



Rural Development Framework

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Contents

| | |
|--|-----------|
| Section 1: Introduction | 2 |
| Section 2: Historical context | 3 |
| Section 3: Socio-economic situation analysis | 4 |
| 3.1 Demographic features | 4 |
| 3.2 Poverty and Inequality | 4 |
| 3.3 Access to services and infrastructure | 6 |
| 3.4 Economic Trends | 9 |
| Section 4: Policies and programmes | 12 |
| 4.1 The Constitution | 12 |
| 4.2 The RDP | 12 |
| 4.3 Gear | 13 |
| 4.4 Rural Development | 14 |
| 4.5 Land | 14 |
| 4.6 Agriculture | 15 |
| 4.7 Economic development | 16 |
| 4.8 Rural Local Government | 17 |
| 4.9 Infrastructure | 18 |
| 4.10 Development Finance | 19 |
| 4.11 Poverty | 20 |
| 4.12 Civil Society Initiatives | 21 |
| 4.13 Rural Livelihoods Programme | 22 |
| 4.14 The need for an integrated rural development strategy | 23 |
| Section 5: Terrains of intervention | 25 |
| 5.1 Policy Development | 26 |
| 5.2 Programme Design and Implementation | 26 |
| 5.3 Technical and Financial Support Infrastructure | 27 |
| 5.4 Democratic Participation | 28 |
| Section 6: Conclusion and Way forward | 30 |

Acronyms

| | |
|--------|---|
| Cimec | Centre for Investment and Marketing in the Eastern Cape |
| CSS | Central Statistical Service |
| Cosatu | Congress for South African Trade Unions |
| CSIR | Council for Scientific and Industrial Research |
| DALA | Department of Agriculture and Land Affairs |
| DBSA | Development Bank of Southern Africa |
| DC | District Council |
| DEAET | Department of Economic Affairs, Environment and Tourism |
| DHLG | Department of Housing and Local Government |
| DoF | Department of Finance |
| DPW | Department of Roads and Public Works |
| EC | Eastern Cape |
| ECDC | Eastern Cape Development Corporation |
| ECNGOC | Eastern Cape NGO Coalition |
| Ecsecc | Eastern Cape Socio-Economic Consultative Council |
| GEAR | Growth, Employment and Redistribution Strategy |
| GIS | Geographical Information System |
| GSP | Government Support Programme |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit |
| HDI | Human Development Index |
| H& LG | Housing and Local Government |
| IDC | Industrial and Development Corporation |
| IDP | Integrated Development Planning |
| LDO | Land Development Objectives |
| LG | Local Government |
| NGOs | Nongovernmental Organisations |
| OoP | Office of the Premier |
| PGDS | Provincial Growth and Development Strategy |
| PPM | Project Planning Matrix |
| RDP | Reconstruction and Development Strategy |
| RULED | Rural Local Economic Development |
| TLCs | Transitional Local Councils |
| TRCs | Transitional Rural Councils |

Section 1: Introduction

This paper aims to contribute to the establishment of a framework to guide the formulation of an integrated strategy for rural development in the province of the Eastern Cape. Alongside the intractability of the problems of poverty, unemployment and sub-optimal economic growth since South Africa's first democratic election in 1994, a range of separate but interrelated factors compound the need for a provincial rural development strategy. Among these include the continued peripheralisation of less developed countries within a global economy characterised by structural inequalities in the spheres of production, distribution and exchange; a sub-continent that remains in the grip of the legacy of colonialism and uneven development, and, more fundamentally, a post-apartheid state that continues to grapple, with limited success, with the challenge of translating the hard won victory of political democratisation into economic democratisation and development, particularly, though not exclusively, in rural areas of our country.

More specifically, the need for an integrated rural development strategy is driven by a growing recognition within government, the alliance, civil society and to a limited extent within the private sector, that past and unfolding rural development initiatives piloted by national, provincial and local levels of government in conjunction with a range of other actors, are not translating into concrete delivery within rural localities and sectors with adequate scale and impact.

The problem is no doubt complex and relates to the absence of an effective rural development coalition, the scarcity of technical, physical and financial resources within a broader context of fiscal austerity, low levels of investment in physical and human infrastructure, ineffective integration within and between different line functions of government, the lack of institutional capacity particularly at district and local levels and an inability to translate the distinctive competence of particular localities into a comparative advantage within the Eastern Cape provincial economy.

Furthermore, whilst there appears to exist a political consensus on a number of the above issues, this consensus, in the absence of an effective coalition, has not been translated into a unified political will with a critical mass of legislative, institutional and financial backing to enable an effective and coherent response. As a result the provincial fiscus continues to reflect a predominantly urban bias, the potential to crowd-in private investment remains inadequately addressed, the tension between rural and urban centres is sharpened and a general climate conducive to deepening democracy and giving substance to an 'African Renaissance' negated.

In an attempt to further build consensus and add momentum to the process of evolving a rural development strategy, this paper begins by reflecting on the historical and socio economic context conditioning rural development in the province. Section four reflects on key policies, programmes and initiatives which impact on rural development in the province. Section five turns our attention to an analysis of key issues and problems emerging from the collective experience of government and other actors involved on the terrain of rural development since 1994. The final section of this framework document outlines the way forward to the Rural Development Summit and beyond.

Section 2: Historical context

The underdevelopment of the rural Eastern Cape must be seen against the “native reserve policy” of the Union of South Africa (1910 –1948) and the separate development policies of the apartheid government (1948 –1994). While the specificities of the policies differed, both had the twofold aim and effect of reserving prime land for white settlement, and creating a reservoir of cheap, unskilled labour for super-exploitation by white farmers, miners and industrialists. The 1913 Natives Land Act institutionalized the expropriation of land from the African population, and set aside 13% of the country’s land for African settlement.

Later betterment schemes created thousands of small localised villages throughout the “native reserves” which led to overcrowding and soaring levels of landlessness and poverty. The coming to power of the apartheid government in 1948 tightened the terms by which Africans could enter “white” urban and rural areas (influx control) and led to the creation of “self-governing bantustans”. Through the policy of “indirect rule”, tribal authorities were given extended powers of decision –making over matters including the allocation of land. The policy to reconstruct the “reserves” as self-governing states was completed with the Promotion of Self Government Act (1959) and the Bantu Homelands Citizens Act (1970) whereby every black South African supposedly became a citizen of one of the ethnically based bantustans.

The “native reserve” and apartheid policies have left enduring and deeply entrenched legacies, including landlessness, the destruction of rural livelihoods and associated poverty; massive infrastructure backlogs; underdevelopment and unsustainable local economies; the artificial development of decentralisation points; the lack of institutional capacity to plan and implement development; fragmentated service delivery; and enduring systems of patronage. These legacies pose enormous challenges and constraints to the development of a rural development strategy for the province.

Section 3: Socio-economic situation analysis

3.1 Demographic features

| District Council | Population | Area | Density |
|-------------------------|-------------------|----------------|----------------|
| Western | 1 338 246 | 58 370 | 22,9 |
| Amatola | 1 640 552 | 26 592 | 61,7 |
| Stormberg | 512 965 | 28 633 | 17,9 |
| Drakensberg | 298 100 | 26 518 | 11,2 |
| Kei | 1 194 079 | 12 857 | 92,9 |
| Wild Coast | 1 318 583 | 16 905 | 78,0 |
| Total | 6 302 525 | 169 875 | 37,1 |

Source: Statistics South Africa, 1998

The Eastern Cape Province covers an area of 169 875 ha with a population of 6 302 525 population located in six district council areas. The Eastern Cape is a rural province with some 65% of the population residing in rural areas. Of the rural population, the majority (some 3 500) live in the former Ciskei and Transkei. What is significant in the table above are the population density figures which clearly debunk the universally accepted definition of rural areas as sparsely populated areas in which people depend primarily on farming and natural resources. The Kei and Wild Coast district council areas have higher population densities than areas where large urban centres prevail (such as the Amatola and Western DCs). The high population densities in rural areas in the province have particular implications for a rural development strategy, and reveal the limitations of a strategy based on conventional or orthodox approaches to rural development (for example focusing predominantly on developing agriculture).

A disproportionately high number of youth and women live in the rural areas of the province. Women comprise 54% of the Eastern Cape population but make up almost 60% of the rural population. In some rural communities, youth comprise up to 60% of the population, indicating a high youth-dependency ratio. The Eastern Cape, together with the Northern Province, has the highest proportion of children under the age of 5 years in the country (12%). Disability levels in rural areas are estimated at between 6% -7%, which is similar to that for urban areas in the province. However the cause of disability differs for urban and rural areas. In rural areas in the province, especially the former bantustans, disability is closely related to poverty and access to services. Here the cause of disability is often nutritional deficiency and lack of access to immunization, whereas in the wealthier and well resourced urban areas, disability is more closely related to old age.

3.2 Poverty and inequality

The 1998 Poverty and Inequality Report, using a fairly narrow World Bank definition of poverty, defines poverty as "the inability to attain a minimal standard of living, measured in terms of basic consumption needs or the income required to satisfy them". In other words poverty is defined as the inability of individuals and households to command sufficient resources to satisfy their basic needs. While this definition by no means encapsulates the complex socio-political, economic and psychological dimensions of poverty, it does provide a useful starting point for quantifying poverty.

