

**THE INTEGRATED SUSTAINABLE RURAL
DEVELOPMENT STRATEGY
(ISRDS)**



17 November 2000

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LIST OF ABBREVIATIONS

ABET	Adult Basic Education Programme
CBO	Community Based Organisation
CBPWP	Community Based Public Works Programme
CMIP	Consolidated Municipal Infrastructure Programme
GDP	Growth Domestic Product
GEAR	Growth, Employment and Redistribution Programme
IDP	Integrated Development Plan
IDT	Independent Development Trust
IRDPS	Integrated Rural Development Projects
ISRDS	Integrated Strategic Rural Development Strategy
IT	Information Technology
LED	Local Economic Development
NGO	Non-Government Organisation
RDP	Reconstruction and Redevelopment Programme
SDI	Spatial Development Initiative
SMME	Small Medium and Micro Enterprise
UN	United Nations

The Integrated Sustainable Rural Development Strategy (ISRDS)

Executive Summary

The South African Government, in consultation with a wide range of key stakeholders, is now launching a new stage of concerted effort to improve opportunities and well-being for the rural poor. In taking this step, the Government is building on six years of experience with its own rural programmes, as well as assimilating key lessons from similar efforts worldwide. The resulting “Integrated and Sustainable Rural Development Strategy” is idealistic in its vision and practical in its focus on mechanisms of implementation.

The Integrated and Sustainable Rural Development Strategy (ISRDS) is designed to realize a vision that will *“attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who equipped to contribute to growth and development”*.

The approach outlined in the strategy is applicable and viable for the entire country, and looks toward a horizon of 2010. It will be implemented initially in selected areas of concentration, or pilot areas, and subsequently expanded. The strategy in its totality presents an opportunity for South Africa’s rural people to realize their own potential and contribute more fully to their country’s future.

The implementation of the ISRDS will use and develop existing institutional, planning, management and funding mechanisms to focus the expenditure of government in the three spheres to more effectively and efficiently respond to needs and opportunities. It is not predicated on additional funding from government. It will increase the efficiency of the application of public funds in rural areas to create appropriate outputs in the places where they are most needed. The structures and procedures of the Medium Term Expenditure Framework will provide the mechanism for realizing national and provincial budget structures to meet ISRDS objectives. Additional funding will be derived from the structure of delivery relationships that will be established. Sources will include the private sector, public-private partnerships, organs of state and the donor community.

South Africa is in an ideal position to take on board one of the key lessons of the international experience; namely, that successful rural development must be implemented in a participatory and decentralised fashion in order to respond to articulated priorities and observed opportunities at the local level.

The reform of municipal government places organs of local government in a central role in integrating programmes to achieve synergistic rural development. Many will need assistance and guidance to develop capacity, but their role and responsibilities are clearly established. They are required to clearly identify local development needs and opportunities and to plan to respond to these. They must align their budgets to achieve their planned objectives. They satisfy the core lessons of international experience as decentralised and accountable entities managing participatory planning and implementation processes. They will be supported by provincial governments which will co-ordinate, integrate and align planning outputs. Provincial governments will also be key agents in the co-ordination and alignment of development inputs –from public and other sources.

At the same time, the Presidency will provide strong strategic leadership and coordination. Each of the line departments will make a critical contribution, and their efforts to achieve synergy and higher effectiveness in their own programmes will be assisted by the strengthened integrative mechanism at the local (municipal) provincial and national spheres.

Section 1 outlines evaluation of international approaches to rural development, which have hinged around inadequate local capacity and tendencies to excessive centralization of decision making. Efforts to achieve cross-sectoral delivery through integrated rural development projects in the 1970's tended to fail on inadequate proper local participation and inadequate building of local capacity. As a result, programme design retreated to single-sector approaches.

Recent experiences in programme design suggest that decentralization accompanied by promotion of greater local power and autonomy in decision-making can offer opportunities to improve outcomes. The evidence indicates that a number of characteristics pertain:

- fiscal transfers must provide incentives for local government and be transparent, predictable and autonomous;
- an appropriate legal framework must define relationships between different levels of government, and must provide a clear role for non-government institutions;
- institutional capacity to meet the responsibilities and obligations of decentralized authorities must be created and nurtured;
- a clearly defined system of incentives and penalties is required to contribute to more efficient investment decision-making and to discourage misuse of funds.

Recent experiences in project design suggest that urban-rural bias and improved achievement of intended outcomes are achieved where certain key characteristics pertain:

- targeting mechanism should be simple, explicit and memorable, based on objective criteria to minimize political interference in resource allocation;
- participation in financing of projects and sub-projects generates a sense of ownership and aligns investments to be true, perceived needs generate costs savings and increases local accountability;
- careful design of information campaigns is essential and technical assistance and training should be accessible;
- project supervision during and after implementation is found to be a determinant of success and sustainability; and
- income-generating projects should be subject to rigorous selection, preparation and technical assistance and supervision and should provide services for a large number of community members under strict operational guidelines.

Section 2 presents a characterization of rural South Africa. It identifies those that are widely associated with rural conditions around the world, such as high level of property; incomes constrained by economies that are not sufficiently vibrant; increased relative cost of living because goods and services are more expensive in the urban areas; sparse populations; and access to natural resource bases that cannot provide rural people with a means of subsistence.

In addition to these common features, South Africa has some unique features and development challenges derived from the legacy of planned poverty left by the former homeland system. South Africa has high-density population areas, dislocated settlements and resettled communities which are ghettos isolated from economic opportunities. The level of interdependence of rural communities and distant large cities is higher than elsewhere. On farms in the former so-called white rural areas poverty is also rife. Infrastructure is skewed in favour of commercial farming areas, and rural people generally do not have access to natural resources.

Some strategic pointers emerge from the above and from the further descriptive data in section 2:

- the diversity and complexity of rural areas and poverty in South Africa must be accommodated in flexible, responsive strategic planning;
- planning must take into account the nature of urban-rural linkages and aim for comprehensive regional development where urban settlements form an integral part of the strategy;
- the marginalisation of agriculture, particularly in the former homelands, needs to be addressed, with central acknowledgment of the role of women and gender issues;
- the impact of HIV/AIDS must be incorporated to respond to impacts on highly vulnerable rural households.

Section 3 outlines the legal and policy framework for rural development in South Africa and outlines some achievements in the period 1994 to 2000. The key lessons indicated, are:

- public investment programmes have been beset by co-ordination and communication problems, with frequent complaints of poor associations to community priorities;
- the relationship between national and provincial line function departments and Districts Councils in implementation of programmes was not always coherent and focused;
- channels of funding for each sphere of government ‘rained’ on communities randomly with weak responsiveness to community priorities;
- the institutional framework to respond to these issues has been evolving over the period and is now in a coherent, ordered structure to support the principles of the ISRDS.

Section 4 presents the elements behind the vision of the ISRDS. They are:

- **Rural development:** is multi-dimensional and much broader than poverty alleviation through social programmes and transfers; it places emphasis on changing environments to enable poor people to earn more, invest in themselves and their communities and contribute toward maintenance of key infrastructure; a successful strategy will make people less poor, rather than more comfortable in their poverty.
- **Sustainable:** sustainability is derived from increased local growth, and where rural people care about success and are able to access resources to keep the strategy going.
- **Integrated:** integration is complex and requires effective co-ordination across traditional sectors in all levels of government; the Integrated Development Plan (IDP) process will establish a primary locus of integration at the municipal level.
- **Rural Safety net:** safety nets are still needed, and South Africa is exceptional amongst developing countries in that many of the key programmes of social assistance extend to rural people and prevent much hardship. The findings of the current review of social assistance should be incorporated to complement the ISRDS.
- **Key elements:**
 - A vision of the growth process in rural areas;
 - A mechanism for integrating existing programs;
 - Design for new programmes if needed;
 - A defined locus of decision making;
 - A meaningful role for local government.
 - Clarification of financial flows and channels.
 - Key performance indicators or a process for generating them internally to the strategy;

- Procedures to monitor the indicators;
- Sequencing of actions that should take place in the short, medium, and long term.

The strategic continuum progress of the ISRDS is indicated in the following four phases:

- (i) Strategic problem/challenge definition.
- (ii) Strategic formulation.
- (iii) Implementation planning and business planning.
- (iv) Delivery.
- (v) Evaluation.

The ISRDS will integrate existing activities of government and therefore various elements are at different phases in their own right. The management of the ISRDS it is now completing phase two and establishing a clear focus on phases three and four.

Section 5 presents the operational approach of the ISRDS. It will build immediately on existing programmes of government through a well-co-ordinated, bottom-up approach to rural local economic development. Key government initiatives will form a core of the integrated programmes on which ISRDS will be built.

An initial focus will be on a manageable number of selected areas, or nodes, where the process at a local level will be guided. The range of programme options will be customised in each node into a 'basket' of services. The selection will be based on participatory decision making at local level and will include resources from government and other social partners. The chief instrument for integration will be the mechanisms of IDPs as provided for in the Municipal Systems Bill. Technical assistance and management assistance will be provided through IDP and ISRDS structures. The objective will be to bolster and develop local capacity.

The primary source of funding is anticipated to come from better synergy of existing programmes rather than allocation of significantly more funds to rural development in aggregate. Municipal councils will use the IDP process to attract desired programmes from government and other sources.

The ISRDS will extend progressively from the pilot nodes. The strategy recognises the risks of over concentration of resources from a stable resource pool in a few areas, but will put relevant indicators in place to manage such tendencies.

Section 6 highlights some complementary measures to support the ISRDS, being:

- human resource development and capacity building;
- land reform: implement revised programme;
- community based income generation projects;
- social assistance and safety nets; and
- rural finance.

Section 7 presents the proposed institutional arrangements, which will operate in the political and operational areas.

In the political sphere the Presidency is responsible to the Cabinet for overall co-ordination and monitoring. The Presidency will engage provincial Premiers to establish sound operational co-operative governance understandings between these spheres of government. A core group of Ministers in Cabinet will be drawn

from the Infrastructure, Economic and social Cabinet Clusters. Each Cluster will ensure that sectoral line function departments prioritise identified nodes and operate through the planning mechanisms of IDPs.

In the operational sphere, each node will be supported by a project team, led by a nodal delivery manager, who will report to the nodal champion. Community based project teams will be established in each node in a range of formats and scales depending on local circumstances. They will integrate with designated nodal IDP structures. Extensive stakeholder mobilisation will be implemented.

In **section 8** the following five elements of the implementation are identified:

- institutional arrangements;
- establishment of an information and knowledge base;
- development of planning and monitoring systems;
- establishing mechanisms of coordination; and
- stakeholder mobilisation.

Three phases are identified, with specified actions for each element above over each:

- Phase 1: The period from December 2000 to March 2001 (until the end of the financial year), will encompass all the immediate actions within the five elements identified for implementation of the ISRDS.
- Phase 2: The period from April 2001 to March 2004 will build and expand the strategy and extend operations into a greater number of nodes.
- Phase 3: The period from April 2004 to March 2010 will manage the strategy into maturity.

The strength of the strategy lies in its emphasis on a mechanism that can achieve results on the ground. That mechanism, in brief, empowers rural stakeholders to use the IDP process to select programmes that address their priorities. The basket of selected programmes is financed at the municipal level through an expenditure envelope comprised of the municipal budget, the commitments of the line departments through the IDP process, commitments of donor organizations and NGO's, and public-private partnerships. Although these resources were available in the past, they lacked the integrative mechanism described in the strategy.

Introduction

1. This document builds on Cabinet Memorandum No 18 of 2000, *A strategic approach to rural development: An Integrated Sustainable Rural Development Strategy (ISRDS)*, discussed by Cabinet on 12 October 2000. The document incorporates comments received from Cabinet, Directors General and other senior government officials. In addition, it has been enriched by several substantive papers and comments made by a wide range of stakeholders and organisations over the past six weeks during interviews, discussions and workshops. Several Departments and development agencies also prepared and provided substantive discussion documents on the issues involved.

2. The resulting document represents a logical exposition of the framework and arguments accepted by cabinet, amended by the specific comments received. Particular emphasis is placed on the mechanism (“how to”) and the institutional arrangements (“by whom”) to realise the vision. In essence, the strategy is about coordinating existing departmental initiatives and programmes to achieve greater impact in the short term and over a horizon to 2010. This approach and mechanism will be complemented by selected additional initiatives, specifically accelerated land reform and community-based income generating programmes.

3. The mechanism and the complementary support measures articulated in the document will ensure the realisation of the vision of the ISRDS, namely:

“attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who equipped to contribute to growth and development”

A strategic objective of the ISRDS is *“to ensure that by the year 2010 the rural areas would attain the internal capacity for integrated and sustainable development”*.

To achieve this vision, the ISRDS proposes that government leads in the consolidation, formulation, implementation, monitoring and evaluation of well coordinated programmes and projects, which will allow for participation of all spheres of government and civil society.

4. The document is structured as follows: section 1 extracts lessons from the international experience with approaches to rural development; section 2 briefly characterises rural South Africa; section 3 discusses the implementation and design of rural development in South Africa since 1994; section 4 covers the vision and the key elements of the strategy; section 5 explains how the approach will work; section 6 introduces complementary measures to support the strategy; section 7 provides the institutional framework for coordination of the strategy; and section 8 details the phasing for implementation of the ISRDS.

Section 1. The international evolution of approaches to rural development

5. Worldwide, the pervasiveness of poverty and poor delivery of basic services in rural areas of developing countries continue to constrain development efforts. The prevalence of rural poverty provides major challenges to governments, organisations of civil society and developmental agencies. The failure of many rural development projects during the last three decades has led those involved to consider in more detail the factors that undermined successful outcomes. Prime among these are the issues of inadequate local capacity and the excessive centralisation of decision-making.

6. As part of a global phenomenon, many developing countries (as well as transition economies and even some western industrialised countries) are now discovering that rural (and urban) communities, *if appropriately empowered*, can often manage their own local development efforts, and sometimes considerably better than any agency of the state. A properly worked through system of participation and decentralisation holds the promise to provide mechanisms for empowering communities appropriately, though this process is by no means guaranteed.

7. Decentralisation is often espoused in principle, but undermined in fact by institutional arrangements and financial flows that fail to allow communities to articulate and act on their priorities. While it is true that rural local governments are unlikely initially to be able to take on some of the more sophisticated functions associated with decentralisation, the gains to rural populations—often ignored and effectively disenfranchised by their urban counterparts—are potentially substantial and worthy of closer scrutiny. It is clear that rural areas stand to benefit just as much, and often proportionately more than urban areas from initiatives designed to build the capacity of local governments to manage their own affairs, and empower local communities to take responsibility for their own local development programmes.

8. As policy-makers increasingly recognise the importance of the interrelationships between political, economic and social reforms, so they are discovering that processes of decentralisation offer a mechanism through which these reforms can be carried out systematically and in parallel. Decentralisation efforts are often accompanied by a broader interest in building more general principles of local empowerment, which include efforts to improve accountability of sub-national governments to their electorates; to increase transparency in their operations; to build more democratic systems of election; to promote greater fiscal autonomy for local authorities; and to build social capital in communities.

