section 2.1.2 we outline the main areas of economic activity. The district economy is composed of large-scale commercial farms, forestry, small-scale agricultural activities, and community projects. A key challenge is therefore to increase growth and participation in larger-scale activities and, at the same time, to support the development of small-scale economic activities on which many livelihoods depend. The integration of these different parts of the economy through targeted interventions is required as part of the growth of small-scale and community initiatives. This includes providing necessary infrastructure, financial facilities and markets which will stimulate activities such as vegetable production, poultry and sewing which are widespread but need to move from subsistence strategies to sources of growth. We note also that in Seymour there exists a significant potential for forestry development, while in Middeldrift there is a potential for community forestry if the woodlots are transferred to surrounding communities.

The lean productive base together with dependence on public sector salaries means that the district continues to import products that could be locally produced from other districts and provinces. The Nkonkobe economy may thus be categorised as a dependent economy in two ways. Firstly, it is dependent in the sense that resource inflows depend heavily on public sector employment which is declining. Secondly, it is a dependant economy in the sense that most processed agricultural and manufactured products are bought from other districts for sale in Nkonkobe.

As outlined in section 2.1.3, the challenge that faces this economy in the short term is to develop a strategy to retain these resource inflows as far as possible, thus maximising the multiplier effect which can stimulate productive activity by sustaining local demand. On the other hand, the economy has to develop capacity to meet this challenge by co-ordinating all economic activities in such a way that locally produced commodities are available. This not only requires that projects be undertaken, it also requires an institutional framework that will form the basis for the development of marketing networks.

Review of ongoing and planned development projects

It is evident from our review in section 2.2 that there are a wide variety of projects run by many different organisations. They are not necessarily designed as part of a broader understanding of the economic development processes on which they wish to impact. The majority of projects in poorer rural areas involve small-scale agriculture such as vegetable production and poultry farming.

This implies that there should be a targeted approach to the variety of projects that are currently underway and are being planned. The point of departure for projects must be that projects are mainly required for harnessing community initiatives and leveraging of resources, thus making the attainment of certain objectives possible. Currently projects are

generally focused on individual outcomes, without necessarily providing the conditions for their sustained growth. These conditions involve common factors which can be addressed as part of a co-ordinated approach to address needs of marketing and distribution of products, and skills development to build the capacity of participants and organisations.

The Council therefore has to develop an approach that locates projects in terms of its development goals, central to which must be the strengthening of local economic linkages that will increase the capacity of the local economy to meet the demand created by public sector employment and other institutions in the district. By strengthening these linkages, the district economy will go a long way in developing its capacity for job creation and thus slowly move away from heavy reliance on the services sector for employment.

Institutions involved in local economic development

Section 2.3 reviews the wide range of institutions involved in economic development in Nkonkobe, with their different capacities, resources and interests. A key challenge for the council is to establish a framework for co-ordinating activities. Part of this will occur as a result of the economic development strategy itself, which will inform the decisions taken by other government agencies, such as the programmes of the Department of Water Affairs and Forestry. Structures also need to be developed to effectively manage the relationships with the University of Fort Hare, which is a major institutional resource for Nkonkobe. The planning process of Nkonkobe must also be situated within the priorities and evolving plans of the Amatola district and Provincial government.

Councils

Section 2.3.1 highlights the orientation of existing council structures towards improving infrastructure and service delivery, based on perceptions of need. This has not occurred as part of a developed economic strategy. A major challenge facing the local municipality is in integrating the operations of the different local authorities. This needs to be done with a view to the key objectives of Nkonkobe as a whole, of which the economic development framework is one.

The framework must effectively draw together and build upon the different capabilities of the existing council structures. The most developed institutional capabilities exist in Alice and Fort Beaufort, reflecting their central positions in Nkonkobe with regard to existing economic activity. But, local councils have been very important in building development groupings in areas such as Seymour, Balfour and Middledrift. Community groupings are active in a range of activities, including income-generation and negotiations for land-reform, and links with council structures have been very important for their success.

Infrastructure development will continue to be a major component of council's responsibilities. It is an important part of shaping the local economy, which means that the linkages with different kinds of economic activity must be taken into account along with the needs and priorities. For example, improved transport links in the rural areas of Middledrift are important for improving the viability of small-scale farming activities there and enabling the easier marketing of products in Alice. It is also an area where the needs are great given the high levels of poverty.

Community groups and organisations

Section 2.3.2 found that the success of projects depends more on a strong organisation having responsibility for driving them, rather than the category of projects themselves. There are many examples of such strong organisations in Nkonkobe. These organisations have their roots in the community and the priorities of the community rather than in the provision of funds by donor agencies. Where people have come together for the purpose of accessing funds, there is unlikely to be a strong organisational base and unity of purpose.

The economic development framework provides a basis for linking community action at a local level with changes at the regional level. This will strengthen the organisations which are oriented towards the broad development objectives as identified by the council. For example, the Katala Forest Trust is an important role-player in the council's strategy for broadening participation in, and the returns from, forestry (as one of the main resources in Nkonkobe). It also strengthens local organisations in proactive negotiations with donor agencies, as the proposed projects will be informed by the development strategy rather than being a piecemeal reaction, and have a greater chance of success.

Development Finance Institutions (ECDC, IDC, uVimba)

Section 2.3.2 also highlighted the existing institutions operating in Nkonkobe which are geared to the provision of financial services. Availability of finance is a key factor in realising potential. It enables investments to be made where there are returns in terms of income and jobs. But, the commercial banking system does not play this role, especially in predominantly rural areas like Nkonkobe where banking facilities are scarce. Key public institutions exist to fill this gap, at different levels, from uVimba bank providing very small-scale finance for rural activities, to ECDC at a medium scale in economic activities, to the IDC which provides finance on commercial grounds for quite large-scale projects. These institutions are all at different stages of reorientation of their own activities in order to ensure that the services they provide are appropriate to the needs of the economy. A development strategy at the municipal level, which identifies key priorities and a growth-path is necessary for these institutions to make their potential contribution. Making loans requires information on the proposed area of economic activity, some of which the council is well placed to provide.

Department of Water Affairs and Forestry

DWAF is a key agency as it is significantly increasing its economic development activities at the present time. It is already making major contributions to employment generation and skills development in some of the poorest areas of Nkonkobe through the 'working for water programme'. The importance of forestry in Nkonkobe means that DWAF has a central role to play in the development of the local economy. This applies at different levels, from growth of commercial forestry, community participation in increasing production, to maximising the downstream production through enterprise development.

To maximise the potential, a strategy needs to be drawn up with DWAF to identify the ways in which the council can facilitate DWAF programmes, such as through the development of supporting infrastructure and working with community groups to broaden participation. This includes what is needed to improve access to market networks for the sale of products. The strategy also needs to identify longer-term implications, such as potential areas of

employment for those who have gained skills and experience through the 'working for water' programme.

University of Fort Hare

The success of Fort Hare as growing and dynamic educational institution will make a major contribution to Nkonkobe, while Nkonkobe can contribute to the development of Fort Hare. At present many projects have been drawn-up under RAP at Fort Hare. The strategic planning documents of Fort Hare and their rural economic development plan, need agreement on a co-ordinating framework to ensure that the implementation of the plans are coherent and that the various activities under them are consistent with those of the council. The technical expertise and organisational capabilities of Fort Hare must fit closely with the priorities and decision-making of the council for the partnership to be successful.

An economic development framework

Section 2.4 draws together the analysis of the Nkonkobe economy, planned and ongoing projects and institutions to map out key issues in an economic development framework. As would be expected, the economy of Nkonkobe and the livelihoods of its inhabitants are strongly shaped by the apartheid political-economy in different ways. These include the underdevelopment of activities in rural areas of Middledrift, Seymour and Alice, alongside advanced export agriculture around Fort Beaufort. It is also felt in the low levels of education and poor infrastructure and services in many areas. The point is to grow the economy and to shape the nature, or *dynamic*, of that growth such that the benefits are broad-based, reducing the high levels of poverty and inequality. This requires an approach which recognises the different parts of the economy, and addresses them in different ways.

- By strengthening the linkages within Nkonkobe, the resources which come in from public service salaries and from citrus and forestry will be spent on goods produced in Nkonkobe. This will strengthen the local economy as a whole and reduce its dependence. The incomes of public servants, teachers and nurses provide a market for potential local agricultural production of food, as well as building materials, clothing and even furniture.
- The productive base of the Nkonkobe economy can be broadened by increasing participation of smaller farmers and community grouping in citrus and forestry. It will also be achieved through adding more value to the resources, before their sale outside Nkonkobe. This applies to agricultural and wood products.

To achieve these things, there is a need to:

Co-ordinate: The functions of institutions such as DWAF, ECDC, IDC and University of Fort Hare all require a broader economic development strategy from Nkonkobe Local Municipality. This will enable key constraints, namely, access to markets, capital and skills development to be effectively addressed.

Facilitate: The provision of infrastructure (including electricity and telecommunications) makes it easier and cheaper to do business. The strategy must identify how to best influence the decision-making of firms and individuals as part of the development path.

Both of these functions require the Nkonkobe Local Municipality to invest in its capacity to collect and analyse information necessary to develop the plan and to manage its implementation along with various institutions and groupings.

An approach will have to be developed at an institutional level towards the large-scale privately-owned enterprises in the district. There is a high possibility that large-scale, labour-intensive, and community-driven projects may be involved in sectors in which the current private sector enterprises are established. There needs to be co-operative arrangements that involve marketing networks outside the district, processing and packaging of the products and skills development. Community-driven activities cannot exist independent of current private initiatives if the economy is to be integrated and strong linkages developed.

It should be recognised that such an approach is key to changing livelihoods to the better and increasing incomes. These two developments are outcomes of a development path, they must not be viewed as issues that are independent of the strategy.

Evaluation of citrus and forestry related activities

The citrus and forestry sectors were identified due to their major contribution to the Nkonkobe economy and to explore their potential contribution in the future.

Citrus

Section 3.1 assessed the citrus sector through interviews with the major role-players. It found that there are two distinct issues related to the development of citrus as part of a plan meeting the needs of Nkonkobe:

- ***Increasing potential supply and participation*** in citrus farming: This revolves around the revitalisation of the land in the upper Kat River valley which formerly owned by the Ciskei government. Many of the irrigation schemes are not operational and little of this land is yielding its potential. While many institutions are involved in pilot schemes or have plans being developed (Amatole, Department of Agriculture, KatCo etc.), the primary question is over land tenure. Until this is resolved it is unlikely that the investment required will be made. In this regard, Balfour Farmer's Co-operative has approached the Department of Land Affairs to make a claim for ownership.
- ***Citrus processing***: The large farm groups have already made an initial exploration, but it is a very capital-intensive process and will create few direct jobs. It also requires a larger volume of production than is available in the Kat river valley and therefore would be more viable if it could be combined with additional pineapple canning capacity. The farmers already have access to finance through the Land Bank, if they decide that it is viable.

Forestry

In section 3.2, we breakdown the different parts of the forestry value-chain. Forestry is a major production activity in Nkonkobe and significant opportunities exist both for increasing participation in forestry itself and in the downstream use of wood products. Moreover, there are strong institutions already moving towards these goals and fewer obstacles to their achievement than in citrus.

- **Forestry:** There are a range of opportunities with significant employment creation possibilities. There is scope for community participation under the Katala Forest Trust in the Katberg forest managed by DWAF. Privatisation plans for Safcol may also open up opportunities for increased participation around Hogsback. In addition, there are existing community woodlots in Middledrift which are to be transferred to community groups, and scope for further land to be used for forestry production, including indigenous forestry. To realise the potential, the development of skills and access to bigger markets will be essential. The key to this is a collective strategy between the Council and DWAF to ensure long-term sustainability.
- **Processing:** With increased production of wood and community participation, the downstream value chain can be strengthened, starting with the operation of sawmills. Community negotiations with the sawmill in Balfour are already underway and can be supported by the Council. This links with the provision of products for which there is local demand, such as rafters for use in housing.
- **Manufacturing:** Manufacturing has recently expanded under Windsor Forest Products, which is open to community involvement. The challenge is therefore to both:
 - support its expansion; and
 - to maximise the contribution to the community, in terms of employment and the development of production capabilities more broadly.Particularly in these operations, there is a need for a partnership to ensure both the skills development and access to distribution networks and markets.

In contrast with citrus, there is the potential for significant job creation, with meaningful community involvement and there are resources available (financial and other). The strategy to unlock this potential needs to provide an enabling environment in terms of infrastructure, support skills development and access to markets, and establish an institutional framework with key role-players in the form of DWAF, local communities and private enterprises which will be to the mutual benefit of all over the medium to long-term.

Conclusions and way forward

As detailed above, section 2.4 outlined elements of a development framework based on the analysis of the structure and dynamic of the Nkonkobe economy. This focused on the need to recognise the dependency of the Nkonkobe economy on public sector salaries which are spent mainly on goods imported from outside Nkonkobe. It also highlighted the skewed nature of the economy, with very developed commercial activity, especially in citrus farming, alongside the reality for many of engaging in small-scale agriculture and other production such as sewing in order to make ends meet.

It is evident that large-scale projects, such as citrus processing, which require significant amounts of capital will not generate the employment needed. This does not mean that support cannot be given to such projects as part of the ongoing growth of the sector. Rather, those involved in such expansions already have access to development finance, such as from the Land Bank, and they will undertake such projects as and when they become profitable.

The conclusions in section 4. bring together the different elements to identify an approach where the municipality plays its central roles of co-ordination and facilitation. This is based on a common vision, to both meet the needs and realise the potential in the local economy. The interventions in such an approach can be identified to support the smaller-scale activities which are more appropriate for addressing the needs of the Nkonkobe economy than large and capital intensive projects. It builds on existing activities and organisations and provides a framework to programme projects. In addition to supporting the development of supply-side capabilities through drawing on the strengths of different institutions in areas such as finance, agricultural knowledge and organisation, the key to success is in maximising linkages. As discussed, greater potential was identified in forestry than citrus. In forestry the council may work with DWAF and other organisations.

In moving forward, it is envisaged that specific details will be developed from workshops with stake-holders. Suggested steps in evolving a planning framework are:

- Agreement by council on a long-term vision and strategic priorities based on an integrated picture of the region. This also includes identification of knowledge gaps and additional information required.
- Workshops with different institutions and constituencies. This is important to promote the core priorities of the programme and the linkages in the economy, yielding collective benefits from the programme, and to identify mechanisms together with the different institutions.
- Allocation of resources under the core components of the plan. These include human/institutional, financial and physical resources. Allocation decisions will be taken by the various institutions involved in economic development and will involve them making commitments to the common plan.

A plan may be specified over a period of around five years with provision for ongoing monitoring and a mid-term review. Projects are therefore organised into common implementation programmes which ensure co-ordination and consistency.

1. INTRODUCTION

The Eastern Cape Socio-Economic Consultative Council (ECSECC) was approached by Nkonkobe to assist with an economic development framework. This came against the background of the Interim IDP for Nkonkobe which has been already prepared as well as IDPs for some of original TLCs. The study is also in the context of increased responsibilities for economic development being moved to the local government level. This enables government to be more responsive to the differing needs on the ground and to design appropriate strategies. Planning requires information and analysis. As per the Terms of Reference, the objective of this study is to provide such an analysis through an overview of existing information on the state of economic development, a review of planned and ongoing projects as interventions designed to promote development, and assessment of the main institutions involved in local economic development. It also included brief case studies of the citrus and forestry sectors to evaluate the scope for interventions.

The study involved an extensive series of interviews with local government representatives, officials, developmental institutions and NGOs, communities and commercial bodies. It also drew on available secondary sources of information and the existing work contained in various IDP documents. This allowed of the existing economic dynamic in Nkonkobe, of what resources exist and how they are used. This is the basis for interventions to change the development path. It is recognised that the impact of government will mainly be through the effect it has on the decisions of other organisations and individuals. The analysis aims to set out a developmental local government approach. In this, building local government capacity is a key objective in itself.

It is important to be clear from the outset that this study does not, and cannot aim to, provide a development strategy itself. Rather it seeks to provide the information and analysis for a strategy to be drawn up in a process involving the relevant stakeholders. This process itself will be part of building support for the strategy and influencing people's decisions.

This project therefore builds on the interim IDP of Nkonkobe Local Municipality and forms part of the ongoing process of economic planning. It is also situated within the establishment of Nkonkobe and transition from the previous local government authorities. Building on the previous interventions, it understands economic planning as being to do with:

- the development of a *vision* based on the *collection and analysis* of information
- working with *communities*, and the various organisational forms through which they are represented, especially resource-poor and marginalized constituencies
- the *prioritisation* of different *needs* and possible *options* to address them
- the harnessing of *resources* within a *strategic framework*
- the ongoing development of the *institutions* through which economic planning is realised
- influencing the decisions and actions of *economic agents*, including NGO/CBOs, government departments and private businesses
- moving beyond service delivery to *shaping the local economy* in accordance with longer-term *development goals*

As set out in the Terms of Reference, the objective of this work is therefore to take these processes forward and to map out various options. It further aims to set out the information and means to act on these options. In concrete terms it seeks to:

- establish the areas of potential and areas of need
- outline a coherent approach in terms of sectoral economic development
- identify the major institutions, their orientation and activities
- set out a framework for assessing projects, in terms of their contribution to the broader vision and their viability, and identify sources of financial and technical support such that the projects form effective interventions in the development path

The report is structured as follows:

- An overview and analysis of the development context drawing on secondary sources and interviews
- A review of the main ongoing and planned economic development projects in order to assess the different types of projects being undertaken by different organisations and their contribution to economic development
- An assessment of the activities and orientation of the main institutions
- An outline of an economic development framework
- Preliminary scoping studies of citrus and forestry
- Conclusions and an outline of ways forward

The framework thus provides for the institutions, their interventions (projects) and the impact on the nature and extent of economic activity. The vision of the development path for Nkonkobe will itself impact on the expectations and decisions of other institutions. The Nkonkobe Local Municipality can therefore co-ordinate economic activity and realise economic linkages directly through its selection of key priorities for use of resources, and indirectly through expectations. We focus on:

1. Strengthening linkages within Nkonkobe so that resource inflows stimulate economic activity more broadly. That is, to ensure that to the greatest extent revenues from for example sale of citrus are spent on goods produced in Nkonkobe, multiplying the resource inflow effect, rather than on good from outside Nkonkobe.
2. Ways to increase inflows into Nkonkobe, with case studies of citrus farming and forestry.
3. The effect of different approaches on the structure of Nkonkobe's economy, and on outcomes in terms of employment, incomes and poverty.

In this way the study provides the basis for an economic development strategy by highlighting economic relationships and institutions against assessment of the existing development challenges of Nkonkobe, in particular poverty.

2. OVERVIEW AND ANALYSIS OF THE DEVELOPMENT CONTEXT

This consists of three components: an initial review of indicators of economic activity; a summary of ongoing and planned economic development projects; and an overview of institutions involved in local economic development and their activities. These three components form the basis of the economic development framework proposed in 2.4.

The review of economic activity enables us to understand the structure of the Nkonkobe economy, the processes which link different parts of the economy together, and why the economy has developed in the way it has. This in turn provides the foundation for analysing different development strategies with the purpose of changing the development path of the local economy. The projects are reviewed to examine their contribution to such a development path. It is also important to assess the reasons for success or failure of projects and their organisational structure. Ultimately, people working through institutions will drive a development plan. There are a wide variety of institutions and organisations operating in Nkonkobe, many of them whose role is related to economic development. A key part of a development strategy is therefore identifying and co-ordinating the roles of different institutions in order to effectively realise common goals.

2.1 Review of indicators of economic activity

Our review highlights the differential impact of apartheid across the district, as well as the importance of Fort Hare and other public institutions to the economy. Overall there are very low levels of employment and many households are being sustained by remittances, income from a single wage earner and various small-scale activities. Of those who are employed, by far the largest proportion are in public services, led by education and health. This is reflected in higher levels of income and development indicators in the Alice (Victoria East) area. The dependence on income from public sector employment is also due to the productive base of the local economy being quite narrow. This is based on commercial agriculture, forestry and to a lesser extent tourism, much of which is focused around the Fort Beaufort and Hogsback areas. While revenues are generated in these areas, the allocation of land for large-scale commercial farming or forestry under the apartheid government has not supported broad-based employment generation and incomes of the majority are very low despite the commercial activity.

In Nkonkobe, employment levels and incomes are lowest, and poverty levels are highest in the Seymour and Middledrift areas. These areas (together with much of Victoria East) are composed of dispersed villages which have neither a strong productive base given relatively poor land, nor the high levels of public sector employment which come from institutions such as Fort Hare. There are, however, a range of economic activities taking place including small-scale vegetable and poultry farming and clothing manufacturing, many of which have not relied on donor funding. The improvements in infrastructure being made increase the viability of these activities. There is therefore potential alongside great need in these areas. An economic development strategy could play a major role in increasing the value from these activities, for example, in developing marketing links for the sale of produce.

2.1.1 Socio-Economic Profile

The socio-economic profile of the Nkonkobe district reflects the historical legacy of the apartheid system. The district is characterised by high levels of unemployment. The education profile of the district fits well within the framework of apartheid in which Black people in general and Africans in particular are condemned to the lower rungs of

the education system. The sparse distribution of the population across the landscape also necessitates the installation of physical infrastructure to ensure effective delivery of social and other services.

According to the 1996 Census, the Nkonkobe district has a population size of 143 167 and the number of households are 28 635. Males constitute 47.6% and females constitute 52.5% of the district population. The age distribution of the district is skewed towards the youth, with children under 15 constituting 52% of the population. The Nkonkobe district is predominantly rural. According to the 1996 Census, 76% of the population are located in the rural areas. The district is overwhelmingly African in terms of racial composition. Africans constitute 96% of the population. Coloureds constitute 3% of the population and Whites constitute 1%. There are virtually no Indians in the district.