On such a definition the "poor" are separated from the "non-poor" by means of a poverty line which is based on the expenditure necessary to buy a minimum standard of nutrition and other necessities. The "poor" are defined as households that expend

less than R352,53 per adult monthly, while the “ultra-poor” expend less than R193,77 per adult. On such a definition, just under 50% of South Africa’s population is considered poor, and 27% ultra-poor. Most of the poor live in the rural areas of the country, as is illustrated in the following table.

| | Population share % | Poverty share % | Poverty rate% |
|--------------|---------------------------|------------------------|----------------------|
| Rural | 50,4 | 71,6 | 70,9 |
| Urban | 49,6 | 28,4 | 28,5 |
| All | 100 | 100 | 49,9 |

Source: CSS, 1995, Income and Expenditure Survey

While being home to just 50% of South Africa’s population, rural areas have a poverty share of 72% of the country’s poor. Accordingly, poverty is concentrated in the rural provinces of the country, especially the Eastern Cape, the Northern Province, and the Free State.

The recently released Statistics South Africa report, Measuring Poverty (2000), suggests that the Eastern Cape is the poorest province in the country. Using the household poverty line based on consumption expenditure at R800 or less per month, the report suggests that the Eastern Cape has a poverty level of 48% (compared for example to 12% for Gauteng and the Western Cape). The Eastern Cape has the lowest mean monthly household expenditure (R1702) compared for example to R4270 for Gauteng and R3816 for the Western Cape. Within the province the Wild Coast District Council area is the poorest. This is reflected in the following table which shows the huge spatial wealth disparities across the province.

| District Council | Imputed mean monthly household expenditure |
|-------------------------|---|
| Wild Coast | R 862-00 |
| Kei | R 998-00 |
| Drakensberg | R1377-00 |
| Stormberg | R1 482-00 |
| Amatola | R1 729-00 |
| Western | R3 051-00 |

Source: Measuring Poverty, StatsSA 2000

Within the province, magisterial district council areas such as Elliotdale, Willowvale Tabankulu, Kentani, Mqanduli, Engcobo, Flagstaff, Mount Fletcher, Cofimvaba, Ngqeleni, Port St Johns, Libode, Maluti, Lusikisiki, Mt Ayliff, Tsomo, and Umzikhulu are the poorest, and are (together with one district in the Free State), ranked the poorest in the country. In fact the Eastern Cape is home to a staggering 28 of the 30 poorest magisterial districts in the country (SSA, 2000).

That the Eastern Cape is one of the poorest provinces in the country is corroborated by 1996 census data on household income. The average per capita income in the province is R4000/year, compared to R8148 for South Africa as a whole. Almost three-quarters of the population (74%) earn less than R1500/month, and 41% of households have a monthly household income of less than R500 (30% for South Africa as a whole). Most of these households reside in the former Transkei and Ciskei. On the other hand just 15% of households in the province (concentrated mostly in East London and Port Elizabeth, and represented by a disproportionately high number of white households) earn more than R3500/month.

Besides poverty lines and household income as a measure of poverty, a third indicator, the Human Development Index (HDI), provides important insights into the

relative quality of life being experienced between different social groups, countries and regions within a country. The HDI is a composite of three factors – life expectancy, educational attainment (measured by a combination of adult literacy and enrolment rates), and standard of living (measured by GDP per capita), and presents a relative position on an HDI scale of between 0 – 1 (with 0 representing the lowest level of human development and 1 the highest).

Table 1: Comparison of HDI for selected countries, race and provinces

| HDI | Province (1995) | Countries (1991) | Race (1991) |
|-------|-------------------|------------------|-------------|
| 0,901 | | Canada | Whites |
| 0,836 | | Singapore | Indians |
| 0,826 | Western Cape | | |
| 0,818 | Gauteng | Venezuela | |
| 0,698 | Northern Cape | Brazil | |
| 0,694 | Mpumalanga | | |
| 0,663 | | Botswana | Coloureds |
| 0,657 | Free State | | |
| 0,602 | KwaZulu-Natal | | |
| 0,543 | North-West | Egypt | |
| 0,507 | Eastern Cape | Swaziland | Africans |
| 0,470 | Northern Province | Zimbabwe | |

Source: UNDP, 1994; SIDA, 1998

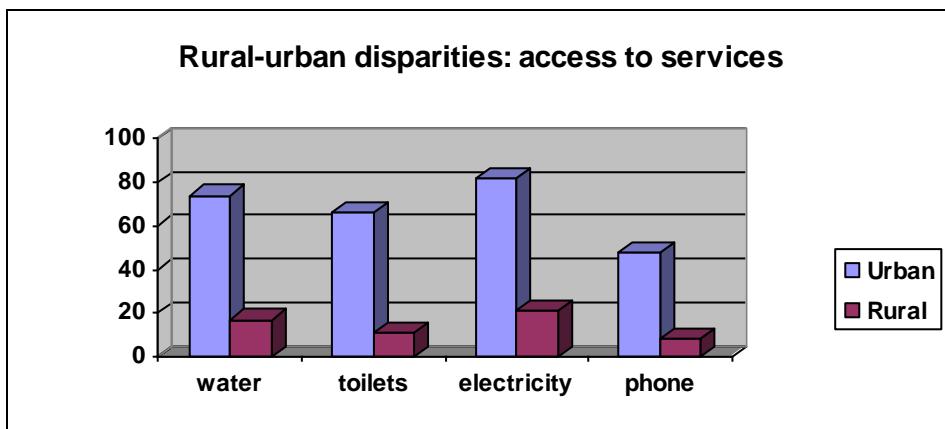
As is illustrated above, the HDI is a useful indicator for reflecting disparities between countries and provinces. The HDIs also reflect the huge inherited racial inequalities which, unless addressed as a matter of urgency, may serve to threaten our fragile democracy. This between-race inequality accounts for the fact that South Africa has one of the most skewed income distributions in the world (having a Gini-coefficient second only to Brazil). The poorest 50% of South Africa's population generate only 11% of national income, whilst the richest 7% control 40% of national income (Poverty and Inequality Report, 1998). Furthermore, poverty rates closely parallel race in South Africa, with 61% of Africans living in poverty, compared to 38% of "Coloureds", 5,4% of Indians and only 1% of Whites (CSS, 1995).

Besides racial inequality, gender and age stratification also impacts on poverty with women and children being more vulnerable to poverty than their male and adult counterparts. The poverty rate among female-headed households is 60% compared to 31% for male-headed households. Three in every five children in South Africa live in poor households. The Eastern Cape has the highest number of children (78%) living in poor households, compared to 20% for Gauteng, and 35% for the Western Cape. This suggests the need for development and poverty alleviation programmes and procurement policies which specifically target women and youth as beneficiaries. It also suggests the need for broader societal transformation to restructure those socio-political and economic relations which continue to subordinate the needs and interests of particular social classes and groups (rural dwellers, women, youth etc), and continue to reproduce patterns of social inequality.

3.3 Access to services and infrastructure

South Africa today is characterized by huge disparities with regards access to basic services and facilities. This is reflected in the following figure which suggests that only 17% of rural dwellers have access to running water in their homes (74% for

urban dwellers), 11% have flush toilets (66% for urban), 21% have electrified homes (82% for urban) and 8% have a telephone or cell in their homes (48% for urban).



Source: Poverty and Inequality Report, 1998

As is evident in the above figure, the need to provide basic services to disadvantaged South Africans, especially those residing in the rural former homelands, is enormous. Within the Eastern Cape, the legacy of apartheid underdevelopment endures in the form of unmet basic needs and uneven distribution of services. In summary, these can be depicted as follows:

3.3.1 Water - Only 24.4% of Eastern Cape households have running water in the home (compared for example to 75% in the Western Cape). A total of 56% of all households have to obtain their water from other sources.

In rural areas, only 14% have running water on the property; 86% obtain water from other sources, most commonly streams, unprotected springs, rainwater tanks and communal standpipes. The nearest source of water is more often than not a considerable distance from the household: 59% have to go 200 metres or more to fetch water, 25% have to go one kilometre or more.

3.3.2 Sanitation - Only 31% of households in the Eastern Cape have flush toilets (compared for example to 86% in the Western Cape). A further 9% have ventilated improved pit latrines, 31% have unimproved pit latrines, 10% use bucket toilets and 16% have no sanitation facilities. In the case of 12% of households, sanitation facilities are shared. In urban areas, 20% of households rely on bucket toilets. In rural areas, 26% of households have no sanitation facilities and 51% have no facilities within 25 metres of the dwelling.

3.3.3 Electricity – Only 31.2% of households in the Eastern Cape do not have electricity and there is heavy reliance on wood, paraffin and candles. The main sources for cooking are wood (32%), paraffin (31%) and electricity (28%). The main sources for heating are wood (34%), paraffin (33%) and electricity (26%). The main sources for lighting are paraffin (41%), electricity (37%) and candles (20%). In the rural areas, only 12% of households have access to electricity. The main sources of wood are indigenous forest and the veld. Long distances have to be covered to collect wood: in 80% of cases it has to be fetched from further than 200 metres, in 50% from further than 1 kilometre.