1a) Characteristics of Rural Areas

9. Rural areas throughout the world tend to have similar characteristics. Populations are spatially dispersed. Agriculture is often the dominant, and sometimes the exclusive economic sector, and opportunities for resource mobilisation are limited. These characteristics mean that people living in rural areas face a set of factors that pose major challenges to development. The spatial dispersion of rural populations often increases the cost and difficulty of providing rural goods and services effectively. The specific economic conditions in rural areas result in fewer opportunities than in non-rural locations. Consequently, the tax base is limited, so rural areas are rarely able to mobilise sufficient resources to finance their own development programmes, leaving them dependent on transfers from the centre. Factor markets in rural areas often operate imperfectly, rendering the search for efficient outcomes an extremely challenging one. Furthermore, rural areas are often politically marginalised, leaving little opportunity for the rural poor to influence government policies. In many developing countries, policies have also consistently discriminated against agriculture through high levels of taxation and other macroeconomic policies that have adversely

affected agricultural performance and the rural tax base. A net transfer of resources out of rural areas has resulted.

1b) Evolution of approaches to rural development

10. During the 1970s, in an effort to extend the benefits of development to rural people, a regional or area-based approach was developed and adopted by many countries and by many international agencies. The approach aimed to tackle rural poverty in a cross-sectoral manner through integrated rural development projects (IRDPs). But the mixed experience with IRDPs led to the development of a detailed critique, which, among other things, highlighted the failure to involve local people properly in a participatory process and the failure to build capacity as major shortcomings. In addition, an overly centralised, blueprint approach to programme design left implementation agencies unable to respond to the demands of local people.

11. The subsequent retreat of national governments and the development agencies from an integrated approach back to more traditional, single-sector approaches left development practitioners looking for new opportunities to support rural development. Recent experience from a number of developing countries suggests that programmes of decentralisation accompanied by parallel efforts to promote greater power and autonomy in decision making for local communities can offer genuine opportunities to improve outcomes.

1c) Decentralisation

12. Growing evidence suggests that appropriately empowered and trained rural local governments can make an important contribution to rural development. In this context, it is important that centrally-designed systems of inter-governmental fiscal transfers provide appropriate incentives for local governments. These incentives can be supported by ensuring that budgetary flows are transparent, predictable and autonomous.

13. From the perspective of central governments, the institutional dimensions of decentralisation often centre around defining which formal governmental institutions are to be involved and establishing an appropriate legal framework to define relationships between different levels of government. Central governments have not generally sought to define a role for non-governmental institutions. Such institutions are often perceived to be technically backward and managerially incompetent, or to pose a direct threat to the government through political opposition. From the perspective of rural people, however, the institutional situation they confront is likely to be far more complex and varied, comprising a whole range of central and sub-national governmental agencies, parastatal organisations, as well as the full complement of non-governmental institutions, such as religious, cultural, political, social welfare and economic organisations all with their own “rules of the game” and individual objectives.

14. For a decentralised system to work effectively, co-operation is required at the local level between formal governmental institutions and the range of less formal non-governmental organisations (NGOs) and community-based organisations (CBOs). The involvement of NGOs and CBOs, as well as individuals themselves, is increasingly being seen as an indispensable part of a participatory process that fosters consensus building. It is at the interface between these formal and informal institutions that the practical implementation of decentralisation effectively takes place.

15. Institutional capacity plays a central role in any decentralisation process. Failure of local governments to take advantage of the opportunities provided by decentralisation because of a lack of capacity will result in poor outcomes. Local governments and other institutions that cannot adequately administer and account for grants or effectively mobilise local resources will find those powers swiftly taken back. NGOs and other CBOs that lack managerial capacity or, alternatively, focus on furthering their

organisation's own ends at the expense of the broader community will undermine successful outcomes. Improved capacity will not, however, on its own solve all the shortcomings, because the overall environment in which such programmes take place is also important. Capacity-building efforts that are carried out in highly centralised systems soon run into limits related to central constraints. Capacity enhancement and devolution of functions must be pursued together and paced to complement each other.

16. Decentralisation of fiscal and investment decision-making from national to provincial and local governments contributes to more efficient decision making regarding investments, and to more efficient implementation of projects. Decentralisation of resource allocation and investment decisions to municipalities and communities should be accompanied by a clearly defined and well-disseminated system of incentives and penalties to discourage the misuse of funds. Experience in Brazil and Bolivia, as well as elsewhere in the world, including South Africa, under the centralised programmes of the 1970s and 1980s, and subsequently under more decentralised approaches bears this out.

1d) Lessons of project design

17. When programmes are intended to benefit the poor or previously disadvantaged people, targeting mechanisms should be simple, explicit, and monitorable. They should, moreover, be based on objective criteria, should foster transparency, and minimise political interference in resource allocation. Identifying clear criteria *ex ante* simplifies the task of designing the system of monitoring to ensure that project resources do reach the poorest communities. The decentralised programmes of land reform in Latin America, particularly in Brazil, Colombia, and Guatemala demonstrate that *ex post* monitoring of outcomes and effectiveness is crucial when proposals move quickly through design and approval and directly into implementation.

18. Beneficiaries' own participation in the financing of subprojects generates a sense of ownership and a willingness to share responsibility for the future operation and maintenance of investments. This finding has been confirmed in Latin America, and is reported in the most recent review of successful land reform projects in South Africa. Beneficiary participation in the selection, execution, supervision, and financing of project investments ensures that investments respond to true, perceived needs, and generates cost savings and increased accountability at the local level. Participation in priority setting and design of projects enhances organisation, either of the community, group, or even the household, heightens awareness of available programmes and services, facilitates participation and increases cost-effectiveness. Investments have greater sustainability when the municipalities, communities, and/or households contribute to financing in a cost-sharing arrangement and when there is increased beneficiary participation. For example, the participatory process introduced in Northeast Brazil and Bolivia ensured better selection and prioritisation of subprojects by beneficiaries. Sustainability is also promoted when communities, themselves, assume greater responsibilities influence public investment expenditure at the local level.

19. A widely disseminated and carefully designed information campaign is essential to ensure transparency and proper knowledge of the programme's objectives and contents by all potential beneficiaries. Technical assistance and training should be accessible to rural communities to enable them to identify, prepare and implement their own subprojects, thereby augmenting their capacity to compete for investment funds. Technical assistance should also be targeted to weaker municipalities to improve their planning, management and financial capacity, and the quality of programme or project coordination.

20. Standardisation of subproject documents, technical designs and unit costs simplifies the preparation and evaluation of proposals. The availability of prototype designs for simple projects facilitates the

procurement of goods and works, prevents over-design of subprojects, thereby encouraging greater participation by poorer communities and reducing bottlenecks in the subproject cycle.

21. Supervision, both during and after subproject implementation, is an indispensable determinant of success and sustainability. It has to be reinforced at all levels and involve local entities closest to the communities, particularly municipal councils and NGOs. A user-friendly monitoring and evaluation system facilitates the subproject evaluation process, provides feedback and necessary information to improve targeting and efficiency, and is an essential tool of management and planning. Project design should pay careful attention to baseline studies as the springboard for well-designed M&E and for ex-post financial and economic evaluation of productive subprojects.

22. Subprojects intended to fund income-generating activities partially financed through grants should be subject to rigorous selection, preparation, technical assistance and supervision. Eligible productive investments should be those that provide services for a large number of community members; whose collective use is regulated by strict operational guidelines, and for which operation and maintenance is assured by charging adequate user fees to both association members and non-members.

23. Decentralisation without explicit efforts to strengthen rural institutions and enhance participation of rural people carries a high danger of urban bias and prolonged rural incapacitation. In the early stages of decentralisation when urban and rural constituencies face a level playing field, urban residents tend to carry off most of the benefits because they have more players and master the game quickly. An example is Zimbabwe where there has been a commitment to a structure of local government for more than twenty years now. Urban local authorities, have taken effective responsibility in delivery of many services, and are raising increasing revenues from local taxes, whereas rural authorities have been perhaps less successful. This experience suggests that simply creating local authorities and assigning equal formal roles to all will not avoid urban bias or address rural poverty.

24. To these lessons of the international experience can be added those of South Africa's own efforts for the past six years. Together they can inform the country's entry into a new stage of efforts to achieve sustainable rural development to improve the lives of the rural poor.

Section 2. Rural South Africa

25. South Africa is characterised by high levels of poverty, especially in rural areas. Approximately 70% of South Africa's poor people live in rural areas, and about 70% of the rural residents are poor. Their incomes are constrained because the rural economy is not sufficiently vibrant to provide them with remunerative jobs or self-employment opportunities. Their cost of living is high because they spend relatively more on basic social services such as food and water, shelter, energy, health and education, and transport and communications services. Moreover, the natural resource base to which they have access cannot provide rural people with the means of subsistence.

26. As in many countries, much of South Africa's rural space is sparsely populated. The manufacturing base is weak due to poorly developed infrastructure. Local governments have little or no tax base and weak human capacity. Agriculture and other natural resource based activities provide the basis for many livelihoods. Traditional authorities retain more influence over the population than is the case in urban areas. Rural areas are diverse, however, with concentrations of poverty and relative prosperity. Not all are poor.

27. Although rural South Africa shares much in common with other countries, some features and development challenges are unique. The demographics of rural South Africa reflect past policies and the hurdles impeding efforts of rural people to maintain intact families. The legacy of the former homeland system is one of enduring planned and deliberate poverty. Because of the past policies, rural South Africa also has high-density population areas and dislocated settlements where people live in abject poverty. Many rural people live in these ghettos isolated from economic opportunities, necessitating high costs of transport for jobs and to accomplish basic tasks of daily life. Rural housing is often substandard or nonexistent, and many people are migrants working in urban areas. Many of them are still living in urban dormitories with attendant difficulties maintaining family and social ties. As a result, the rural-urban continuum takes a particular form in South Africa. The level of interdependence between rural communities and distant large cities is higher than elsewhere, but there is a less organic linkage between rural areas and the towns near them. Present settlement patterns reflect the distortions and discrimination of the past, but forced removals under the old regime have made people reluctant to move as part of an officially promoted program. At the same time, the population is still quite mobile in search of better living conditions and jobs.

28. Also unique in South Africa is the existence of rural areas comprised of resettled communities, different types of people from former homelands, and people in mining towns. Around the mining towns are specific types of rural areas where migrant workers live in hostels with some facilities and others live around these areas with no facilities or jobs. In the former so-called white rural areas --mainly on farms-- poverty is also rife. Farm labourers in particular suffer from lack of opportunities and access to some of the most basic services. As a result of the factors above, the relationship between the character and distribution of poverty in rural areas are very complex. The recent publication, measuring poverty in South Africa, from statistics South Africa illustrates patterns revealed in the data from the 1996 census. Poverty is seen to occur under varying conditions, as in Appendix 1.

29. There are many reasons for this state of affairs, but most of these reasons are rooted in policies implemented in the past. If rural areas now had a foundation that would support greater earning and spending power, the rural economy would be stronger, would grow, and would create more opportunities for wage and self-employment. Thus, it could be argued that if the South African economy had followed a different development path in the past, rural poverty would not have become such a pervasive feature of our present. Economies generally grow by shifting human and capital resources out of the primary sectors (agriculture, mining), first into the industrial sector and later into the services sector. This has also been the case in South Africa, where the transition to a post-industrial age is already well under way. Yet there is compelling

evidence to show that, in this process the primary sectors either failed to achieve their full potential or did so in such a distorted manner that large numbers of people were excluded from the benefits of modernisation.

30. The development of the agricultural sector can be taken as a case in point, although much the same argument can be made about the development of mining and other sectors important to the rural economy. South African commercial agriculture has followed a more capital-intensive growth path than should have been the case, and significant agricultural resources lie unused in the former homeland areas. Both of these phenomena have affected the income-earning potential of rural people. The entrepreneurial abilities of African farmers were suppressed, first in the rural areas in general by their exclusion from the commercial land market, and secondly in the former homeland areas where commercially viable farming became, by definition, almost impossible. Employment opportunities in commercial agriculture were (and still are) largely limited to unskilled workers and thus poorly paid, and more than half of total employment in commercial agriculture is of a seasonal and temporary nature only. Furthermore, this growth path has meant that upstream and downstream industries related to agriculture (input provision, processing of food and fibre) were stunted and urban-based, thus depriving rural people of further opportunities.

31. Infrastructure provision was skewed in favour of the commercial farming areas, and suited to the needs of a highly controlled policy environment, including the agricultural marketing system. The cost of living for poor rural people is, therefore, generally higher than it need be because of their lack of access to transport and communications infrastructure, basic amenities such as water and electricity, and social services such as health and education.

32. Rural people generally do not have access to natural resources to support their subsistence. More than 85% of the countryside is settled by commercial farmers, and the population pressure in the former homeland areas has depleted the natural resource base to an extent that only a few communities can provide for their subsistence needs in this way.

2a) Rural areas and rural people

33. Rational and effective planning and implementation of rural development will to a large extent depend upon an agreed definition of the rural areas of South Africa. However, there is little agreement on what constitutes rural areas and rural populations, and ambiguities still surround the concept of rural. A related problem is that the rural/non-urban areas are far from homogenous and include geographical areas and populations that often differ markedly from one another. For example, most concepts of rural areas and populations include commercial farmers, subsistence farmers, some small towns and villages, and nature reserves that have very different – and even contradictory – functions and developmental needs. In South Africa these differences have been complicated by past policies of racial segregation and especially the creation of independent and self-governing homelands that have reinforced some existing divisions and blurred others.

34. Overlaying these differences are a range of other variations including ecological and natural resources, human settlement patterns, language and cultural differences, lifestyle differences, the proximity or distance of large urban and industrial conglomerates, *etc.*, all of which contribute to the intricacies of the rural picture. Furthermore, because of their poverty and vulnerability, rural households commonly resort to a variety of different strategies to ensure their survival so that it has become more appropriate to describe their economic activities as *livelihood* strategies rather than jobs or employment.

Box 1: Rural-Urban Linkages

Rural-urban linkages take many forms, some of which are particularly important with a view to developing a strategy for integrated sustainable rural development (ISRDS). The more dynamic types of linkages are found in:

- (a) the movements of people between rural and urban households (many of which are of a circular nature), and these include temporary migration (as in seasonal moves) and labour migration (including weekly commuting)
- (b) the more permanent migration of people from rural to urban areas and *vice versa*
- (c) the movement of people operating from a single (urban or rural) household (as in daily commuting or school trips, shopping trips and short-term visits)
- (d) the movement of resources (such as money and remittances), commodities (as in the production-market chains for agricultural produce), and services (e.g. mail delivery)

The more static (or long-term) types of linkages are found mainly in the infrastructural connections between rural and urban areas (e.g. roads, railway lines, and water, electricity and telecommunication networks).

In the absence of these linkages neither rural nor urban development can take place. The ISRDS should therefore not only be aimed at integrating only *rural* development actions, but it should also incorporate actions to integrate rural and urban areas.

35. Framing a successful rural development strategy will therefore depend on taking into account and understanding the diverse and complex realities that constitute the “rural areas”. Besides the diversity of the rural areas, successful planning and implementation of rural development will require an understanding of the complex linkages that exist between rural and urban areas (see Box 1 above).

36. Within this context, it is necessary to describe the rural population and their problems in greater detail. Some 45% of South Africa’s population live in non-urban areas, depending on the definition used. Of these, some 85% live in the former homelands, and the rest on commercial farms and in the small towns. The deepest poverty in South Africa is found in the rural areas. Women form the majority of the rural population and female-headed households are particularly disadvantaged. Three quarters of the children in the rural areas live in households with incomes below the minimum subsistence level. The poorest households also have low levels of literacy and education, difficult and time-consuming access to water, fuel and other services, and few opportunities of gainful employment. This results in high levels of under- and malnutrition, morbidity and mortality of children.