The socio-economic profile presented below is based on two data sets, the 1996 Census and the 1999 October Household Survey (OHS). There are some limitations with the 1999 OHS. Like all survey data, the 1999 OHS can be used only as an approximation of what is taking place. Secondly, the 1999 OHS does not contain data for two areas that constitute the Nkonkobe district, Seymour and Hogsback. We therefore use the 1996 census for the socio-economic profile. The 1999 OHS gives pointers on the socio-economic profile of Fort Beaufort, Alice and Middledrift (FAM) combined. Another point to note is that data from the 1999 OHS refers to people of working age and pensioners. It thus excludes children less than 15 years of age.

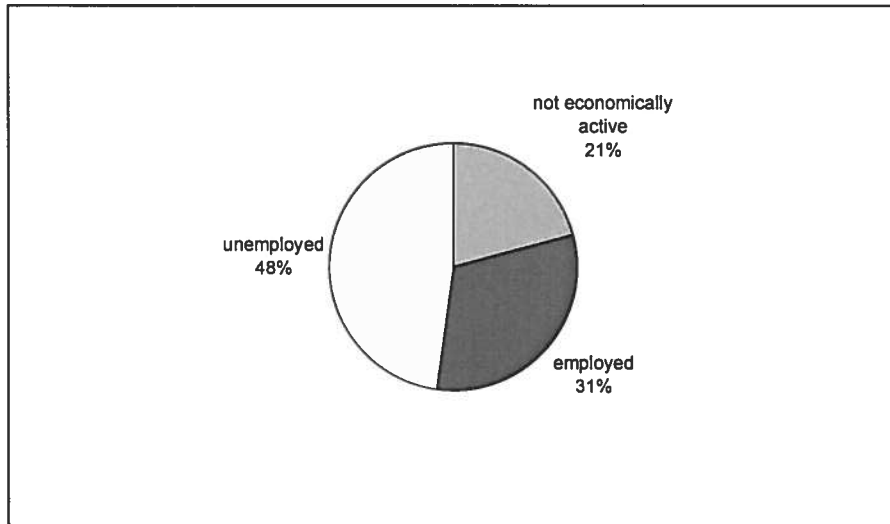
It is also difficult to compare results from the survey with those of the Census. In some instances questions that require the same answer may be framed differently, which may lead to the respondent giving different answers. So, the results that follow must be treated as indicating the main trends of what is happening instead of being taken as what is actually happening.

The analysis begins with the labour market conditions of the district. The second aspect to be analysed is the education profile of the district. The third aspect is the descriptive presentation of the economic base of the district. The fourth aspect is an analysis of the extent to which the population has access to certain social services. Lastly key characteristics by magisterial districts are presented to show the areas that need priority intervention from the municipality.

Labour market conditions of the district

According to the 1996 Census 13 861 people were formally registered as employed and the rest were either not economically active or were unemployed. Given that the Census estimated that the total population of the district is 143 167, it is clear that the economic activity of the district depends on a very narrow labour force. Of the population, 52 per cent are under 15. Of those aged 15 and over, 21% are not economically active and 42% are unemployed. The numbers not economically active reflect both those who do not wish to work, for example, because they are students, and those who have been discouraged from looking for work.

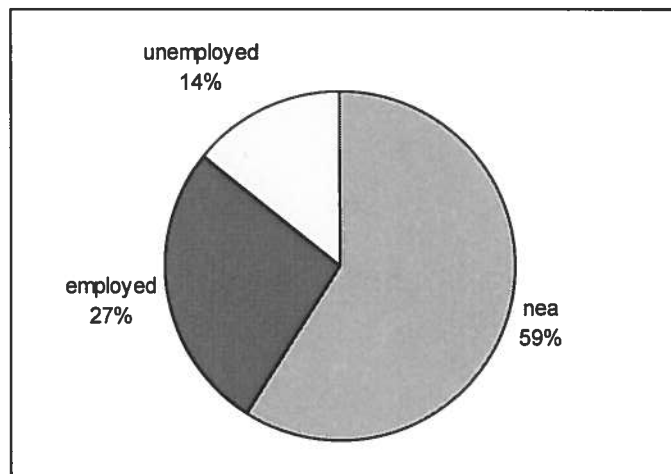
Labour Market Status



Source: Census, 1996

The district also reflects the legacy of apartheid economic mal-development, with the inclusion of large areas from former Bantustans. The nature of the labour force in the region makes difficult the emergence of a vibrant local economy that has capacity to compete and penetrate markets in the country as a whole and in the world market. This is compounded by the emigration of the skilled sections of the labour force to greener pastures elsewhere.

Labour Market Status (FAM)

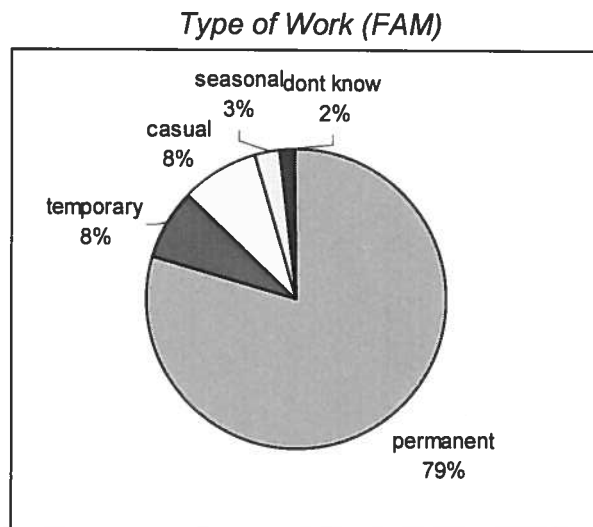


Source: OHS, 1999

The OHS 1999 results found that of those aged 15 and over, only 27% had employment in Fort Beaufort, Alice and Middeldrift (FAM) (an even lower proportion than in 1996 for the whole Nkonkobe). A narrower definition of being economically active in terms of having actually looked for work in the recent weeks meant that many people who were not working were classified as 'not economically active' rather than being unemployed.

The gender profile of the labour force shows that among both males and females, the majority is not economically active. And, of those that are not economically active, females constituted 59%. This compares with females constituting 51% of those who are employed, and 44% of the unemployed.

79% of the employment in the FAM is permanent. This is because the major source of employment is the public sector, while the major economic base is agriculture, in which many jobs are seasonal.



Source: OHS, 1999

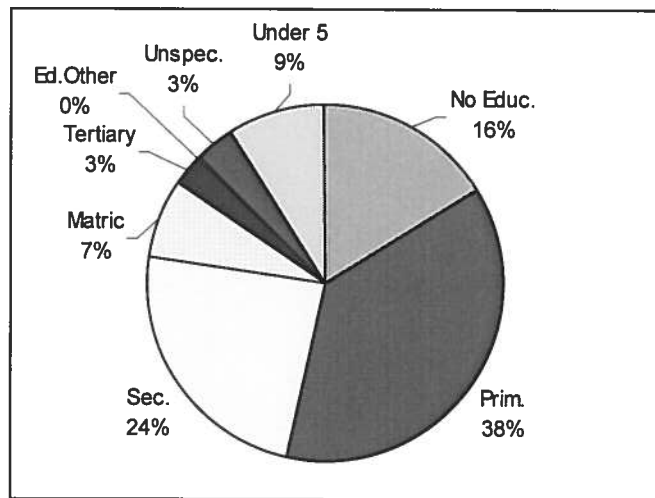
It should be further noted, as will be shown below, that some people reported to be employed whilst at the same time they declared that they do not have any source of income. This may indicate two types of situations. Firstly, it may be that there is use of family labour in which labourers do not earn wage income but work for the subsistence of the family as a whole. Secondly, it may be that there is use of "subsistence labour" in which labourers do not earn wage income but work for food, shelter and clothing. That is, there may be pockets of labour processes in which labour is paid for in kind.

Education profile

The Nkonkobe district has a relative advantage compared to most of the districts in the province because it has the University of Fort Hare in the vicinity. However, like most Historically Black Universities, the institution lacks in infrastructure. According to the 1996 census the district has 221 schools, although it is not clear how many are primary and how many are secondary schools. While it seems that this number of schools is suitable for the district population, problems of infrastructure make schooling difficult. The sparsely distributed population, characterised by villages that are distant to each other, means that pupils must travel some distance to and from school. An extensive physical infrastructure is also required for these schools to have access to telecommunications and electricity. As will be shown below, most of the schools are likely not to have proper sanitation - which is a threat to the health of pupils.

The district has very few people with tertiary education qualifications. According to the 1996 census, people with tertiary education qualifications constituted 3% of the population. The majority of the population had up to primary education, but 68% had not completed matric.

Educational Profile



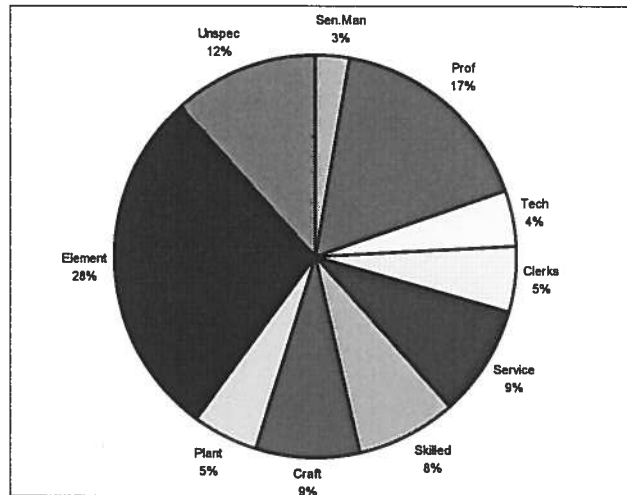
Source: Census 1996

This educational situation dictates that the type of trajectory that needs to be adopted in developing the district economy be labour-intensive in the short term. And because the district is pre-dominantly rural it follows that the sector upon which the task of local economic development rests in the short and medium terms is the agricultural sector. This means that the productive base of the district economy must be characterised by linkages whose nexus is the agricultural sector in the short and medium terms.

Occupation profile

The fact that the Nkonkobe district is mainly composed of former Bantustan areas means that the occupation profile fits with the framework of the apartheid system. Having condemned the majority of the people to barren lands, the apartheid system further ensured that there was no significant productive-industrial base and the education system was not geared towards technical careers. The occupational distribution of those employed in the district in 1996 is illustrated below.

Occupational Profile



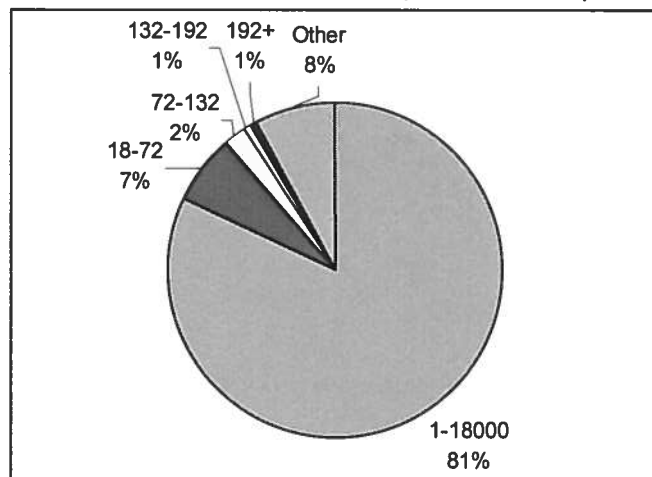
Source: Census 1996

17% of those working are in positions categorised as professional, probably those engaged in the public services sector. The district has a very lean skills base with only 8% of those employed being in skilled positions, 5% being plant machine operators and 4% in technical positions. This is consistent with the sectoral breakdown of employment, with the social service sector accounting for 41% of employment.

Income Distribution

The income distribution pattern in the district shows that the majority of the people are living in poverty. 81% of households earn less than R1 500 per month (less than R18 000 per year) while just 1% earn more than R192 000 per year. The low level of employment and earnings suggests that pensioners and remittances are very important for these households. The skewed nature of income distribution also reinforces the ridge between affordability and access to services such as telecommunications and electricity.

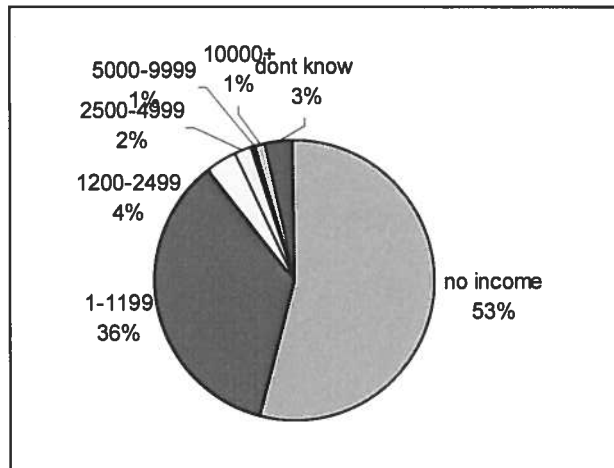
Income Distribution of Households (R thousands per annum)



Source: Census 1996

According to the 1999 OHS, the labour force in FAM is composed of 53% of those who have no source of income, and those who earn less than R1 200 per month constitute a further 36%. About 1% earn more than R10 000 per month.

Income Distribution of Individuals (Rands per month)



Source: OHS 1999

The skewed nature of income distribution in the district reinforces the downward growth spiral. It exacerbates the deficiency of effective demand for local products. The economic growth of the district thus increasingly relies on the growth of demand for local products by other districts. The ability of the district to penetrate markets in other districts in turn depends on productivity levels in the district.

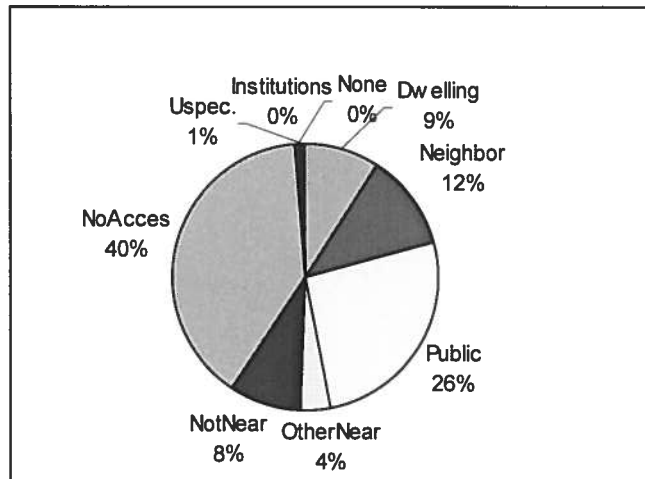
Access to economic infrastructure and basic services

Three types of economic infrastructure are considered below (telecommunications, electricity and housing). Due to lack of data on road construction, the latter is not presented.

a) Telecommunications

Telecommunication is crucial because it allows for easier flow of information but, according to the 1996 census, 40% of the population had no access to means of telecommunications and for a further 8% telecommunications are not near to where they stay. The extent to which the population has access to telecommunications has an impact on the ability of the district to solve other socio-economic problems. For those who are engaged in business activities, telecommunications assists in making decisions regarding sale to markets and decisions on whether to order more inputs or not. Telecommunication ensures easier information flows between potential buyers and suppliers. For those who are in the process of looking for employment, telecommunication ensures that potential employers have easy contact with job-seekers, and information about job opportunities flows faster to job seekers.

Access to Telecommunications



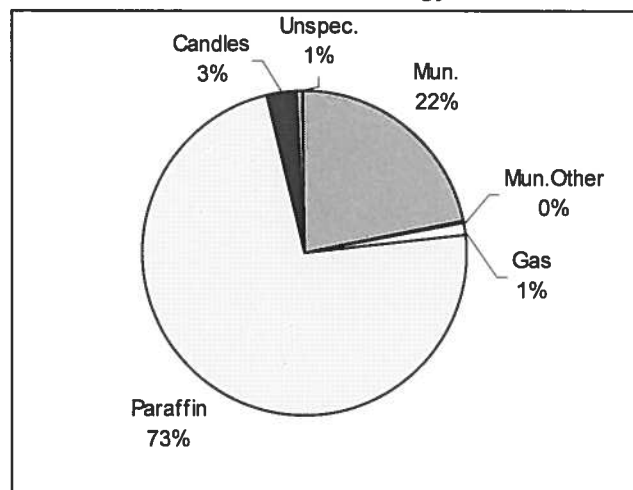
Source: Census, 1996

With roll-out of infrastructure in recent years, access has increased but the question of affordability still needs to be addressed. As long as infrastructure is rolled out to communities without ensuring that these communities are economically empowered to benefit from such infrastructure the whole exercise will culminate in gross under-utilisation of capacity.

b) Electricity (or Sources of energy and lighting)

Electricity is crucial in many respects. It is relatively safe to use and presents the lowest risk of fire. Businesses can operate for longer hours to meet the demand for their products, thus increasing their competitiveness and efficiency. Through the use of electricity schools can be utilised to the fullest by students who can afford to study after hours. As can be observed, the majority of the people used paraffin as a source of energy in 1996, and 22% used electricity from the municipality. Since the census in 1996 progress has, however, been made in electrification.

Sources of Energy



Source: Census, 1996

While access to electricity is quite different from the ability to purchase it, the accessibility of these services to the population provides an infrastructural basis for a sustainable and integrated district economy.

c) Housing

The majority of the population (51%) lived in houses in 1996, although the data do not indicate the nature of the construction. A further 35% lived in 'trade dwellings'.

Type of Housing



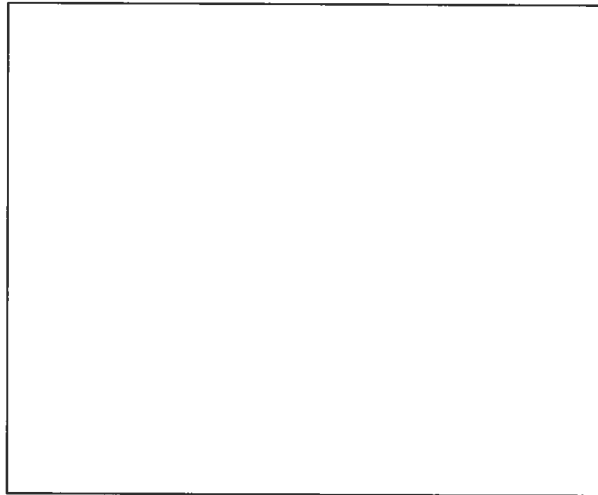
Source: Census 1996

Access to social services

There are three main social services that are considered below: water provision, sanitation and refuse removal. The provision of these services, over and above the provision of telecommunications, electricity and housing is the basis for improving the standards of living of the majority in the district.

Access to water is critical since it also lays the basis for access to sanitation. In 1996, 78% of the population did not have access to running water onsite and in their dwellings. This has serious implications for the provision of sanitation in the district. Lack of running water implies that the types of latrines that are mainly used are not flush latrines. Furthermore, lack of access to water onsite means that those who are engaged in gardening onsite do not have convenient access to water their gardens. The 1999 OHS indicated that 43% of the population in the FAM still has to go out some distance to fetch water.

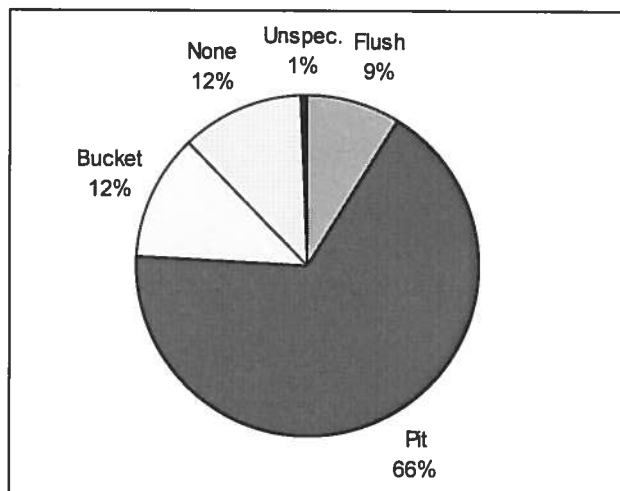
Access to Water



Source: Census, 1996

In 1996, 66% of the population used pit latrines and 12% had no access to sanitation at all. Although the bucket system is extensively used as an alternative to pit latrines, only 12% of the population has access to this system.

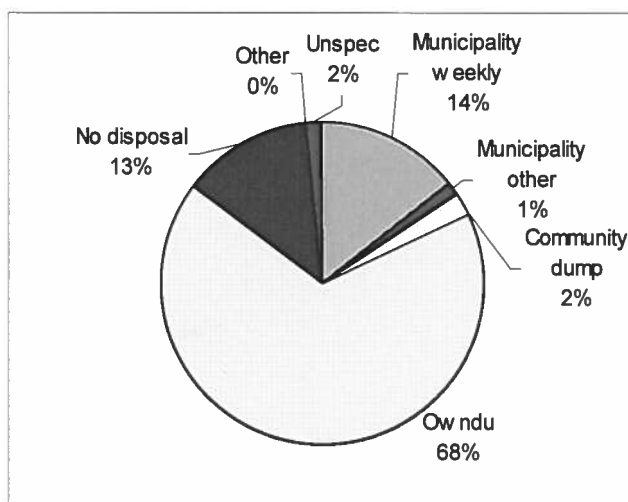
Access to Sanitation



Source: Census 1996

Refuse removal is a service that ensures that living conditions of the population are healthy. The 1996 Census shows that 81% of the population has no access to refuse removal, with 68% relying on their own private dumps. Only 14% have access to municipal services which remove refuse on a weekly basis. These figures show that the living conditions of the population may pose a health problem.