3.3.4 Telecommunications - Telecommunications are extremely limited, with telephones in 37% of urban dwellings and only 4% of rural dwellers. Of those without

a telephone in the rural Eastern Cape, 60% must travel more than 5km to find a public phone.

3.3.5 Health - The ratio of health facilities to population in the Eastern Cape is lower than for the country as a whole. There are 0,3 medical officials per 1 000 of the population, compared to a national figure of 0,6. According to the Eskom Omni Panel, there is a clinic or hospital in only 49% of communities, compared to 62% for South Africa. In the rural areas in the Eastern Cape, 58% of households are further than 5 kilometres from the nearest clinic and, reflecting the poor transport infrastructure, 81% take half an hour or more to get to the nearest clinic.

3.3.6 Education - Educational levels are significantly lower in the Eastern Cape than for South Africa as a whole. Only 43% of the population have achieved standard 7 or higher. The ratio of pupils to educators is 21% higher than in all of South Africa. Currently huge school backlogs exist in the province, estimated to be in excess of 21 000 classrooms (in disaster and basic schools), estimated at R1,7 billion. Most of these schools are located in the former Transkei where mud schools predominate. Furthermore, more than 50% of schools are in need of repair, more than 60% of schools need toilets, and more than 90% of the schools in the province do not have specialist facilities such as libraries, computer facilities etc.

3.3.7 Roads – Most of the surfaced and gravel roads in the former Ciskei and Transkei are in extremely poor condition. Backlogs are estimated to be more than R1,5 billion (excluding current flood damage). Some R450 million is required immediately to surface priority gravel roads, while R750 million is needed just to maintain roads at their current levels.

3.3.8 Housing - According to Statistics South Africa there are some 1 245 000 households in the Eastern Cape, of whom 647 000 live in houses and 380 000 in "traditional dwellings" or huts. A further 70 000 live in backyard structures of a formal type, 21 000 live in backyard shacks and 76 000 live in other shacks. There is currently a housing shortage of at least 150 000 units in the province, estimated to cost some R3 billion.

3.3.9 Land – Approximately 88% of the agricultural land in the country is in the hands of predominantly white large-scale commercial farmers. In the Eastern Cape, this commercial farming land is made up of about 6 500 farms occupying some 10 million hectares and employing approximately 70 000 farmworkers. The largest number of farms (2 000) and farmland (5,3 mn ha) are devoted to sheep, beef cattle (1 500 farms on 2,3 mn ha), mixed farming (1 500 farms on 2,0 mn ha), milk cattle (450 farms on 0,2 mn ha) and vegetables (200 farms on 0,07 mn ha).

In the former Transkei and Ciskei, most of the land is held under some form of communal tenure, and in terms of the past "betterment planning" systems, is subdivided into residential land, fields for crop production, and rangeland. The 1997 Rural Survey estimates that 30% of former homeland households are landless and have no grazing rights on communal land. Furthermore, more than half of all crop farmers in the former homelands have less than 1 hectare under cultivation, and only 1% have more than 10 hectares. Problems of land access coupled with lack of financial and extension service support has resulted in the situation where only 3% of households in the former homelands deriving their most important household income from farming. Clearly issues of landlessness and unresolved land ownership problems need to be prioritised as a first step towards enhancing agricultural productivity in the former Transkei and Ciskei.

In terms of an overall Household Infrastructure Index as calculated by Statistics SA in their latest poverty report “Measuring Poverty” (2000), the Eastern Cape is ranked as being the most in need of basic infrastructure and services. This is illustrated in the following table:

| Province | Household Infrastructure Rank |
|-------------------|-------------------------------|
| Eastern Cape | 9,0 |
| Free State | 4,5 |
| Gauteng | 1,5 |
| KwaZulu-Natal | 4,5 |
| Mpumalanga | 6,0 |
| Northern Cape | 3,0 |
| Northern Province | 7,5 |
| North West | 7,5 |
| Western Cape | 1,5 |

Source: Measuring poverty, StatsSA 2000

3.4 Economic Trends

The 1996 Census found that the Eastern Cape has the highest levels of unemployment in the country, having an unemployment rate of 48,5% compared to 34% for South Africa as a whole. Women account for a disproportionately high number of the unemployed, comprising 54% of the provincial population but holding just 45% of jobs. Furthermore, the census found unemployment to be concentrated in the former Transkei and Ciskei areas of the province, where 71,5% of the economically active population was found to be unemployed. These soaring levels of unemployment in the province can be explained by the general economic decline which has beset the province since 1980, and which has seen population growth outstripping economic growth and job creation. A contributing factor to job loss are the higher capital/labour ratios in production (especially in manufacturing and agriculture), as well as public sector restructuring.

Disturbingly, as is evident in the following table, total formal sector employment in the province has fallen from 773 578 in 1980 to 535 195 in 1996 (down 31%). This decline has been most marked in agriculture (52% down from 1980), mining (down 70%), manufacturing (down 32%), and community and social services (down 34%).

Economic sector by employed population in the Eastern Cape

| Sector | 1980 | 1991 | 1996 | %1996 |
|--|----------------|----------------|----------------|------------|
| Agriculture, hunting, forestry & fishing | 148 149 | 136 165 | 70 470 | 13.2 |
| Mining & quarrying | 24 220 | 27 560 | 7 154 | 1.4 |
| Manufacturing | 142 784 | 159 006 | 97 035 | 18.1 |
| Electricity, gas & water supply | 4 555 | 4 771 | 5 598 | 1.0 |
| Construction | 39 038 | 47 501 | 43 635 | 8.1 |
| Commerce, catering & accommodation | 94 213 | 90 211 | 83 818 | 15.7 |
| Transport & communication | 57 646 | 37 481 | 32 851 | 6.1 |
| Financial, insurance & real estate | 21 506 | 26 137 | 35 181 | 6.6 |
| Community, social & personal services | 241 267 | 267 173 | 159 453 | 29.8 |
| Total | 773 578 | 798 005 | 535 195 | 100 |

Source: Census 1996, DBSA 1999

The decline in employment has been matched by a decline in output. The province's economy experienced a net decline of more than 15% in GGP between 1982 and 1993, from which it has been unable to recover in a context of intensified globalization, deregulation, and increased competition, especially for domestic markets. The impact of this economic slump on the province has been uneven, with the former Transkei and Ciskei being particularly hard hit, partly as a result of disinvestments by companies which had been attracted to the so-called growth points by decentralization incentives. To compound matters, the former homeland economies have also been hard hit by the ongoing retrenchments in the Gauteng mining industry. Economic growth, where it has occurred, has been uneven and almost entirely concentrated in the urban centers of Port Elizabeth and East London. The shifting trends in economic performance are illustrated in the tables below.

Economic performance by sector in the Eastern Cape

| Economic Sector | GGP (R'm) (1999) | % EC output (1980) | % EC output (1991) | % EC output (1999) |
|-------------------------------|---------------------|--------------------------|--------------------------|--------------------------|
| Agric, forestry and fishing | 2 063 | 11,6 | 6,3 | 3,6 |
| Mining and quarrying | 57 | 0,4 | 0,16 | 0,1 |
| Manufacturing | 14 783 | 24,9 | 25,7 | 25,8 |
| Electricity, gas and water | 974 | 2,48 | 1,7 | 1,7 |
| Construction | 1892 | 3,7 | 3,7 | 3,3 |
| Trade and accommodation | 9339 | 14,4 | 15,3 | 16,3 |
| Transport and communication | 5501 | 13,75 | 9,6 | 9,6 |
| Finance and real estate | 7048 | 9,7 | 10,7 | 12,3 |
| Community and social services | 15 643 | 18,9 | 26,4 | 27,3 |
| TOTAL | 57 300 | 100 | 100 | 100 |

Source: Cimec 2000; DBSA 1999

The service sector (mostly government services) and manufacturing are the key economic sectors in the province, contributing more than half of the provincial GGP and employing well over half of the formally employed in the province. Manufacturing contributes 25.8% of output and employs 18.1% of the formally employed in the province (DBSA, 2000). But almost 90% of manufacturing activity takes place in Port Elizabeth and East London, reflecting the need for a more diverse manufacturing strategy which extends activities into the impoverished rural areas.

Such a strategy could also be linked to the regeneration of agriculture which has been in serious decline since 1980. In 1980 agriculture contributed 11.6% of provincial GGP and employed 148 000 persons; in 1991 this had fallen to 6.3% and by 1996 had fallen to an all-time low of 3.6% employing just over 70 000 persons. Yet despite the low levels of output generated within the sector and the trend towards machines replacing human labour, agriculture remains an important employer, giving jobs to 13% of the formally employed in the province. But this is not the case in the former Transkei where agriculture remains a relatively insignificant employer (employing just 5% of the formerly employed in the Kei District Council area).

The community and social services sector contributes 27.3% of provincial GGP and employs just under 30% of the employed. This indicates the high levels of dependence on government both as a provider of jobs and as a provider of services and income. In rural towns such as Alice, this sector contributes some 70% of output. This underlies the need for the state to continue and expand its developmental role (as employer, infrastructure developer and provider of social security), while at the same time creating an enabling environment for diversified economic development in order to sustain livelihoods in the high-dependency rural areas.