37. Survey results show that the correlation between poor living conditions, poor access to services, time spent obtaining water and fuel, poor schooling, low incomes, and large household size in rural areas is clear. A basic needs indicator can readily be established according to scores given for the standard of sanitation, water supply, energy supply and housing: On the one hand, 11% of rural households have adequate housing, piped water, and acceptable sanitation; little time has to be spent collecting fuel, and none is taken with water collection. On the other hand, nearly 22% of the rural population lives in abject poverty, with virtually no access to any of these services. These households are largely those in the lowest quintile (20%) of the income spectrum.

38. The nature of poverty across the income spectrum in the rural areas is as follows:

- Households in the three lower quintile income groups spend a great deal of time collecting wood and water. This has important implications for the productivity of family members in income generating activities, and especially for women, who do 90% of the collecting and carrying.
- Educational indicators differ substantially across the five income quintiles, with the less than 20% of adults in the lowest quintile having basic literacy skills, as opposed to more than 50% in the highest quintile.
- While more than a quarter of the poorest quintile has access to agricultural land, their average landholding is less than a third of a hectare (about 3000m²), and 85% of them have communal land.

39. An understanding of the sources of rural household incomes provides another perspective on the nature of rural poverty: 4.3% of rural households are totally marginalised and have no income; 11.4% are dependent only on pensions; 16.2% are dependent only on unreliable remittances; and 9.9% are dependent on reliable remittances. Women head the majority of these households.

40. Farm workers are among the poorest and most vulnerable households in the rural areas. Their vulnerability is increased by their dependence on their employers not only for employment and wages, but also for services such as housing, electricity, schooling, access to medical facilities, water and transport. Wages in the agricultural sector fall well below the minimum living level and seasonal workers (who make up a large part of the agricultural labour force) have the added disadvantage of earning approximately 10% less than permanent workers. In addition to their wages, many farm workers receive payment in kind. Furthermore, the educational qualifications of farm workers are low. For example, a survey conducted among black farm workers in 1997 showed that about 50% of farm workers had no schooling and a further 40% had only been educated between grade 2 and 7.

41. In spite of this very clear concentration of poverty in rural areas, and considerable efforts by government since 1994, very little change in the plight of rural people on the ground has been realised. While various government policy documents have reiterated the importance of targeting state transfers to rural areas, this commitment appears to have lapsed when it came to funding allocations at local levels. A review of the 1998/99 National Budget found that government spending remained skewed in favour of urban areas. For example, while the provincial funds allocation formula is weighted 25% in favour of those provinces with relatively large rural populations, it is clear that this weighted-allocation does not reverse urban bias, as it merely compensates for the higher costs associated with servicing a larger rural constituency. Moreover, research carried out on the allocation and focus of official development assistance received by South Africa shows that only 13% of all these commitments over the past four years have been allocated to rural development. This commitment represents an amount of approximately US\$400 million. The ability of the agricultural and rural development sector to access donor funding, however, needs to be compared with its capacity to disburse such funds. The rural sector performed poorly, with donor disbursement rates showing that the sector only managed to spend 9.5 cents of every Rand committed.

2b) HIV/AIDS and the Rural Poor

42. HIV/AIDS is a universal strategic issue that poses extensive challenges to rural development in South Africa. The HIV/AIDS challenge is particularly significant because it impacts on a range of developmental factors including economic stability and long-term sustainability. Further, there are generally

more limited resources available in rural areas (such as HIV/AIDS education and health care) and there is a concentration of poverty, which means that the vulnerability of households increases.

43. HIV/AIDS affects not only the infected individual, but the entire household. This is particularly true where the most productive member of the household is infected. Losses of human capital in relation to both health and skills have profound implications for productivity and outputs. Because of cutbacks in food consumption due to financial and production constraints, as well as greater demands on the physical labour of household members not suffering from AIDS, the infection of one member of a household usually leads to the deterioration of the health of the whole household.

44. There are a number of other examples of the impact of HIV/AIDS on the rural poor. The loss of a spouse can have a major disruptive effect on the agricultural cycle because of the division of agricultural labour between men and women. The neglect or inadequate performance of gender-specific tasks such as land clearing, ploughing and the dipping of livestock on the one hand, and planting, weeding and harvesting on the other, can have a major impact on agricultural production as a whole.

45. It has been observed that some households have begun to cultivate crops near their homesteads rather than in more distant fields in order to be able to take care of the ill. There have also been changes in cropping patterns, with a shift from cash crops to subsistence farming. Other strategies for coping with HIV/AIDS have included reductions in investments in agricultural inputs, reduction of areas under cultivation (with consequent losses in food production and food security), reduced yields, cultivation of less labour intensive crops, shifts to non-agricultural activities, and a decline in the care and health of livestock. Such trends have important implications for household income, productivity, the division of labour in the household, social and human capital, and land tenure rights.

2c) Strategic Pointers

46. A number of conclusions or “pointers” emerge from the above description of rural areas:

- Both the rural areas and poverty represent diverse, multi-faceted, complex and dynamic realities, which are often difficult to capture through statistics and other descriptive and measuring devices. This diversity and complexity needs to be accommodated flexible and responsive in strategic planning.
- Analyses of rural poverty also need to take rural-urban linkages into account. While the emphasis should be on the inclusion of local rural towns into the ISRDS initiative, linking rural development with the development of the larger (and sometimes remote) urban settlements should form an integral part of the strategy. In the ISRDS, the aim should thus be to bring about comprehensive regional development, not necessarily through the relocation or decentralisation of industry (as has been attempted in the past), but by strengthening rural-urban linkages.
- The marginalisation of agriculture, particularly in the former homelands, needs to be addressed. The high involvement of women in agriculture in most of the provinces suggests that the issue of gender needs to be central in the ISRDS.
- As HIV/AIDS is likely to have a significant impact on highly vulnerable households in the rural areas, strategies will have to be developed to mitigate its impact on such households.
- Table 1 summarises socio-economic characteristics of rural communities in South Africa.

Table 1: Rural Communities

Socio-Economic Characteristics				
Characteristic	Former homelands	Displaced and resettled communities	Commercial farming areas	Mining areas
Population Range	<ul style="list-style-type: none"> • 500 to 10 000 • Average household size 7 	<ul style="list-style-type: none"> • 3000 to 20000 • Average household size 7 	<ul style="list-style-type: none"> • 10 to 150 • Average household (labourer/tenant) size 7 	<ul style="list-style-type: none"> • 1000 to 15000 • Average household size 7
Settlement type	<ul style="list-style-type: none"> • Scattered • Homestead • Dense settlements 	<ul style="list-style-type: none"> • Dense settlements 	<ul style="list-style-type: none"> • Villages 	<ul style="list-style-type: none"> • Dense settlements
Amenities	<ul style="list-style-type: none"> • Shops, Clinics usually distant • Schools usually distant • Formal and informal dwellings 	<ul style="list-style-type: none"> • Shops, Clinics usually distant • Schools usually distant • Formal dwelling and some in RDP houses 	<ul style="list-style-type: none"> • Shops, Clinics usually distant • Schools usually distant • Commercial schools • Informal and farm accommodation 	<ul style="list-style-type: none"> • Shops, Clinics usually nearby • Schools usually nearby • Formal (Hostels and in some cases houses)
Employment	<ul style="list-style-type: none"> • Subsistence farming • Unemployment – on excess of 30% • Under – employment 50% • Significant remittances from urban area • Off farm employment negligible 	<ul style="list-style-type: none"> • Commute to urban areas daily, weekly, monthly • Unemployment – 70% • Remittances from Urban areas • Informal sector 	<ul style="list-style-type: none"> • Labourers and tenants for commercial frame 	<ul style="list-style-type: none"> • Labourers (usually from nearby) and artisans (usually from far away)
Average household income	+/-R650	+/-R650	+/-R350 (labourer) +/-R700(tenant)	+/-R900 to +/-R4000

Source: Department of Transport, Rural Community Archetypes adjusted

Section 3. Implementation and design of Rural Development in South Africa: 1994-2000.

47. Over the past six years (i.e. 1994 to 2000) much effort within the framework of the RDP and later GEAR has gone into the design and implementation of government initiated programmes intended to redress past and present inequalities. The RDP gave priority to reducing poverty and inequality through revival of economic growth, human resource development, and broadly based ownership of assets to achieve growth with equity. Government Departments have contributed towards rural development through their programmes in the following broad areas:

- Economic development
- Social investment (i.e. social infrastructure)
- Human resource development, and
- Natural resource based programmes.

48. Many programmes in rural areas focussed primarily on poverty alleviation through investment in infrastructure and provision of social services. No comprehensive analysis has yet been done on the impact of these interventions; to date attention has concentrated on the amount of money spent rather than on the efficiency or effectiveness of expenditure. The programmes given most notice have been those that can quantify the number of “deliverables” rather than those that achieve important qualitative impact on peoples’ lives – such as programmes improving rural quality of life through democratic self-governance. The March 2000 document by the Core Group of Ministers contains a detailed discussion on selected government initiatives, by department, from 1994 to 2000.

49. During the same period the Government passed numerous pieces of legislation designed to alter prohibitive institutional arrangements and discriminatory practices that have denied rural people access to resources. This legislation and the various policy documents providing the framework for the governmental programmes are discussed below.

3a) The Legal and Policy Framework for Rural Development

50. Parts of a rural strategy for South Africa are well articulated in separate government documents released since 1994, although the absence of a single, recent, and comprehensive statement has led some observers to argue erroneously that South Africa does not have a rural development strategy. On the contrary, the country has a strategy, and need not reinvent the important groundwork already in place. Attention can turn to redesign or revision of elements that have proven problematic in implementation.

51. The initial rural strategy for South Africa was formulated within the general framework of the Reconstruction and Development Program (RDP), but the foundation for a sound rural strategy is also grounded in a stable macroeconomic framework provided by the Growth, Employment and Redistribution (GEAR) program adopted in 1996. The land reform program is an important component of rural development and is presented in the White Paper on *South African Land Policy* issued by the Department of Land Affairs in 1997. Recent revisions to the programme are presented in the Ministry for Agriculture and Land Affairs’ document *Land Redistribution for Agricultural Development* in 2000. The agricultural policy reforms are well articulated in *Agricultural Policy in South Africa*, a discussion paper issued by the Ministry for Agriculture and Land Affairs in 1998.

52. The first document addressing rural development directly following the launch of the RDP was the release in 1995 by the Ministry in the Office in the President of a discussion document *Rural Development Strategy of the Government of National Unity*. Renewed efforts to design a rural strategy were launched under the auspices of the Rural Task Team of the RDP office. This process led to the publication of *The Rural Development Framework* by the Department of Land Affairs in May 1997. While its title implies broad coverage, in reality the document focuses on rural infrastructure, public administration, local government, and rural non-farm employment. The document, however, draws attention to the need for the co-ordination of rural development. This discussion document was not confirmed as the government strategy for rural development. As a result, the range of initiatives that emerged from the different government departments were not based on a specific set of targets or common indicators, but nevertheless addressed important elements of rural development.

53. The implementation of rural development takes place in the context of specific legal framework consisting of many pieces of legislation. Important among these are:

- The Constitution of the Republic of South Africa, Act 108 of 1996
- Housing Act, 107 of 1997
- Restitution of Land Rights Act, 22 of 1994.
- Development Facilitation Act, 67 of 1995
- Extension of Security of Tenure Act, 62 of 1997
- Transformation of Certain Rural Areas Act, 94 of 1998
- Abolition of Racially-based Land Measures Act, 108 of 1991

54. A comprehensive analysis of all pieces of legislation and their possible impact on rural development – similar to the recent exercise by the Department of Housing – remains to be done.

3b) Achievements of rural development from 1994-2000

55. Some examples of achievements under the various departmental programmes include:

- Promotion of small-scale mining activity through managerial support, infrastructure investments and support services.
- Eskom completed 1.1 million electrical connections in rural areas between 1994 and 1999 and also providing electricity to 3 891 rural schools.
- Spatial Development Initiatives (SDIs) created spin-offs such as job opportunities, socio-economic upliftment, economic empowerment, upgrading of infrastructure.
- Community based public works programmes focused on poverty alleviation, job creation and infrastructure provision primarily in 3 provinces.
- Investment in Water infrastructure development projects to increase rural communities' access to water.
- Working for water project.
- Extension of telephone services to rural communities increased access from 20% to 40% of households.
- Cellphone network and TV signals have been extended to rural areas ensuring that most households in rural areas now receive a TV signal.
- Under the land reform programme 350 000 households gained access to 6.5 million hectares of land.

56. The Government also gained experience in delivering services through special instruments that targeted poor communities since 1994. These instruments include Local Economic Development (LED) fund, community water supply and sanitation, food security, rural housing technopreneur programme, Khula-

start, Spatial Development Initiatives (SDIs), Local Business Service Centres, and Small, Medium and Micro-enterprise (SMMEs) incubators; agricultural marketing, farming development, employment and skills development services, development of self-sustaining villages, establishment of IT centres, software distance learning centres, web-internet laboratories, school awareness programmes, waste management programmes, Phambili Nombane and others. Experiences under these programmes help to identify replicable programmes that can be included in the basket of services provided under the ISRDS.

57. In addition to achievements under specific programmes, the government has also had considerable success in pursuing macroeconomic stability fundamental to successful rural development. Since committing itself to the GEAR framework of macroeconomic stabilisation, the Government has maintained consistent policies and has achieved tangible benefits. Key macroeconomic objectives have been reached, including a reduction in the central budget deficit and a fall in inflation to the lowest level in 30 years. Interest rates declined significantly in 1999 and early 2000, a development of potential importance for land reform and rural entrepreneurship more generally. However, the economy experienced lower than expected economic performance. GDP growth has remained low although positive, unemployment is high and chronic, and key objectives of poverty reduction and improved service delivery remain largely unmet. Rural areas are particularly hard hit by lost remittances and higher dependency ratios as unemployed family members return to villages and former homelands.

58. In agriculture, one of the key sectors of the rural economy, important and ambitious agricultural policy reforms were implemented throughout the 1990s. This improved sectoral competitiveness in a newly open economy, and removed biased support programs that favoured the traditional commercial producers over new entrants. South Africa reduced export subsidies, reduced domestic support, and increased market access in a general move toward greater openness and reduced intervention in the agricultural sector. Expensive programs of drought relief were replaced by improved incentives and information for producers to manage and reduce risk. Credit subsidies and special tax breaks for capital investments were removed, as were single channel marketing boards that administered support programs in the past. Changes are far-reaching and have produced a significant adjustment without a decline in aggregate agricultural output. Agricultural growth throughout the adjustment period has been positive, as non-traditional exports expanded to replace area taken out of grains and staples.

59. The fact that this adjustment was accomplished without a fall in aggregate output is impressive testament to the robustness and dynamism of commercial farming in South Africa. As part of the adjustment, however, agriculture, like other sectors, shed labour, thus adding to already high and rising unemployment. Well-established commercial farms invested in new equipment and shifted the cropping mix, simultaneously shifting into competitive products and reducing demand for labour. Producers within the former homelands and in poor rural areas, on the other hand, had more trouble adjusting, since they were highly dependent on services delivered by parastatals and on investments financed by non-commercial development programs. With the dismantling of the parastatals and discontinuation of the traditional development programs, these producers face deteriorating and costly infrastructure (e.g., irrigation), and poor access to agricultural services (e.g., machinery services). Unlike the larger commercial farmers, these producers do not have the financial capacity to assume additional costs or to adopt alternative technology.