Access to Refuse Removal

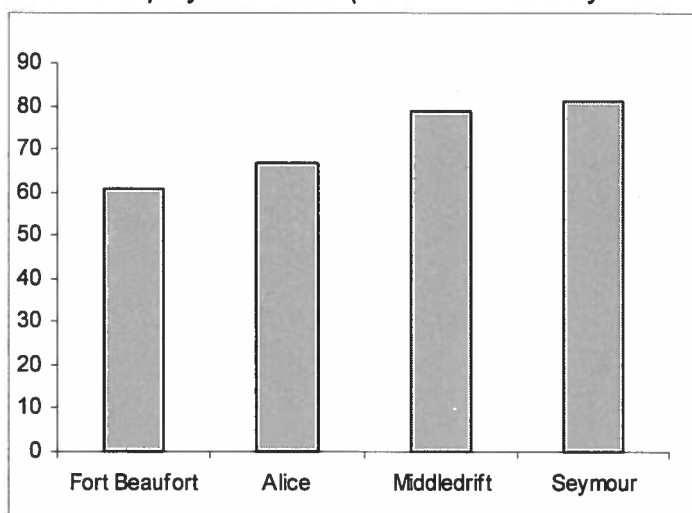


Source: Census, 1996

Key characteristics by magisterial district

The following data show key characteristics by the four magisterial districts making up Nkonkobe. Of these, the largest is Alice, which has 41% of the economically active population, followed by Middledrift with 27%. However, in each magisterial district most people are not working. Development indicators, including employment, are poorest in Seymour and Middledrift, while Fort Beaufort has the lowest levels of poverty and unemployment.

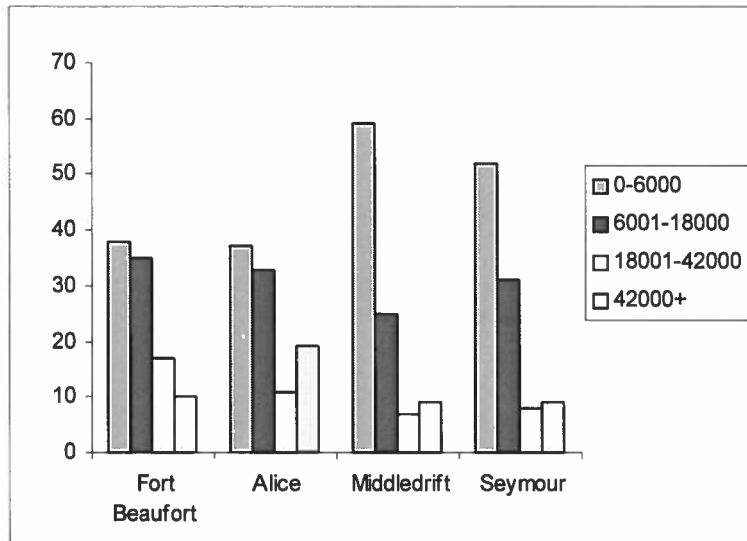
Comparison of unemployment rates (as % economically active population)



Source: Wefa, 1999

The distribution of income in each magisterial district indicates that Middledrift and Seymour have a large proportion income earners with incomes below R6 000 per annum. Alice (which includes Hogsback) has the highest proportion of upper income earners, with almost 20% earning more R42 000 per annum.

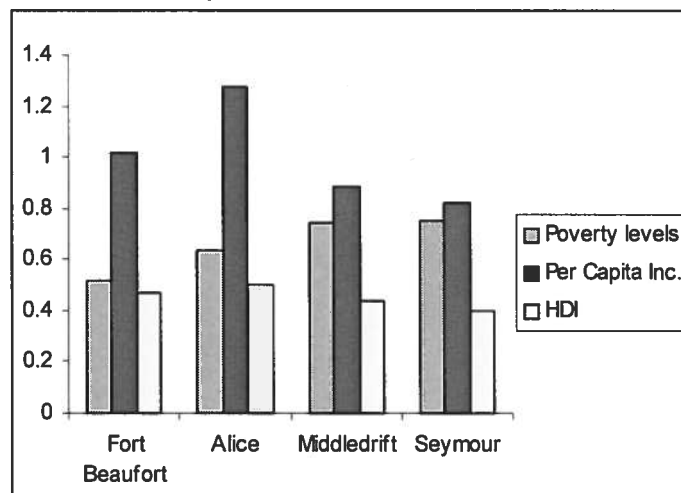
*Comparison of Income Distribution by Magisterial District
(% of population in different annual income brackets)*



Source: Wefa, 1999

The following diagram shows the performance of the magisterial districts in terms of social development indicators. Three social indicators are considered below. These are: per capita income, human development index (HDI), and poverty ratings (the proportion of people living in poverty).¹ We observe that Seymour and Middledrift have the highest proportions of people living in poverty. The poverty rating for Seymour is 0.75, followed by Middledrift at 0.74. Fort Beaufort has the lowest poverty rating at 0.52. Seymour also has the lowest HDI at 0.4, followed by Middledrift at 0.44.

Comparison of Social Indicators



Source: Wefa, 1999

In considering per capita income, the average per capita income was calculated for Nkonkobe as a whole. Then per capita income for each magisterial district was divided by this average to find out which magisterial districts are above or below the average. Alice (including Hogsback) has the highest average per capita, while

¹ The Human Development Index is calculated from a combination of indicators of education, life expectancy and health, and incomes.

average incomes in Fort Beaufort are the same for Nkonkobe as a whole. Seymour has the lowest per capita income in Nkonkobe.

Conclusion of the socio-economic profile

This socio-economic profile has shown that the majority of the population who are of working age are not in employment. The education profile of the labour force also shows that there needs to be labour-intensive programmes to ensure that the majority get employment. The quality of jobs created should ensure that people can afford to improve their lives, for example with better housing, and access to affordable electricity and telecommunications.

The incomes earned are very low for the majority which, together with the low levels of employment, means that local effective demand is weak. The economy is dependent to a large extent on the public sector salaries earned by those in the education and health sectors. Local production can initially be targeted at the markets provided by these groupings. Increasing employment will broaden the income distribution which will in turn widen and increase effective local demand.

In terms of comparisons across magisterial districts, we observed that Seymour and Middledrift are the poorest districts. They have the lowest proportion of people who are economically active, the highest proportion of low income earners, and score low on social development indicators. What the data also show is that Alice is the centre of economic activity in Nkonkobe in terms of the numbers of economically active people and the demand which is generated by higher incomes. This is due mainly to the location of the University of Fort Hare in the Alice vicinity.

2.1.2 Economic structure: the main economic sectors

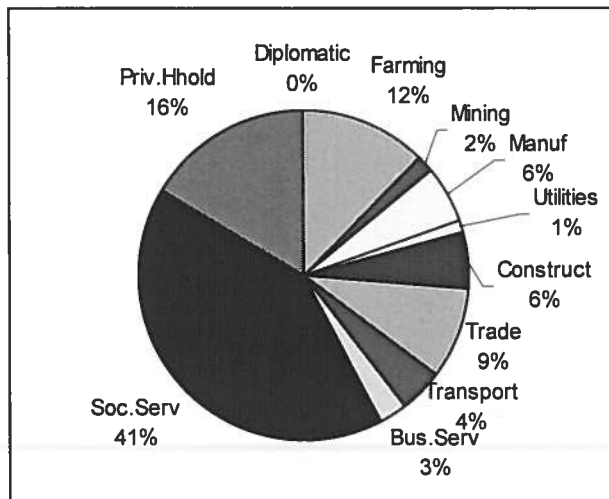
As mentioned above, the Nkonkobe district reflects the economic structure imposed by apartheid mal-development. Education is the major contributor to gross geographic product (GGP), followed by the health, retail, agriculture and public service. According to available information (Wefa, 1999), of the total Nkonkobe GGP of R768.6 million, education contributes 55%, health contributes 11%, retail contributes 6%, agriculture contributes 6% and the public service contributes 6%. The high level of concentration of the gross geographic product in the tertiary sector (which is comprised of service sector activities including education) shows that the district does not yet have a vibrant production base.² The sustainability of wholesale and retail activities for example, depends on incomes generated in other activities. At present this is coming mainly from employment in education, health and other public services. These are not a source of growth at present, and are threatened by state restructuring of expenditure.

The social services sector (including education) contributed 41% of employment in 1996, followed by private households. Private households indicates the possibility of the employment of family labour, domestic workers, or non-wage employment as mentioned above. An interesting feature is that although the district is overwhelmingly rural, the agricultural sector (farming) is not the major employer. This reflects the large-scale nature of commercial agricultural production in the area and points to twin challenges of broadening participation in the existing areas of large-scale agricultural production and developing small-scale agricultural production and its marketing locally. The first may be achieved through the revitalisation of land under irrigation for citrus

² The statistics on the gross geographic product do not appear to capture the product from forestry - which is one of the major sectors in the district, perhaps production from the forestry plantations which overlap into other areas are recorded under those districts.

production and projects to strengthen the value-added from citrus by doing some local processing. The second needs to focus on increasing the productive capabilities of households who are engaged in various activities such as vegetable production and goat and poultry farming, and supporting their access to markets in Alice and further afield.

Employment in the Main Economic Sectors



Source: Census 1996

The clear bias of employment towards the social services sector shows that the district economy is not mainly based on the productive-industrial sector. And since the state is continuing to down-size, particularly cutting state expenditure on wages, the employment prospects in the district are less promising.

The education profile reinforced the need for a labour-intensive growth path, while the low levels of educational attainment may tend to discourage the development of a vibrant manufacturing sector. Manufacturing requires investment in machinery and a certain level of sophisticated combination of raw materials. A more educated labour force is in a position to quickly assimilate techniques and to develop innovative ideas in the labour process at a faster pace.

Based on the latest available manufacturing data (1996 census), only seven formal sector manufacturing operations were recorded in Nkonkobe, with six of these being in Fort Beaufort. One establishment producing goods of wood, cork or straw was recorded in Victoria East (Alice). In Fort Beaufort there were:

- two establishments engaged in the 'other fabricated metal products' sector;
- two firms in 'other chemicals production';
- one in 'other food products'
- one in non-metallic minerals (cement and concrete products).

Altogether, the six establishments in Fort Beaufort employed 171 employees and paid an average wage of R26 240. Two were recorded as being run by proprietors. Altogether their output in 1996 was R21.4mn, with value-added of R5.0mn, although overall they were making losses of R319 thousand in 1996. A number of these firms have since closed completely or moved their operations to King Williamstown.³ But,

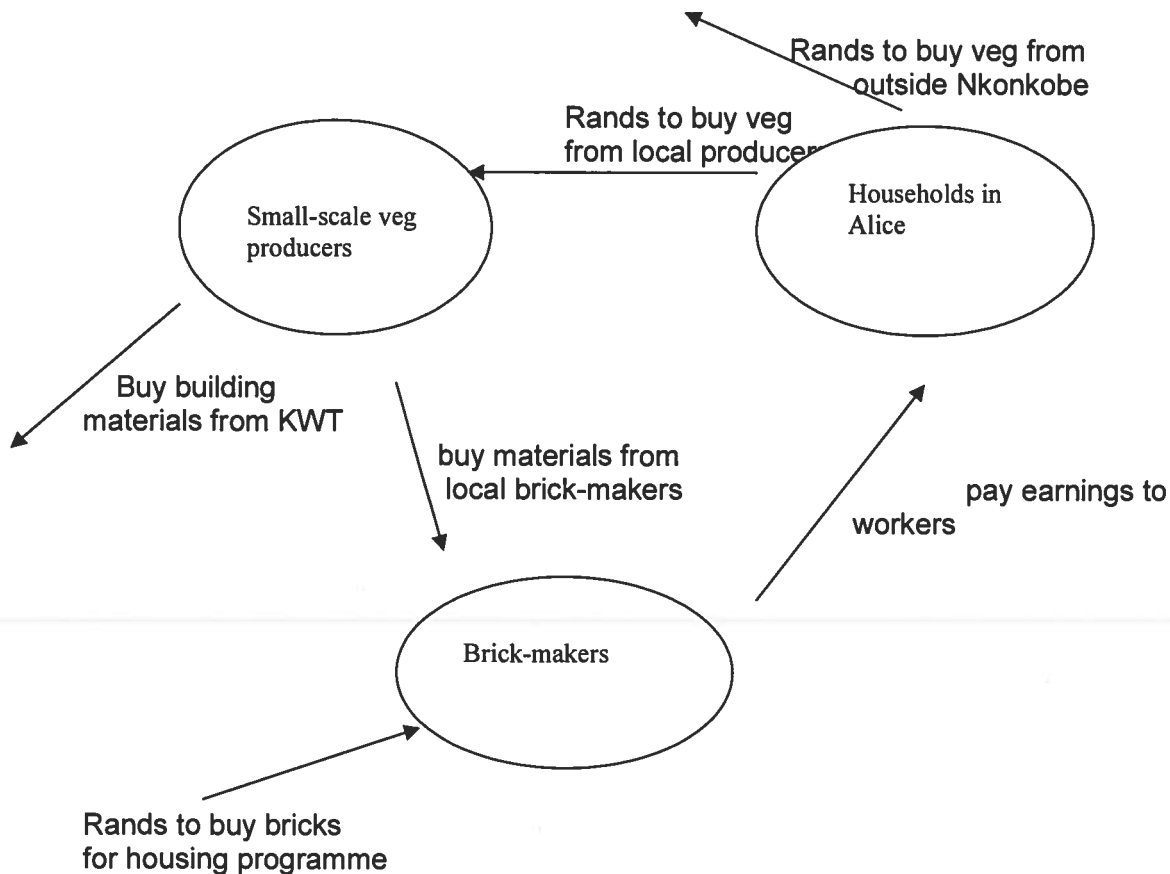
³ For example, Totim, which made wood preservative products, has moved to KWT and Albany bakeries closed, to be followed by Star bread, which also closed. Another small bakery has since opened in Fort Beaufort.

what is not reflected in the manufacturing census data is the growth of small-scale activities to serve local needs. These include brick-making and sewing.

In the Eastern Cape Province as a whole, the main areas of manufacturing activity by employment are Transport equipment (includes motor vehicles), Textiles, clothing and leather goods and Food products and beverages. Together these three groupings accounted for 72 377 of the 120 925 employees in manufacturing (approximately 60%). The Textiles, clothing and leather products sector is relatively more labour intensive, accounting for 21% of employment but only 9% of output, while Transport equipment is relatively capital intensive, accounting for 46% of output and 23% of employment. This activity is, however, highly concentrated around the major urban centres. There are indications of growth of each of these sectors at a national and provincial level, with major new investments being announced. Increasing prosperity of towns such as King Williamstown and East London will increase the potential for produce from Nkonkobe if marketing networks are developed to supply products outside the municipality.

2.1.3 Linkages in the local economy

The growth of the local economy depends on how resources are used and whether different areas of the economy are effectively linked together. The success of one area will depend on that of others. For example, the increased production of vegetables and poultry will be successful if people's incomes are rising, which will enable them to buy the food being produced. If, however, they choose to buy food which is produced outside Nkonkobe, such as might be sold by a large supermarket, then the money spent does not go to local producers. If housing programmes use materials (bricks etc.) made locally then this increases the incomes of those local workers and the households which they support, this money in turn can be spent on local agricultural production (or other goods). The strength of linkages in the local economy therefore increases the benefits from any extra economic activity. The diagram below illustrates the potential effect of a housing programme which draws on bricks from a local brickmaker. It shows how the inflow of money to the brickmaker to buy bricks increases the incomes of those employed there. These households will increase their spending, part of which will go on local produce. The money spent on local products will go to other households in the area who in turn might use part of their additional income to extend their house, which means more spending on bricks and more income for the brick-makers. The effect of an initial inflow of money is multiplied as long as people are using it to spend on locally produced goods; if they spend it on goods produced outside the municipality then it does not contribute further to economic activities here.



This does not mean that all things should be bought in Nkonkobe, or that everything should be produced in Nkonkobe. But, the money which leaves Nkonkobe (outflows) to buy things produced outside Nkonkobe must be earned. At present, most of this is in the form of wages for those in public sector services such as education and health. by inflows. It is important therefore increase the inflows of money to Nkonkobe, such as by increasing citrus production or attracting tourists, and *at the same time* increase the linkages to maximise the benefits from the money which is coming into the economy from different sources. The greater the linkages, the wider the benefits from any development. Projects which strengthen these linkages may have large benefits, even if they do not directly employ many people.

The source of demand for goods from the incomes of public sector workers can be met as far as possible by local production. Agricultural production can therefore be targeted at the local market, and needs to ensure that existing and potential marketing outlets source their products locally as far as possible rather than from outside Nkonkobe. This will require being able to supply the quantities and quality required by these marketing outlets, or setting up alternative marketing networks. Other items include building materials and clothing.

A second area of resource inflows is funding for the provision of infrastructure. This includes water and sanitation, roads and housing. Each of these areas generate gains in the form of incomes being earned by people employed locally. There are also potential linkages, such as from the purchase of bricks for building, which may be sourced locally.

Costs and benefits of different strategies:

The three areas recommended in the interim IDP as elements of an economic development strategy are:

- **Agriculture:**

- a) *Development of large-scale farming of citrus*

This brings revenue into Nkonkobe through the sale of citrus outside the region. The revenue in turn pays for wages of workers, for the materials used in production (e.g. fertiliser) for the rates, water and electricity etc. It also earns a profit for the owners, who may use it to re-invest in further production. These operations therefore generate inflows of money through the sale of products outside Nkonkobe, but the linkages with the domestic economy are quite weak as most materials are purchased outside Nkonkobe. Gains would be realised from the investment of profits in expansion, and gains in the form of skills and experience which would support a wider development of citrus farming using former Ciskei land. The development of citrus processing would link citrus production to manufacturing, and create further value from the citrus production. It may not, however, significantly increase employment due to the nature of the operations.

- b) *Small-scale farming*

There is a potential for this sector to grow, based mainly on provision for the local market. It seems that the capacity of this sector to grow and sell beyond Nkonkobe depends heavily on the creation of marketing networks in which collective marketing and sale of goods can be undertaken. But in order for this sector to expand there is also a need to further identify under-utilised land and to test the soil thereof. The Department of Agriculture and Land Affairs has already identified some of the land. It is important that projects identified should be part of the local value chain in that they are based on local resources and capabilities from the supply-side and have clearly identified market on the demand-side.

- c) *Forestry*

Forestry has the capacity to grow. Currently, the major forestry companies in the country are looking at directing investments to the Eastern Cape to expand their operations. Nkonkobe already has the infrastructure for forestry. Besides the recent trends in private sector investments in forestry, there is greater potential for community involvement in woodlots and indigenous forestry. The DWAF for example, has plans for expansion, to initiate value-adding activities and to stimulate SMME's on commercial plantations. A presentation of the projects by DWAF is done below.

- **Tourism**

Tourism can be divided into three areas: Nature Conservation, Game Reserves and Historical Sites. The development of nature conservation as a tourist attraction depends on the participation of the community, the local tourism organisation, and the DWAF. The latter, particularly its community forestry sub-directorate plays a critical role in conserving the bio-diversity of the environment. The local tourism organisation is critical in marketing the tourism attraction sites and the community is necessary for the maintenance of these sites as community assets that generate income for the district. There are two Game Reserves in the district. These reserves have potential to facilitate the creation of curios production centres in the villages and to set up curious shops. The UFH, together with the local municipality, can play a critical role in setting up information posts on the historical sites found in the district. The creation of cultural

villages, places of rest, the beautification of the towns and the setting up of marketplaces in key centres will go a long way in promoting tourism.

- **Infrastructure**

Infrastructure is not only necessary for the delivery of social services to the local communities, it shapes the local economy in making different economic activities possible through being able to sell products and get supplies of inputs. Road construction is a very important part of this and has been highlighted in Nkonkobe given the largely rural and dispersed population. Road construction is necessary for the facilitation of easy transport of people to working centres and to facilitate the transport of goods from one area to another. Better roads will also help in tourism. Telecommunications are also important to overcome distance as they enable orders to be made and deliveries to be scheduled without the need for face-to-face meetings. Electricity adds to productive potential in a variety of ways, such as use of different machines. The key is the impact of infrastructure in establishing and strengthening economic linkages which will guide the development of the economy in spatial terms. The investments in infrastructure therefore leverage other investments and activities. A further question which had been raised was the re-opening of the railway that passes through Nkonkobe to Balfour.

An area which was not contained in the Interim IDP was rural non-agricultural activity. It is misleading to limit rural economic activity to agriculture. There is evidence of a range of economic activities underway in rural areas. These include things such as brick-making to support local needs, as well as sewing groups which are supplying their products outside of the area.

2.1.4 Summary and conclusions

An appropriate economic development framework needs to be based on a proper understanding of the nature of the Nkonkobe economy. The most striking feature is the dependence on inflows from salaries of those employed in public sector institutions such as Fort Hare. There is a very narrow productive base, which includes citrus production and forestry, and at present does not appear to generate high levels of employment. Much of the incomes earned are spent on goods produced outside Nkonkobe.

Apartheid has left a strong and differential legacy on Nkonkobe. The poorest areas are Seymour and Middledrift, which were in the former Bantustans and have large backlogs in infrastructure and service delivery. While the land is poor relative to the Kat river valley, it is available and can be developed. By comparison, Fort Beaufort and Hogsback have concentrations of wealth and economic activity based on large-scale citrus farming, forestry and tourism. While this generates revenues, overall there are very low levels of employment. Addressing the apartheid legacy as part of a coherent economic development framework means dealing with these two quite different parts of the Nkonkobe local economy. Alice, with high levels of public sector employment, administrative offices and Fort Hare, is in many respects between the two.