While there has been general economic decline and job loss in the formal provincial economy, there has been some growth in the small, medium and micro enterprise sector, particularly among informal and unregistered businesses. But most of this growth has been in the urban areas. According to Ntsika (1996), some 9% of the economically active rural population in the Eastern Cape are self-employed, compared to 21% of the economically active population living in informal settlements in urban areas. But despite growth in the sector, many SMMES remain unsustainable and survivalist in nature. Reasons for the underperformance of SMMEs in the province include insufficient access to finance capital, the lack of basic infrastructure (water, electricity etc) especially in rural areas, insufficient linkages with markets, and the general lack of technical, business and managerial skills among emerging entrepreneurs.

In conclusion then, the Eastern Cape has enormous potential but is suffering in two key respects: a failure to meet basic socio-economic needs, and economic stagnation in key industries, especially those located in rural areas of the province. Development strategies needs to harness and focus resources in such a way that links can be made between developmental goals (such as the satisfaction of basic needs) and a restructured economy. This will necessitate resuscitating the labour-intensive agricultural sector, enhancing linkages with a diversified manufacturing sector, ensuring spin-offs and the necessary support-infrastructure for the growing SMME sector, and finally through expanding the state-led infrastructure programme which will result in increased output and employment in the construction, electricity, gas and water and communication sectors.

Section 4: Policies and programmes

The over-arching policy frameworks which provide the broad parameters within which a provincial rural development strategy can be formulated are the Constitution, the Reconstruction and Development Programme (RDP), and the Growth, Employment and Redistribution Strategy (Gear). A number of other key policies and programmes shape the formulation of the provincial strategy, including the national Rural Development Framework, the Provincial Growth and Development Strategy, the land reform programme, agricultural and economic development programmes, as well as a host of other government programmes and NGO interventions. This section provides a brief overview of these polices and programmes, and considers some of the key gaps and issues which emerge.

4.1 The Constitution

The Constitution (Act 108 of 1996) protects human rights, enshrines democratic principles such as equality and freedom, and guarantees all citizens the right to access to basic needs goods and services such as health care, water, food, and social security (see Section 27), as well as the right to access land on an equitable basis, subject, that is, to the state's capacity to realise these rights. At the same time, though, the Constitution endorses property rights and in this sense protects the status quo with respect to relations of production. Another important component of the Constitution is the determination of national and provincial government's legislative competencies, and how provincial policies relate to (and in fact are subordinate to) national frameworks, policies and norms and standards (Section 104 and 146, and Schedule 4). Schedule 4 determines that rural development is regarded as a functional area of concurrent national and provincial legislative competence. In other words provinces can formulate provincial rural development policies, provided they are in line with national frameworks. Responsibility for implementation lies with provincial and local government.

4.2 The RDP

The Reconstruction and Development Programme (RDP) provides a manifesto for the socio-economic transformation of the South African political economy. The emphasis of the RDP is on redressing apartheid socio-economic deficits, meeting basic needs, sustainable economic development, job creation, empowering marginalised social groups such as women and rural dwellers, and deepening participatory democracy. As is illustrated in Section 7 below, these principles inform the strategic thrust of the rural development strategy, as indeed they informed the Provincial Growth and Development Strategy. The challenge lies in ensuring that these principles are translated into operational programmes which can be implemented and monitored.

With respect to rural development, the RDP places particular emphasis on land reform as a prerequisite for rural development. As paragraph 2.4.3 states, the land reform programme must "*aim to supply residential and productive land to the poorest section of rural population and aspirant farmers*". Strengthening property rights of communities already occupying land, combining market and non-market mechanisms and making available non-utilised government land are suggested ways of expediting land redistribution. The other key focus of the RDP with respect to rural development is around improving the quality of rural life through a state-led programme of providing access to affordable social services and infrastructure. This includes access to water and sanitation, housing, electricity, transport, health, education, support for entrepreneurship including agriculture, financial services, welfare, the

police and the courts. Control of government –funded services should be passed over to the rural people for whom they are intended. Also a key focus in the RDP is the creation of public works jobs for rural residents, especially women and youth (section 2.3.4).

4.3 Gear

The Growth, Employment and Redistribution (GEAR) was adopted by the national government as its macro-economic policy in 1996. This strategy aims to build a competitive fast-growing economy which creates sufficient jobs for all work seekers, and at the same time redistributes income and opportunities in favour of the poor. In practice, however, Gear has had limited success in meeting these objectives, with economic growth, investment and especially job creation levels falling below expected targets. Gear has also been criticised for its restrictive monetary and fiscal policies, realised in the form of high interest rates and reduced government spending respectively¹.

In theory though, the budgetary reforms of Gear are aimed at strengthening the redistributive thrust of expenditure, which could result in a shift in government expenditure towards the Eastern Cape if sufficiently motivated. In this respect, fiscal restraints notwithstanding, Gear is not in direct contradiction with a people-driven rural development strategy aimed at redressing socio-economic backlogs and meeting basic needs in rural areas. Infrastructure is highlighted as good public investment"*The strategy envisages a substantial acceleration in government investment spending, together with improved maintenance and operation of public assets....The provision of basic household infrastructure in particular is a relatively low cost and effective form of intervention in favour of the poor and consistent with the reduction of income inequalities*". Furthermore, the local state is actively encouraged to increase infrastructure and basic needs spending and associated job creation..."*Employment by local authorities has fallen over recent years. This trend should now be reversed as consolidated authorities take responsibility for revised jurisdictions, municipal infrastructure investment gets underway, and service delivery is improved...*".

There is a clear commitment in Gear towards increasing basic infrastructure spending in rural areas. The Department of Land Affairs, the Department of Housing, the Department of Water Affairs and Forest, Telkom, Eskom, the Departments of Health and Education, and the Department of Public Works all anticipate large, and in aggregate, growing infrastructure investments in rural areas. In other words a provincial rural development strategy grounded in supply of infrastructure and basic needs goods and services to impoverished rural areas is not in contradiction with our macro-economic strategy. Whether the shrinking fiscus allows for the operationalisation of such a strategy remains to be seen.

Another key aspect of Gear which also presents clear opportunities and threats, is the linking of the South African economy with developments in the global economy. This necessitates a dynamic analysis of the Eastern Cape economy and how trade liberalisation is changing patterns of industrial growth and development. While it will no doubt have a negative impact on the performance of certain industrial sectors, trade liberalisation will afford comparative opportunities for certain export-oriented

¹ South Africa currently has one of the highest real interest rates in the world (up to 10 percentage points above the Consumer Price Index), while government spending has since 1996 dropped 5% per year subject to the CPI (with the exception of the defence budget).

industries in the Eastern Cape. This dynamic needs to be carefully understood and factored into the provincial rural development strategy.

4.4 Rural Development

A host of policy papers affirm the government's commitment to rural development. The process began in 1995 with the national Rural Development Strategy (RDS), which describes core problems and needs in rural areas. Soon after its release however, the document came under criticism for merely providing a wish list and for not interrogating concrete opportunities and constraints for rural development. To some extent these criticisms were dealt with in the national Rural Development Framework (RDF) which was produced in May 1997 by the National Department of Land Affairs and the Rural Development Task Team (attached to the RDP Office before its closure). The RDF outlines the national policy framework within which rural development strategies need to be framed, and how rural development imperatives can be integrated into overarching policy frameworks (such as the RDP and Gear).

Importantly, the paper provides a rationale for including in its focus larger towns and settlements in former homeland areas, and sees a critical role in their economic development. Key issues in the RDF include poverty alleviation, local economic development, integrating rural and urban development, employment creation, infrastructure provision, local democracy and institutional sustainability.

While the RDF provides a fairly coherent policy framework, it is less clear about how this framework can inform implementation. Competency here rests with provincial governments which have been fairly slow off the mark in designing provincial rural development strategies.

4.5 Land

Land reform policies comprise three separate policy arenas - restitution, redistribution, and tenure reform. Restitution provides for the victims of land dispossession and forced removals since 1913; Redistribution aims to provide land for residential and agricultural purposes to the poor and disadvantaged; Tenure reform aims to improve tenure security for residents of the former homelands and labour tenants on farms.

Restitution - People who were dispossessed of land rights in terms of racially based law or practice after 1913 without receiving adequate compensation have a constitutional right to restitution. The Restitution of Land Rights Act was passed in 1994. In terms of this Act, victims of land dispossession had until 31 December 1998 to lodge their claims. Approximately 65 000 claims have been lodged, of which only 4500 have been settled. Of these, some 4000 have been settled during the last 12 months, due to the shift away from onerous legalistic procedures towards more efficient administrative systems. However it should be noted that the settlement of claims doesn't amount to the actual restoration of land rights or transfer of alternative land or payment of compensation.

The lack of post-settlement implementation capacity is being addressed through the establishment of Regional Lands Claims Commission teams and through building capacity in the district offices of provincial DLA. But the lack of capacity in rural local government and the lack of collaboration between DLA, the RLCC, district councils and local municipalities has meant that restitution claimants are not always being catered for with respect to the provision of bulk infrastructure, housing, and other

development benefits including training, finance and advice with respect to agricultural development.