60. A number of other initiatives were also launched in the agricultural sector to improve the economic potential of this key sector of the rural economy. These initiatives included the Land Care Programme (See Box 2 for an illustration of the impact of interventions under this programme), and various programmes to enhance access to agricultural support services and markets— all in an effort to improve agricultural opportunities for rural households. The South African constitution establishes municipalities as the entity responsible for providing basic services, and this assignment is reinforced in the White Paper on Local

Government of 1998. The Municipal Infrastructure Investment Framework establishes minimum expected rural service levels, to be attained over a period of approximately ten years.

61. Few rural areas in 1997 could provide basic services at the minimum levels established under the Municipal Infrastructure Investment Framework. To meet the backlog in rural infrastructure, the government subsidised capital costs for construction of schools and clinics, provision of bulk and connector water, roads, sanitation, and other basic investments. The Municipal Infrastructure Programme, and various programmes by the different Departments, skills development programmes, provision of primary health care and adult basic education programmes (ABET) in totality add up to a substantial investment in social and economic infrastructure improving the lives of many rural people.

Box 2: The Golden Fleece of the Eastern Cape
How agricultural interventions increased rural incomes

Small producers in the former Transkei/Ciskei region of the Eastern Cape own approximately 3 million wool sheep. Prior to 1996, they sheared their sheep under poor conditions and sold unclassified wool of poor quality to traders for only R2.50/kg. Neighbouring white commercial farmers were receiving between R15 and R20/kg for their wool – mainly due to better shearing sheds and an ability to class the wool clip, and thereby delivering a better quality product.

As a part of an initiative under the Land Care programme of the Department of Agriculture, the National Wool Growers Association (NWGA) and the Agricultural Research Council (ARC) joined hands in 1996 to establish an advisory service to the woolgrowers in the former Transkei/Ciskei. Since then the NWGA has recruited 4 000 farmers in these areas as full members of the association. The ARC/NWGA assisted the farmers to erect 30 new shearing sheds with handling facilities.

A social survey of the rural communities in this area undertaken at the same time identified 6 different types of households in these communities – only 2 with any farming involvement. The study also pointed to the large group of households dominated by landless and very poor women. In discussion with the wool producers, the ARC and NWGA decided to provide training programmes for the farmers in sheep shearing and training programmes for the landless poor women in wool classing. The wool producers began to employ the trained women to class their wool clip, and the women are paid per fleece classed. The 30 shearing sheds are at present producing around 3 300 bales (150 kg each) of wool for sale at the Wool Exchange in Port Elizabeth. With the farmers now shearing under better conditions and more skillfully, and with the women class the clip, these farmers were able to sell their wool for R15 to R20/kg – prices comparable with the best clips of the neighbouring commercial farmers. One of the new sheds also won an award for the best classified wool clip.

This intervention has enormous potential when scaled up to include many of the wool producers of the region. For the five communities that built shearing sheds, revenue increased five-fold, as shown below:

Revenue from wool production – before intervention (247 500 sheep)	R 1 237 500
Revenue after intervention	R 6 187 500

Replication of this impact to the 3 million sheep of Transkei/Ciskei would yield potential income of R74,9 million, or R60 million more than the present R14,9 million. If wool quality can also be improved through better breeding, the potential revenue can be as much as **R105 million** (almost 10 times the current revenue).

3c) Lessons of the early period

62. Despite notable achievements, the public investment programs have been beset by problems of co-ordination and communication with frequent complaints that sub-projects do not reflect community priorities and are not well maintained. The projects are often characterised by poor co-ordination, poor consultation, weak participation, poor data and planning, weak institutional and regulatory mechanisms, slow delivery, weak sustainability. More than a few of the projects are judged to be white elephants.

63. The line Ministries that funded the programmes, implemented them. Although many of the national and provincial line ministries had staff placed in offices at the district level, the District Council did not have a strong mandate to co-ordinate the initiatives of the various ministries. Nor could the Council shift resources from one program to another to reflect local priorities. Expenditures by the line departments were not incorporated into the budgetary process at the local level, and in general were not even reflected as memorandum items in the decisions about how to use resources that were in the budget. Many district and local councils lacked a clear understanding of the activities of the line departments within their jurisdictions. Decisions about what and where to build infrastructure (e.g., where to place a tap, which road to surface) were in practice often taken by technical consultants who may or may not have involved local communities in the discussion.

64. From the perspective of national, provincial, and even some district authorities, investments flowed through different known channels in substantial amounts. From the perspective of local communities, however, they often rained apparently randomly from above, with little internal coherence or responsiveness to community priorities. For example, the National Department of Public Works has run a large community-based public works program, but surveys of communities in Eastern Cape indicate that many of those interviewed felt that projects had not been well chosen.

65. Difficulties in implementation derive largely from a laudable commitment to decentralisation and democratic government under conditions in which local governments were not yet able to carry out substantial new responsibilities. The South African constitution recognises three spheres of government: national, provincial, and local. The institutions of local government inherited from the apartheid government were unsuited for democratic representation. After the elections of 1994 sub-national governmental jurisdictions were redrawn. Former homelands and provinces were reconfigured into the present nine provinces. Local governmental institutions below the provincial levels are still evolving. The structure is starting to converge in a configuration more simple and recognisable than that featuring the various transitional institutions of 1994-1999. With the completion of the municipal redistricting in 2000, local authorities now consist of approximately 60 districts covering the entire country and encompassing approximately 280 municipalities.

66. The major lesson learned from the initial six years of support for rural development underscored the need for integration and co-ordination of the multitude of activities at the local level.

3d) Towards an integrated rural development strategy

67. After the elections of 1999, the government renewed its commitment to rural development, as one of six presidential initiatives announced in the President's address at the opening of Parliament in June 1999. The intention to initiate an integrated and sustainable rural development strategy was to capitalise on potential synergies among the various government programmes in order to promote and support more rapid and equitable rural development in the country. The presidency initiated a broader process that involved national departments and various stakeholders to formulate the ISRDS and to identify pilot areas for targeted interventions. Since then government departments initiated projects and programmes that target identified areas in the three provinces. Many of these projects and programmes are in the process of being implemented. They were initiated, however, without a clear conception of how the implementation of these programmes would constitute a truly integrated strategy.

68. The process to formulate the ISRDS is directed by the Deputy President's office, and analytical contributions have been solicited from a number of agencies and organisations. These organisations include amongst others the Development Bank of Southern Africa, the United Nations system, and the World Bank.

The Development Bank of Southern Africa submitted their discussion document “*Delivering Rural Development*” to the Office of the President in July 1999. The World Bank provided a detailed report entitled “*Improving opportunities for the rural poor in South Africa: More effective public investment to stimulate rural growth*” to the Presidency in June 2000.

69. Other contributors within the departments and ministries also provided inputs. Also informing the strategy is the *Consolidated Municipal Infrastructure Programme (CMIP)* document from the Department of Provincial and Local Government, in terms of which the department has identified the need to focus and redirect infrastructure programmes to the rural areas. The primary objective of the programme is to provide funding to municipalities to close gaps in provision of basic levels of infrastructure services to low-income households within a period of ten years and to support the housing programme of government.

70. *Towards Implementing an Integrated Rural Development programme*: This document was developed by the Department of Housing to examine the concept of rural areas within the context of the urban rural continuum. It draws on work presented to the Ministers’ infrastructure cluster, and work done for the President’s Office on the spatial implications of infrastructure as well as proposals by recent mission of the United Nations Food and Agriculture and the proposals by Thuthukani Ma-Afrika on a rural poverty alleviation strategy. Whilst this document was done for a rural housing strategy it also helps to inform the overall Government Integrated and Sustainable Rural Development Strategy.

71. The Ministry of Minerals and Energy released a document “*Towards Implementing an Integrated Rural Development Programme*” which articulates the ministerial priorities for the next five years. It covers both mining and energy issues.

72. On mining, the strategic intention is to create integrated and sustainable development in labour and mining areas through the combined and co-ordinated application of the resources and skills of the social partners, being representative of government in all spheres, labour and the mining industry. The results will be measurable reduction in poverty and measurable increases in sustainable job opportunities in affected rural communities.

73. The strategy will target communities affected by retrenchments with inclusive programmes; target poverty pockets in labour sending and mining areas; cluster delivery into nodes and corridors of sustainable economic development; build on existing rural development work of role players; pursue land rights as a key ingredient for agricultural and other economic development in rural areas and promote the linkages between small-scale mining and tourism. On energy, the objective is to increase access to affordable energy services by rural household by 2010. This is strategic in empowering rural communities.

74. Several provinces also compiled rural development strategy documents in response to the June 1999 State of the Nation Address. These include:

- Eastern Cape
- KwaZulu-Natal
- Free State
- Northern Province
- North West Province

75. The ISRDS Secretariat of the Core Group of Ministers in March 2000 released another document contributing to formulation of the rural development strategy. The report, entitled “*The development of an integrated sustainable rural development strategy*,” reflects the experience thus far in attempting to pursue

an integrated rural development strategy and makes proposals on how to give effect to the President's commitment. These proposals refer amongst others to the main elements of an ISRDS and to a planning methodology for rural development.

76. Each of these many documents generated since June 1999 contributes toward the design of the next stage of South Africa's strategy for rural development. The present document is intended to provide a synthesis of the many proposals and background papers prepared, and to elaborate on the mechanism for achieving integration in practice.



Section 4. Key elements and vision

77. *The vision of the ISRDS is to attain socially cohesive and stable communities with viable institutions, sustainable economies and universal access to social amenities, able to attract skilled and knowledgeable people, equipped to contribute to their own and the nation's growth and development.* The strategic intent of the ISRDS is to transform rural South Africa into an economically viable and socially stable and harmonious sector that makes a significant contribution to the nation's GDP. The strategy will benefit the rural poor generally, but particular efforts will be made to target women, youths, and the disabled. A successful strategy to achieve integrated sustainable rural development will reflect each of its three key elements: i.e., integrated, sustainable, and rural development.

4a) Rural Development

78. Rural development is understood to be multi-dimensional, encompassing improved provision of services, enhanced opportunities for income generation and local economic development, improved physical infrastructure, social cohesion and physical security within rural communities, active representation in local political processes, and effective provision for the vulnerable. Rural development in this context is thus much broader than poverty alleviation through social programs and transfers. The concept places emphasis on facilitating change in rural environments to enable poor people to earn more, invest in themselves and their communities, contribute toward maintenance of the infrastructure key to their livelihoods; in short, to identify opportunities and to act on them. A successful strategy will thus make people less poor, rather than more comfortable in their poverty. This emphasis is complemented by specific measures to assist the vulnerable and relieve the burdens of poverty.

4b) Sustainable

79. The strategy will be sustainable to the extent that it contributes to increased local growth, that rural people care about its success, and are able to access the resources to keep it going. Thus sustainability implies effective participation to assure that the projects and activities undertaken respond to articulated priorities at the local level. Although initially much of the financing for the strategy may come through line departments and special programs, sustainability over time will increasingly depend on budgets of local governments. A sustainable strategy will thus have to enhance the revenue base of local government over time (although initially the contribution will be small). It will, moreover, have to define a major role for local government in coordinating the participatory decision-making and in mobilizing available resources. With the upcoming local elections and the creation of the municipal councils in their newly demarcated boundaries, the integrated rural development strategy will provide a framework in which they can become functioning developmental local governments. The institutionalisation of rural development grounded in processes that are the daily work of local governments accountable to their constituents will serve over time to insulate the interventions from becoming overly politicised.

80. Social sustainability is an important dimension of a successful strategy. Rural communities hold a wealth of social capital in the form of extended networks of mutual solidarity, shared beliefs and traditions, and commitments to retain long-standing practices of daily life. Development projects when defined through sound participatory processes, can reinforce and sustain social capital. Conversely, incremental resources brought into rural communities can be divisive and destructive if various groups compete for access through a process that is not generally accepted and understood. One need not idealize the degree of social cohesion within villages. Rural society is not homogeneous, and widespread poverty creates tensions. Growth

necessarily brings change, and change can cause conflict. Because the social dynamics of rural areas present challenges to which there are no easy answers, the participatory process should be designed to be as transparent and broadly inclusive as possible, and at least a portion of benefits should be targeted to particular groups that might otherwise be under-recognized, such as women and young people.

4c) Integrated

81. Integration has been a goal of rural development programmes for many decades. Most of these failed to achieve the desired synergy because they failed to design a mechanism for integration. Rural development is difficult to integrate because it cuts across traditional sectors and involves all levels of government. An effective mechanism for integration will specify what happens at the various levels, who does what, and how the integration will be accomplished. In the South African context, as spelled out in greater detail later, each sphere of government plays a defined role, but the primary locus of integration is at the municipal level through the IDP process. Implementation of decisions arrived at through the IDP process is achieved by drawing on an amalgamated resource envelope comprised of the municipal budget, the commitments of the line departments, and other sources.

82. A successful strategy incorporating the key elements described above will thus include:

- A vision of the growth process in rural areas;
- A mechanism for integrating existing programs;
- Design for new programmes if needed;
- A defined locus of decision making;
- A meaningful role for local government.
- Clarification of financial flows and channels.
- Key performance indicators or a process for generating them internally to the strategy;
- Procedures to monitor the indicators;
- Sequencing of actions that should take place in the short, medium, and long term.

83. Diagram 1 at the end of this section illustrates in schematic form how the various key elements of the strategy fit together.

4d) Dynamics of growth in rural areas

84. There is a dire need to resuscitate the rural economies and advance the cause of rural areas as potential engines of economic growth that would contribute towards their own development and the broad national development agenda. A strategy to achieve growth must be founded on an understanding of how rural areas grow. Although the specific processes vary over time and space, the general dynamics are understood in terms of sources of growth and linkages that spread and multiply the initial impulse. Growth in agriculture, tourism, forestry, and other primary activities that bring incremental earnings into rural areas generates additional incomes through linkage in expenditure and employment.

85. For example, agricultural growth generates demand for inputs and the retailing activities associated with delivery (transport, financial services, advisory services). Box 2 presented earlier provides a good example of how increased earnings from a tradable agricultural product (in that case wool) generates additional employment and spreads the benefits throughout the community. Farm families spend their higher earnings on goods and services, some of which are produced locally. Moreover, farm families traditionally save a high proportion of income, and a common use of savings is investment in the farm enterprise, thereby contributing to future growth. Linkages with the local economy tend to be higher for small farms than for

large farms, in part because they are more labour intensive in their direct operations, and in part because they are likely to purchase labour intensive goods and services (such as outlays for ceremonial occasions, transport, construction from local materials, etc.). For this reason, a land reform program that allows small farmers with low or moderate incomes to purchase entire large farms (in sections) or under-utilised portions of large farms contributes to agricultural growth and stimulates the local economy more than would agricultural growth from the large farm sector.

86. Empirical studies of expenditure patterns allow estimates of demand for services and infrastructure likely to accompany growth in primary agriculture, forestry, and tourism. For example, expenditure multipliers for transport services tend to be high, as rural people with higher incomes seek increased mobility. Communities will articulate increased demand for roads and bridges, which in turn will lead to a round of private investment in vehicles and increased demand for repair services.