The key challenges are to build on the productive capacity and existing resources of the local economy. This mainly implies growth of, and greater participation in, agricultural activities. In particular, attention needs to be paid to the development of small-scale farming activities which has greater potential to support livelihoods of those in Seymour and Middledrift areas. The review found that there are already developments in these areas which are also outlined under the projects underway in

section 2.2. These initiatives can be built on through the development of infrastructure which will increase the ability of people to organise and grow these activities and to market their products. Stronger local capabilities and linkages in the local economy will increase the multiplier effect of any inflows of funds. Marketing support is also crucial for the development of small-scale agricultural producers. A key constraint to expanding production is access to markets.

The challenges of improving employment and participation as the way to better livelihoods run through the approach to each sector. Large-scale citrus farming is an important source of income inflows for the local economy, but is unlikely to generate significant additional employment unless there is an extension of land under production with the revitalisation of the former Ciskei government land in the upper Kat river valley. Forestry has better prospects, partly through the active role of the Department of Water Affairs and Forestry to increase participation through community woodlots and greater community participation in existing forestry and downstream activities. As discussed below, finance exists for this – but a framework is required in order for projects to fit within the overall development path of the Nkonkobe economy. The tourism potential has been highlighted and is one of the priority areas set by Amatole District Council. As with other sectors, it is the nature of the activities which are more important. The key is to build onto existing strengths in the form of the rich historical and cultural base in Nkonkobe in a way which broadens the benefits by the community. Lastly, there are a range of activities underway in terms of small-scale agriculture and livestock, and non-agricultural production such as sewing, which have been initiated by communities and require support if they are to grow into viable commercial enterprises. Addressing infrastructure backlogs are very important for this and will enable the ongoing investment by communities of resources in these activities.

2.2 Review of the main ongoing and planned economic development projects

The study reviewed projects underway, including those outlined in the Interim IDP and other projects initiated by NGOs and community groups. The aim is to examine the nature and extent of the projects as part of establishing the significance of the many projects underway and the types of projects being planned. In addition, a more detailed survey was conducted into projects in the Middledrift area, including those projects which had not been successful. This enabled assessment of:

- the viability and sustainability of ongoing projects in the light of the review of economic indicators
- the extent to which these projects alleviate poverty, including through their impacts in terms of employment generation, location of the project and the gender dimension of the projects
- the reasons for project failure
- the extent to which planned projects reinforce ongoing projects, and mutual interactions between ongoing projects for strengthening district-level linkages

The projects are initially outlined by geographical area, before an analysis is made of their role in terms of economic development. Although there are a wide variety of projects there appears to be little co-ordination, even between projects attempting similar things (such as setting up poultry production). The key constraints to establishing projects was often identified as funding, yet many projects which had funding failed for other reasons. Also, some communities have established activities, such as in poultry, without outside funding. This cautions against drawing up lists of all possible projects in the hope that some will obtain funding. Rather a more co-ordinated approach can be adopted, which will underpin longer-term viability through addressing issues of skills required and markets for products. These issues are summarised in section 2.2.4 after the review of projects.

2.2.1 Fort Beaufort, Seymour/Mpofu and Balfour

Council projects

The **Fort Beaufort** council has a variety of infrastructure projects, focusing on water, sanitation and roads, funded by Amatole DC or CMIP. Proposed LED projects identified by the Fort Beaufort council include:

- tourism: build cultural villages; develop hiking trails, maintain tourism facilities (railway station, park etc.).
- build agricultural village
- small business development centre
- fruit processing projects

None appear to be underway as yet although land has been allocated for the cultural village.

Seymour council is providing infrastructure in the form of roads, water and sewerage, and a housing programme of 461 houses is under way in Seymour town. The bricks are sourced from the local Siyavuka brick-making operation which is run/managed by a collective of three persons and employs others.

Amatole District Municipality

Amatole has carried out infrastructure projects for the former TRC areas under the Community Based Public Works Programme. The funds are drawn from levies, as

well as from external sources such as CBPW, CMIP and from Provincial government. The funds are allocated to projects based on priorities identified by the TRCs and TLCs.⁴

Amatole has also been involved in a number of development projects:

- **Tourism:** A tourism centre has been constructed in Hogsback and a rock-climbing projects is underway. A plan was also drawn up for an Amatole Mountain Escape Tourism route, but this is not being implemented due to questions as to whether it fits with the development priorities of the district.
- **Spring-water bottling project** in Fort Beaufort area. Funding of R842 000 has been obtained for this project from the Department of Provincial and Local Government. The project is to be owned by the community and approximately 20 people are to be employed.
- **Binfield Dam fishing project.** Funding is being sought from Department of Provincial and Local Government. The project is still in the set-up phase.
- **Revitalisation of citrus farms in Kat River valley.** One farm has been identified by Amatole as a pilot project, but no funding has been provided as yet. The project is to be run by the Department of Agriculture.

High-value crops: Paprika Growers Association

A range of high value crops have been identified through contact with a Mr Norhushe of the Buffalo City municipality. There has also been a study conducted by Lane Webber of Forestry & Agriculture Rural Management (FARM) with support from IDC and World Vision.⁵ The high-value crops include beans, paprika, ostrich and groundnuts. With the Nkonkobe Business Advice Centre a grouping of mainly emerging farmers has organised into a paprika growers association with an Nkonkobe executive subcommittee as part of a wider Eastern Cape body. This is the first high value crop which is being pursued as a test case. There is assistance from Eric Hemmes of Netrosipicenet, a Durban organisation that will purchase the paprika, and the provincial Department of Agriculture. Finance is to be provided by uVimba. At present loan applications are being completed by farmers with the plan to plant in spring. The farmers involved cover the whole Nkonkobe area.

Department of Water Affairs and Forestry

- **Working for Water programme:** This programme employs 3 teams of 20 people clearing wattle in Katberg/Balfour, with plans to engage one of the teams in a secondary industry project making charcoal. The project has recently begun and lasts for a period of 24 months.
- **Indigenous forestry project, Katberg:** This project has since folded, partly due to the closure of the railway line.
- **Timber treatment plant** planned for Seymour.

⁴ Documents were to have been provided on all of the infrastructure projects, but these have not been received.

⁵ FARM is a private consultancy organisation and it was not possible to obtain copies of the report.

Community and NGO initiatives – Fort Beaufort

- **Newtown brick-making project** funded and supported by RAP of Fort Hare.

- **Laphum' ikhwezi Aids project**

Community members initiated the project by working together with two local churches early last year (2000). Their objective is to ensure that the community at large is educated about this disease. The thirty people mainly youth involved in this project visit the schools, hospitals and prisons to teach about HIV/AIDS. Donation papers are used for income generation as there are no donors funding this project. The council supports this project by providing venues for workshops and counselling.

- **Fort Beaufort Community Developers**

Youth in the community volunteered to help the nurses in delivering medication for the old and disabled. Their objectives are to provide care to the elderly, disabled and abused women and children. They also aim to engage the marginalized in poverty alleviation projects to promote self-reliance. A soup-kitchen was established to help the disadvantaged with donations asked from local businesses. The 15 participants visit the old aged and the disabled in their homes and take care of them, as they do not have a centre. A centre for needy children below 15 years is available. This centre will soon be in operation as funding for it is available from UFH.

- **DOTS Project**

Youth in the community involved themselves in delivering treatment for TB patients. There is a high rate of TB in this area and many patients do not come for their treatment. This project started in 1995.

- **Eyethu Indoluphu Cleaning project**

About 45 men & women together with the youth decided to clean-up the township and also to decorate it along the road. They use their own resources to carry out these duties. The council supply them with transport to remove the dump. These volunteers hope that when the municipal office needs cleaners they will be the first to be considered, although so far this has not been the case.

- **Phambili Makhosikazi**

This project had involved women in sewing (10 people), knitting, beadwork (5 people) and vegetable gardening (34 people). The sewing, knitting and beadwork parts of the project have halted due to friction between the members over selling the products. Participants are now operating as independent sewers selling to the local community.

In the Fort Beaufort organisations people tend to be involved in these community activities because they are unemployed and have nothing else to do. They hope that one day there will be some income available for them. Youth are very involved in these activities. Most of them have diplomas, others are teachers and the rest have matric. Though there is access to electricity and telephones there are no resources to engage in economically-related activities.

Community and NGO initiatives - Seymour

- **World Vision** is engaged in a range of activities, as follows: Sports development (sports ground and equipment); schools and church building; small-scale farmers.
- **Mpofu Youth Programme:** works with volunteers to train children in sports and arts. Funded by Dutch donor agency Novib.
- **Masinedane Community Development** works on community gardens, small business support and sport development. Funded by Dutch donor agency Novib.
- **Vegetable co-operatives** funded by the European Union.
- **Kat River Dam fishing project** employs approximately 12 people. At present the project is in the early stages. It is run by Rhodes University and employs approximately 12 people.
- **Siyavuka brick-making project** set up by three partners and employs others. Bricks are being used in council housing programme

2.2.2 Alice and Hogsback

Council projects - Alice

The main projects that the Alice Council is currently engaged in aim at improving infrastructure, particularly road construction. The following is a list of projects that are currently under-way or have been recently completed:

- **Road construction:** Road construction is currently taking place in the town, Ntselamanzi and Hillcrest. It is expected that improvement of roads will be taken to other areas as well.
- **Storm water drainage:** This is currently being improved, along with the paving of the sidewalks in the Alice town.
- **Sewerage system upgrading:** This project has been completed thanks to a loan from the DBSA.
- **Housing:** The housing project is still underway.
- **Streetlighting:** Streetlights in the Alice town have been recently completed.

Community and NGO initiatives

There is only one major NGO in Alice, ACAT. The following are some of the projects that ACAT is engaged in:

- **Participatory agro-forestry programme:** This project seeks to deal with the problem of de-forestation. Currently, ACAT is carrying out this project in the village of Cwaru in Middledrift.
- **Irrigation projects:** This project is in Alice. Funds to finance the project were sourced from the DTI and the DALA has donated a nursery. This is reported to be one of the success stories.
- **Training:** This involves training local communities in various areas such as knitting, brick-making, etc. The Department of Labour has participated in some of the training projects. This project has been undertaken throughout the Nkonkobe district.

- **ABET:** ACAT is also engaged in ABET. Currently, there is a project that is supposed to start in Middledrift in the village of Raba- although little has happened to date.
- **Leather projects:** This project is based in Alice. It concentrates on the making of leather products.
- **Cultural Village:** A cultural village has been proposed in Alice. However, land for the project has not been allocated. Also, the project requires a huge capital injection. Its success depends on the activities of the UFH and on the promotion of tourism.

Many of the community initiatives underway around Alice are run through Fort Hare, and are outlined below.

University of Fort Hare projects

The UFH is planning, and has embarked on, a series of projects to empower its surrounding communities in terms of technical skills that will facilitate increased output from agricultural production. Some of the projects still require some funding to take off, and others still require preliminary research work. Below is a list of projects based on proposals that have been drafted between 2000 and 2001.

The UFH is mainly connected to surrounding communities through projects undertaken by the Rural Action Project (RAP), which is a semi-autonomous institution from the UFH but located on campus and the Agricultural Rural Development Research Institute (ARDRI).

- **ARDRI Projects**

*Project on the Preservation of Indigenous Livestock*⁶: This project is based on co-operation between the UFH, ARDRI and the Eastern Cape Department of Agriculture and Land Affairs. It is funded by the National University of Norway. The "central objective of the project is to re-introduce a pure bred indigenous livestock to the communal grazing areas of South Africa and to actively involve small-scale farmers in the preservation of this valuable gene pool." Indigenous livestock is said to be resistant to tropical diseases and adapt easily to poor grazing conditions. The project has four major aspects: value-adding (i.e. marketing of genes rather than meat only), ownership by the community rather than by individual farmers, partnership between communal and commercial farmers and passing on the gift to other communities.

*Project on the Production of Essential Oils*⁷: This project was initially undertaken in the mid 1970s and came to a close in the early 1990s. The close of the project was due to the fact that no one seemed to be keen on taking it forward after its initiator, Prof. Graven, retired from the UFH. Two professors attempted to revive the project, but later left UFH. The NRF has provided funds to promote research among postgraduate students in the Departments of Agronomy and Botany. The CSIR is also said to have undertaken research work on essential oils in recent years. The project is reported to have potential, what is required is a group of dedicated individuals among whom must be a highly competent technician to extract oil from the plant material.

⁶ *A Proposed Co-Operative Project Between the University of Fort Hare, ARDRI and the Eastern Cape Department of Agriculture and Land Affairs to Develop Small-Scale Poultry Production Units in Neighbouring Communities*, UFH, 2000

⁷ *The Production of Essential Oils in the Eastern Cape: A Potential Vehicle for Rural Development*

*Project on the growth and supply of vegetables to the UFH*⁸: The project is based on co-operation between the UFH (ARDRI, the Research Farm, Faculty and Animal Traction Centre), the provincial Department of Agriculture and Land Affairs and the contracted Caterers. This project will be "mutually beneficial to the UFH and the neighbouring community." It will ensure that the University gets quality produce at competitive prices and the community will thereby find employment and income source. The land to be used is in the Research Farm and it is estimated that about 50 families would get employment, income and food from this project. In addition the UFH will offer a building in which preparation of these vegetables for the kitchens on campus can be done.

*Project on Promoting Agriculture through School Vegetable Gardens*⁹: The objectives of the project are "to improve quality education of both teachers and learners through practical agriculture and technical skills development...to promote the choice of agriculture as a career at tertiary level." This project seeks to promote school gardening, but will also require sufficient water supplies. Institutions identified are schools and ARDRI.

*Proposal for the Fort Hare Academy of Rural Sport Development*¹⁰: The proposed project will focus on "improving the quality of life through sport and recreation; mass participation; and the development of sport through organised competition, talent identification and the upgrading of coaching." There are no institutions involved in the project yet. Funds have still to be raised by the UFH from external sources.

*Project on Cultural Tourism*¹¹: The project seeks to develop the Nkonkobe district into an area for tourist attraction. It seeks to identify historical heritage sites and popularise the historical significance of the area through the collection of materials from the "liberation struggle period". The success of the project is closely linked to the success of other projects such as the renovation of the Alice fresh produce marketplace and the monitoring of the surrounding natural reserves. The envisaged institutions to take this project forward are the UFH, Tourism Board, the provincial and the local governments.

*Proposal on the Monitoring of the Great Fish River Reserve*¹²: The Great fish river Reserve is noted as lacking in "technical and scientific personnel to facilitate eco-tourism development and community benefits while at the same time protecting resource value and biodiversity. The Eastern Cape Tourism Board is one institution that is interested in the development of the Reserve. The project seeks, among other things, to develop the Reserve as a living laboratory and field station with facilities to attract students interested in doing research work in the Reserve. The envisaged institutions to participate in the project are the UFH, the Eastern Cape Tourism Board, and the Eastern Cape Nature Conservation and the Fish River Management.

*Project on Small-Scale Poultry (Broiler) Production*¹³: The project seeks to increase intensive poultry units in the communal areas of the Eastern Cape. The provision of electricity and water makes it relatively easier to set up such units. The proposal sets the project target to be the establishment of 10 to 20 new small-scale broiler producers

⁸ *A Proposed Co-operative Project Between the University of Fort Hare and the Neighbouring Community to Grow and Supply Ready-to-Use Fresh Vegetables to the University*, UFH, 2000

⁹ Boltina, N.S., *Promoting Agriculture through School Vegetable Garden*, ARDRI, 2001

¹⁰ *Proposal for Fort Hare Academy of Rural Sport Development*

¹¹ *Cultural Tourism*, Community Partnership Cluster

¹² *Monitoring: Great Fish River reserve*

¹³ *Small-Scale Poultry and Broiler Production*, UFH-ARDRI-ECDALA

every year. Institutions envisaged to take the project forward are the Department of Livestock and Pasture Science, ARDRI, ECDALA and the Alice/Nkonkobe Development Forums.

*Proposal for the Animal Traction Training and Research Centre for the Eastern Cape*¹⁴: The animal traction training and research centre was set up in 1993 with the financial aid of the Chairman's Fund of Anglo American. Later that year the UFH and the DBSA initiated a national workshop in Fort Hare in which the Southern African Network of Animal Traction. This centre has since its inception functioned on a very small budget and heavily relied on the UFH for funds. The problem is that the UFH does not have enough funds to sustain the centre and to increase its capacity to meet the needs of the province.

*Land reform project/the impact of rights over land ownership on output*¹⁵: One of the problems that have been identified as hindering the viability of projects for agricultural and housing purposes is lack of clear ownership rights over the land. Lack of clear property rights is identified as hindering credit availability since it does not offer real security to banks and other credit issuing institutions. Another proposal, on a related issue, seeks to make land from insolvent businesses available to Black farmers. Commercial farmers are envisaged to play a role in the transference of the land by selecting the farmers to whom the land will be transferred. Institutions such as commercial banks, the Land Bank, and commercial farmers are envisaged to participate in the project.

*Proposal on the use of information technology in rural development, extension and education*¹⁶: The main objectives of the project is to improve the dissemination of information and extension from research to communities, help communities market their skills and products through the internet, and develop skills in the use of information technology tools. The envisaged institutions to take the project forward are the institutes in the UFH such as the ARDRI and the Department of Computer Science, Government and interested development agencies.

*Proposal on the beautification of Alice*¹⁷: The proposal identifies the problem that "Alice as a University town is not very well looked after in terms of its surroundings. This includes grounds and gardens, its buildings, the streets and other areas of tourism interest." This project is critical in ensuring that Alice becomes a tourism attraction and a conducive centre in which commercial activity takes place. Institutions envisaged to participate in the project are the Women in Agriculture and Development, Young Women's Christian Association, Alice District Arts and Culture Association and the Alice Municipality.

*Proposal on the Renovation of the Alice Fresh Produce Market*¹⁸: The renovation of the Alice Fresh Produce Market is viewed as a critical step in improving small-scale farmers' access to markets. The fresh produce market will not only serve as a centre in which agricultural products are exchanged, it will also be a centre in which other

¹⁴ *Animal Traction Training and Research Centre for the Province of the Eastern Cape*

¹⁵ Mnonopi, P.V., *An Interdisciplinary Project Relating to the Determination of Real Rights over Property/Land as Security to Sustain Credit or Funding for Agricultural, Commercial Business and Housing Projects*, Department of Private Law, UFH. *Preliminary Proposal for Land Reform Project-Eastern Cape*, Department of Agricultural Economics, Extension and Rural Development.

¹⁶ Ngwadla, X.J., *Use of Information Technology in Rural Development, Extension and Education in the Nkonkobe Region*, Eastern Cape, ARDRI, 2001

¹⁷ *Beautification of Alice Town (First Draft)*

¹⁸ Bediako, A. *A Proposal for Agriculture and Marketing Development in Alice- Victoria East*, ARDRI

products such as art and craft are displayed. The institutions identified to take this project forward are the Department of Agriculture, the Alice Municipality, ARDRI, Farmer Associations and the East London Fresh Produce Market.

- ***Rural Action Project (RAP) projects***

Currently, the RAP is engaged in 13 projects. There is an attempt to ensure that these projects are structured in such a way that they are part of a value chain. That is to say projects are tailored in such a way that they are interrelated so that they become self-sustaining overtime. The ability of the RAP to ensure that these projects form a value chain depends on the ability of the UFH to exercise its power as the central institution in the economy of the region in terms of having contracts with local producers for provision of goods and services such as vegetables and cleaning. The 13 projects are listed below:

Brick-making (Fort Beaufort, Newtown): Capital has already been advanced. The market for this project is the municipality housing project. The project therefore has a potential to be viable.

Seymour Farmers: These 19 farmers occupied formerly white-owned land but had no plans to start projects. The RAP assisted in the drawing up of business plans, provided management training and performed soil tests to establish the plants best suited for the soil. The report on these tests is yet to be presented. So the project is still at a planning stage. The market for the products has not yet been identified, although some farmers already sell in Fort Beaufort.

Dikidikana Project (Middledrift): This is a poultry project. Linked to this project is another one for the revival of the old abattoir in Middledrift. Construction of the shelters for the poultry plant is still underway. The potential problem is that there is no market yet that has been identified.

Kwangevu Turkey Project: This is poultry project that seeks to establish a turkey poultry plant. An added advantage is that it is run by people with teaching qualifications who do not have teaching jobs.

Crafters Development Centre (Alice): This is a sewing project. Products are traditional garments, leather products, etc. The market for this project is difficult to identify and it is not yet known since it is relatively new. However, the increasing numbers of tourists that visit the UFH buy these products. Initially this project employed about 39 women. This number has dropped to 27. Part of the problems cited by participants in the project were lack of transport to the UFH to do the work. They also cited the need for training in doing leather works¹⁹. Another problem identified was the shortage of supply of inputs, which are bought from as far as Cape Town. The viability of this project crucially depends on the growth of the tourism industry.

Ilingelihle Project (Alice): This is also a sewing project. It mainly produces duvet sets and other bedding products. The RAP is of the view that the market for this project is also difficult to identify. However, discussions with members participating in the project revealed that the project is relatively well known.²⁰ The project has exported

¹⁹ This information is based on an interview with Mrs G.N. Mali of the Alice Crafters Development Association, held on 30 May 2001.

²⁰ This information is based on the interview with Ms K.F. Siyo of the Ilingelihle Women's Project held on 30 May 2001.

some of its products to the U.S.A. and the U.K. However, these markets are not guaranteed. There are no contracts. Furthermore, the project still requires equipment such as a telephone, a computer and a fax machine to confirm and receive orders more easily.

Somgxada Project (Alice): This project seeks to increase vegetable production. The problem is that the people involved have no idea about farming. The RAP had to train them in the process of initiating the project. Currently, 'Fruit and Veg' in Alice is the major buyer. There is no formalised contract.