A recent breakthrough has been the Chatha claim in Keiskammahoek, which recognises that the betterment process amounted to racially-based dispossession of land rights, and stipulates that restitution be granted a considerable package of development projects and compensation. On this assumption, restitution could emerge as a key programme for channelling resources into the former homeland areas of Ciskei and Transkei.

Redistribution - The broad approach adopted since 1960 has been the market-based but state assisted willing- buyer/willing seller approach. The primary settlement mechanism for state assistance has been the Settlement and Land Acquisition Grant (SLAG), which closely resembled the housing subsidy approach (a once- off R16 000 per household). This has proved to be an ineffective mechanism to redistribute land, and has recently been scrapped. The forthcoming Integrated Programme of Land Redistribution and Agricultural Development will be the most concerted effort to date to access land for disadvantaged South Africans. The programme aims to transfer 3,5 million hectares of agricultural land over a 5-year period. Importantly, the programme aims to provide a package of technical and financial support to beneficiaries to stimulate agricultural development and linkages between on-farm and off-farm income generating activities.

Tenure - There are currently no clear policies and programmes around land tenure and has been no tenure reform since 1994. One of the main reasons for this is the unresolved role of traditional authorities in the former bantustans. Tenure reform will affect some 6 million of the poorest households in the country (in the former bantustans, on farms, and in informal settlements), and could potentially have an enormous impact on poverty and economic development. Tenure reform remains perhaps the single biggest obstacle to rural development in the province, and to the rejuvenation of agriculture in the former Transkei and Ciskei. This suggests the need to fasttrack the finalization and implementation of the Tenure Reform Bill.

4.6 Agriculture

The Green Paper on Agricultural Policy (1998) has the twofold aim of revitalising agriculture through increased output and employment, and at the same time advocates that the poorest households and disadvantaged small-scale farmers are afforded more opportunities to develop and access markets. This involves putting into place a package of research, technical and financial support for target beneficiaries, and is seeing the restructuring of agricultural parastatals such as the Agricultural Research Council and the Land Bank to make them more responsive to the needs of small-scale farmers. But progress in making such technical and financial support available to small-scale farmers in the former bantustans has been slow and deregulated markets (in line with Gear) has meant minimal state intervention in the market on behalf of emerging farmers. As alluded to in section 4.4 above, land remains a key problem, especially in the former Bantustans. In the absence of tenure reform, the intentions of the proposed Integrated Programme of Land Redistribution and Agricultural Development should go some way in freeing up land for agricultural production. The challenge is to expedite the process of freeing up and transferring state and private land for redistribution, and to ensure that beneficiaries are provided with the necessary support infrastructure.

The provincial Department of Agriculture and Land Affairs' Strategic Plan 2000-2004 aims to integrate this national policy framework with the objectives of the Provincial

Growth and Development Strategy. The focus of the strategy is on revitalising agriculture in the province through promoting the shift from subsistence-type production to viable commodity production, on targeting youth and women, and on promoting sub-sectors such as game farming, high value crop production, and intensive livestock farming. The provincial department has also recently released the “Integrated Livestock and Crop Farming Subsystem for the Eastern Cape: Best Practice Model for Agriculture and Rural Development”, which promises to be effective if accompanied by a fast-tracked land reform programme (including secure land tenure) and package of technical and financial support. The proposed restructuring of the province’s agricultural parastatals into co-operatives will also provide impetus to stimulating agricultural production in underdeveloped areas of the former Transkei and Ciskei.

4.7 Economic development

Economic planning in the province is shaped by the Provincial Growth and Development Strategy (PGDS), which in turn is informed by the vision of the province”An Eastern Cape which is devoid of the inequalities of the past, unified through integrated and sustainable economic, social and cultural development, thus providing an acceptable quality of life for all its people in the context of a united, non-racial, non-sexist and democratic SA”.

Based on the logic that the Eastern Cape is a poor and rural province, the strategic approach of the PGDS is to achieve economic growth with equity through a targeted approach to job creation and sustainable economic growth, and through a commitment to meeting basic needs and infrastructure development, especially in the rural areas. Central to the PGDS is the notion of building social partnerships between government, labour, business and the NGO sector, and achieving broad consensus and “buy-in” around key development goals for the province. The Eastern Cape Socio-Economic Consultative Council (Ecsecc) plays a critical role in consolidating these partnerships, and in integrating economic development goals with broader socio-economic goals of improving the quality of life of the poor and disadvantaged. The focus on job creation and economic growth has also seen the establishment in late 1996 of the Centre for Investment and Marketing in the Eastern Cape (Cimec), which promotes trade and investment opportunities in the province, and provides marketing and information support to new and existing companies.

Currently, economic development in the province is centred around the manufacturing sector, especially the automotive sector, textiles, chemicals, and food processing. While food processing has some important backward linkages to the province’s agricultural sector, and textiles is beginning to explore linkages with wool and mohair production and hemp, insufficient upstreaming and downstreaming opportunities exist within the manufacturing sector. This suggests the need to consolidate and at the same time diversify the province’s export-oriented manufacturing strategy to ensure greater integration with other economic sectors, especially agriculture. In order to facilitate such diversification, the PGDS promotes an economic development strategy which makes optimal use of the province’s natural resources, including timber, construction materials, hides, skins and leather, crops, wool and mohair, fruit and fish, and natural tourist attractions. Such diversification needs to form a central component of a provincial rural development strategy, although land reform in the former Transkei and Ciskei areas of the province remains a major stumbling block to the realization of a broad-based agro-industrial economic development strategy grounded in the establishment of robust agricultural-manufacturing complexes.

Enabling activities to attain sustainable economic growth in the Eastern Cape include the implementation of SDIs, the initiation of local economic development planning and implementation, SMME development, the restructuring of agricultural and development finance corporations in the province, and appropriate skills development and training. To date these activities have had varying success. The Fish River SDI, which includes the West Bank and Coega Industrial Development Zones has been fairly successful in attracting manufacturing capital and crowding in infrastructure development, although envisaged benefits will not extend beyond East London and Port Elizabeth. The Wild Coast SDI, which advocates a broad agro-tourist and infrastructure development strategy, has seen agricultural investments in pineapples, macadamia nuts, citrus, granadilla, banana, sugar beet and tea, and has also crowded in infrastructure projects. But the project has been less successful in extending benefits to SMMEs, and spin-offs to communities living outside the anchor nodes. Partly, this is a result of the lack of institutional and technical capacity in the area, insufficient co-ordination within government, and between government and other service providers, the lack of secure land tenure for farmers, and the absence of an overarching economic and rural development vision for the area.

Many of these problems can be assumed for most of the rural towns and areas in the province. Numerous socio-economic profiles undertaken by Ecsecc point to the lack of technical and financial support for SMME development, and the lack of SMME integration with infrastructure projects. Manufacturing advice centres are located in Port Elizabeth and Queenstown only, and Khula-supported finance NGOs are reaching very few SMMEs across the province. Furthermore, with the exception of a few established centres, Local Business Service Centres (LBSCs) which provide business support to SMMEs, were found to be undercapacitated and struggling to integrate their activities with other development agents such as local authorities and development finance institutions. This suggests the absence of coherent and integrated local economic development planning and implementation, largely as a result of strategic capacity problems in the local state. As is argued below, this is a result of historical reasons as well as insufficient policy emphasis on building LED planning and implementation capacity in local authorities.

4.8 Rural Local Government

Local co-ordination of infrastructure and service delivery has been devolved to local government in terms of the Development Facilitation Act (Act 67 of 1995), Local Government Transition Act (Act 97 of 1996) and the White Paper on Local Government. In terms of this policy framework, local authorities have been tasked with developing Integrated Development Plans (IDPs) and Land Development Objectives (LDOs). But studies of integrated development planning processes have found IDP tools being applied in a mechanistic way, heavy reliance on outside consultants, too little community participation in the planning process, too little integration with local economic development planning, and insufficient institutional capacity to implement plans (i.e. mismatch between IDP and implementation capacity).

To date local government restructuring has focused on urban local authorities (TLCs), with little policy support being given to rural local government. Transitional Representative Councils (TRCs) in the Eastern Cape have had little success in pursuing development due to institutional constraints within the system for rural local government in the transitional phase. TRC's have not been in a position to deliver services, and most do not even control their own budgets. Some have no offices, and most no staff other than an administrator assigned to the council from the District Council. In fact it has only really been the District Councils that have had the funds

and institutional capacity to deliver some development to the rural parts of the province. Small rural TLC's have only been a little better resourced than their purely rural counterparts. Lack of funds and skills has hampered their development, and the artificial division between small towns and their rural hinterlands has resulted in little co-operation on development projects, and poorly developed trade and commerce links between small towns and rural surrounds. This has changed with the Demarcation Act and the amalgamation of local authorities (the total number being reduced by 50%). District Councils will now have a stronger role to play in assisting struggling local councils to fulfil their development mandate.