87. Agriculture need not be the only source of growth, and in many areas it will not be the most important. Natural resources will always be an important determining factor in rural development, as these may be the only resources that some rural areas are endowed with; e.g., tourist sites, water, mineral deposits and others. Where beneficiation of these resources makes economic sense, it will contribute to growth. Any good or service that can be sold outside the community or substitute for something bought from outside will generate a net increment in earnings that can be multiplied.

88. Rural communities in which agriculture, forestry, tourism, and other activities are growing enter a period of self-reinforcing growth that increases incomes, strengthens transport and communications (thereby reducing the “remoteness” of rural areas), and promotes diversification of the rural economy, as additional incomes are spent on locally produced goods and services. This vision is realistically attainable for rural areas in which the natural resource base supports growth in agriculture, tourism, forestry, and selected other activities.

89. Much of rural South Africa falls into this category. Other areas have sizeable concentrations of population and limited potential. A realistic assessment must recognize that not all areas have high potential for growth, and that people, particularly the youth, must have opportunities voluntarily to move away from those areas over time. At present most young people in these areas assume that they must move to cities, and many of them will. With a more active land reform, however, growing tourism, and responsive programs of public investment, rural youth in areas of low potential will see new opportunities in more dynamic rural areas and small towns.

90. Rural growth takes place in a spatial dimension. Rural towns are critical to the developmental opportunities of their hinterlands. Provision of key services in rural towns increases the multiplier for incremental incomes, since rural people can spend more of it closer to home. Much of the infrastructure and service industry (transport, banking, trade, communications, and other) that allows agricultural producers to capture the value of their primary products is located in rural towns. For example, livestock producers come to town to auction their animals and to deliver them to abattoirs. The prices they receive depend directly on the location and quality of these services. Similarly, the service providers will locate only in towns that can provide adequate public services, such as power, communications, public safety, and fire protection. Thus one of the positive outcomes of successful integrated rural development will be a vibrant, rural town that serve their hinterlands and add value to the production that takes place there.

91. Local economic development can be defined as a functional area within which economic activity, infrastructure, social facilities and human settlement patterns dictate the viability of governmental interventions. The SDI approach has provided valuable experiences on spatial development on a larger

scale, which can be used in Local Economic Development (LED). LED in the rural context includes diversifying the economic base, building backward and forward linkages, ensuring basic standards of health and safety through provision of basic infrastructure and services, maximising job creation and building on the inherent potential of local areas. Within the South African ISRDS, local economic development will be stimulated by enhancing synergy of investment and programmes within an area designated as a node. A single node cannot be larger than the regional authority. Several nodes will be clustered to maximise impact wherever possible.

92. Dynamic growth will benefit many of the rural poor, even those who do not earn the initial incremental incomes. Due to the linkages and multipliers, many poor people will benefit from the second and third rounds of local expenditure, as opportunities for local employment increase and demand for local services rises. Moreover, as more active rural economies become less cut off, the risks that plague the lives of the rural poor decline. With better roads and more taxis, the chance that a sick or injured child will get to the hospital in time increases for the prosperous and the poor, even though the chances may still not be equal for both.

4e) Rural safety net as an integral part of the ISRDS

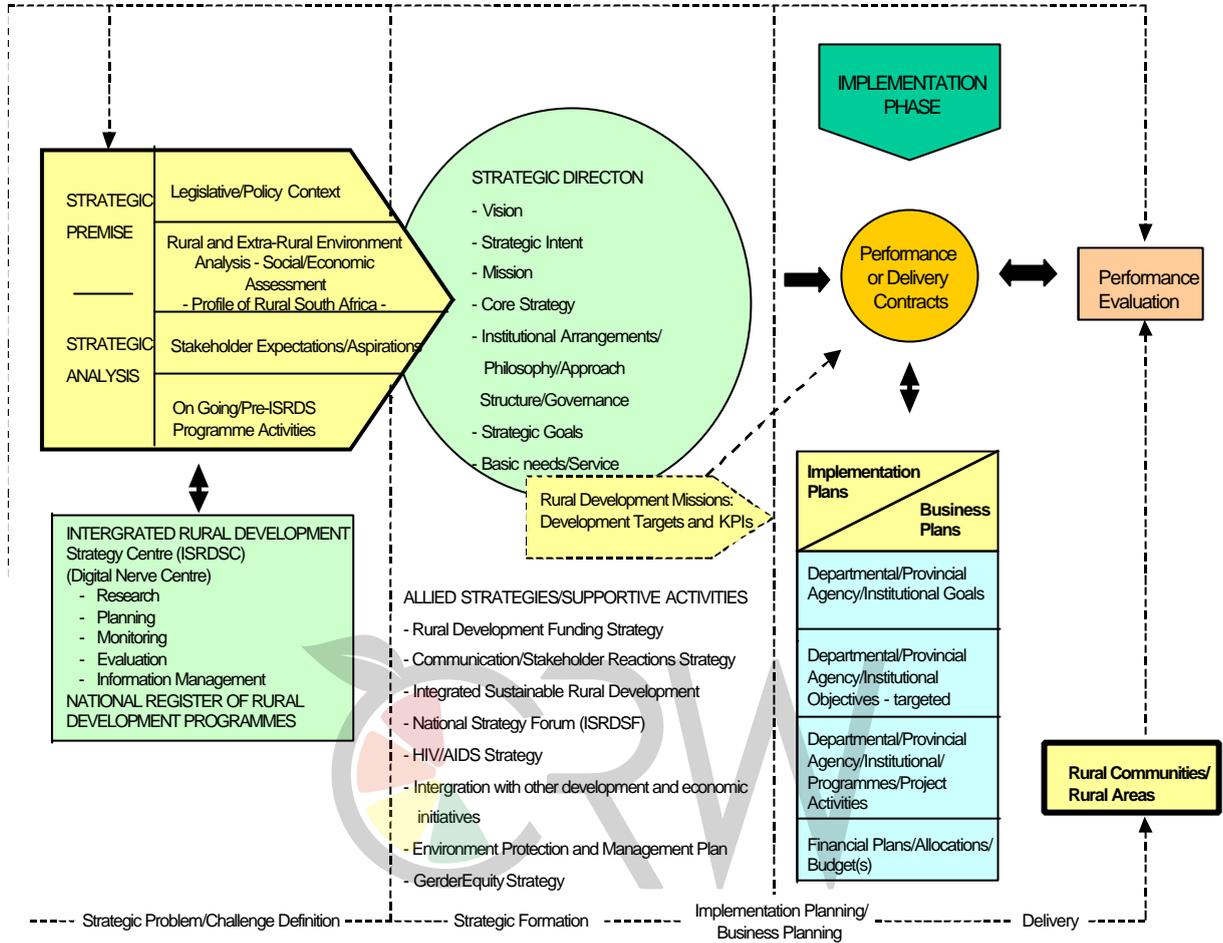
93. Although growth benefits many of the poor, it clearly does not benefit all. Safety nets are still needed, and the rural poor in most countries are greatly disadvantaged relative to their urban counterparts when it comes to social assistance. Few developing countries include rural people in social security programmes, and the prevalence of self-employment means that unemployment compensation is largely irrelevant to those without work. South Africa is exceptional in this regard, in the sense that many of the key programmes of social assistance extend to rural people and have served since 1994 to prevent much hardship. Government services are by far the greatest services that are both needed and able to reach vulnerable people including those in rural areas. In order to ensure that a safety net is sustained for the vulnerable groups, the efficiency of out-reach capacity of the social service departments co-ordinated by the Department of Social Development will be enhanced. Government should strike a balance between focussing on taking advantage of economic potential and attending to those who are vulnerable and in need of care. The Department of Social Development is presently reviewing the programmes of social assistance, and the findings of that review can be used to identify key changes in the rural safety net that can be introduced to complement the ISRDS.

Diagram 1

INTEGRATED SUSTAINABLE RURAL DEVELOPMENT STRATEGY

- STRATEGIC FRAMEWORK -

ISRDS 2010



Section 5: The approach: How will it work?

94. The thrust of the strategic initiative is to build immediately on existing programmes of government that have the possibility of wide impact and replicability, while initiating and developing selected new programmes. The strength and success of the programme will be derived from the well-coordinated bottom-up approach in a rural local economic development context underpinned by a well thought-out local institutional basis within and outside government. Because of this bottom-up approach and the primary reliance on better coordination of existing programmes, the strategy will be able to deliver results on the ground very quickly. Rural communities are empowered to undertake integration for purposes of development planning under Section 21 of the Municipal Systems Bill.

95. Among the key strategic choices of the strategy is the decision to build on existing experience, replicable programmes, and innovative service delivery. The menu of existing programmes is already broad. Government gained experience in delivering services through special instruments that have targeted poor communities since 1994. These instruments include the Local Economic Development Fund, community water supply and sanitation, food security, rural housing, the technopreneur programme, Khula-start, Spatial Development Initiatives, local Business Service Centres, SMME incubators, agricultural marketing, farming development, assistance to the development of skills for industry and employment, creation of self-sustaining villages, establishment of IT centres, distance learning centres, web-internet laboratories, awareness programmes for secondary schools, waste management programmes, Phambili Nombane, and others. Such programmes will be replicated in the local development nodes where appropriate, to maximise the multiplier effect and facilitate service delivery, to avoid identified weaknesses, and to find new and innovative delivery mechanisms.

5a) The basket of selected services

96. A basket of services made up of the above government initiatives and others will form a core of the co-ordinated and integrated programmes on which government will begin to build the ISRDS. Because these are known programmes and replicable initiatives, costing and planning for human resource development and deployment will not be difficult. The basket of selected services will include initiatives from other social partners, such as business, non-governmental organizations, community based organizations, and trade unions.

97. Not all programmes will be appropriate for the needs of people in different areas. Nor will all desired programmes be financially sustainable within the envelope of resources available in any given area at a point in time. Therefore, the basket of selected services will be customized to the circumstances of each locality, and chosen through a process of participatory decision-making. Integration, co-ordination, and sustainability cut across all initiatives, and should characterize all selected baskets.

5b) Initial focus on selected areas

98. The approach developed for integration will be applicable to the entire country, but initial focus will be on a manageable number of selected areas or nodes where the processes at the local level will be carefully guided by champions. To date three pilot nodes have been selected and targeted:

- Lusikisiki
- Bushbuckridge
- Nongoma

99. Programmes have already been introduced in these nodes over the past year, and the experience gained can be evaluated to provide lessons useful in the selection of additional nodes. The latter will be chosen to create a portfolio that will grow where identified needs and opportunities can be matched with available resources to stimulate growth. A range of criteria will be used spatially to target the chosen initiatives. Different national departments use a variety of targeting methods. The departments of Public Works (CBPWP), Water Affairs and Forestry, Environment, Tourism, Transport, Housing, Land Affairs, Provincial Affairs and Local Government and Social Development at national level each have targeting mechanisms. Moreover, each provincial government has completed, or is completing, a rural development plan that identifies focus areas and nodes, based on structured applications of a range of criteria. Thus a variety of targeting mechanisms can be considered for selecting additional nodes. Once the targeting criteria are chosen, the actual selection can be facilitated by the massive work done by the Demarcation Board to collate data covering the whole country. The data provide a rich descriptive picture, and were used to assess social and economic cohesion to establish viable municipal areas.

100. Within the nodes, the baskets with selected services should assist income generation for those who have high potential for improvement, and should include poverty-targeted programmes for those likely to be by-passed by new growth. Thus the selection of programmes and targeting within programmes should reflect the diversity of rural communities and contribute both to income generation and poverty reduction.

101. In the targeting process within the nodes, explicit attention should be accorded to small and scattered rural communities as well as the denser settlements. Unless poor people living in remote areas are explicitly targeted, they are likely to be by-passed as their better connected neighbours draw the resources to themselves. At the same time, people living in remote villages gain from improved service delivery and heightened economic activity in towns near them, as more private service providers and entrepreneurs are attracted to the growing towns. Given the spatial dimensions of rural growth, both remote communities and towns should be included in the planning process, and the priorities of both should be considered in selection. It would not be appropriate to allow concentration of resources on the rural towns without careful consideration of whether and how more remote communities would benefit from such programmes.

102. Within the nodes, champions will oversee participatory decision making at the local level and its reflection in agreements between municipality and line departments. Attention will be accorded to coordinating existing programs and attracting resources to complement them and generate greater growth. Particular emphasis will be placed on energy, water, housing, telephones, and roads, but other programs will also be introduced either through the municipal budget or by attracting resources from the departments.

5c) Participation and selection of desired services

103. The process of selecting the services and programmes at the local level will be the chief instrument for integration, and the Integrated Development Planning (IDP) process will play an important role in this. Participatory assessment takes place under the provisions for preparation of integrated development plans (IDPs) as laid out in the Municipal Systems Bill and the regulations of Municipal Systems Act (to be enacted). The provisions will ensure that structured participation by residents and stakeholder groups is incorporated into choices that are made in the formulation of IDPs. Political compacts and arrangements will be put in place at the local level to affirm commitment to the strategy. Participation may be structured at one level in a municipality, or in sub-municipal arrangements that are aggregated or summarised at the municipal level. The provisions of the Municipal Systems bill in respect of Integrated Development Planning are provided in Annexure 2.

104. In order to select programmes from the offered options, municipalities or smaller units comprising a node will be assisted to undertake a participatory assessment and choose investments and services that suit their priorities and abilities to maintain. Over time most municipal councils and their constituent communities will acquire capacity to rank priorities, to identify investment activities that address these priorities, and to contract with providers, either from the departments or private sector. Initially capacity will be limited, however, and it will be useful to have champions overseeing and guiding the process. Champions will be designated at several levels; for example, at the national and local levels, and, if necessary, at the provincial level, as well. In addition to the champions, technical coordinators at the nodal level will facilitate implementation.

105. Over time and as technical capacity in accounting and management improves, municipal councils will assume greater functional responsibilities, and district councils will increasingly revert to more limited roles in information exchange, coordination, and oversight of regional projects. At that time the need for champions will be less. In the meantime, however, municipalities must begin to exercise some decision making responsibilities regarding spending priorities, even if they are not yet in a position to execute projects or account for funds. An early role in decision making and setting of priorities will stimulate greater participation and demand to improve capacity. Thus even where municipalities are weak and district councils retain substantial responsibility, early efforts to build a significant and growing role for municipalities will be important.

106. The effort to bolster weak and rural municipalities can be designed to focus on several objectives: (a) strengthening their interaction with communities as the latter identify most pressing needs for basic social and economic infrastructure, and employment and income-generating opportunities for the rural poor; (b) enhancing their role and capacity in planning within the Integrated Development Planning (IDP) framework; (c) leveraging resources mobilized at the community and municipal levels; (d) deepening and institutionalising the interaction between rural communities and their elected local officials; and (e) over time assisting municipal councils to assume responsibility for project implementation and administration of funds. The municipal councils will thus gradually become the effective point of delivery for the government's commitment to reduce rural poverty, although initially they will be strongly assisted through technical back-up from the district council and/or the provincial departments, the champions, and the implementing agency for the ISRDS.

107. The Department of Provincial and local Government is establishing a range of programmes to support and build capacity for the IDP process. These cover the Planning and Implementation Management Support System (to provide district level planning capacity where it does not exist in-house.) The Department is also updating the IDP manual, designing training, developing the provincial support strategy, and establishing a national monitoring system. Each of these initiatives should be brought to bear in the nodes in the short term.