Masiphumelele Project (Alice): This is also a vegetable production project whose market is not yet identified. The RAP has just started funding it and has yet to discuss on further needs of the project with the community members involved.

Mveliso Garden Project: This is a vegetable production project. The potential problem is that it is mainly run by people of old age and is therefore likely to fold unless young people are involved and become innovative in driving it forward. It has the same market conditions as the other vegetable producing projects

Vusisizwe Project: This project produces tar poles. It is located close to the gum tree plantation and is currently operating, but is experiencing problems. It cannot compete with existing tar pole producers because it has no infrastructure such as delivery vans. There is a need to consider the possibility of this project forming partnerships with established hardware stores.

3 co-operatives: Two of these co-operatives were formed by workers who were retrenched by the UFH in 1997. These workers have won three-year contracts to offer catering and cleaning services to the UFH. The catering services are provided for by the co-operative and Kagiso. There is therefore competition in this service provision. The security tender was won by another co-operative, which the RAP has funded.

Department of Water Affairs and Forestry

- ***Tyume Valley Scheme, Alice,*** is no longer operational and this has meant that the supply of clean water to rural areas has suffered a serious setback.
- ***Nursery, Alice.*** Project planned to provide trees for purchase in Alice.
- ***Small Nature Reserve in Hogsback*** (approximately 1000 hectares) with walks etc.
- ***Indigenous forestry project,*** with Hala community, Hogsback.
- ***Working for Water.*** 6 teams of 20 in Hogsback clearing wattle. The project lasts for a total of 24 months. There is the possibility for secondary projects.

2.2.3 Middeldrift

Council projects

Council priorities include water, sanitation and roads (funded by CMIP), and there is housing programme underway in Middeldrift town.

Community and NGO initiatives

Middledrift has various activities in the rural areas. This area is mainly rural, and has a great potential in agricultural activities. A few funded projects were identified in this region namely:

- **Zalaza irrigation scheme** (still running)
Funded by the department of Agriculture. The project is sustainable with about twenty people involved. The main problem is the lack of identified markets beyond the local community.
- **Siyakhula sewing project** (still running)
The project was initiated by ABET for the adult education students. The project started in 1999 and has twenty-nine participants. ABET provided limited resources and the Department of Labour offered training to the participants. The project has a bank account and a site to build a working station. There is no ongoing financial support for this project and hence it is unable to build on the site. There are also not enough machines for operation.
- **Amatole Basin poultry project** (not running)
This particular project was funded by South African Breweries and the Department of Welfare made a once off donation of R14 000 for fencing. The project was doing well, with about 39 people involved, mostly women, before it closed down in October 2000. The markets were local hawkers and small shops. The problem was the leaking roof when it rains and the fact that there is no electricity at the project location. There was lack of management skills such that the project did not cover the maintenance costs. The hiring of transport for deliveries and security guards were some of the issues raised that contributed in the failing of the project. SAB sent material for fixing the roof last year and the renovation has been finished since February this year. The project has not started running again due to lack of funds, and the contact person at SAB has left organisation. The Nkonkobe Business Advice Centre is involved in attempting to re-start the project.
- **Upper Ncera sewing & netting** (not running)
The project was initiated by ACAT in 1997; ACAT donated resources and trained participants. The project was not successfully managed and hence failed to sustain itself.
- **Nontsingiselo Poultry project** (not running)
The project was initiated by the Department of Agriculture. The department provided the building and start up stock for the project. The project was not properly managed and monitored and hence failed.

The lack of management skills and marketing are the main issues that lead to the collapse of the above projects. Most of these projects were not monitored.

Besides the above projects there are a lot of other activities in this area which have not received donor funding. Among the activities we can identify irrigation schemes & community gardens, sewing and beadwork, brick making, poultry, welding, net wire making and crafting. In these activities we find irrigation schemes & community gardens, poultry and sewing the most common. Due to the high unemployment rate in this area communities and individuals have initiated these small projects for income generation. Community members who have dependants, are unemployed and not

pensioners are mostly involved in these activities as their source of income. These activities have a number of participants between five and twenty-five.

Irrigation schemes and community gardens:

There is either an irrigation scheme or a community garden in almost every village. Many of these gardens are not running and those which are still running are not doing well. The major problem for these projects is not having wider markets to sell the products, beyond the local communities.

Sewing projects:

In most villages there is a small sewing project. These involve a wide variety of products, including cultural clothing, curtains, duvet sets, jackets, dresses & suits, school uniforms and knitted products. This is one popular activity in Middledrift with necessary skills available. Most of the sewing projects are sustainable as individual leaders of projects do have other sources of income to invest in the project. Some of the project leaders are qualified clothing designers and teachers. They use their own resources to keep the project running for the benefit of others. Though most of these projects do not have working facilities like enough sewing machines & over-locks and use a hut or a classroom to do their work, the participants are keen to do the work with the hope that they will get something when the products are sold.

Poultry projects:

Once again there is a great potential for this kind of activity in the Middledrift area. As much as many of these projects are doing well, some do experience some difficulty in marketing their products. Those individuals with own transport are doing better, as they can take the products to various pension pay points and deliver to surrounding villages. Some even take the products to KWT.

There are many unemployed people in this area. People are trying a lot of different activities for survival. To have no identified market place becomes a major problem. Very few youth take part in these projects, though there are many of them with matric but unemployed.

Department of Water Affair and Forestry

- ***Mankazana community woodlot.*** This has fallen into disuse and is to be revitalised and transferred to the community. It can produce firewood and poles for building etc. There is surplus timber at present.

2.2.4 Analysis of types of projects and conclusions

The economic development impact of the projects can be categorised in different ways, such as:

- their direct contribution to employment
- the skills and experience gained
- the sectors in which they are located (agriculture, infrastructure, sewing etc.)
- the impact they have on other activities
- the institutions and community organisations involved

In addition to the direct employment effect, planning for economic development means examining the wider effects of the projects, their sustainability and the organisations running the projects. The projects must be part of the wider development of organisations and groupings of people who are marginalized in a way which increases

the ongoing potential for economic activity which earns meaningful returns (that is, beyond survivalist activities).

It is evident from the overview of the projects above that there are a wide variety of projects run by many different organisations. They are not necessarily designed as part of a broader understanding of the economic development processes on which they wish to impact. The majority of projects in poorer rural areas involve small-scale agriculture such as vegetable production and poultry farming. From the brief assessment of them, three areas need to be addressed from the point of view of broader economic development:

- ***Need for co-ordinated marketing networks/organisations:*** In the absence of this, increased production will not be sold any further away than the nearest town and producers will not earn decent returns if they are all trying to market similar produce in a small town like Middledrift. A marketing organisation would need to address issues of distribution, a degree of collective co-ordination of production and developing links with outlets in the larger towns of Alice and Fort Beaufort and further afield in King Williamstown, Bisho and East London.
- ***Management skills, experience and institutional framework:*** Projects which appear to have been driven by the donor's purchase of equipment or provision of training have not been successful. There is therefore a need for support in the form of practical organisational techniques and financial planning which is linked to community organisations which are driving the projects. This should be tied into support provided for the specific type of project (e.g. training in sewing). Successful projects are also grounded in links with local groupings or institutions which are responsible for the projects.
- ***The development of production:*** A development path for the growth of production is important as part of a vision for the sustainability of project in a dynamic sense, and to guide the reinvestment of returns back into the activities. This can be in terms of different types of operations. It also needs to be linked into issues such as irrigation projects and land reform (the regeneration of former Ciskei government land). A key challenge is to bridge the divide between the two very different parts of the Nkonkobe economy created under apartheid.

We now take several examples to illustrate the application of these considerations to ensure that projects can be successful as targeted interventions to make a significant impact on the local development path.

Poultry production: There are several poultry projects which have been underway or have failed in Nkonkobe. Two projects (funded by South African Breweries and Department of Agriculture) have failed due to inappropriate support or organisation. In contrast, communities are successfully running such activities without donor support. There is a need for co-ordination of organisations involved in such programmes to identify the key needs in terms of expertise and management in setting up operations and how most effectively to provide this support. Finance should only be provided with a view to the ongoing management of recurrent costs to avoid problems of initial facilities falling into disuse because ongoing bills have not been budgeted for. A co-ordinated approach to marketing is required, including supplying produce to Fort Hare and other institutions as well as the fresh produce market and shops.

Alice Fresh Produce Market: This should be a priority as it is central to facilitating marketing and developing production. By increasing the amount of food purchased in Nkonkobe which is also produced in Nkonkobe it will strengthen the economic linkages and the multiplier effects that come from any stimulus to the local economy. It will also help with marketing produce outside Nkonkobe, such as King Williamstown by providing a focal point for buyers and distributors. In addition, it will aid as a focal point for the dissemination of what is being produced so as to reduce the risks of producers entering production of the same goods. The market can also be linked with selling arts, crafts, clothes and leather goods to build on the tourist market.

Tourism and related activities

The focus of projects related to tourism needs to be to provide a variety of tourism experiences which are attractive and easily accessible. At present tourists are likely to pass through much of Nkonkobe on their way to nature reserves or Hogsback. There therefore needs to be a combination of attractions, historical and cultural, and the marketing of products which add value for Nkonkobe from tourist activity. At present, similar attractions such as cultural villages are being planned in both Alice and Fort Beaufort. It would be better to have a smaller number of better-planned and organised attractions which build on the existing strengths of Nkonkobe, especially the history. These could then be collectively advertised as a group of experiences in visiting Nkonkobe. As attractions will bring in visitors who will also provide a market for crafts, accommodation and restaurants, it is worth subsidising sites such as museums and cultural village directly in terms of infrastructure and advertising.

In general, much of planning is about collection and dissemination of information enabling different groupings to make decisions. The council is an appropriate place to do this.

2.3 Institutions involved in local economic development

Identification of the institutions engaged in economic development is closely related to the outline of the activities underway (under 2.2). The focus of this section is to examine the capabilities and orientation of the various institutions. In addition to briefly reviewing the roles of councils in relation to economic development, this includes an examination of the activities of ECDC, NGOs, Department of Water Affairs and Forestry, Safcol and a brief analysis of the roles of key groupings such as commercial banks.

The key questions addressed are:

- which institutions are currently involved in economic development, at what levels and in which projects?
- what are their capabilities and needs?
- at what levels should such institutions intervene to facilitate implementation?
- what are the required institutional relationships to reinforce the proposed sectoral linkages in the LED framework?

A framework for local economic development requires understanding the roles being played by various institutions, and their potential. To do this also means assessing their orientation – their objectives and the interests they represent.

2.3.1 Local government institutions

In general, local authorities have been focused on service delivery, with priorities on water supply, sanitation, roads and housing delivery within the budget constraints. Impressive progress is being made in these areas. There is, however, relatively little attention to stimulating and directing broader economic development (with some exceptions). Projects outlined in the Interim IDP in general are not underway, nor have been situated within a development framework. Rather they are a list of things which might occur in the area if funds from donors or other sources were forthcoming. This reflects the lack of time and capacity for addressing these concerns. There is also a need for development issues to be addressed at the level of Nkonkobe as a whole in order to take account of the inequalities which exist across the municipality in terms of economic activity and local authority capacity.

Middledrift

The Middledrift area includes 58 villages, some as much as 50-60km away from Middledrift town. Most villages now have electricity (under Eskom's electrification programme) and standpipes (from Amatole). Work is continuing on water provision, sewerage and roads with funds from CMIP. Approximately 15 villages still do not have water supply. Most of the villages have very bad road conditions and as a result it is difficult and costly to travel from the villages to town. The Middledrift administration derives funds from water, rates and sale of river sand for building. A housing programme is under way in Middledrift town using local contractors with materials (other than sand) being sourced from King Williamstown.

Although there has been some progress in providing telephone services, due to the fact that these communities are not economically empowered many telephones are not operating (are closed/terminated because of debt). Similarly with electricity, affordability prevents many from utilising its availability.

There is very limited formal employment, almost entirely consisting of public sector employees (teachers, prison warders etc.). In Middledrift town there are small business units of the former Ciskei Business Development Corporation. Land has been set aside for

a business site, however there does not appear to be clear strategy at present as to what businesses may be attracted and how they would contribute to development of the area.

There are many projects in the rural areas, including vegetable production, irrigation schemes, poultry and sewing projects. Some of these are quite large, for example the revitalisation of older irrigation projects. Funders include the Department of Agriculture, South African Breweries, South African Council of Churches and other NGOs. There are a range of problems constraining these projects, especially ongoing organisational/managerial training and the lack of marketing structures for vegetable production. For example, the Zalaza irrigation project received funds from the Department of Agriculture to produce vegetables and citrus but failed due to lack of management. The Njwaxa sewing project has a factory building and provided initial training but there are no sewing machines. An SAB funded poultry project appears to be constrained by a lack of management skills.

Other constraints include the lack of full banking facilities and post office. There is an FNB agency in a shop and a branch of uVimba rural development bank.

Summary: While being a relatively poorer area within Nkonkobe with no major businesses, there are a range of projects and organisations operating, with an active role being played by councillors and local administration. Institutional capabilities for economic development are therefore being built, opening up areas of potential. Much remains to be done and the council has no plan for poverty alleviation beyond service delivery.

Fort Beaufort

Fort Beaufort consists of the Fort Beaufort town and township and 17 villages. It has the most developed formal economic activity, with large-scale, relatively capital-intensive citrus farming, large retail outlets (cash&carry, supermarkets), hotel etc. The other major source of employment is the public sector. Significant amounts of resources therefore flow through Fort Beaufort.

Most villages have water, although sewerage and better sanitation is still required. The council has been focusing on water, sanitation and roads, including rapid land development programmes in the Newtown and Beaufort areas. All capital projects are funded through CMIP or the Amatole district council. Water has been privatised, and the council has to make payments to the company to ensure provision to areas of need. Revenue comes from rates and the sale of electricity provided to the council in bulk by Eskom.

The development of infrastructure has also been on a larger scale than elsewhere. The realisation of local employment gains from infrastructure projects (water, sanitation and roads) has been through the setting of requirements for the consulting engineers that are hired. Emerging contractors have been used for the housing programmes. The tendering process for materials such as bricks has resulted in some being sourced from King Williamstown due to cost and quality considerations rather than from local brick-makers.

It also has the legacy of a relatively urbanised population due to the land-use in the form of large-scale agriculture, resulting in high unemployment with few other activities available. There is a development centre, a development forum and a variety of organisations and community groups. There is also a vacant building previously occupied by a college (Cape College).

Summary: Despite only focusing on service delivery, there are relatively strong institutional capabilities and infrastructure in Fort Beaufort – the challenge is to re-orient them to broader economic development and to capitalise the possible linkages rather than seeing them as 'add-ons' and not a core council function, as at present. The other challenge is to ensure

that inflows and incomes (from formal and public sector employment) are retained in the local economy. Present moves to attract out of town retail outlets risk having the opposite effects. The council has identified a range of LED projects, none of which appear to be underway at present. There are also a range of community organisations engaged in ongoing projects.

Seymour

The Seymour area (covered by the former Seymour TRC) includes the very small towns of Seymour and Balfour and 32 villages. The nearest town of any size is Fort Beaufort around 40 km away. Nevertheless there is a wide range of economic activity, including forestry and agriculture and three major NGO groupings.

The council has been engaged in providing infrastructure in the form of roads, water and sewerage. There are still large backlogs, especially outside Seymour town. Only three villages have access to electricity and most people in the area rely on paraffin or wood. Only five villages have water standpipes which are run by means of a generator. A housing programme is under way, sourcing bricks locally.

There is formal employment in the forestry, a small sawmill in Balfour (cutting rafters) and a timber factory processing logs (sourcing timber under a contract with the former Ciskei which ends in 2005). The timber factory is family run and is not operating very successfully. Negotiations are underway with the community for its future operation in view of the ending of the contract in 2005. The various agricultural activities cover large-scale (white-owned) citrus farms, former Ciskei state farms, state forests and small-scale farming. A factory manufacturing products from local pine (dog kennels etc.) has recently been established in an old tobacco factory Balfour and plans to expand into manufacture of furniture. Presently they employ 30 people. They already have established marketing links to Port Elizabeth and Johannesburg. The Mpopo National Park is also within Seymour, along with a Protea hotel.

There is also a range of organisations involved in various activities (as outlined under the projects, above):

- DWAF 'Working for Water Programme'
- Three major NGOs: World Vision, Mpopo Youth Programme and Masincedane Community Development
- European Union, funding vegetable co-operatives
- A fishing project in the Kat River dam run by Rhodes University
- Farming co-op
- Katala Forest Forum/Trust

Summary: The local administration is embarked on infrastructure development and is well situated to promote a local economic development strategy in partnership with other organisations and private sector businesses. At present there is dependency on NGO organisations and there is a need for the council to engage in LED on a more co-ordinated basis in partnership with various organisations. In particular, potential exists for revitalisation of irrigation schemes, and regeneration of farmland of the former Ciskei, including citrus farms along the upper Kat River. The revival of farms will require capital injection – at present much of farmland has stock on it, as finance is not available to enable it to be ploughed. There is potential to maximise the returns from injections from various projects and increase activities, such as brick-making. It is also important to build on the skills and experience gained by participants in the projects (such as the training provided by 'Working for Water').

Hogsback

The Hogsback area includes the town itself, various villages and forestry. There is no separate local administration, and the council offices are located in Hogsback town on top of the mountain and away from the villages located at the foot of the mountain. The council's functions are limited to services and refuse collection. The priorities are further infrastructure development (water and sanitation) and improvement of roads to encourage tourism.

Employment is due to Safcol, tourism (including domestic workers, cleaning staff for accommodation facilities etc.), a small Sawmill (Schenk), DWAF wattle clearing and a mineral water company (Barocca) which employs over 10 staff. Major constraints include access to land in Hogsback if there is to be more broader community participation in tourism initiatives. Land claims are also outstanding on forestry land which formerly was the site of the village (and graveyard). There is also no bank or post office, letters are sent through a general dealer. Thus, although in many ways Hogsback appears relatively developed, there are major issues to be addressed at a strategic level relating to an appropriate economic development strategy.

Alice

The Alice area includes the Alice town and 57 villages. Most of the villages have access to electricity and telephones. However the study conducted by ECSECC (2000) indicates that "many of these phones do not work however, and Telkom seldom services them." Most rural villages do not have access to clean water and sanitation, this has been exacerbated by the Tyume Valley Scheme, sponsored by the DWAF, no longer being operational.

The urban areas of Alice have access to clean water, electricity and telecommunications. The major problem which affects both the urban and rural areas is lack of tarred roads. Currently, there are projects in which the council is engaged to improve the bad conditions of the roads in the area.

The revenue of the council is mainly from rates and the national poverty alleviation fund. The council's expenditure is directed mainly towards infrastructural investment. The total amount of funds directed towards this investment is about R22 million. These projects are a continuation of the 2000/2001 budget allocations.¹ This money was raised from various sources. These are the CMIP, Amatole District Council, Provincial Housing Board, DBSA, and the Alice Municipality itself.

Although these projects are directly administered by the council most of them are performed by private companies because the council does not have capacity to undertake them. One of the conditions is that these companies must use local labour. Consultants are called in to quality assure the projects implemented by these private companies, but also the council has criteria to quality assure these projects.

The council is also engaged in low-cost housing. Materials for these projects are sourced mainly from KWT. The major reason advanced by the council on why builders and materials are from outside Nkonkobe is that local builders and suppliers do not have capacity to meet the demand for housing. Thus, local businesses are involved as far as they can provide the materials needed from them.

The council has some relations with Eskom, the electricity provider in the area and Telkom. It has also established relations with the DBSA the result of which is the sewerage

¹ This information was provided by Mr. B. Ketelo.

upgrading project. There are no established relations with the commercial banks in the Alice town. Local business in the area is not organised and this poses problems when the council has to issue tenders for people to provide services. The council has no external donors. There are very close relations between the council and the UFH. The council also has strong relations with Lovedale. The latter has engaged a Canadian agency to train people on civil works.

The major employers in the area are government and the UFH. It is clear that the latter plays a critical role in the economic development of the area. Not only is the UFH a source of income to those it employs, it is also a source of demand for many local producers and a potential source of demand for the projects outlined in the municipality IDP. There are other spillovers to the Alice town as a result of the UFH being located there.

The council sees its role in the IDP as a facilitator of local economic development. It seeks to establish and maximise economic linkages in the area through projects and facilitation of institutional linkages. The council is also keen on developing SMME's, but the problem is that the business sector in the area is not organised.

Amatole District Municipality

The main areas of activity have been in infrastructure projects, as identified by the former TLCs and TRCs. Amatole has also been involved in economic development planning and has been strongly promoting tourism in the Hogsback area. They are in the process of developing an LED strategy for the whole Amatola District. Preliminary internal workshops have been held on this. There is a need for a process to ensure that the district and local municipality plans are consistent with each other.

2.3.2 Developmental organisations

Community groups and organisations

Given the many different organisations operating in Nkonkobe we focus on those of a larger size or where they have come together in forums.

- ***Fort Beaufort Development Forum***

This is effectively not functioning at present and there are issues as to how development forums of individual areas should fit into the overall strategy for Nkonkobe.

- ***Nkonkobe Business Advice Centre***

This organisation was established in mid-2000 as a functioning centre employing two staff following meetings with development forums around Nkonkobe. The Board is constituted of two members elected from each town/area of Nkonkobe. They are funded by ECDC via the Provincial Department of Economic Affairs (this funding will come directly from ECDC very shortly under the re-organisation of the Provincial Department). Their role is to facilitate local economic development through responding to the needs of different groupings, providing services such as advice and training in business management and project planning, and working on market linkages. In the past year they have made presentations on local economic development to various groups in the community and helped groups develop business plans and send them to funders. These proposals include various community projects around Fort Beaufort, a proposal for the use of the Cape College building, and the establishment of a cultural village and craft market in Fort Beaufort. They have also approached the Department of Labour for funds for training. However, funds have not been provided as the Department requires there to be placements for those being trained if the training programmes are to be supported. The only project which is underway is the organisation of farmers to grow paprika as a test case for high value crops. The Nkonkobe Business Advice Centre is therefore not yet very successful in making an economic development impact. The Centre is a resource which could be used much more effectively, and its role needs to be clarified in relation to other agencies.