In summary the key institutional weaknesses for rural local government have been:

- Lack of internal revenue (be it due to non-payment, poor billing systems, lack of taxing powers etc)
- An inability to re-orientate expenditure and revise budgeting methods (project or capital expenditure is often already committed for numerous years ahead)
- Poor financial accounting and records, often due to a lack of skills
- Lack of creditworthiness, meaning that borrowing in the open market for many councils is not an option
- Lack of engagement with IDP/LDO planning processes on the part of both councillors and communities, often due to the appointment of outside consultants
- Lack of skills to prepare project funding applications in order to secure finance
- Difficulties in administering service subsidies to the indigent
- Poor service delivery, often due to a lack of maintenance of infrastructure and ageing infrastructure
- Insufficient councillor and staff training which could have unlocked potential
- Declining local economies and rising unemployment working against local economic development planning
- High cost of service infrastructure in rural areas due to dispersed settlements and lower economies of scale than in urban areas
- The unresolved role of traditional authorities in rural local government, and the constraining effect they may have on the implementation of a rural development strategy due to the controls they are able to exercise

4.9 Infrastructure

As illustrated in section 3 of this report, the province is faced with huge infrastructural backlogs. These backlogs in school -building, clinic and health facilities, roads, water, electricity, telecommunications, agricultural infrastructure (such as fencing and holding dams), among others, run into billions of rands and are most acute in the rural areas of the former Transkei. Currently, however, Government is allocating insufficient resources to redress these backlogs. Furthermore, certain programmes (such as the Consolidated Municipal Infrastructure Programme) are not sufficiently rural oriented (eg.R28 million of CMIP funds approved for Wild Coast District Council area, compared to R101 million for Western District Council). The National Public Works' Community-Based Public Works Programme has attempted to adopt a rural focus within the province, with highest allocations to the Wild Coast and Kei District Council areas.

Infrastructure programmes of government have also been characterised by the lack of central co-ordination with respect to planning and prioritisation. This has been most marked between national and provincial programmes, and also across different

departments where each department plans independently of others. Maintenance and operational expenditures are not sufficiently being taken into account. Recent moves to establish a CAPEX prioritisation information system should go some way in ensuring that future CAPEX expenditures meet provincially determined strategic needs and objectives. Questions remain, however, whether sufficient resources exist within the provincial fiscus to redress backlogs (less than R1 billion exists for infrastructure, poverty and economic development projects after core allocations to departments have been made). This suggests the need for national government to play a more creative role in assisting poor provinces such as the Eastern Cape design and resource a 5 or 10 year plan to eliminate backlogs. The high levels of poverty in the province also need to be factored into planning around service provision, suggesting the need for higher state subsidies around basic needs services such as water, sanitation and electricity.

4.10 Development Finance

Since 1994 the Development Finance System has been restructured and rationalised in an attempt to optimise the development impact of public funds. Currently the Development Bank of Southern Africa funds infrastructure development, Khula the SMME sector, the Land Bank agriculture, the Industrial Development Corporation industrial development and the National Housing Finance Corporation the housing sector.

But trends reveal that too little development finance money is finding its way to rural areas, especially in the former bantustans. The reason lies in the development finance institutions' (DFI's) cost recovery behaviour and concomitant risk management strategies. The DBSA, for example, directs most of its funds for bulk infrastructure to Gauteng and the Western Cape, with the Eastern Cape getting too small an allocation of its resources. Insufficient technical and financial support is being provided by DFIs to former bantustan towns. The provincial development corporation, the Eastern Cape Development Corporation (ECDC) is well positioned to play this role, but still needs to clarify its precise role in development finance in the province.

The IDC has developed products to cater for new mandate clients (SMEs, agribusiness, empowerment schemes etc), but remains locked into established and historically determined patterns of investment and financing capital intensive Minerals-Energy Complex (MEC) industries, despite their poor performance in job creation. The R12.6 billion the IDC has channelled into the MEC over the past 5 years has created only 8700 jobs (R1.4 million per job). Compare this to agriculture, forestry and fishing where an IDC investment of R863 million has generated 23 663 jobs (R36 470 per job). Furthermore, too little IDC funds are going to rural establishments in the province, although recent commitments to support agro-processing promise to see a significant shift in focus. A rural development strategy which provides the stimulus for the development of a sustainable agro-industrial sector could be a key to mobilising more IDC finances into the underdeveloped regions of the province.

Recent studies by Ecsecc have found that the Land Bank is also still locked into servicing its historic client base – white commercial farmers and the agricultural co-operatives to which they belong. The Bank has, however, developed a range of new micro-finance packages for the rural poor and land reform beneficiaries, as well as agricultural loans for emerging and small-scale farmers. The Bank has also recently established satellite offices in Umtata and Queenstown to extend its activities in the former homelands. Recent developments towards on-lending through retail

intermediaries (as is done by Khula) will also extend the bank's loan network to impoverished rural areas. At the same time the bank needs to give serious consideration to further relaxing lending requirements to ensure more funds reach the rural poor. Problems of secure land tenure notwithstanding, the Bank also needs to work at ways at synergising its activities with provincial and local government around enhancing small-scale agriculture and providing land reform beneficiaries with a package of technical and financial support.

Khula Enterprise Finance Limited, established by the Department of Trade and Industry in 1996, has been given the mandate to provide for the financial requirements of SMMEs. Numerous packages have been developed such as seed loans, business loans, credit guarantees, equity funds and capacity building for retail financial intermediaries (NGOs involved in on-lending). Due to the extreme scope and nature of the problem of SMMEs being unable to access credit, Khula has decided to relax lending requirements and accept a slightly higher bad debt rate. While this will help, Khula doesn't have the necessary profile in the province to be more effective (three of the seven accredited retail NGOs in the province are in the Port Elizabeth metropole). Khula also doesn't collaborate sufficiently with provincial government and other SMME service providers (including its sister organisation Ntsika). Furthermore, formal banks have been reluctant to participate in Khula's credit guarantee scheme, a fact which requires immediate government intervention.

Also important in the province is the Eastern Cape Development Corporation which has been providing loans for individuals and groups marginalised by the formal banking system. Included here are groups such as first time borrowers, school leavers, women, hawkers and survivalist enterprises, as well as community projects. The ECDC has a crucial role to play in rural development, but has thus far been mainly concerned with sorting out its own internal difficulties and developing its niche and mandate. As such it has yet to make any real impact in the province although recent changes (including the merger with Cimec) are promising.

The picture that emerges is one of insufficient funds finding their way to the impoverished rural areas of the province, and especially to poor and vulnerable groups. Development finance is not sufficiently development-oriented, with economic and financial rationale determining the allocation of funds. Finances are not being directed to projects with low input-low output production systems, despite the important role they play in sustaining rural livelihoods. More thought needs to be given to grant funding which has no cost recovery prospects for the development of off-farm infrastructure (water canals, access roads etc), for on-farm infrastructure such as dams and boundary fencing, as well as training grants to develop capacity among emerging farmers. Thought should also be given to exploring alternative models for credit provision such as that of the Grameen Bank of Bangladesh which makes use of social collateral (where groups take responsibility for defaulting) and links savings and credit provision.

4.11 Poverty

Both provincial and national government have a number of poverty-alleviation programmes which must be factored into a rural development strategy. Most of these have a poverty alleviation and job creation focus, although some provide training and capacity-building benefits for rural communities. Note that this list is by no means exhaustive but provides some indication of key programmes.

The Department of Welfare's Poverty Alleviation Programme commenced in 1997 from the realisation that some 30% of households in the province were surviving on pensions. The programme promotes the involvement of community-based organisations in income-generating projects, with the spatial focus being the rural areas in the former Transkei and Ciskei.

The Department of Water Affairs and Forestry's Working for Water Programme is a multi-departmental public works programme which provides short-term employment opportunities and at the same time deals with the problem of invading alien plants. The programme has the broader aim of restoring the productive potential of land and promoting sustainable use of natural resources.

Department of Public Works' Rural Anti-Poverty Programme links directly with Local Economic Development and Integrated Development Planning initiatives, and provides job opportunities and SMME development (emerging contractors) in the provision of physical infrastructure. The programme targets women-headed households, and through a ranking system, targets the poorest areas and districts in the province. The development of clusters of projects at the local level is now encouraged, aiming for the mutual reinforcement of benefits among different types of projects (e.g. access roads and new or improved markets). This facilitates the generation of ongoing job opportunities and sustained improvements in the quality of life of beneficiaries. The need for greater co-ordination with other government departments involved in anti-poverty programmes and infrastructure delivery is stressed.

The Department of Housing and Local Government has numerous projects for rural development including rural access roads, water supply, housing and infrastructure projects. In terms of preferential procurement policies, the Department favours disadvantaged and emerging contractors. The Department also plays an important role in developing rural administrative infrastructure (RAID programme).

Other programmes which necessitate a mention are the Department of Agriculture and Land Affairs' Grant Assistance Programme (for community projects such as piggeries, poultry projects etc), and the Rapid Impact Programme which provides infrastructure for community agricultural projects. The Department of Labour also provides technical training programmes and job placement for the unemployed in underdeveloped rural areas.

Problems of co-ordination between these different programmes remain. Questions also need to be asked about their implementation frameworks – planning, prioritisation, project management, and monitoring and evaluation (to ensure that resources are used efficiently, effectively and optimally).