108. In order to fully to reflect priorities of the communities, the municipal council will oversee a process of participatory assessment at the sub-municipal or community level. The role of stakeholder committees within the IDP process is recognized, and fuller elaboration of that role is presently underway. The stakeholder committees might include one or two municipal councillors, as well as broad representation of community based organizations, traditional authorities, NGO's, producer associations, women's groups, faith-based groups, and other organizations active in the various communities within the municipality. The composition of the committee should be determined to increase the outreach of elected governmental officials, and it should report to the municipal council. In this way the committees extend the reach of the local governments into the communities, and expand the inclusion beyond those active in electoral politics.

109. Although initially municipalities and stakeholder committees will function primarily to rank priorities and will not be responsible for direct implementation, the participation of communities should be meaningful, and not *pro forma*. When ideas and preferences of the stakeholder committees are found to be infeasible, unsustainable, or unaffordable when viewed from the perspective of the municipality as a whole, the municipal councilors on the committees should explain to the remaining members why the proposals cannot be accepted, and the committees should develop alternatives. The public education campaign at the launch of the ISRDS should make clear to the stakeholder committees that they will be meaningfully empowered, but within reasonable and flexible funding bounds. The stakeholder committees will not be ignored or by-passed, but neither will they be given a blank check to spend.

5d) The role of information

110. The consultative process will allow rural people to express their goals and priorities. International experience suggests that when rural people are given the opportunity to express their views, they add real value to the quality of the resulting decision. People may not always, however, command the information needed to decide how best to realize their goals through particular projects or activities. For example, people might seek to increase their incomes in agriculture, but not know which crop or product would be most advantageous, and where the market is for that product. Alternatively, people may express a strong desire for better access to health services, but not know whether new construction or improved transport to an existing clinic is the most efficient instrument to achieve the objective.

111. To that end the information base developed in the Deputy President's office can be brought to bear, to help clarify how best to pursue particular objectives in income generation or service delivery. The information base should be conceived as a planning tool at the local level to clarify options and discard those that are not likely to be successful. It is not intended as a substitute for participatory decision making at the local level, but rather as a complement that adds value to the process. South Africa's experience with this rich planning tool will provide useful international lessons, since few countries with rural poverty at the level of South Africa's command the technical power to develop and use such a data base. Although information and data in South Africa are and have long been plentiful, the absence of a single knowledge base covering the multiple dimensions of rural development has handicapped activity to date. Creation of such a knowledge base within the President's Office now will much enrich the effort.

5e) Financing the basket of selected services

112. How will the programmes selected within the nodes be financed? The primary benefit of the ISRDS is anticipated to come from better synergy of existing programmes, rather than through allocation of significantly more funds to rural development in aggregate. It is proposed that most of the funding will be drawn from budgets of existing entities; primarily the line departments and the municipalities. Once the communities have expressed their priorities and these have been translated into programmes and aggregated up at the municipal level, the municipal council will approach the various providers to cost the desired programmes, and to check whether the provider is willing and able in principle to provide the service or investment.

113. The municipal council must thus proactively attract the desired programmes (and their attached funding through the budget of the line departments) into their localities in response to the preferences expressed by the communities in the node. The result of this process is anticipated to be an amalgamated expenditure envelope consisting of resources from several sources; primarily the budget of the municipality, the attracted commitments from the line departments, programmes of NGO's and donors, and private

financing leveraged in through the increased visibility to the locality through the ISRDS. An outline of the general structure of sources of funding is presented schematically in Diagram 2 that follows.

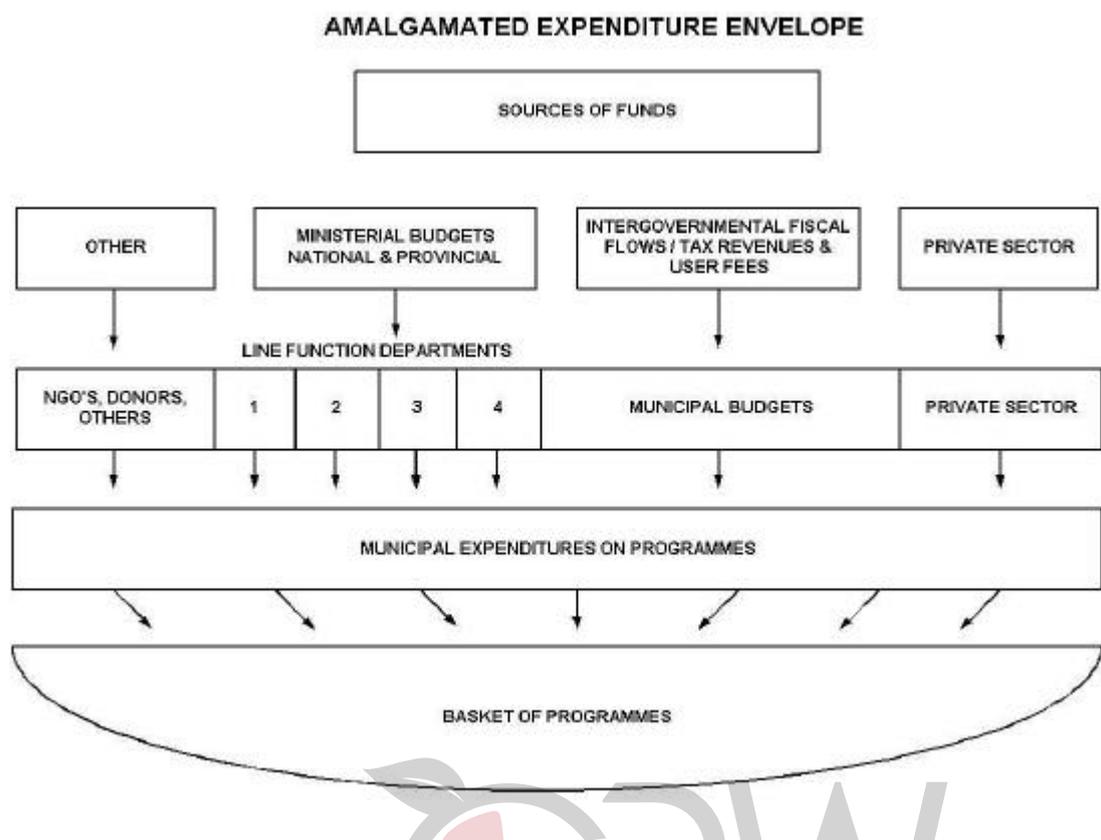


Diagram 2: The amalgamated expenditure envelope

114. This approach to financing the ISRDS reflects the transitional nature of South Africa’s public finance and the newness and weak capacity of most municipal structures in rural areas. Most of the budget for local development at present still resides with the line departments because there is nowhere else to put it until the system of intergovernmental fiscal transfers is broadened and strengthened. Departments until recently had considerable discretion on where to allocate their resources—to which localities and in which of their several programmes within their departmental menus. It is this discretion and the lack of an integrative mechanism that resulted in the poor coordination to be addressed by the ISRDS. Increasing allocation of national revenue to the provincial and local government spheres is indicated in the 2000 Medium Term Budget Policy Statement (National treasury, October 2000). This policy also confirms the phasing of adjustment to allocations to provinces under the equitable share formula, which increases allocations to the neediest provinces.

115. On the basis of the expressed preferences of their constituent communities, the municipal councils will seek to attract programmes of the line departments into their localities. The councils will thus be in a strong position to coordinate the programmes that they request. Municipalities that are stronger and have more capable councils will be best placed to attract departmental programmes. This has been the experience of the past six years, and it will not change over-night. What will change is the degree of coordination, since even strong local governments in the past did not undertake a participatory process of priority setting and use it as the basis on which to solicit programmes. Nor did they command the information about what the departments intended to do or spend. With the proposed approach to integration and with departmental decisions embedded in the IDP process, both strong and weak municipalities will be in a better position to coordinate and seek synergy. The chosen areas as nodes will have an additional advantage in attracting

programmes, since they will have the visibility accorded under ISRDS, and will have champions at various levels assisting them to identify programmes and secure commitment of departments.

5f) Advantages and risks of geographic focus on the nodes

116. This added attention to the nodes is one of the advantages of the ISRDS. The strategy is intended to attract a critical mass of complementary programmes to particular localities to demonstrate the benefits that can be achieved through synergy of various activities. At the same time the particular attention accorded to nodes *under the present budgetary arrangements in South Africa* presents a major risk to the replicability and sustainability of the strategy. There is a danger that the energy of champions and visibility of the ISRDS will lead departments to shift excessive proportions of their budgets to the nodes. Since the overall expenditure on rural development under the ISRDS is not intended to increase substantially, a redirection of resources to the nodes will necessarily come at the expense of other areas. The outcome, if this risk is not addressed, could be a proliferation of showcase projects within the nodes and reduction in expenditure in neighbouring areas or in parts of the country not selected as nodes in the first round. The showcase projects would not be replicable or sustainable (see box), and the reduced attention to non-nodal areas could result in higher costs of maintenance in the future to compensate for deteriorated infrastructure.

117. If this risk is understood and attended to, it need not pose a particular danger. Indicators should be developed to warn against “showcase fever.” For example, if the selected expenditure envelope in a node exceeds expenditures in recent years by a given margin, say 10%, an amber light should go on. At that point the President’s Office, which is charged with oversight of the implementation of the ISRDS in general, should inquire as to whether this additional expenditure is consistent with the overall goals of the ISRDS. It may be that the additional expenditure is fully justified because past spending was artificially depressed by weak capacity, urban bias, or other factors. When the amber light goes on, it does not mean that municipalities cannot proceed with their intentions, but it does mean that they should be called to justify why they have chosen that basket of services and to show that the activities will be sustainable and productive, and may lead to reduced draw on the fiscus in the future.

Box3: Avoid Creating Potemkin Villages

One of the earliest champions of rural development on the global scene was Catherine the Great, who ruled Russia from 1762 to 1796. Concerned about the evident poverty and misery of Russia’s serfs, and desiring to stimulate development in the southern part of her empire, Catherine encouraged Russia’s estate owners to provide better housing and improved conditions for the peasantry. She decided to go on tour to inspect in person the results of her efforts, and invited members of the European royal houses to accompany her. Her Chief of Staff, Prince Gregory Potemkin, was put in charge of arrangements for the trip.

Potemkin selected a route for the trip, much of which was by water. Along the banks of the river he constructed villages with solid cottages and amenities unusual for the serfs at the time. Prior to the inspection tour, peasants were issued new livestock and clothes. Catherine floated by, delighted with the apparent success of her endeavors, and returned to St. Petersburg confident that her peasantry had been uplifted.

Since that time, showcase projects that are not replicable or sustainable, and created largely in response to official orders have been referred to as “Potemkin villages.”

5g) Performance contracts to bind commitment

118. Within the nodes, after choices have been made at the community and municipal levels, providers of services, including line ministries, will enter into agreements with the municipality to deliver the projects. These agreements at the local level will be aggregated up for each Ministry/department. They will form the basis for a series of performance contracts that will secure the delivery of the integrated baskets from the supply side. The design of the performance contracts will have to reflect the lines of authority and responsibility within the existing budgetary structures. The intention of the performance contracts will be to bind those responsible for delivery of programmes identified through the integrative process at the municipal level. For example, the Minister of a department whose function is a national competency and which has made commitments to the nodes under the ISRDS could have the aggregation of those commitments expressed in a performance contract between the Minister and the Deputy President's office. Other competencies reside at the provincial level, and in these cases the performance contract may be most appropriately written between the provincial department head and the provincial premier. In order to provide incentives against "showcase fever," the performance contracts should track developments in the nodes and outside the nodes separately, to make sure that progress in one area does not come at the expense of well-being in the other.

119. Although the question of how specifically to write the performance contracts requires additional thought, the need for such contracts can be acknowledged now. The departments have a juridical obligation to use their budgets, but they do not have an obligation to use them according to the commitments made under the ISRDS. The commitment of a department to the municipal government of a node is a statement of intent, but not a legal obligation. If difficulties arise in the course of implementation, and the department experiences delays in implementation, the municipality has no obvious legal recourse. The situation is different if the municipality has contracted for a service under its own budget. In that case, if the provider does not perform, the municipality withholds payment and uses the normal legal measures of contract enforcement. Since the activities of the line departments are funded under the department's budget, the municipality cannot really hold the department accountable. The role of the performance contracts will be to address this particular asymmetry of responsibility between the municipalities and the line departments.

5h) Continued viability of the mechanism as the budgetary process evolves

120. The strategy can be rolled out immediately with the decision process and with the budgetary flows described above. According to discussions presently underway at the Ministry of Finance, over time it is likely that more of the budgets now with the line departments may be consolidated into the system of intergovernmental fiscal flows. One such consolidation already took place in 1998 and brought improved coherence in budget management at the local level, but as noted above, substantial sums still flow through the department budgets. As municipalities pass capacity benchmarks in budget management and gain experience within the IDP framework, it may be appropriate to consolidate more of the flows into the municipal budgets. In that case, over time the role of departments may change. They would be less involved in actual implementation and placement of bricks and mortar on the ground, and would function more as centres of expertise and technical assistance, working under contract to local governments.

121. If the budgets are gradually consolidated into the intergovernmental fiscal flows, the municipalities could still use the same decision process to determine desirable baskets of selected services and the same approach to an amalgamated expenditure envelope to finance the activities. The portion of the amalgamated expenditure envelope accounted for by the municipal budget would simply grow, and that retained within the departmental lines would shrink. Thus over time, the role of the champions would recede, since the

municipalities would have improved capacity, and would genuinely control their own budgets. They would not need to attract in providers of programmes, since they would be able to buy them in.

122. Thus the decision process and the funding flows of the ISRDS can work immediately, under the institutional arrangements in place now. They can also adapt naturally over time, as the institutional and budgetary arrangements evolve. It is not necessary or appropriate for the ISRDS to sketch out how or when the budgetary process will evolve, since this falls within the competency of other agencies. It is necessary, however, that the ISRDS operating with a horizon to 2010 be capable of adapting and thriving under changes in institutional arrangements that may take place. The strategy as described above can do that well. Moreover, even without explicit linkage to the process of budgetary reform, the strategy will adapt automatically. Its implementation will become increasingly ingrained in the normal processes of local government, which was one of the intentions of its designers.

5i) Monitoring performance indicators

123. Although the strategy can be launched in its present form immediately, and is likely to work well, its impact will be seen only through careful monitoring and evaluation. Information gained through the monitoring exercises can be used to track impact, to indicate adjustments that should be made over time, and to spread the benefits of example to areas not chosen initially as nodes. Monitoring will take place primarily at the local and aggregate levels.

124. The basis of the monitoring will be measurable performance indicators designed for the nodes, and then aggregated for the program in general. The first level of indicators will be derived from the stated objectives of the stakeholder committees. For example, if they seek programmes to increase incomes, to improve nutrition, to improve access to schooling for their children, and for other purposes, each of these objectives can be translated into an indicator. Measurement of the indicator at the outset and over the course of the implementation period will assess the degree to which they are meeting their objectives.

125. These indicators at the primary level will be different for different communities, and will be difficult to aggregate up to the national level. Nonetheless, they should be reported and included in the database monitored at the aggregate level. The indicator reported at the aggregate level for the ISRDS as a whole will be the percentage improvement in the primary indicators as specified by the communities. This will provide a natural scaling factor, and will assure that the programme is in fact tracking the benefits to the intended beneficiaries.