- ***Christian Development Trust, Alice (ACAT)***

This NGO is driven mainly by women who are engaged in agricultural development. It has strong relations with the UFH through RAP. This NGO is also represented in the Alice Tourism Committee. It is involved in reviving and installing irrigation schemes, poultry production, skills training, community gardens, crafts, AIDS and other social projects. The type of activities that it engages in necessitates relations with the UFH, especially for skills training.

Proposed projects of ACAT are: a) to popularise farming and bring it closer to the people through a weekly magazine and b) construction of a cultural village. However the latter project requires huge funding and a suitable site, especially if tourism is to be promoted in the area. Not only is the proposed village an attraction and place of rest for tourists, it will also encourage those that have come for graduation ceremonies in the UFH to spend more time in the town.

The main problem that ACAT faces is lack of funding. Most funds come from the government. Initially, ACAT was funded by the Premier's Office. However, funds from this source have declined in the past few years. Departments such as Health and Labour have been funding the NGO. The latter in particular has been involved in training activities of the organisation. Other donors include Oxfam, Bread for the World and a donor agency from Switzerland. The latter will start its funding after June 2001.

- **Katala Forest Forum/Trust** has successfully negotiated for the Katberg forestry category to be changed from category A (community has no right of involvement) to category B. The forum has established a trust as a legal entity which could assume ownership of forestry land. The forum has also established projects like Katala forest forum for cutting trees, where training is currently in progress (with the community contributing 10% of training fees and the remainder coming from Penmark).
- **Farmers co-op (Balfour)**. The community has proposed taking over the former ulimoco farms in the Kat River Valley under a co-operative and has written to Land Affairs to put forward their claim. A response has been received from Land Affairs saying that they are at present examining technical issues relating to the claim.

Eastern Cape Development Corporation

The ECDC has largely been reactive to proposals from clients. Their target areas include developing areas of agricultural potential and they have a marketing organisation in Europe. Although many loans (greater than 50) have been made to individuals and groups in the Nkonkobe area over the past ten years, many of these date from the previous Ciskei administration, and ECDC has no major projects in Nkonkobe at present. The major projects being proposed by the ECDC office in Bisho include 3 agricultural projects in Keiskammahoek, a transport (air cargo) project and an auto-components manufacturer. Citrus processing and tourism are both on the ECDC's list as areas for expansion. ECDC is also starting to participate in terms of equity as well as through loan finance. The ECDC does have factory flats in rural areas which they are looking to donate.

From a telephone survey conducted of those who have received ECDC loans for small business development in the Nkonkobe area it was clear that most were involved in businesses like trading stores, hawkers, take-away cafes and salons. Very few businesses are still running and they are mostly people who went to ECDC for upgrading the standard of their businesses (rather than for finance for a new business). This is partly due to the fact that many people who got loans actually had no intentions of starting a business, but needed the money to meet their own problems. A group of perhaps three people would go to ECDC for a business/project loan and identify their area of interest, then take the money and share it out with no business attempted.

Most of the already established businesses are not doing well. The reasons given for poor performance included the fact that many people were engaged in similar businesses. In Middledrift pensioners now change cheques in KWT (as there is no bank in Middledrift) and hence spend there. The businesses employed at most two individuals. The loans to those interviewed ranged between R3 000 to R20 000, repayable over a 2-3 year period. Some people are able to pay at agreed amounts, some have asked for different payment arrangements.

Industrial Development Corporation (IDC)

The IDC covers ten main sectors (including agro-processing, forestry and wood products, and tourism). However, the IDC assessment of projects is primarily based on the proposed cash-flow of the enterprise rather than a strategic focus on the sector or type of operations. It provides both loan finance (at interest rates between 14.5% and 19%) and can contribute to the equity capital of a firm. Although the interest rates are a little lower than commonly offered by commercial banks, the main role of the IDC is the provision of finance on a medium to long-term basis where commercial banks may be reluctant to lend. The minimum size of IDC loans is R500 000, meaning that they are not targeting support at

micro to small enterprises. The IDC did have an orchards scheme in recent years which offered preferential rates of interest but this has now been discontinued. In recent weeks, the IDC in the Eastern Cape has begun to examine investments to revitalise the former Ulimoco citrus farms at the request of the Provincial government. The key barrier to providing finance for this purpose is seen to be problems of land tenure.

uVimba Bank

The Eastern Cape Rural Finance Corporation (uVimba) was established on 13 June 2000 through the combination of the rural farming banks of the Transkei and Ciskei. It provides small-scale rural finance, with starter business development loans from R500. The loans mainly go to areas such as brick-making, metal works and wood-working to provide finance such as for input materials, stock and vehicles. It is also in the process of agreeing loans for farmers in Nkonkobe to grow paprika, through its King Williamstown branch. Uvimba is potentially a key institution in providing finance to low-income households and individuals engaged in productive economic activities.

Land Bank

The Land Bank is an agricultural development bank. Its government mandate is to promote rural development by providing financial products and services. The orientation of the Bank is towards meeting the resource needs of poor farmers and the rural poor in general, although it also provides assistance to companies, trusts and established farmers.

The Bank focuses on those people who have traditionally been denied access to credit. The new loan criteria of the Bank have reduced the collateral needed by people in higher risk categories. The Bank also charges lower interest rates to farmers who demonstrate a commitment to broader development goals such as job creation and improving the workers' housing conditions. It has in the past provided loans to farmers in Nkonkobe and is well positioned to support rural development objectives.

Department of Water Affairs and Forestry

DWAF has very important responsibilities for forestry and water and directly impacts on economic development. It is presently planning a major increase in its operations and has donor funding (from DfID of the UK) for projects. The council's strategy is necessary for DWAF to be able to go ahead with these projects.

- ***Forestry***

DWAF has three sub-directorates: Commercial Forestry, Community Forestry and Forest Enterprise Development Office.

- The commercial forestry sub-directorate is concerned with the operation of commercial plantations. There are currently two main commercial plantations in Nkonkobe: one is in Balfour and the other is to the north west of Seymour. The latter plantation employs 26 people. The Balfour plantation employs 96 people.²
- The indigenous forestry sub-directorate deals with conservation of bio-diversity of indigenous forestry. This is based on participatory forest management. The sub-directorate is divided into three sections: Forest Advice Service, Woods Evolution and

² These numbers are different from the numbers given by the forest manager.

Woodlots Management. The forestry advice services gives NGO's technical support, and promotes SMME's among other activities. Woodlots Evolution deals with the transfer of woodlots to communities. And Woodlots Management deals with the management of woodlots not yet transferred. The community forestry sub-directorate works closely with the surrounding game reserves to conserve the existing plant/animal complex as a source of tourist attraction.

- The Forest Enterprise Development Office is looking at ways to expand current resources, improving processing and the quality of existing plants. It provides business support, planning, contracting, etc. to SMME's. It is also engaged in developing sawmilling. The office is currently looking at setting up a nursery in Katberg, proposes to sub-contract harvesting, and ways to improve tourism. But all these activities depend on the entrepreneurial drive from communities.

- ***Working for Water***

The core function of the Working for Water programme (WFW) is the control of alien plants. By doing this the amount of water that flows into rivers (the 'run-off') can be increased, as heavy infestation can reduce the run-off significantly. A new cycle has just begun, in this:

- Teams of 20 are employed for 24 months (although this may be spread over a longer period, for example 3 years)
- Contractors are required to organise a range of training courses over the period, including in basic financial control and business management such that participants have a range of transferable skills.
- Participants are selected in association with specially constituted community committees in line with criteria: 60% must be women; 25% under 25 years, at least 1% disabled.
- Projects include clearing of wattle and secondary activities such as charcoal making using the wattle which has been cleared.
- Project funding breakdown: 10% to project management; 11% to social development and training; 79% to contractors and workers.

In Nkonkobe there are two sites:

- 3 teams of 20 in Katberg (Seymour/Balfour) – clearing wattle and one team also in charcoal manufacture
- 6 teams of 20 in Hogsback clearing wattle. Possible secondary projects.

There are two important implications:

- further activities should be planned to build on the skills and experience from the project and to support further employment opportunities for participants after the project has finished.
- The payment of wages (daily wage of R35) means a significant cash injection into these communities which can stimulate other activities.

International donors:

There are several international donors supporting projects in Nkonkobe, including World Vision, Novib (Dutch agency), the UK government's Department for International Development (DfID), Oxfam and the European Union. Each donor grouping will have its own priorities. It is therefore important for the projects to fit within an overall strategy, rather than being undertaken on a piecemeal basis.

2.3.3 University of Fort Hare

The UFH plays a strategic role in the Nkonkobe district. However, its role has not been fully recognised in the Nkonkobe Local Municipality Interim Integrated Development Programme. The UFH is a national resource whose geographic location gives the Nkonkobe district a comparative advantage in terms of sourcing funds from donors outside the district. As part of the Nkonkobe district, the UFH has attempted to root itself therein by making contributions on the drafting of the district interim IDP. The views of the UFH on local economic development are captured in its *Strategic Plan 2000*, and particularly its *Nkonkobe Municipality Rural Economic Development Plan (2001)*.

In order to contextualise the role of the UFH it is crucial to give a brief overview of the challenges that it faces as part of a historically divided higher education system. This will form the basis of understanding the institutional relationships that inform the current activities and orientation of the University. The development activities of the UFH will then be outlined, and a way in which these projects can be integrated into the Municipality's IDP will be then suggested, based on the priorities of the Municipality and the identified economic linkages in the district.

1. The challenges facing the University

The University of Fort Hare (UFH) is part of the Historically Black Universities that have been hard hit by apartheid policies. Like all such universities, it lacks most infrastructure such as laboratories used in teaching and research in the field of natural sciences. Because of these historical imbalances, HBU's cannot play a significant role in a rapidly technologically changing economy. However, the majority of the people in South Africa are still located in the rural areas in which agriculture is a central sector. It is in this sector that the immediate advantages of UFH lie.

Even in this activity, the UFH is constrained by the fact that the strategic orientation of national education policy is towards the natural sciences. Whilst there is general reduction of state subsidies to tertiary institutions, the historical imbalances faced by HBU's are not addressed at all. The general bias towards natural sciences and information technology removes HBU's from playing a meaningful role in the transformation of the country. The latter fields continue to be monopolised by Historically White Universities, which can raise funding from the private sector through research work and tailoring of their curricula to be in line with major private funders. This reinforcement of the apartheid division of labour among tertiary institutions and orientation towards natural sciences and information technology makes HBU's fail to attract large numbers of students.

The national education funding strategy, as it has evolved from the Council on Higher Education report (1996) and presented in the White Paper on Higher Education, is based on two types of funding strategies: formula funding and earmarked funding. Formula funding is such that a tertiary institution gets state funds in proportion to the number of students that it enrolls. On the other hand, there is what is called earmarked funding. According to the latter, the state targets certain activities in the institution to be funded, such as infrastructure and the targeted number of Black students who need financial assistance. The uses of funds received from formula funding are at the discretion of universities in line with the principle of institutional autonomy. Funds due to earmarked funding are state-directed. But since the state has generally reduced funding, and has a bias towards fields in which HBU's were historically excluded, earmarked funding to build institutional capacity has not been forthcoming.

Whilst HBU's have capacity to raise funds from the private sector and from student payments, HBU's do not have such capacity. And in most instances, HBU's enrol students

whose backgrounds are such that they cannot afford the high fees charged by HWU's. Such fees in turn are not controlled by the state in line with the principle of institutional autonomy. HWU's also attract students who in most instances are self-funding and thus these universities do not have as much burden of student debt as HBU's. At times these HWU's have what they call reserve funds, which is in fact a surplus that is invested and earns interest. The incapacity of HBU's to raise funds through research cannot be reduced only to the fact that they do not have infrastructural capacity to research in fields of natural sciences and information technology. Another dimension is that these universities have a historical focus on areas in which the majority is located. The beneficiaries who are in most instances unemployed and poverty-stricken cannot fund the research work done by these universities. External sources of funds to facilitate projects and accompanying research remain important for universities such as UFH.

The above is a context within which the UFH operates. Although there are attempts by the UFH to deepen its links with the surrounding communities, lack of funds to facilitate projects has seriously hampered this attempt. The UFH has thus developed relationships with other institutions by undertaking projects that are in line with their mission statements. Below, the main institutional relationships in which the UFH is involved are presented.

2. The University's position on the Interim Development Plan

The UFH seeks to deepen its relationship with the surrounding communities by undertaking projects that are directly relevant to the needs of these communities. To this end, the University has drafted a rural economic development plan for the Nkonkobe district in particular. This plan "proposes a broad framework for articulating and implementing a comprehensive set of programmes for the long-term development of the local communities."³ The three main goals of the plan are job creation, poverty eradication and redistribution.

The UFH identifies a number of institutions that are central in ensuring that the plan is successfully implemented: three tiers of government, the private sector, higher education institutions, NGO's and CBO's. These institutions must have a set of commonly agreed upon objectives to guide their interventions in the process of implementation.

There are a number of interrelated strategic objectives of the rural economic development plan. In terms of agricultural development, broadly speaking the plan aims to increase agricultural production, support viable farming production units and to identify and develop markets for locally produced commodities. The plan also aims to develop a vibrant tourism industry by upgrading infrastructure, preserving historical sites and developing hospitality skills among the people. Another related aim is to preserve indigenous fauna and flora.

Whilst the UFH document raises pertinent issues and identifies critical projects and institutions to take forward the plan, there is no clear specification of the institutional relationships required for the structured implementation of the plan. The institutional relationship between the UFH and the local government is not clearly specified, although it is mentioned that research and curricula must be structured so that they have relevance to the needs of the surrounding communities. This leads to a situation in which the mobilisation of stakeholders for the implementation of the rural economic development plan appears unco-ordinated.

Although the relationship between the UFH and the local council has been a co-operative one, it has not yet been concretised at the level of project implementation. The UFH and

³ *Nkonkobe Municipality Rural Development Plan*, UFH

the Alice Mayor met in the week of 22 May 2001 to discuss issues relating to the strategic plan for the implementation of programmes directed towards socio-economic development.

While the identified institutions may have commonly agreed upon objectives, there is no guarantee that the plan will be implemented in a coherent way given the variety of activities in which these institutions are engaged. This point necessitates identifying an institution that will participate and at the same time monitor progress within a coherent, broad framework captured by the plan. Such an institution will set priorities, enhance and create new economic linkages through projects mentioned in the plan. In short, there is a need for identification of an institution that will be central in driving the plan forward within a specified strategic framework.

All the projects captured in the UFH document are socially necessary, yet the viability of each and everyone of them depends on the extent to which they are supported by the existing economic linkages and the potential for the creation of new linkages that will characterise the structure of the local economy. The actualisation of potential linkages and the sustainability of the existing ones depend on both economic and institutional factors. Economic factors may be broadly characterised in terms of supply-side and demand-side factors. Institutional factors essentially relate to the technical capacity of existing institutions and power relations between them.

3. Projects

The UFH has embarked, and is planning to embark, on a series of projects to empower its surrounding communities in terms of technical skills that will facilitate increased output from agricultural production. Some of the projects still require some funding to take off, and others still require preliminary research work. There are two main institutions in the UFH that are engaged in projects. These are the Agricultural and Rural Development Research Institute (ARDRI) and the Rural Action Project (RAP). Although these two institutes are doing the same work, they differ in terms of their approach. The RAP funds, trains, and draws up plans for projects. The ARDRI is engaged more in research work. This does not however, rule out possibilities of overlaps.

3.1 Rural Action Project (RAP)

The RAP is a product of co-operation between the provincial government and the UFH. Specifically, it was initiated by interactions between the UFH management and the Premier's Office. It was initially conceptualised as an institution that will enhance the development of SMME's in the surrounding communities. Up till 1999, the money that was assigned to the RAP by the Premier's office over the years had not been spent on projects. This was mainly due to problems that engulfed the UFH in the past recent years.

The RAP operates as a semi-autonomous institute in the UFH. Its funds are not linked with those of the UFH. Its account is held by the University Foundation and therefore the RAP does not require the authorisation of the UFH authorities to disburse its funds. However, the RAP has the responsibility of ensuring that it operates within the framework agreed upon by the UFH authorities and the Premier's Office. Thus, it reports to the UFH on its progress and the report is then forwarded to the Premier's Office.

In 1999 the role of the RAP was reconceptualised. This reconceptualisation was accompanied by an audit of the needs of the surrounding communities. A needs audit that was conducted showed that the surrounding communities experience three major constraints when attempting to undertake projects: lack of capital, lack of markets, and lack of skills. Based on what people seek to do in terms of undertaking projects, the RAP provides start-up capital and in the process offers training to these people on how to

manage these projects. This start-up capital is not in the form of cash, rather the needs of the community are firstly assessed and then the required inputs are bought using RAP funds. Such capital injection is not a loan, and neither is the RAP expecting to benefit from the proceeds of the projects it funds. In other words, the RAP is one channel through which the provincial government injects resources into the district.

The responsibilities of the RAP are huge relative to its capacity. It has a very small number of personnel. There is a RAP manager who is also a lecturer in the UFH. The RAP co-ordinator is concerned with the day-to-day activities of the institute, ensuring the projects undertaken have the necessary inputs and that the suppliers of these inputs have been paid. The co-ordinator generally facilitates the training of communities on how to manage the projects. There is also a skills constraint on the RAP. In some instances communities engage in projects in which the RAP does not have expertise. In such instances, the relevant experts are called in to provide training. These experts may either come from within the UFH or outside. For example the Department of Labour was involved in the training of brick-makers.

In terms of the interim IDP for the Nkonkobe Local Municipality the RAP views its role as that of feeding in, empowering the council to achieve its objectives as laid down in the IDP and to carry on with the task of engaging communities within that framework. In order to facilitate this, each and every project that the RAP undertakes must be known by the municipality to avoid duplication and possible conflicts. Hence, there is a need for the formation of the UFH-Municipality structure to oversee the implementation of these projects.

The RAP projects do not include infrastructural development. Investment in infrastructure requires huge capital expenditure beyond the resources of the RAP. This shows the critical role of the council in projects such as the beautification of Alice and the renovation of the Alice Fresh Market Produce. These infrastructure projects are critical because all projects without an identified market that are currently undertaken may ultimately fail if the infrastructure for the development of a local market is not set up simultaneously as these projects gain momentum.

Two points emerged in the discussion on these projects. Firstly, there is a need to have an organisation that will cement the structural relations between the UFH and the local councils. Such an organisation would co-ordinate these projects and would ensure that they are within a value chain. It would also avoid duplication. Secondly, there is a need to establish partnerships with existing institutions that are already in the sectors in which these projects are engaged, for example the tar pole project could establish partnerships with established hardware stores.

3.2 Agricultural Rural Development Research Institute (ARDRI)

The ARDRI is essentially an agricultural research institute of the UFH. It is part of the University's Department of Agriculture. The research work of the ARDRI is targeted at contributing to the resolution of the problems that are faced by rural communities. The institute's activities are not limited to the immediate surrounding communities, they spread to other districts in the province.

There are a number of planned and current projects undertaken by the ARDRI. Some of the projects involve vegetable production, essential oils production and poultry projects. ARDRI is also working closely with the Department of Zoology in pest control. Furthermore there is an Emerging Black Farmers Project that ARDI is engaged in, looking at issues of land reform.

Because the issue of land reform is at the heart of most economic activities, particularly those relating to the RAP and ARDRI, the UFH has set up a task team to look at issues of agricultural development and land reform. This is part of the on-going interventions that the UFH is making in provincial and local policy formation and implementation.

4. Institutional relationships - the integration of UFH into the Local Municipality IDP

The UFH has established strong relations with the provincial government. This is expressed by some of the co-operative projects that the UFH proposes, or is actually engaged in. A concrete example of the relationship between the UFH and the provincial government is the Rural Action Project (RAP). The close relationship between the UFH and the provincial government is reinforced by the close relationship between the UFH and the local government.

By making a contribution in the development of an integrated rural economic development plan, the UFH seeks to identify areas of need and in the process clarify its role as an institution of higher learning. Through its projects, the UFH has been able to integrate itself with the surrounding communities. For example, the RAP committee was formed to ensure that projects that it undertakes are in line with the needs of communities. Represented in the committee are NGO's such as ACAT and Women in Agricultural Development (WAD).

The current institutional relationships can form a solid basis for the integration of the various projects in which institutions are engaged into a coherent integrated development plan. The UFH as a major employer in the district, a potential attraction to tourists and a source of inflows from expenditure by students whose homes are outside the district makes it the institutional nerve centre for the entire district. All the problems that affect the institution will be immediately relayed across the district economy.

However institutions of higher learning are very fluid. The student population is in a constant process of flux. Although there are attempts by the management to transform the UFH into an institution where there is job security and to overcome past problems, the recent threat by the Minister of Education to shut down the institution shows the potential problems that the UFH faces. Such threats tend to undermine attempts to bring stability to the University. They also send a negative message to those lecturers and researchers who are planning to establish a long-term relationship with the University.