4.12 Civil Society Initiatives

Civil society organisations (CSOs) and institutions have a critical role to play in rural development in the province. They are often better placed than government to respond quickly to development needs, often focus on the poorest of the poor, fill gaps in government service delivery, and play a broader watchdog role in society. Currently a number of NGOs and university-based institutes are active in the field of rural development. NGOs working broadly in the field of land and rural development include the Border Rural Committee (in East London), East Cape Land Committee in Port Elizabeth, the Eastern Cape Agricultural Research Project (in Grahamstown), the Environmental Development Agency (EDA) in Matatiele, and the Africa Co-operative Action Trust (ACAT) in Umtata. Rural Support Services and Mvula Trust

(both East London-based) provide rural infrastructure support services, particularly around water and sanitation. Important university-based institutes which undertake rural development research and/or development facilitation are the Agricultural and Rural Development Research Institute (University of Fort Hare), the Rural Research and Development Institute (RRDI) at the University of Transkei, and Rhodes University's Institute for Socio-Economic Research (ISER).

But despite the important role they play in rural development, civil society organisations face institutional and financial capacity problems and are often unable to scale activities up to provincial and national levels. Their impact on policy processes and co-ordination with government around service delivery is also minimal. Attempts to resolve these issues include the establishment of an umbrella body for NGOs in the province –the Eastern Cape NGO Coalition – which has representation on the Rural Development Strategy Steering Committee. Also noteworthy has been the establishment of the Eastern Cape Network for Rural Development Support (ECNRDS), which attempted to facilitate the development of a co-ordinated and integrated strategy for rural development in the Eastern Cape.

The ECNRDS was established in February 1999, to build a relationship between rural development agencies in the province and government in order to strengthen links between government programmes and projects and communities on the ground, to enable communities to engage with and influence the way that policies are developed and implemented. This implies institutional strengthening of community structures, as well as to support organisations working in rural development. Even though the Network itself is not able to keep in constant contact with rural communities, the engagement with communities will happen through the everyday work of the Network's members with rural communities. It is also raising awareness about the strategic significance of a rural development focus within the existing Provincial Growth and Development Strategy (PGDS).

The core areas of activity focus on the following:

- Community Empowerment & Mobilisation
- Land Reform
- Local Integrated Development Planning
- Local Economic Development
- Basic infrastructure & Services

But despite receiving widespread political buy-in at its inception, the Network has fast become an NGO project only, and sees very little collaboration on the ground with government. Questions also remain as to how the ECNRDS's activities feed into the rural development strategy process. What is important though, is that the momentum of facilitating collaboration between government and civil society organisations is further developed.

4.13 Rural Livelihoods Programme

The Rural Livelihoods Programme (RLP) tries to address the lack of co-ordination at the point of delivery, and in this sense takes forward some of the thinking underlying the ECNRDS. The RLP developed as a partnership between ECSECC, the Office of the Premier (Policy, Planning and Research Branch) and their Technical advisers GTZ.

The concept was developed around providing rural communities with the opportunity to drive their development programmes more directly, ensure that the responsible

Local Government structure has the capacity to deliver and maintain services, and create a sustainable resource base from which local government can access revenue to maintain local democratic processes.

The primary goal of this intervention is to address rural poverty by providing food security, improved access to appropriate service delivery and increased locally based income opportunities. In addition the project proposes to assist with the integrated planning process of government by locating part of its focus at the regional level, to provide an interface amongst the three spheres of government and the local level beneficiaries and other development agents/service providers. This will enhance the capacity of local and regional government to respond more effectively and efficiently to the needs and development vision of rural communities. It will also support the organisation of local community structures to proactively participate in their own upliftment in co-operation with local government.

The intervention is focussed at the following specific project components, namely:

- The establishment of institutional preconditions for the development and implementation of locally specific income generating opportunities and approaches
- Strengthening decentralised Government institutions in planning, co-ordination and implementation of locally appropriate & effective public service delivery
- Monitoring and evaluating the methodology towards policy adjustments

This programme will be piloted in the following magisterial district areas, which comprise some of the poorest and most underdeveloped rural areas of the former Transkei, including Tsolo, Qumbu, Cala, Engcobo, Cofimvaba, Tsomo, and Idutywa, and Willowvale.

4.14 The need for an integrated rural development strategy

The above overview points to a number of policies, programmes and interventions which impact, or rather should impact, on rural development. As has been illustrated, some contribute very directly to the broad goals of rural development, while other policies and programmes remain urban biased, or biased against the poor. The challenge is to reorient policies and programmes that remain biased against the rural poor, and better co-ordinate efforts and activities that further the goals of rural development.

But in the absence of an integrated rural development strategy in the province, efforts to co-ordinate programmes which impact on rural development remain fragmented and partial. While the Provincial Growth and Development Strategy (PGDS) goes some way in creating a framework for integrated development planning and implementation, it is not sufficiently rural in focus (being a response to development challenges confronting the whole province). Government departments have also been slow off the mark in internalising its logic, and are not sufficiently co-ordinating activities with other departments, other tiers of government, NGOs and other technical and financial institutions.

The national Rural Development Framework tries to address these gaps in highlighting key problems in rural areas, advocating for a greater rural focus in service delivery, and facilitating greater co-ordination and collaboration within and between government and other development agencies. However the national RDF is less clear about how its recommendations are to be implemented, and provides the

mandate for provinces to draft their own rural development strategies which respond to their particular problems and interests. The process of putting rural development on the policy agenda has recently been prioritised in the President's State of the Nation Address (February 2000), and in the (Eastern Cape) Premier's Budget Speech (March 2000). Now that rural development is firmly on the policy agenda, the challenge is to design a framework that facilitates integrated and sustainable rural development. This is considered in section 5 below.

Section 5: Terrains of intervention

Section four above reflected on the policy environment and key programmes and initiatives relevant to rural development in the province over the past six years. In this section we begin to critically reflect on the inherited policy environment and efforts to enable rural development at a provincial level. The intention of the section is not to provide an exhaustive analysis but to begin abstracting key issues, problems and challenges that require to be integrated into a strategic response. At this point it needs to be stressed that the development of a comprehensive strategic response in the Eastern Cape requires co-ordinated participation and input from a range of stakeholders directly and indirectly involved in rural development in the province. Suggestions in this respect are reserved for the next section.

An assessment of the national context relevant to rural development reveals a range of issues that require to be factored into a provincial rural development strategy. Perhaps the most obvious impression that emerges is that of a growing recognition at a national level that rural development constitutes a structural, multi-dimensional problem. This is partly reflected in the formulation of a range of macroeconomic, spatial and sectoral policy responses of relevance to rural development. However, whilst this appears to suggest that significant progress has been made, looked at objectively, the existing national policy environment remains fragmented.

Significantly, the fragmented policy environment at a national level has catalysed much experimentation with intersectoral planning and co-ordination. Whilst important lessons have been learnt in this respect, three fundamental problems stand out. Firstly, while national government has evolved a national framework for rural development, the policy framework has not gone far enough with respect to concrete strategies towards implementation. Secondly, centralised national responsibility for rural development has not been effectively assigned with a clear delineation of responsibilities (national/ provincial), goals and objectives. Thirdly and perhaps most fundamentally, the rural development agenda continues to be set at a national level with sub-optimal participation of provinces and more specifically the rural poor.

The impact of the above situation has varied within and between different provinces. The approach adopted in KwaZulu Natal for example included the drafting of a White Paper on rural development. However, the extent to which this has contributed to a more coherent and focused rural development agenda in the province remains unclear. In the Eastern Cape the situation differs somewhat. As indicated in the section on existing programmes, while there exist a number of initiatives relevant to rural development, these programmes do not translate into a coherent provincial rural development strategy. The overall picture that emerges is that of an amorphous mix of spatial and sectoral projects driven by a range of poorly integrated government, parastatal and NGO actors, without effective technical support mechanisms, effective financial resource co-ordination or beneficiary participation.

The remainder of this section attempts to outline key *terrains* of intervention required to enable the emergence of a coherent and focused rural development strategy for the province. Four interrelated terrains are identified. These include (1) Policy development, (2) Technical and financial support infrastructure, (3) Democratic participation and (4) Programme design and implementation. In addition to each terrain presenting a number of substantive issues that are outlined below, looked at together they all suggest the need for an enabling policy and institutional environment that requires to be created as a matter of urgency.

5.1 Policy Development

As indicated above, the existing policy environment at a national and provincial level remains fragmented, suggesting the need for a more holistic response. In practice this requires a number of remedial measures. A logical starting point in this regard is the need to distil key opportunities and challenges emerging from the fragmented ‘national policy framework’ in a manner that more accurately reflects the conditions, needs and challenges obtaining at a provincial, district and local level. The objective in this regard is no doubt the creation of an enabling policy environment. However, such an environment will remain elusive in the absence of a realistic separation of powers and functions between the province and districts and between districts and localities. This is particularly so if one takes cognisance of the fact that the transformation of local government is in a state of flux and that there exists an unevenly developed capacity to deliver among and between different departments at provincial level and between province and lower levels.

In addition to the above and in a general spirit of reorienting policy and planning in favour of rural areas, policy development requires focusing attention on the following:

- (a) An identification of areas not adequately addressed by existing policy;
- (b) A prioritisation of policy interventions;
- (c) The establishment of a consensus on a provincial policy framework
- (d) The development of legislative instruments to give effect to an agreed provincial policy framework, and;
- (e) The establishment of an effective provincial mechanism to monitor, control and support the implementation of a provincial rural development policy framework.