126. In addition to these primary indicators of outcomes, a number of indicators of inputs and outputs can be tracked, such as expenditures on programmes in the nodes over time, increments to the tax revenues of local governments in the nodes, degree to which national service standards are met in the nodes over time, etc. Because the ISRDS pertains to rural areas of the entire country, and not just the nodes, it will be important to track the benefits more generally with a set of indicators for the country as a whole. The design of the system of monitoring and evaluation will require special attention.

Section 6. Complementary Measures to Support the ISRDS Mechanism

127. The previous section described the mechanism through which the different components of the ISRDS will be co-ordinated and integrated. While this mechanism will provide a meaningful and substantial thrust towards realising the vision, complementary measures are necessary to support the mechanism. In particular, a comprehensive land reform programme and a community-based income generation programme are critical in ensuring a wider coverage of opportunities available to the rural poor. In addition, capacity building and human resource development issues, as well as attention to social aspects and safety nets, are important elements of the ISRDS.

6a) Human resource development and capacity building

128. In general, rural areas suffer from capacity constraints linked to a low skills base. A separate human resource development strategy will have to be developed to increase the skills base in rural areas, both at the community and local government levels. The plan should be co-ordinated and linked into the wider presidential initiative on human resource development for South Africa as a whole. This Rural Human Resources Development master plan should also include adult basic education (ABET) and the development of technical skills –supported by the provisions provided for by the Skills Development Act–, as well as a social plan to manage retrenchments and job losses affecting rural areas.

129. Given the paucity of skills in rural areas, national and provincial departments will have to facilitate short-term measures to supplement the available capacity. Deployment, secondment and even transfer of personnel to rural areas in support of the ISRDS, targeting both hard and soft skills, may be necessary. Where appropriate, the goodwill of experienced citizens who seek to contribute on a voluntary basis, should also be harnessed. New opportunities for volunteers will thus be created. Involving the youth through the creation of a youth core, which could combine service with training and mentorship, holds particular promise.

130. Over the intermediate to longer term, however, capacity constraints will have to be addressed through education and training. In this context, the rural development strategy will constitute deliberate and conscious choices and interventions that Government will pursue in all spheres, after and in consultation with the different targeted stakeholders in rural municipalities. Critical to this approach of Local Economic Development and participation by stakeholders will be capacity building at local government and community levels. Programmes that will facilitate the development of community-based organizations and non-government organizations should be encouraged. Existing CBOs and NGOs can also play meaningful roles in assisting with capacity building efforts. Most of these immediate training and capacity building priorities can be addressed through redirecting existing programmes, but some new or revised programmes are also needed.

6b) Land reform: implement revised programme

131. One of the most visible legacies of apartheid policies in rural areas is the skew distribution of access to and ownership of agricultural and other land. Most of the specific characteristics of rural South Africa are strongly related to the fact that most of the country's rural land is concentrated in the hands of a relatively small and wealthy minority. Detailed analysis has shown that land reform, when conducted in an appropriate manner, will lead to increases in economic, financial, social and environmental efficiency, equity and sustainability. While the Government acknowledged this by announcing a comprehensive Land Reform Programme in 1994, which addressed issues such as restitution, forced removals, security of tenure and other

aspects, results have been mixed. This programme has recently been revised, particularly in two ways: i) commercial farming is now also targeted for incorporation into the programme; and ii) mechanisms and procedures for land reform have been amended to emulate international experience and best practice. This new programme holds great promise and has the potential to become an important cornerstone of rural development efforts in South Africa.

132. What can land reform contribute to rural development within this new approach? Rural areas will receive a simple liquidity boost as land acquisition and farm start-up grants move into rural areas. Derived demand for construction and other local services will increase. Increased agricultural growth through the bringing into production of under-utilised land and labour are matched with capital, and returns to both are greater than in the past. As the pace of economic activity picks up in rural areas with land reform, family capital now invested in other activities and probably in urban areas may come back. Increased security of land tenure will encourage new owners to invest in their own land. Increased public security in rural areas -- lower crime, less uncertainty-- will increase values of land, which in turn will leverage more capital through mortgages and other lending. However, if the pace of land reform drags, the agricultural sector, and therefore the entire rural sector, is at risk for eroding the capital base as land values fall. Land reform therefore is a critical component of the ISRDS.

6c) Community based income generation projects

133. Many opportunities available to rural communities are productive in nature and involve the generation of income for individuals or groups. Although the menu of services and investments under the existing departmental and other programmes is fairly broad, it does not extend to cover small-scale income generating activities especially important in rural areas, or specific rural infrastructure that communities might consider important, in a comprehensive or systematic manner. Examples of subprojects not ordinarily included in the CMIP and other departmental programme menus include: communal irrigation schemes, small-scale community-based agro-processing, provision of agricultural machinery services, dip-tanks, local veterinary centres, roadside market stalls for sales of crafts or fruits to tourists, sorting and grading sheds, drainage ditches for flood control, small dams for livestock watering, and other small projects. In the future, when rural areas are wealthier and have access to well developed financial services, many of these will be executed as private projects serving either a particular large farm, or providing services on a private basis for a fee. In the well-developed and largely white areas of traditional commercial agriculture, such investments are now financed privately, although in the past public money was available either directly or indirectly for many of these small projects. In poorer communities where farm size is small and no individual entrepreneur is likely to provide the investment, community groups can undertake investments for mutual benefit if they can access financing to proceed.

134. Many of these sub-projects on the extended menu will enhance incomes of the community or of the group proposing them. For that reason, unlike the purely infrastructural projects --for example under the CMIP-- these projects should require a significant contribution of the community, in cash or kind or both. But potential beneficiaries will need a kick-start to enable them to supplement this with the necessary commitments from their own resources. The financing mechanism would thus be a matching grant to formally constituted community organizations that commit to implement the project. Because these projects would be executed by the community (unlike the CMIP projects, which are executed on behalf of the community), and because they would require a separate funding mechanism (matching grants deposited into bank accounts of properly constituted beneficiary groups, rather than invoices submitted for work completed), the community projects could best be accommodated through a separate window of financing. The priority setting at the community level, however, could be jointly done for other community sub-

projects, and the ranking of both could be undertaken by the same project evaluation subcommittee at the municipal or node-level.

135. Under this proposed augmentation of the existing programmes, identified weak municipalities or nodes would be eligible for a formulaic additional window of funds to finance small projects of productive infrastructure and income-generating activities. This additional window could be financed in a number of ways, including through an instrument like the equalisation grant under discussion. When the municipalities strengthen sufficiently to graduate out of the eligible category, the additional window would close. Details on this proposal could work and elaboration of its possible features are presented in Annexure 3.

6d) Social assistance and safety-nets

136. Even with more effective integration and faster growth as a result of the successful implementation of ISRDS, some rural people will need additional social assistance. While such programmes generally are already in place, they may need some additional attention. In particular, there will be a need to evaluate to what extent intended benefits are reaching the rural poor within specific nodes. For example, are orphans properly registered to receive benefits to which they are entitled; if not, how can registration process be expedited? Can schools do more to contribute to nutrition of children, through agricultural production programmes at school (eco-circles and other) and/or through school feeding programmes? Safety-nets for rural areas are important, in particular for vulnerable groups such as women, the youth, disabled people, the elderly, people affected by HIV/AIDS, etc.

137. Development practice places increasing emphasis on the social and institutional components of development, in particular on what has become known as social capital. Although various definitions exist, social capital has been defined as those “features of social organisation, such as trust, norms, and networks, that can improve the efficiency of society by facilitating co-ordinated actions. Social capital may therefore be seen as the “glue” that holds a society together, or alternatively, as a “lubricant” that facilitates or eases social interactions that people may work together towards common goals. Social capital is *productive* in that it facilitates co-operation and makes possible the attainment of goals that could not otherwise be achieved, or at least not at the same cost. Social capital is therefore seen as contributing to development in a manner similar to more orthodox assets, such as human capital (education, health, and training), physical capital (tools and technology), and financial capital (savings, credit and investment).

138. Traditional leaders and structures form an important component of social capital of rural communities and can play a vital role in the ISRDS. Multi-dimensional partnerships between and among the multiplicity of important stakeholders are important, and the mechanism of coordination within the ISRDS creates opportunities for partnership in action.

139. Social capital is of special relevance to South Africa because of the role that racial oppression and inequality have played in the disintegration of key institutions such as families and communities, and the creation of distrust between social groups. While interest in social capital is growing and a few studies have been conducted, there is at present no comprehensive or rational data on social capital in South Africa, particularly in relation to the rural areas. This needs to be addressed as part of the ISRDS.

6e) Rural Finance

140. New and restructured financial institutions followed the Strauss Commission report on Rural Finance. These institutions already play an important role in financing rural development programmes, and with better integration and synergy of public initiatives, private financial institutions will find additional opportunities for constructive involvement. Additional co-ordination and strategy will attract finance to

rural areas and will create new opportunities to mobilise savings and enhance capital flows within rural areas. Private and parastatal financial institutions have a specific and crucial role to play.



Section 7. Institutional Arrangements for the ISRDS

141. The functioning of the ISRDS will operate in two arenas:

- The political arena; and
- The operational arena.

142. Diagram 3 that follows presents a functional exposition of the institutional arrangements for the co-ordination and implementation of the ISRDS. The arrangements will provide for structured, systematic assignment of responsibility in both arenas. The arrangements will add value to existing structures of government in each of the three spheres. Opening vertical and horizontal linkages that channel resources effectively to clearly identified and articulated needs and opportunities will create value. The institutional arrangements work within existing structures, providing strategic reinforcement of capacity where required to harness and leverage the full potential of government and its delivery partners. Consideration is given below to the mobilisation of stakeholders because of the central function that this will play in ISDRS implementation.

7a) The Political Sphere

143. Cabinet has assigned to the Deputy President the responsibility for the overall co-ordination and monitoring of the ISRDS.

144. The Office of the Deputy President will manage the planning, implementation and monitoring of the ISRDS. The Deputy President will engage provincial Premiers to establish sound operational co-operative governance in each province so that operational matters are fully endorsed. Through these relationships of the ISRDS the Deputy President will also engage political leaders in the local government sphere in manners appropriate for implementation.

145. The ISRDS Strategic Advisor to the Deputy President will be supported by a dedicated programme manager with the sole function of managing the overall co-ordination and monitoring of the ISRDS.

146. In Cabinet, the relevant the core group of Ministers will be drawn from the Economic, Infrastructure and Social Clusters. They will give leadership to, and ensure that the core ISRDS processes, namely, co-ordinated and integrated delivery, are implemented across the horizontal and vertical structures of government in terms of the Constitutional and other legislative frameworks on cooperative governance.

147. The Infrastructure, Economic and Social Clusters will be the focal point for the ISRDS in Cabinet. As the delivery of infrastructure is seen as the catalyst for bringing about the social and economic sustainability in the three nodes selected to date, the Infrastructure Cluster will take a lead in these. The role of each Cluster in the ISRDS will be to ensure that the sectoral line-function departments prioritise the identified nodes in their programmes and budgets, and that they operate effectively through the required planning mechanisms of the IDPs.

Insert figure



148. Each node will be lead by a nodal champion. Champions will provide political leadership for each node, and may be a Minister, a Premier, a MEC or a Mayor. The champion will enter into a performance agreement with the Deputy President, which will establish accountability for the implementation of delivery in a node.

7b) The Operational Sphere

149. A dedicated Project Team for each node will support each Nodal Champion. The team will be lead by a nodal delivery manager, who will be operationally responsible for management and co-ordination of delivery. The manager will report to the nodal champion. Members of each Team will be drawn from a combination of staff from all three spheres of government, local NGOs, CBOs and the private sector. The teams will provide a focus for developing the spirit of volunteerism.

150. Community based project teams will be established in each node. They may operate in a range of formats and scales, depending on the spatial and institutional formation of the node. They will integrate with designated IDP structures in a node to provide seamless integration of planning and implementation actions. They will provide support to municipalities where it may be needed, but will not usurp the statutory operational responsibilities of local government. They will implement or direct/facilitate the implementation of all ISRDS projects that are outside local government legal or implementation competency.

151. The nodal delivery managers and community based project teams will engage the IDP in a node in all parts of the IDP planning, budgeting, implementation and monitoring and evaluation cycle. They will support the nodal IDP process to engage national and provincial line function departments, organs of state, NGOs, CBOs, CSOs, FBOs, international agencies (including the UN system, the World Bank and bilateral aid agencies) and the private sector. The manner of support will be responsive to the capacities in each node.

152. National and provincial line function departments will be delivery agents in a node to the extent provided in their authorities and identified in their aims. The existing general designation of roles between the spheres of government will be maintained, and the mandate of local government to deliver will be supported by the line function departments. The ISRDS recognises that in the short-term, rural development programmes will be supply driven. However a cornerstone to the success of the ISRDS lies in the extent to which it will become demand-driven within the shortest possible time. Hence a key role of the line function departments is the design and implementation of processes and mechanisms that will transfer and institutionalise service delivery at the local level. National and provincial departments thus will assume a critical role in facilitating the shift from centralized processes to locally owned and driven processes.

153. A critical assumption in the ISRDS is the fact that there has been significant delivery in rural development, but its impact has been limited because of the fragmented and uncoordinated approach to date. Hence the first phase of implementation of the ISRDS involves the consolidation and integration of existing programmes and initiatives in the nodes. This will enable government to announce a basket of services and programmes to launch each node. National and provincial departments will thus be required to assess the feasibility of integrating existing rural development programmes into the ISRDS.

154. In terms of new rural development initiatives departments will commit to coordinated planning. Furthermore, their contributions to the ISRDS will focus on their mandated core functions and competencies. This focus will reduce duplication and ultimately effect major savings. The outcomes of the co-ordinated long-range planning will translate into innovative, special integrated services and programmes.

155. National and provincial departments will on an on-going basis be responsible for data collection and reporting in required formats.

156. The Cabinet has appointed the Independent Development Trust (IDT) as a co-ordinating support agent with responsibilities to support the establishment and implementation of the ISRDS at all levels of its operation. The contractual accountability of the IDT is captured in a Memorandum of Agreement between the Deputy President and the IDT.

7c) Stakeholder mobilisation

157. The widest range of interest groups possible will be mobilised around the ISRDS, ranging from the targeted rural poor communities or the beneficiaries on the one hand, and service providers and policy makers on the other. The roles of stakeholders will differ at various points of implementation, as will the number of partnership and participation arrangements that will evolve. A broad range of stakeholders has been identified, and will be stratified to balance spatial or sectoral requirements:

- 
- Rural communities
 - Traditional leaders
 - Traditional healers
 - Local governments
 - Provincial governments
 - Parliament
 - Donor agencies
 - Funding organisations
 - Students/scholars
 - Organised labour
 - Farm workers
 - Media
 - Community development organisations
 - Political leaders/parties/organisations
 - Rural pensioners
 - Religious leaders/organisations
 - Conservation/Environment Groups
 - Rural women
 - Youth
 - Unemployed persons
 - National Government
 - National Council of Provinces
 - Development Agencies
 - NGO's
 - Organised Business
 - Teachers
 - Farmers
 - Tourist organisations
 - Persons with disabilities
 - Multilateral aid organisations
(World Bank, UN system)
 - Foreign embassies
 - Agribusiness
 - People living with HIV/AIDS

158. Stakeholder mobilisation will take account of the fact that government had entered the targeted communities before and that communities may have had limited returns and benefits from the engagement. Some may have little reason for optimism and confidence that the ISRDS will have a long-term impact on the quality of their lives. Hence, in the short-term, significant investment in securing buy-in might be necessary.