Thus, whilst the University is an objective centre for local economic development the direction of this development requires an alternative institution that is more stable. The local municipality's role becomes critical in this respect. Despite problems of capacity that afflict most municipalities in South Africa, the close relationship between the UFH and the local municipality will go a long way in resolving this situation. This proposal accords fully with the view held by the RAP on how it can integrate itself into the municipality's IDP. Thus, the local municipality must view its role beyond delivery and facilitation of institutional relationships to actualise the value chains in the local economy. It must actually take the responsibility of providing political economic direction in the establishment of such economic linkages by exploiting its relationship with the UFH. This will ensure that resources are strategically deployed and directed towards high priority areas captured by the strategic economic framework.

2.3.4 Commercial entities

Economic development also depends on the decisions taken by commercial groups such as firms and banks. These decisions impact on employment and the investment of resources. In Nkonkobe the private commercial groups are either in retail or linked to the agricultural base of the district (including forestry). We briefly discuss the type of operations and the

orientation of these groupings, as well as outlining the local operations of national organisations, such as commercial banks, Eskom and Telkom.

Retail outlets. There are large retail chains represented in Nkonkobe, mainly in Fort Beaufort. While this provides consumers with access to a greater range of products, the chains are less likely to source their products from smaller producers in Nkonkobe. Their advantage lies in being able to have large orders (for example, for furniture), but these orders cannot be met by small producers. For example, this has been identified as one of the main reasons for the decline of small furniture producers in South Africa in the 1990s. Similarly fresh produce markets rather than large cash-and-carries favour local producers.

Commercial banks are poorly represented in Nkonkobe. This reflects their orientation at the national level which is away from rural areas and low income groups. Full banking services are only available in Fort Beaufort and Alice. The lack of access to financial services is a major impediment to businesses, both in terms of being able to manage funds in deposit accounts without having to travel long distances, and in terms of being able to make and receive payments for goods and services. In other words, lack of financial services raises the costs of, and barriers to, economic activity.⁴

Citrus farming and processing. There are two major commercial groupings in Nkonkobe, Riverside farms and KatCo. Riverside was formed by farmers who broke away from KatCo in order to follow a slightly different strategy. They have made major investments in recent upgrading their operations, including a large new packhouse, and they are oriented to the higher value end of the market in soft citrus, much of which is for export. KatCo, as a farmer's co-op, are more focused on support to the farmers in growing fruit and as a marketing channel. They have not made such large investments and are less focused on soft citrus. 40% of their members are black, accounting for 20% of production. Collectively they represent a major source of employment and income for Nkonkobe, and have access to finance for investments in order to expand their operations. Financial support is available to citrus farmers from national level organisations, such as the IDC and Land Bank. Citrus operations are discussed in more detail in section 3. below.

Forestry. The two main areas of commercial forestry in Nkonkobe are operated by Safcol and by DWAF. Safcol's operations are purely commercial, while the state-owned land managed by DWAF has the potential for greater community participation. A key issue is the changing arrangements governing the land, given that Safcol is also undertaking privatisation of land across the country. A range of expertise exists in DWAF, including in indigenous forest, which can be drawn upon to widen participation and employment in forestry. This is discussed further under section 3.2.

There are various activities in **wood products** which are linked to forestry. **Sawmills** exist to process the timber into logs, rafters and planks. These are presently all in private hands with the major player being Schenk Sawmills (owning the Alice sawmill and part of Mkhonto sawmill in Balfour). The orientation of these mills is to major markets, such as in KWT and East London. At present much of the timber goes to the larger Alice sawmill and the one in Balfour works for less than two weeks per month. **Windsor forest products** has recently been established in Balfour and is employing increasing numbers of people. They have good marketing networks extending to Port Elizabeth and Johannesburg.

Telkom has made some progress in extending services, but this has been relatively slow and many areas remain without access. Telkom's focus has been narrowly on where the financial returns are going to be highest for them, although they have had to meet minimum

⁴ FNB is at present establishing a small business finance unit and pressure may be applied to ensure that they develop their operations in Nkonkobe.

roll-out levels per year. This means that more remote and lower income areas where people cannot afford to make high use of telephones are less likely to be connected. This is despite the fact that the value of being able to make calls is much greater in more remote areas as the time and cost involved in travelling are much greater.

Eskom has successfully electrified most of the villages in Nkonkobe and has been driven by a clear objective to achieve electrification, rather than profit maximisation. The possible privatisation of Eskom is going to change its orientation. It is also going to place pressure on being able to deliver on the basic minimum service pledge.

Spoornet. Rail travel is more efficient for larger volumes going along a particular route. In this regard, the line through Nkonkobe to East London is of great importance for the ability of firms located in Nkonkobe to access bigger markets, including exports. This is especially so when the loads increase to a level where the road system becomes burdened which affects other users negatively. Rail therefore has a double benefit – suitable transport for users and less congested roads for others needing transport. The decline in rail services is therefore of concern.

2.3.5 Summary and conclusions

Institutions, including local administrations have tended to focus on delivery in their specific areas of responsibility. Councils have focused on addressing backlogs in infrastructure and services, as have Eskom and Telkom. This does not address issues of affordability, which requires decisions on infrastructure in terms of its impact in enabling income-earning activities. It means that there is a vacuum in terms of both a vision for the development path and the mechanisms to achieve it, which will provide the basis for prioritisation decisions.

There are many different development organisations with differing levels of activities and representation of the community. Some have arisen to provide voluntary services, to a large extent due to the lack of employment. Others have strong community representation, organisational structure, clearly identified goals, and ways to pursue them. As would be expected, the more dynamic and successful organisations are ones where there is both a strong organisational structure and community representation. The Nkonkobe Development Forum needs to ensure these at the municipality level. For example, the predominance of women in many projects which reflects their position and needs for income generation should be reflected in their representation in organisational structures.

In terms of provision of finance, Nkonkobe is fortunate to have a range of institutions occupying different niches in the form of ECDC, IDC and uVimba rural finance corporation, in addition to the Land Bank and commercial banks. The roles of these groupings are changing and a development strategy for Nkonkobe should target their different functions and ensure that the municipalities development objectives impact on the orientation of the financial institutions. Ultimately the institutions rely on loans being repaid, which in turn relies on the viability of the projects for which the loan was being made. The viability depends on the factors under economic development – of skills, inputs and access to markets. The financial institutions can relax the constraint in terms of capital.

Nkonkobe is also fortunate to have skills and expertise available in the form of the University of Fort Hare. As a direct employer, the growth of UFH will also directly impact on the Nkonkobe economy. As outlined above, UFH has drawn up a rural economic development plan, and has projects under both ARDRI and RAP. Two main issues need to be resolved. First is the issue of institutional relationships with the Nkonkobe council. In terms of economic development this relationship needs to ensure that UFH feeds in relevant information to the economic development framework, is an active participant in the

development path, and recognises the development priorities which are established under such a path. Second is the consistency of projects being undertaken by UFH with the development path, and with projects being undertaken by other groupings in Nkonkobe. At present there are a list of projects for the purposes of seeking funding, which may overlap with projects being proposed by other organisations. Part of the development framework involves programmatising the projects so that appropriate support can be provided and lessons learned. UFH has a leading role to play in many of these programmes due to its particular knowledge, especially of small-scale agricultural activities. In addition to drawing on faculty, the relationship should explore drawing on the student body as a resource to be mobilised for programmes such as adult education and training. This is valuable in its own right and will equip people to participate in producer co-operatives.

Department of Water Affairs and Forestry will play a major developmental role in Nkonkobe. Its activities are expanding in both forestry and water and it has learned from previous experiences in organising projects with strong community representation and which offer sustainable improvements in livelihoods. A key objective of the council is to provide the development framework which will inform DWAF's role and to ensure complementary infrastructure and facilities to maximise the value of DWAF's activities to the municipality.

Moving economic development forward in a chosen direction therefore means the operations of different organisations all being guided towards common goals. These organisations all have their own priorities, interests and ways of working. There is therefore a need for:

- Nkonkobe council to play a **co-ordinating role**. Organisations like DWAF, ECDC, IDC and UFH all require a broader economic development strategy from Nkonkobe in order to be able to play their different roles. This is about setting priorities and expectations for the future development path and these priorities will be partly realised by the decisions of different institutions. While organisations such as IDC operate on commercial principles (which means that they will only lend money where they are sure there will be a return), the profitability of projects which the IDC might finance depends on the decisions of others. For example, the availability of timber and transport links are both essential for the viability of a furniture factory. Similarly, housing projects increase the demand for bricks and rafters, and in this way the co-ordinating role is very important. It provides information and, by planning ahead, it changes the expectations of different groups.
- A **facilitating role** is necessary to ensure that factors such as the provision of infrastructure are linked with the economic development path that has been mapped out. Roads, rail, telecommunications, electricity and financial services all impact on the costs of economic activity. Their provision makes it easier and cheaper to do business in Nkonkobe. In turn, economic activity makes the provision of infrastructure easier. Economic activity and employment mean that firms and individuals will be buying services such as electricity and telecommunications which provides returns to Eskom and Telkom from their investment in the infrastructure.

By collecting, analysing and providing information as part of a strategy the Municipality can play a central leadership role, allowing organisations such as DWAF to maximise their possible contribution. The Municipality can also impact directly through decisions around land use and infrastructure, and can apply pressure on Telkom and Eskom. This will ensure that there are linkages made between different operations. This approach will also allow for ensuring that the major commercial producers in citrus and forestry have the conditions for continued growth and, at the same time, that linked activity develops to broaden participation in these sectors in supporting the development of smaller firms, community

groups and co-operatives in these sectors. This could include revitalisation of citrus farms and community participation in forestry, sawmills and furniture production.

The Municipality role involves being responsive to activities on the ground and community needs. In this way the Municipality plays an organisational and service function. It is also the primary body through which community interests are represented to Provincial and National governmental organisations. This representation enables the strategies being developed by Government at these higher levels to be appropriate in their objectives and application. Under the rural development framework, local government structures are central to effective implementation. This requires moving beyond traditional local government functions of service delivery to more proactive shaping of economic development. Developing capacity to do this needs to be prioritised as a goal in its own right.

2.4 Economic development framework

The economic dynamic in Nkonkobe has been identified as drawing heavily on inflows of incomes in the form of public sector salaries. These incomes are, in turn, mainly spent on goods produced outside Nkonkobe. The productive base is relatively narrow, consisting of citrus farming, earnings from forestry and related products and some tourism revenues. Much of small-scale agriculture is for own-consumption and is not marketed further afield. It tends to be part of survivalist activities, engaged in to support the household in addition to inflows from pensions or remittances. However, there are indications of the potential to expand activities such as small-scale agriculture and sewing to become more commercially-oriented activities providing a sustainable income for households in their own right.

As outlined in the socio-economic profile, the Nkonkobe economy also reflects the apartheid division of resources. The high levels of poverty in Seymour and Middledrift are associated with various small-scale agricultural activities and sewing. Together with improvements in infrastructure, support for these activities will improve livelihoods in these areas. Alice shares many of the characteristics, but also has employment in public services and the University of Fort Hare. By comparison, in Fort Beaufort and Hogsback, high levels of unemployment are associated with a narrow, but developed, commercial economic base. Changing livelihoods means impacting on the decisions of the larger-scale commercial activities in citrus, forestry and tourism, as well as addressing land redistribution issues as part of altering the returns from resources.

With further cut-backs in the public sector, the revenue inflows from salaries is not going to be a driver for growth in Nkonkobe. In the short-term there are going to be positive impacts from funding of infrastructure projects, including council-driven water, sanitation and housing programmes, as well as donor funded development projects. The challenge is for the productive base to broaden to ensure that there are sustainable improvements in employment and livelihoods in the medium to long term.

Economic development challenges can therefore be identified in two main areas:

1. Increasing the proportion of resources that remain in Nkonkobe. In other words, what items could be produced in Nkonkobe that are presently made outside and brought in for sale? The most obvious areas to build on are food production and building materials. The greater the proportion of expenditures on things made in Nkonkobe, the greater any 'multiplier' effect is from an increase in incomes, as that income also stimulates other economic activity. This effectively means a lessening of dependency relationships with towns like King Williamstown and East London as sources of consumer products, although greater income generation in Nkonkobe itself will, in time, add to the economies of Amatole as a whole.
2. How can the productive base be broadened? One aspect is the increase in value-added in citrus and forestry through more processing of the products before their export and sale outside Nkonkobe. This means lengthening the district value-chain. A related challenge includes the increase in production and participation by small farmers. This is closely linked to land issues. In citrus the challenge is the revitalisation of areas previously farmed by uLimoco. In forestry, land reform and DWAF community forestry projects are at the centre of greater control over and participation in the forestry activities. Both areas also need the ongoing development of extension services by Amatole District Council. A further area, not examined in detail here, is the broadening of benefits from tourism.

Developing and broadening the production capabilities requires co-ordination of the efforts of different institutions, and the provision of infrastructure to facilitate activities. This includes:

- Support for marketing for small-scale agriculture, sewing and other activities already underway.
- Provision of finance for expansion of activities
- Advice on land-use, types of agriculture etc. from Fort Hare, Department of Agriculture and Land Affairs, and NGOs
- Exploration of new and higher value-added crops suited to the soils in Nkonkobe. These can draw on the research underway at Fort Hare. Production of hemp should also be explored.
- Fresh produce market in Alice
- Community woodlots under DWAF
- Community participation, ownership and management of forestry, with support from DWAF
- Identification of areas for which skills learned under 'Working for Water' can be applied
- Links between Katala Forest Trust and Windsor Forest Products to develop skills and marketing network supported with funding from Land Bank, DWAF, ECDC etc.
- Links of regeneration of citrus farmland with KatCo and Riverside to draw on expertise and marketing

The demand for products can be broken-down into:

- Local demand for products as part of ongoing development to maximise local economy multiplier. This includes food produce, building materials, clothing and furniture.
- Outside demand for larger-scale production.

Both require good transport, communications and information.

The broad vision of the structure of the district economy can be viewed from two main angles. First, there is a commercial, privately run sector and a community-run sector. Secondly, there is a large-scale sector and small-scale sector. The interactions between these sectors depends on the creation of necessary institutions to facilitate co-operation. For example, there needs to be co-operation between the privately-owned and community-owned commercial sectors especially on issues such as technical training and marketing. The council will have to develop an approach that will link the community-run small-scale projects with the large-scale ones as part of developing a broad-based development initiative.

The UFH and the surrounding institutions can play critical role in the promotion of markets for food production, especially for small-scale projects. This has a potential to create further jobs in the preparation and packaging of these goods. By developing a clear vision of the economy and institutions to enforce the economic linkages the Council will avoid a situation wherein projects are implemented on a piecemeal basis. In this connection, funds that are coming into the district will be channelled in line with strengthening the economy, based on this vision.

3. Preliminary Scoping Study of Citrus and Forestry

3.1 Citrus processing

Overview of citrus processing and its potential:

Various citrus fruits are produced on large farms, mainly in the Kat river district of Nkonkobe, outside Fort Beaufort. These are Kat River Co-op (KatCo) and Riverside farms. Land previously under citrus production by the former Ciskei government parastatal uLimoco has fallen into disuse. Plans are underway to revitalise this, which would increase total production in the area. Riverside has also shown interest in working together with emerging farmers to expand production. Production has also increased due to higher yields from existing plantations.

At present the fruit are sold in unprocessed form to local and export markets. A significant proportion of fruit is regarded as unsuitable for sale and is discarded. In the past, some fruit was transported to Port Elizabeth for processing as fruit juice but this was discontinued due to the costs and low returns involved. The potential may therefore exist for processing in Nkonkobe, in the form of canning or manufacture of fruit juices. The main constraint is the quantity of production that is necessary to sustain the scale of plant required to be viable and the seasonal nature of the operation.

Outline of the supply-chain

There are a range of different types of citrus products, which require different type of conditions and inputs. For example, the soft citrus 'easy peelers' such as mandarins, clementines and satsumas are more easily damaged and require better growing environments, fertilisers etc. as compared with oranges and lemons. They also require 'de-greening' processes before sale. This means that higher levels of skills, equipment and capital are required for their production, although their value is correspondingly higher. Riverside and to a lesser extent KatCo have moved into soft citrus due to the higher returns available. Some smaller farmers have attempted to grow it, but found the production requirements were too great and as a result ploughed up the trees to replace with more resilient oranges.

Citrus fruits are sold locally or marketed internationally through large multinational entities, in large volumes with strict quality requirements. Market access for export is therefore difficult as it requires dealing with the large multinationals.

Citrus is also processed into juice and canned (segments). Fruit juices account for 21% of total exports of preserved fruit and vegetable.¹ In recent years the international market for juice has been poor due to increased supply from countries such as Brazil. There is, however, a market for canned segments, mainly in China and other Asian countries. These markets are relatively untapped as the majority of exports go to Europe and the USA. Canned segments are also the highest value products. Potential also exists with the reductions in the tariffs for export to the EU.²

¹ These are data from the IDC for 1996.

² This has identified as one of the main barriers to development of the sector, together with the concentration of processing activities in the industrialised countries (Kaplan, D. and R. Kaplinsky, (1999) 'Trade and Industrial Policy on an Uneven Playing Field: The Case of the Deciduous Fruit Canning Industry in South Africa' *World Development*, 27 (10).

A study of pineapple canning suggested there is potential in this area.³ The IDC has also projected strong export growth for the South African preserved fruit and vegetable sector as a whole of 6.4% per annum. Marketing is a key consideration and the large farming groups already have developed international marketing relationships. International trade data indicate that exports of preserved fruits, nuts and other plants have been increasing, although growth rates have been weak in the last two years (less than four per cent per annum). There has however been a significant shift to Asian markets, led by Japan, Hong Kong, South Korea and Taiwan. This suggests strong potential with the resumption of economic growth in this region. Export growth has been much stronger in fruit juices, with increases of 40% and 34% in the last two years, despite a glut being reported on the world market. The highest growth has been to north America.

Primary inputs account for just over a quarter of all costs for the preserved fruit sector, with agricultural inputs constituting 12%, other processed fruit and vegetable products (such as sugar) accounting for 10% and metal products accounting for 6%. The sector is relatively labour intensive with 60% of value added being due to it, and 40% due to capital, although within the sector the canning of segments is more capital intensive than the average.

Estimation of potential supply of inputs (fruit) in Nkonkobe and surrounding areas to a processing plant

A study undertaken by Riverside has estimated that there is currently around 4000 tonnes of soft citrus that could be processed from the Kat River valley producers. This is based on the proportion of fruit that is discarded (due to hail damage) but which would be suitable for processing. There is some projected growth in production in the coming three years and, if prices were high enough, some of the lower grade fruit currently sold domestically could also be processed. Longer term increases in production would depend on increased land coming under citrus production and the support and extension services necessary for production of soft citrus. The present status of old Ciskei owned (Ulimoco) farms is:

- They are mostly being run by the former managers, who do not have title.
- The lack of title means that there has been little investment in maintaining the farms.
- The farms are heavily in debt due to borrowing in recent years that has not yielded increased returns.
- One farmer is successfully producing, and selling to Riverside.
- There are other farmers with some production, but generally very low returns due to the small size of units and re-planting of trees not taking place.
- The Balfour community has made a proposal for the land, which is being considered by the Dept of Land Affairs.
- A group of the farmers via KatCo are approaching IDC for funds to regenerate the farms. Under the agreement, the IDC will provide finance and direct the running of the farms.
- Amatole District Council has identified one farmer as a pilot project.
- Department of Agriculture has plans for revitalisation of citrus projects.
- The Department of Water Affairs and Forestry has no plans at present to be involved in re-developing the irrigation schemes.

³ Hanival, S. (1996) 'The South African Fruit Processing Industry: Is the Climate Ripe?', Development Policy Research Unit Working Paper.

The costs of machinery, inputs to production, and production volumes

The costs of the agricultural inputs are not an issue as the majority of fruit is currently being discarded. Wage costs are low in the region and are also not a barrier. The main problem is the scale of machinery required. The total costs of a mandarin segment-canning factory have been estimated at around R10 million. A major consideration is the cost of capital. A private investor would wish to earn returns greater than the interest they would receive from putting their money in the bank (say 12%) plus some compensation for the risk taken. Alternatively if the money was borrowed, then the cost is the interest on the loan. Taking into account risk, the cost of capital can be taken to be close to 20%. This means a cost in excess of R2million per annum. The main considerations are the volume of production required to earn returns to cover these costs and ways of reducing the finance costs. These include:

- Low interest finance, such as might be provided by the IDC, ECDC or Land Bank. The Land Bank has already provided finance to citrus farmers, including for new packing sheds. The IDC is being approached to fund the redevelopment of old ulimoco citrus farms.
- Support from the DTI's small and medium enterprise development programme: this provides for an annual tax-free cash grant of 10% of qualifying investment, paid over two to three years subject to labour usage criteria. Agro-processing is a targeted sector for this programme. The incentive is potentially significant and could provide support while the plant is being established and production volumes are increasing.

No employment estimates have been made for a plant of this size, however, the present volumes of production have been estimated to keep the plant operating for only 56 days, as follows:

- 4000 tonnes per annum would provide for the operation of the plant for 56 days, based on 4 tonnes per hour, with two seven-hour shifts working per day.
- Some fruit presently sold to hawkers (Grade 4) could increase production to 5000 tonnes

The viability of the operation therefore relies on:

- Increases in production. The revitalisation of citrus farms in the area would increase the available production. However, this is unlikely to be achieved in the near future given the issues of land title and the time taken for trees to bear fruit (five years).
- Fruit could be sourced from outside Kat River. A combined citrus and pineapple canning factory operates in Swaziland. At present the canning factories in East London (Summerpride and Colindale) are operating very close to full capacity at around 130 000 tonnes combined. A new plant could be based on processing both citrus and pineapple.

An alternative would be a much smaller-scale and more labour-intensive operation. For example it has been estimated that a smaller plant could be established for around R1 million which could produce 400kg per hour, but there are questions about the viability of such a small operation.