At this stage it is perhaps appropriate to emphasise that the development of an appropriate policy framework, although necessary, is not a sufficient condition for the implementation of an effective rural development strategy. More specifically, any policy framework with respect to rural development requires to be complemented by effective legislative and institutional backing at a provincial level. Practical ideas in this respect need to be developed.

5.2 Programme Design and Implementation

The rural development inheritance in the Eastern Cape presents a number of challenges from the point of view of programme design and implementation. Perhaps the most immediate challenge is one that should seek to consolidate and enhance the development impact of existing programmes. This logically requires an appraisal of the needs of existing programmes, an effective mobilisation of existing provincial competencies to address these needs and, in instances where provincial competencies are lacking, a plugging of these gaps.

However, in addition to the above a number of areas relevant to programme design require to be addressed. Without any pretence of being exhaustive focused programmes need to be developed in the following areas:

- (a) Programmes aimed at developing institutional capacity at all levels for service Delivery;

- (b) Programmes aimed at optimising investment in human and physical infrastructure;
- (c) Programmes aimed at developing the rural economy through a revitalisation of agriculture, the development of linkages between agriculture and agro industry and the development of SMME's
- (d) Programmes aimed at addressing the needs of the rural poor especially in the areas of land redistribution and utilisation
- (e) Programmes contributing to effective natural resource management
- (f) Programmes that fast track the eradication of infrastructural backlogs through focused delivery
- (g) A programme that contributes to a more effective and efficient co-ordination of rural development finance and donor initiatives.

A fundamental point that needs to be made at this stage is that a 'big bang' approach to programme design could have a potential negative impact if not informed by a realistic assessment of available technical, physical and financial resources. What is required as a matter of urgency is an incisive identification of practical tactical interventions, within each of the above programme areas, that can be prosecuted in the immediate to medium term. A potential advantage of such an approach is an incremental build-up of a political will, institutional capacity and local knowledge necessary to enhance the process of rural development with scale and impact.

5.3 Technical and Financial Support Infrastructure

Although there have been a number of important advances since 1994, the Eastern Cape lacks a sufficiently developed and integrated network of specialised technical and financial support institutions to effectively and efficiently enable rural and related development in the province.

With a view to address problems in this regard, a number of possibilities should be explored. Among these include:

- (a) Critically assess the existing distribution of competencies and capacities across existing technical and financial institutions in the province;
- (b) Identify gaps and weaknesses with due respect to challenges confronting the province at the level of policy formulation, programme design and implementation;
- (c) With the support of Cabinet, explore the possibility of developing a pact between key institutions in the province (CIMEC, ECDC, ECSECC) for medium- to long term development co-operation.
- (d) Explore ways of harmonising and focusing national donor and parastatal interventions in the province.

Here it needs to be stressed that the failure to develop an indigenous (Eastern Cape-based) network/pact/alliance of specialised technical and financial support organisations could considerably weaken government's interventions, and result in

the field being pervaded by the market and/or philanthropies with possible negative consequences for the rural poor.

5.4 Democratic Participation

In this section we attempt to develop a framework to guide analysis of organisational forms that can be used to enhance democratic participation in bringing development to the rural poor. Central to the framework are four guiding principles.

Firstly, it is argued that successful rural development programmes depend on having resources and authority for timely adaptation to locally-specific conditions as exist in the field, not in the capital. Here it is important to note that with changes in the size and development responsibility of provincial government, the structure of local governance now usually involves three actors- the provincial government, intermediate structures, and local participatory organisations. Local organisations can potentially include tribal councils, self help groups and local action organisations. Intermediate structures can include district councils, municipalities and the field offices of the provincial administration. From the point of view of democratic participation it is important to note that the flexibility of formalised participatory organisations needs to be enhanced with a view to creatively interact with intermediate, provincial and national structures.

Secondly, in order to do justice to poverty-orientated programmes we are required to differentiate between structures of local participation and governance which are inclusive (and thus potentially open to the whole population in an area) and those that are exclusive in the sense of serving only the poor part of an area. Following convention, the latter structures are usually referred to as alternative organisations. An important question we are required to address at this stage is how to enhance and further the interests of the poor within an inclusive system of democratic governance.

Thirdly, it is important to draw a distinction between those governmental organisations which are generalist (multi-functional) and those, which are specialised (limited range of functions). Here it is important to note that when a political system as a whole is more committed to the interests of the poor than are specialised agencies, then a structure, which subordinates the specialists to the generalists at a local level, is more likely to be progressive. When the converse is true, a specialist autonomy will be preferable. On a slightly different note, multifunctionality generally increases complexity; so when administrative capacity particularly at a central level is weak, specialist organisations with a limited range of functions will be attractive. This point is of particular significance when considering the kind of technical support and financial infrastructure that requires to be developed in the province.

A fourth guiding principle is the option of either maximising or minimising the involvement of all forms of collective organisations and/or relying on the market to address historic imbalances in the delivery of services to the poor. An important assumption is that action is necessary by progressive government or representative organisations. However, in instances where redistribution is not the major issue, a major challenge could be to minimise governmentally caused inequality or incompetence in the delivery of services.

Within the framework of the above guiding principles four basic strategic possibilities to enhance democratic participation present. These include “functional devolution”, “decentralisation”, “direct action” and “social compacts”. The effective alternate application of these strategies could potentially create the conditions for

organisational adaptation and learning to enable the emergence of not only a vibrant civil society but also of an intergovernmental system in which both the centre and localities are strong and interdependent. What follows is a brief explanation of each of these strategic possibilities.

Functional devolution refers to the practice of transferring clearly defined responsibilities from provincial government departments for example, to specialist intermediate government agencies that embody the necessary commitment, resources, skills, adaptability and stakeholder participation relevant to a rural development programme.

Decentralisation refers to the practice of transferring specific responsibilities to interest organisations and local alternative groups selected on the basis of their commitment to targeting programmes to low resource groups. For example an implementing agency may choose some community organisations to run health programmes and others to run education or agricultural programmes. On a slightly different note it is important to see decentralisation not simply as the exercise of local power at the expense of the centre but as a relationship in which linkages between local effort and central assistance produce new partnerships for progressive economic development.

Direct action acknowledges the constitutional right of freedom of association allowing the poor and marginalized to mobilise, organise and peacefully confront issues that directly affect their well being.

As is well known, social compacts are a useful instrument to mobilise a critical mass of consensus among and between stakeholders with conflicting interests to ensure an optimal spread of benefits from development programmes. Social compacts can be adapted to suit the requirements of specific contexts and therefore can assume different forms. Applied effectively social compacts can enhance democratic process, democratic movement and efficiency in the process of delivery.

Looked at together the effective alternate application of the above four strategic options present numerous tactical possibilities in the field of rural development. However, a comprehensive overview of these tactical possibilities are beyond the scope of this paper but nevertheless requires our collective attention.

Section 6: Conclusion and way forward

The challenge that continues to confront developing countries across the world is that of dismantling socio-economic disparities between town and countryside. In South Africa these disparities grew out of colonial and apartheid accumulation strategies and related labour market policies. In terms of this accumulation logic, industrial development and economic growth was confined to core metropolitan areas, which by and large became reserved for white settlement. Africans were dispossessed of their land and forced to reside in the so-called native reserves or bantustans which functioned as reservoirs of cheap, unskilled labour. These “backward” rural areas were actively and consciously resource-starved and underdeveloped, and came to be characterized by extreme levels of landlessness, poverty, and unemployment.

To a large extent, this pattern of combined and uneven development between South Africa’s core metropolitan areas and impoverished rural hinterland still persists today. The need to transform the underdeveloped countryside into economically viable and sustainable areas is enormous. But while policy interventions of both national and provincial government have at times prioritized rural areas in terms of their geographical focus, the socio-economic impact of these interventions has not been optimized. As has been argued in this paper, a number of inter-related problems account for this trend including the lack of vertical and horizontal integration in rural service delivery; the lack of institutional capacity to plan and manage development at district and local level; and the absence of a coherent economic development strategy to grow the rural economy of the province.

An overarching provincial rural development strategy seeks to address these problems in an integrated and sustained way. Such a strategy needs to reorient policy and planning in favour of rural areas; address the basic needs of the rural population, especially with regards land; focus the delivery of services and infrastructure; build institutional capacity, especially of rural local government; and build the rural economy through identifying comparative advantages, through building upstream and downstream linkages, and through facilitating capital and resource flows to rural areas.

This framework document comprises a working document aimed at focusing attention on rural development issues and building broad consensus within the alliance, government and civil society as to what comprises a rural development framework for the Eastern Cape. As a draft document, its aim is to elicit responses and inputs from key stakeholders so as to further refine and enrich strategic thinking around rural development. The Rural Development Summit, to be held at Unitra on 05/06 October 2000, represents an opportunity for stakeholders to input into the strategy document. The Summit will firmly place rural development on the policy agenda, and serve to mobilise stakeholders (government, donors, NGOs, trade unions) behind common programmes of action.