The returns from processed citrus have fluctuated greatly with market cycles. For example, in the past year there has been a glut of fruit juice and prices were very low, forcing some processors out of businesses and others close to bankruptcy.

Juice concentrate prices started to rise again, to \$650/tonne, and now are estimated at \$800/tonne, expected to reach between \$900 and \$1000/tonne by the year-end. There are also presently enquiries from European buyers about freshly-squeezed juice, suggesting that demand is picking up. Pessimism about processing was also due to the poor performance of Valor in Port Elizabeth in which many farmers held shares. From being close to closure its performance is now improving.

Potential job creation

Relatively small numbers of jobs will be created in processing operations relative to the capital involved. Additional employment will be created in ancillary activities such as transport. A key issue is that the majority of employment in citrus is seasonal. As outlined, employment in processing is also unlikely to be all-year round unless it is combined with processing of other fruits.

At present the lower grade is being sold to hawkers at very low prices and is providing some income to those engaged in hawking, and low priced citrus to the community. Both of these are threatened if the fruit is used for processing.

Linkages with other operations

Key linkages are with production of citrus and with processing of non-citrus fruits. Of great importance are the linkages with increased citrus production with more land coming under cultivation. Although being central to the economy of Fort Beaufort due to the amount of employment created, the sector is not more widely linked into economic activity in the Nkonkobe economy.

Other projects to add-value are also being investigated by the companies. These include bagging and netting operations to package fruit for export to Europe. This will create a small number of additional jobs (around 10), for an investment of close to R1million.

Key supporting institutions

There is a range of institutions for supporting the development of the citrus supply-chain, at different levels. The Department of Agriculture and Land Affairs, Land Bank and IDC are all potentially involved in development of land for citrus production. Department of Water Affairs has no plans for the irrigation schemes, but could provide support in this area. Amatola District Council may also provide agriculture extension services. Due to finance being the main cost for processing, the key institutions are the Land Bank, IDC and potentially ECDC for smaller-scale projects.

Evaluation

The development of citrus processing is determined by decision-making of the large commercial farming groups. This may be influenced to some extent by government in the form of the Land Bank and the IDC, with which they already have developed relationships ensuring access to low interest finance. While the council might encourage this, it is not necessarily an area for direct council involvement. The possible expansion projects at present being considered are quite capital intensive (and will be influenced by the cost of capital) but will create relatively few jobs. Some pressure might be brought to bear for a more labour-intensive approach to be taken, but at present this seems very doubtful.

A bigger challenge, with more employment potential, is in the revitalisation of irrigated land for citrus farming in the upper Kat river valley. At the centre of this is the issue of land title. Without clarification of title it will be difficult for any organisation to make the investments required in the irrigation schemes and the planting of new trees. Co-ordination is also required of the many different institutions which have plans for playing a role in the development of citrus farming. These include the Department of Agriculture and Land Affairs, Amatola District Council, the existing commercial farmers, the Land Bank and the IDC. Pilot projects need to be linked to resolution of land claims by the community and the participation of the community organised in the Balfour Farmer's Co-op. Technical and managerial support is required, along with finance. Many of the requirements for progress, however, are political.

3.2 Forestry and related activities

Introduction

There are significant forestry activities in Nkonkobe. Timber is produced from plantations owned by Safcol, the state (managed by DWAF) and land leased from the former Ciskei on a lease ending in 2005. The wood is mainly pine, which can be used for building, for furniture or pulped. There are only some small sawmills still in operation, such as the one in Balfour and a larger one in Alice.

There is great potential in developing forestry and related products, to create significant additional employment and income. The key challenges are to:

- Increase and widen the benefits through greater participation and increased planting. This includes community forestry and woodlots, and community participation in commercial forestry operations.
- Develop downstream linkages in terms of different markets and manufacturing activities (such as furniture).

The growing number of emerging timber growers in the sector, mainly in KwaZulu-Natal, point to potential for development in Nkonkobe. Empowerment is also being promoted through government's partial privatisation programme. Seven forestry packages have been offered for sale, three have been/are being completed: Eastern Cape North package, KwaZulu-Natal and Northern province. (No workers are to be retrenched from privatised state forests for three years.) The Minister has also proposed that private companies set aside 10% of their land for local communities.

Background on the sector

At the national level, the wood and wood products sector is driven mainly by domestic demand as a large proportion of the products feed into housing and furniture. Stronger growth and ongoing housing construction mean that prospects for the sector are relatively good. However, the upgrading of sawmills may mean they become less labour-intensive. There are also prospects from greater penetration of export markets, but this will depend mainly on the improved performance of processed wood and furniture, which has been relatively weak.

The furniture sector is relatively labour intensive and has historically been inward looking. Firms also do not have to be large to be competitive - internationally, furniture firms tend to be small and only nine per cent of European furniture producers have more than 20 employees. The domestic market in South Africa accounts for the great majority of production (87% in 1996), and imports have been limited. Exports have been increasing sharply (UK is the main export destination), focused in lower cost products. These factors all suggest the scope for downstream linkages to be developed from forestry to wood products in a region such as Nkonkobe.

Furniture is a buyer driven commodity chain in that retailers, marketers and branded-manufacturers play pivotal role in setting up decentralised production networks in variety of countries. In South Africa, the dominance of large furniture retailers has stifled small and medium enterprises who cannot produce the volumes required. Marketing and distribution are therefore key factors in success of firms.

Outline of the supply chain in Nkonkobe

Forestry

- Katberg/Balfour: state-owned forest, managed by DWAF. Some of this land was reportedly granted as a private concession by the former Ciskei government. The community is in negotiations at present with the end of the concession nearing. Following community representation the forest was recategorised from A (commercial) to B (community participation). 136 people are employed full-time in the Katberg/Balfour forest and there is no shortage of timber for production.
- Hogsback: Safcol forest employing a relatively small number (around 28) in felling trees.
- Community-owned woodlots exist in Alice and Middledrift, but have not been operating. DWAF has plans to revitalise them.
- Indigenous forestry projects in the area.
- DWAF also has wattle-clearing projects in the Seymour/Balfour and Hogsback. These employ significant numbers of people and involve training in skills required for forestry and organising small businesses.

Processing

Timber is produced in the form of logs, sawed into rafters for housing and made into planks for furniture and other items. Sawmills are generally located quite close to forests which are the source of the timber so that wood does not have to be transported far before being processed.

- The Katberg forest supplies timber to:
 - Mkonto sawmill in Balfour. This sawmill is jointly owned with Mr Schenk who also owns the larger sawmill in Alice. The sawmill is reportedly operating for less than two weeks per month, with much of the timber being sent to Alice instead.
 - Windsor Forest Products in Balfour. Logs are cut for planks to be used in the making wood products.
 - Schenk sawmill in Alice.
 - Sawmill in Stutterheim.
- The Safcol forest supplies:
 - Sawmill in the Hogsback area
 - Alice sawmill

Manufacturing

At present there is only one firm of any size which appears to be using the locally produced timber. This is Windsor Forest Products set up in Balfour. They employ around 30 people and have started making basic items from the pine planks such as dog kennels. They have been undertaking an initial assessment of the viability of the operation and have decided that it is worthwhile investing in the operation. As skills are developed the plan is to move to more sophisticated products and furniture items. The owner and manager of the firm have both been operating in this sector for some

time and have well developed distribution and marketing links, including to Port Elizabeth and Johannesburg.

Opportunities and potential

There are significant opportunities for expansion of downstream production using locally produced wood, which at present is leaving the area with little value being added. There are also funds available from donors under DWAF programmes for community forestry and enterprise development. The key constraints are to do with capabilities in terms of:

- lack of skills and experience in woodworking
- need to access bigger markets outside Nkonkobe

The established private operator, Windsor Forest Products, is successful because it is drawing on the linkages in terms of the supply of wood, the availability of labour and factory space, and has the capabilities in terms of skills and market access. The challenge is therefore to both:

- support its expansion; and
- to maximise the contribution to the community, in terms of employment and the development of production capabilities more broadly.

This means a strategy to:

- Agree that private business will move to more complex products and will allow other groupings to use their skills to produce the less complex products being made at present. This process of upgrading and separation of product ranges should be ongoing. There is space for other groups to operate alongside Windsor Forest Products in the same factory.
- Establish a partnership for marketing whereby products made by different entities will be marketed collectively.
- Encourage the passing-on of skills and experience from working in the existing private business to enable the development of other enterprises including those of a co-operative or community-owned nature.

A number of levers can be utilised to achieve this, including:

- Community ownership and participation of the forest itself. This means that the community can reach agreements with users as to how the wood is to be used.
- Community participation in the Sawmill, which will provide planks for manufacturers.
- The availability of funding to support training and for investment in production capacity (buildings and machines)
- Linking in provisions for training under the DWAF working for water programme with the needs of production of wood products so that on completion of the 24 month DWAF programme people are equipped with appropriate skills given the opportunities in the area.
- The development of infrastructure necessary to support enterprises in the area, for example, in the upgrading/tarring of the road to Balfour.
- Contracts for furniture of local government and, for example, tourism facilities to be awarded to local enterprises

In this way the development of economic activity which draws on the existing strengths of the area is encouraged, and the direction of this activity is influenced to maximise the benefits to the wider community.

The model being put forward in Balfour, with the Forest Trust, may then be used to negotiate arrangements with Safcol forests around Hogsback. A further area is the development of community woodlots across Nkonkobe for the production of poles etc.

A five-pronged approach could be adopted:

- support development of Windsor Forest Products in Balfour and encourage other investment in downstream product manufacture to the Balfour area
- together with the Katala Forest Trust develop detailed plan for community involvement at different levels
- maximise the benefits from skills development through support for training, linked with co-operative/community involvement? Use donor support for partnership between private operators in training and developing co-operatives
- Negotiate with Safcol to increase employment resulting from forestry operations around Hogsback.
- Promote community and homestead woodlots (with DWAF) in Middledrift and Alice areas to increase production of poles etc. as part of integrated use of available agricultural land. These can be used for fuel-wood and building materials.

Supporting institutions

The Department of Water Affairs and Forestry has several functions which fall under its community forestry section. These include forest enterprise development (to facilitate forest and tree related enterprise for income generation); plant and seed supply; the support of community and homestead woodlots. Support in the form of finance for investments in further processing/manufacturing activity could be provided by IDC and ECDC.

Evaluation

There is potential for development in several areas, as outlined under opportunities. The key needs are:

- to build the organisations involved, of which the Katala Forest Trust is of central importance
- to develop realistic plans in each area, outlining the support required, the expected results and the organisations involved
- to ensure skills, management and marketing needs are met and that there is an effective co-ordination of roles of private operators (with skills and marketing links) and community-owned entities which will ensure that each can grow.

A key opportunity exists in the form of funds which will be available from DWAF to support local economic development linked to forestry, including in downstream enterprise development. This could support community involvement in the Balfour Sawmill, participation in the running of the Katberg forest itself and expansion of production of wood products.

4. CONCLUSIONS AND A WAY FORWARD

Conclusions can be drawn from the study at many different levels. As outlined in the Terms of Reference, the study provides a foundation for identifying an economic development strategy. This must also be based on a common understanding, developed through a series of workshops, and is part of the full IDP process which is now getting underway. This study contributes to these processes. In this section we therefore very briefly summarise the study's main findings and outline a way forward with respect to issues of economic development.

Section 2.4 outlined elements of a development framework based on the analysis of the structure and dynamic of the Nkonkobe economy. This focused on the need to recognise the dependency of the Nkonkobe economy on public sector salaries which are spent mainly on goods imported from outside Nkonkobe. It also highlighted the skewed nature of the economy, with very developed commercial activity, especially in citrus farming, alongside the reality for many of engaging in small-scale agriculture and other production such as sewing in order to make ends meet.

Key elements for the accumulation of resources in Nkonkobe were identified. These included strengthening linkages between different parts of the economy, such as between the demand that exists in the form of public sector salaries and the potential for increasing food production. The key constraints here are marketing and distribution as well as supporting the development of supply capabilities. The demand for these products exists and should be met to a much greater extent from local production. This requires broad programmes under which projects can be placed according to their objectives, type of economic activity, participants and their needs in terms of technical support and marketing.

In addition to the Alice fresh produce market, ways can be explored to provide transport for produce, as well as better communications and information which are required where populations are quite dispersed. Communications reduces the need for physical transport, and concerted pressure must be brought to bear on Telkom in this regard.

The support for smaller-scale activities is in general more appropriate for addressing the needs of the Nkonkobe economy than large and capital intensive projects. This approach builds on existing activities and organisations. In addition to supporting the development of supply-side capabilities through drawing on the strengths of different institutions in areas such as finance, agricultural knowledge and organisation, the key to success is in maximising linkages. In addition to demand and supply linkages, such as between housing programmes and the local production of bricks and rafters, potential linkages exist across different areas, such as the multipurpose use of facilities for transport and sale of fresh produce and crafts. Clear linkages also exist between development of historical and cultural sites, the increase in tourists, both local and international, and the sale of crafts and clothing. Co-ordination is also required so as to avoid duplication in certain areas, such as the development of cultural villages.

While it is evident that large-scale projects, such as citrus processing, which require significant amounts of capital will not generate the employment needed this does not mean that support cannot be given to such projects as part of the ongoing growth of the sector. Those involved in such expansions already have access to development finance, such as from the Land Bank, and they will undertake such projects as and when they become profitable. More important to development outcomes is the broadening of the productive base through increased participation. This can be

achieved through the revitalisation of land for citrus production but depends on resolution of issues of land tenure.

Greater potential exists in forestry, where there are opportunities for land reform and greater participation. Effective institutions are already operating in the form of DWAF programmes, and interaction with DWAF should be a key focus area for the council. The additional incomes from DWAF projects will also stimulate demand in those communities, providing opportunities for a range of other activities. Opportunities also exist in downstream processing. The initial scoping study identified the potential to expand production of wood products, such as basic furniture items. The key to this is developing a partnership arrangement of some form with Windsor Forest Products in order to draw on their skills and marketing links. Support in terms of managerial capabilities would also be required.

Specific areas for council intervention are outlined under section 2.4 and will not be repeated here. Rather we emphasise the role of the council as being in facilitation and co-ordination. This is the key to unlocking funds, as plans which ensure the sustainability and growth of economic activities are able to attract finance from various different sources. The study found that finance is not the main constraint for economic development, instead we must look to the various factors that underpin the sustainability of activities such as the necessary production capabilities and markets.

A key area for allocation of council resources is therefore in developing planning capacity in order to unlock other funding sources. These capabilities are mainly to do with the collection and analysis of information which underpins ongoing planning. We recommend that:

- The Municipality establishes an ***economic development office***.
- This office will be a central point for collection of all available information so that the various developmental agencies can quickly and easily access the information necessary for their programmes. For example, information on high-value crops and soil types would be accessible. The office would also be able to co-ordinate with researchers such as Prof Perret from University of Pretoria who has been conducting ongoing research in Nkonkobe with results that can feedback into development planning.
- Through the office the Municipality will be aware of the activities underway, with regular report-backs, and can effectively represent the communities' positions and views to the various development organisations.
- Any grouping engaged in production and/or business can identify available sources of advice, training, technical support, skills, marketing networks, finance etc. from the development office. The office will ensure the Municipality is responsive and provides an effective service function.
- The appropriate division of responsibilities is determined between the development office and the Nkonkobe Business Advice Centre in Fort Beaufort. The advice centre has important expertise in training and business management skills, which will be better utilised in conjunction with an economic development office.
- The Municipality must be careful that different areas within Nkonkobe do not see each other as competing for resources with the result that conflict leads

to inertia and a lack of decisive choices. In reality, the development path of Nkonkobe is mutually determined. Growth in one area will increase that in another through increased demand for products and increased future resources at the Municipalities disposal.

As outlined above, in moving forward, it is envisaged that specific details will be developed from workshops with stake-holders as an integral part of the full IDP process. Suggested steps in an evolving planning framework are:

- Agreement by council on a long-term vision and strategic priorities based on an integrated picture of the region
- Workshops with different institutions and constituencies. This is important to promote the core priorities of the programme and the linkages in the economy, yielding collective benefits from the programme, and to identify mechanisms in consultation with the different institutions which will be responsible for implementation.
- Allocation of resources under the core components of the plan. These include human/institutional, financial and physical resources. Allocation decisions will be taken by the various institutions involved in economic development and will involve them making commitments to the common plan.

A plan may be specified over a period of around five years with provision for ongoing monitoring and a mid-term review. Projects are therefore organised into common implementation programmes which ensure co-ordination and consistency.

The economic development framework can be represented in the table below. It shows the steps starting with the decisions over the development path through to programmes, key institutions, supporting infrastructure and finally the interventions required to make it happen, including projects. This straightforward approach can be used to take decisions in each area, as is given in the case of small-scale agriculture as an example. These are no more than suggested steps, to be addressed as part of the IDP.

Development framework – with example of small-scale agriculture

Development path	Sectoral programmes	Key institutions	Infrastructure	Interventions & Projects
<p>Reverse patterns of marginalisation; address poverty and inequality through focus on the position of the poor in the Nkonkobe economy</p> <p>Alter the historical dynamic of the Nkonkobe economy</p> <p>Bottom-up: respond to needs and ongoing activities</p> <p>Appropriate: small-scale and labour intensive</p>	<p>Small-scale agriculture:</p> <ul style="list-style-type: none"> • food production (poultry, vegetables, livestock) • high-value crops (paprika, olives, ostriches, sugar beet, essential oils etc.) 	<ul style="list-style-type: none"> • Municipality • Farmers co-operatives • Fort Hare – knowledge on crops and agric methods • Dept of Agric & Land Affairs - soil survey and technical support • Uvimba – finance • ECDC – finance • Provincial govt – strategy for new crops • Commercial buyers for high-value crops 	<p>Identify: - specific infrastructure requirements - shared infrastructure requirements</p> <p>For example: Fresh Produce Market Collective distribution arrangements Transport and communications: for marketing, delivery and payment info. Access to financial services</p>	<p>Examples: Study similar fresh produce mkts elsewhere → identify organisational framework</p> <p>Regular co-operative or shared transport of food-products to market with Municipal support</p> <p>Poultry marketing co-op, adding marketing strength to existing production capabilities</p> <p>Donor funds for vegetable packing</p> <p>Obtain organic certification where possible through registration body</p> <p>Negotiate agreements with supermarkets for sale of Nkonkobe produce</p> <p>Knowledge base – identify lead institution for high value products</p> <p>Funding for technical support staff</p>

based in e.g. Fort Hare

APPENDIX 1 . INTERVIEWS HELD

Prof Belete	University of Fort Hare
Mr Ken Burns	ECDC
Mr Badi	Middledrift Admin Unit council official (former town clerk)
Mr Livingstone Nxeke	Council supervisor , Hogsback
Mr Makana Cllr Ndiebe Mr Brits	Town Clerk, Fort Beaufort Councillor, Fort Beaufort Council official
Mr T. Maneli	Seymour (Acting Town Clerk)
Mr Mxolisi Phinda	Eskom
Mr Mxolisi Ngqungwane	Telkom
Mr Derek Mitchel Mr Jeffrey Tingwe	DWAF DWAF (Working for Water)
Mr Mnqayi Mr B Ketelo	Town clerk, Alice Alice council
Ms Cynthia Ninge	ACAT
Participants in:	Alice Crafters and Development
Mr Liso Soyagise	RAP, Fort Hare
Representatives of Fort Beaufort organisations:	Laphum'ikwezi Aids project; DOTS Phambili Makhosikazi Fort Beaufort Community Developers
Cllr Mncume	Katala Forest Forum/Trust
Mr Xola Makubalo	DWAF (Forestry)
Mr Jon Roberts	Riverside farms
Mr Mark Fry	KatCo
Representatives from Nkonkobe, DWAF, ECDC, IDC, Tourism	Meeting on economic development (Alice)
Mr Tickner	Summerpride fruit processors, East London
Mr Mpumi Fundam	Amatole DC
Other contacts made (by telephone)	

Mr Stuart Bartlett	IDC, E. Cape
Mr G. Claasen	IDC, Johannesburg
Mr Lane Webber	Forestry Agriculture Rural Management (FARM)
Mr Nxawe	Nkonkobe Business Advice Centre
Mr Scott Drimie	HSRC
Prof Sylvain Perret	University of Pretoria
HG Moellenar	Machine manufacturer, Cape Town

Middledrift projects

Mrs Tapa	Dish Poultry
Mrs Rali	Mazotshweni Community Garden
Miss Khari T	Gilton Poultry Project
Mrs Apleni	Majwarheni Poultry
Participants	Amatole Basin Poultry Project
Mrs Mngxe	Zizamele Crafters Project
Mrs N Vumazonke	Nonkxaso Poultry farming
Mrs N Nopondla	Masizame Crafters Project
Koleka Mgxoli	Ilitha Sewing Project
Witbooi Xoliswa	Masinedane Sewing Group
Rev Mxoli M	Ikhwezi Poultry farming Project
Nocawe Ngamlana	Upper Ncera Sewing, netting and candle making
Participants	Masisondele Sewing Project
Mr Mgengo	Lower Regu Gardening Project
Mr P. Matomela	Nceduluntu Welding Project
Mr Makupula	Makupula Brick project
Mr Ngobo	Chamama Community garden
Participants	Mdeni sewing project
Participants	Masinedane sewing project
Participants	Ntonga sewing project & gardening
Participants	Siyophumelela sewing project
Participants	Masakhane sewing, knitting & beadwork project
Participants	Tipa brick making project
Participants	Siyema sewing project & beadwork
Participants	Qamdobowa Farmer's association
Mr Kini	Ngwangwane Piggery
Mr Peza	Mqayisa community garden
Mr Sinyongo	Mqayisa Brick project
Mpomvela L	Masimanyane Crafters