159. Stakeholder mobilisation will be underpinned by a number of principles:

- The institutionalisation of co-ordinated delivery and integration at local level will be most important performance indicator;
- Planning, implementation and monitoring which is demand-driven in each node, and energised by a bottom-up approach and ownership by the rural poor;

- Capacity building of all participants, as the ISRDS does not assume that the capacity for building and maintaining partnerships exists in government or its partners. Communities, the disempowered poor in particular, will need help with “claiming their voice” and asserting their strengths, assets and knowledge in planning, implementation and monitoring processes. This component will be vital for the realization of the value of the substantial social capital existing in rural areas;
- A genuine commitment to building and maintaining partnerships and a policy which does not allow for any deviation from this principle;
- Strong social mobilisation and advocacy which could have a social movements for rural development as an outcome;
- Cascading partnerships and participation formations to all levels of implementation, while simultaneously ensuring that innovative models which are relevant to the context, are developed; and
- Formal performance agreements and terms of reference to ensure accountability and transparency will guide partnerships.

160. Essentially, stakeholder mobilisation, as the first step in the approach, needs to create the environment in which the ISRDS can take shape and be sustained. In the short-term, it will be directed at creating awareness, generating interest and eliciting commitments to the ISRDS. Processes will address questions such as:

- What is this?
- Where do we fit?
- What is in it for us?
- Why should we become involved?
- How best should we do this?

161. Stakeholder mobilisation will yield outcomes over the short, medium and longer term. In the short term, a consensus framework for participation, co-ordination and integration will be established. In the medium-term, mobilisation will demonstrate the shift from a centralised, nationally driven and owned process to a decentralised, locally owned and driven process. In addition, the shift from supply- to demand-driven processes needs to be expressed in the mobilisation strategy. An outcome of this phase will be the institutionalisation of mechanisms for integration, co-ordinated delivery, partnership and participation. In the long-term, mobilisation will reflect the bedding down of rural development deliverables and consolidation of the delivery models established. Furthermore, the maturity of nodal development will be measured against the depth of the social sustainability of the achievements.

Section 8. Phasing of Implementation

162. The strategy articulated in the previous sections will be implemented in phases, taking into account the urgency of delivery within the nodes. Preparatory work needs to be undertaken to plan on what needs to be done and how it will be done. This should build on the proposals discussed in this document. Key elements of the implementation plan have been identified as the following:

- Putting in place institutional arrangements that will clarify roles of the key stakeholders;
- Establishment of an information and knowledge management base ;
- Development of the planning and monitoring systems; and
- Establishment of the mechanisms for the co-ordination of delivery as outlined in section 5 above.

163. The phases of implementation will take place in the following format:

- Phase 1: The period from December 2000 to March 2001 (until the end of the financial year). This section outlines all the immediate actions within the four pillars identified for implementation of the ISRDS.
- Phase 2: The period from April 2001 to March 2004.
- Phase 3: The period from April 2004 to March 2010.

164. Outlined below in Table 2 are the actions in each of the phases. These actions are not outlined in any particular order.



Table 2: Actions associated with the phased implementation of the ISRDS

	INSTITUTIONAL ARRANGEMENTS	KNOWLEDGE MANAGEMENT	PLANNING AND MONITORING	DELIVERY CO-ORDINATION	STAKEHOLDER MOBILISATION
Y E A R O N E 2 0 0 / 1	<p>1. Finalisation and signing of memorandum of agreement (MOA) between the IDT and the Presidency.</p> <p>2. Establishment of capacity requirements of three Deputy Presidents' office in terms of co-ordinating the ISRDS.</p> <p>3. Conclusion of performance agreements and contracts with;</p> <p style="padding-left: 40px;">a. Ministers</p> <p style="padding-left: 40px;">b. Provincial governments</p> <p style="padding-left: 40px;">c. Local government and municipalities</p> <p>The performance contracts will be entered into around</p>	<ul style="list-style-type: none"> • Establish the digital nerve centre in the Office of the President • Collate all national and provincial data in a systematic way to identify current policy and legislative authorities, and identify developmental criteria in use • Create links to Accountant General for download of official reporting from national and provincial spheres • Collate all source materials for information systems existing or planned in national and provincial spheres • Establish reporting and analytical formats • Establish and cement partnerships with research and academic institutions • Establish authorities for active programmes to map out locus of national rural policy • Further analysis of overlaps and gaps • Survey, identify and record 	<ul style="list-style-type: none"> • Identify and engage the departments to identify nodes, and resources for implementation • Identify the NGOs, CBOS and other service organization as delivery agents • Facilitate a process of identification of choices using the IDPs and any other tool deemed necessary for this exercises • Conduct a review of development activities in the identified nodes • Conduct feasibility studies based on choices and priorities • Identify facilitators for IDPs and other planning tools • Develop a programme cycle for delivery in each node. The cycle 	<ul style="list-style-type: none"> • Identification and selection of Development Nodes • Driving interim IDP processes • Securing initial set up costs (Special Budget Allocation for Poverty Relief) • Establishment of Nodal Delivery Management Mechanisms • Identification, packaging and branding of Projects • Re-brand existing Pilot Projects and establish Management Mechanisms • Securing targeted line function departmental budgetary 	<ul style="list-style-type: none"> • Group all stakeholders (categories) • Establish stakeholder forums based on categories • Develop a popular version of the ISRDS document for road-shows • Develop frameworks for engaging primary partners to ensure participation, coordination and integration • Develop frameworks for engaging strategic partners to ensure

Table 2: Actions associated with the phased implementation of the ISRDS

	INSTITUTIONAL ARRANGEMENTS	KNOWLEDGE MANAGEMENT	PLANNING AND MONITORING	DELIVERY CO-ORDINATION	STAKEHOLDER MOBILISATION
	<p>entered into around specific deliverables within the framework if nodes.</p> <p>4. Creating around nodes that will be identified and selected including previously selected nodes such as Bushbuckridge, Matatiele and Lusikisiki.</p>	<p>initiatives and capacities of delivery partners, particularly NGOs, organs of state</p> <ul style="list-style-type: none"> • Commence documentation of local best practice and compare to international experience 	<p>could either be responsive and/or proactive</p> <ul style="list-style-type: none"> • Identify appropriate tools for each of the stages of the programme cycle • Identify training needs of nodal delivery teams • Develop appropriate modules for building planning skills of nodal delivery teams 	<p>allocations</p> <ul style="list-style-type: none"> • Appointment of Nodal Champions • Leveraging additional funding from other sources • Appointment of Nodal Delivery Managers • Establishment of appropriate Project Delivery Teams • Management of delivery inputs and outputs. 	<p>participation, coordination and integration</p> <ul style="list-style-type: none"> • Establish a process of selecting a nodal champions • Establish a process of identifying nodes • Prepare for the ISRDS summit (include venue, harnessing resources, etc)
T H R E E Y E A R C	<p>1. Review and adjustment of the established frameworks of the short term phase.</p>	<ul style="list-style-type: none"> • Refine data gathering, reporting and analytical methods to serve knowledge based needs of ISRDS. • Develop knowledge delivery systems that create access for all levels in the planning and delivery spheres • Apply data to the refinement of outer years of MTEF for each cycle to address overlaps in delivery, gaps in application of 	<ul style="list-style-type: none"> • Develop a strategic objectives for each of the programmes identified in the nodes and those currently being implemented • Facilitating a process of developing operational plans for each of the programmes identified in the nodes • Adjust operational 	<ul style="list-style-type: none"> • Finalise Integrated Development Plans for each Node • Develop MTEF performance budgets targeted at nodes, for each department • Refine Nodal Delivery Institutional Mechanisms 	<ul style="list-style-type: none"> • Monitor and report on achievements • ISRDS summit held

Table 2: Actions associated with the phased implementation of the ISRDS

	INSTITUTIONAL ARRANGEMENTS	KNOWLEDGE MANAGEMENT	PLANNING AND MONITORING	DELIVERY CO-ORDINATION	STAKEHOLDER MOBILISATION
Y C L E 2 0 0 1 / 0 4		<p>policies or creation of delivery efficiencies</p> <ul style="list-style-type: none"> • Refine application of knowledge base to annual and periodic reviews and reporting • Develop research agenda with research and academic partners focused on ISRDS • Develop reporting for formal review of policy and coverage and application of resources to match policy • Advance and deepen delivery partnerships 	<p>plans of programmes being integrated at the nodal level</p> <ul style="list-style-type: none"> • Develop a monitoring and reporting systems for programmes currently being implemented in the nodes • Develop a monitoring and reporting systems for programmes initiated in the nodes • Develop forms and templates required for programme implementation • Develop procedures to support delivery within nodes • Establish reporting frameworks for all stakeholders • Build capacities of nodal delivery teams to utilise planning tools 	<ul style="list-style-type: none"> • Initiate additional projects arising out of final IDPs • Leverage additional resources as required • Adjust Project Delivery Teams accordingly • Identify additional development nodes • Refine Nodal Delivery Approach based on monitoring feedback 	

Table 2: Actions associated with the phased implementation of the ISRDS

	INSTITUTIONAL ARRANGEMENTS	KNOWLEDGE MANAGEMENT	PLANNING AND MONITORING	DELIVERY CO-ORDINATION	STAKEHOLDER MOBILISATION
T E N Y E A R C Y C L E 2 0 0 0 / 1 0	1. As in the medium term phase.	<ul style="list-style-type: none"> • Maintain refinement of systems and integration of information and knowledge into all delivery functions • Maintain research focus to inform review processes • Maintain and deepen delivery partnerships 	<ul style="list-style-type: none"> • Adjust operational plans as the monitoring results • Adjust the monitoring system to fit in newly added programme activities • Conduct reviews of programme • Conduct mid-term, end – of – project and ex-post evaluations 	<ul style="list-style-type: none"> • Review Nodal Delivery Approach and adjust where necessary • Re-align budgetary processes of all departments on the basis of national integrated development spatial targets. • Introduce new and/or additional development approaches to Integrated Sustainable Rural Development • Adjust Delivery Mechanisms accordingly. 	<ul style="list-style-type: none"> • Monitor and report on achievements •

Insert Annexure 1



Annexure 2: Integrated Development Planning

(extract from the Municipal Systems Bill of 1999)

Adoption of integrated development plans

23. Each municipal council must within the first 12 months of its elected term adopt a single, inclusive plan for the development of the municipality which-

- a. links, integrates and coordinates plans, schemes and proposals for the development of the municipality;
- b. aligns the resources and capacity of the municipality for the implementation of the plan;
- c. forms the policy framework and general basis on which annual budgets must be based;
- d. complies with the provisions of this Chapter; and
- e. is compatible with national and provincial development planning requirements binding on the municipality in terms of legislation.

Part 2: Contents of integrated development plans

Core components

24.

1. An integrated development plan must be in writing, have attached to it maps, statistics and other appropriate documents, and must reflect-
 - a. the municipal council's vision for the long term development of the municipality with special emphasis on the municipality's most critical development and internal transformation needs;
 - b. an assessment of the existing level of development in the municipality, which must include an identification of communities which do not have access to adequate basic services;
 - c. its development priorities and objectives for its elected term including its internal transformation needs, subject to section 25;
 - d. its development strategies, subject to section 26, which must include any sectoral planning requirements binding on the municipality in terms of legislation;
 - e. a spatial development framework for the municipality, subject to section 27;
 - f. its operational strategies, subject to section 28; and
 - g. a financial plan, subject to section 29.
2. The integrated development plan of a district municipality must contain a framework for the integrated development plans of the local municipalities within the area of that district municipality.

Development priorities and objectives

25. The development priorities and objectives set out in an integrated development plan must reflect the municipality's most critical development needs for each priority identified. The municipality must state what its medium and short term objectives are, taking into account-

- a. its long-term vision for meeting those needs;
- b. the basic needs of disadvantaged sections of the community;
- c. the need for social and economic advancement of those sections of the community;
- d. financial sustainability; and
- e. its capacity and available resources.

Development strategies

26. The development strategies set out in an integrated development plan must be aimed at meeting its development objectives, and must-

- a. integrate the various activities and resources of the municipality for the realisation of its objectives;
- b. specify the time frames within which its development objectives will be realised;
- c. include particulars of the specific priority development programmes and projects to be implemented during the municipal council's elected term;
- d. include any sectoral plans required by national legislation, including disaster management plans;

- e. take into account options available to the municipal council to meet its development objectives, including by way of service delivery agreements; and
- f. take into account development principles, policies, plans and strategies of the national and provincial governments.

Spatial framework

27. The spatial development framework set out in a municipality's integrated development plan must relate the development priorities and objectives to different geographic areas of the municipality, and indicate how the various development strategies will be coordinated in relation to, and impact on, those different geographic areas.

Operational strategies

28. The operational strategies must-

- a. ensure that the municipality, either alone or through service delivery agreements, has the institutional and organisational capacity to realise its development objectives;
- b. ensure that the municipality has the financial capacity to realise its development objectives and the ability to sustain its development achievements;
- c. align the municipality's resources for the realisation of its development objectives, which must be based on appropriate performance management mechanisms, systems and processes in accordance with Chapter 6; and
- d. inform and involve residents, communities and other stakeholders with regard to the implementation of the integrated development plan, including project-specific beneficiaries in the case of specific projects.

Financial plan

29. The integrated development plan of a municipality must include a medium-term financial plan setting out-

- a. how the capital and operational expenditure associated within its integrated development plan is matched by its revenue raising strategy;
- b. the inter-relationship between capital and operating elements in the budget, projected investments, borrowings and loan requirements; and
- c. the overall long-term viability of the integrated development plan and the financial plan.

Annual review and amendment of integrated development plan

30. A municipal council-

- a. must annually review and update its integrated development plan; and
- b. may amend its integrated development plan whenever necessary.

Copy of integrated development plan to be submitted to MEC for local government

Annexure 3: How will the community based income-generation programme work?

A.1 The community based income generation programme would provide matching grants to rural community associations to finance small-scale subprojects (up to R250 000 each) identified by these groups as priority investments that would improve community well-being. Subprojects would be of many types, broadly classified as infrastructure (such as rural water supply, electrification, local road improvements and small bridges), social (e.g., sanitation, community centres, day care centres) and productive subprojects (such as communal irrigation schemes, small-scale community agro-processing, provision of small agricultural equipment and communal farm tractors, small livestock production). Subprojects that fall within the CMIP or other menus would naturally go to that window first, since communities can access these projects on a 100% grant basis. If a community wanted, however, for some reason to undertake a traditional infrastructure program with a matching grant, the proposal would be eligible for consideration. Subproject selection would be demand-driven and based on community preferences. The program would establish a negative list of subproject types ineligible for financing and, for productive subprojects in particular, additional and rigorous eligibility criteria¹. Subproject proposals would observe standard documentation and technical, economic, environmental and sustainability criteria established in a detailed Project Operational Manual, which sets forth procedures and guidelines for implementation.

A.2 Community associations are the foundation of program implementation. These associations are responsible for formulating ideas for subprojects and submitting these proposals to the Municipal Councils for ranking and/or approval. Once a subproject has been approved, the community association enters into a legally binding agreement with the PCU and/or Municipal Council through which the funds to implement the subproject are passed to the association. The association is responsible for all procurement² and record keeping during the implementation of the subproject. Beneficiary associations contribute to subproject costs, either in cash, kind or labour, and are responsible for the operation and maintenance of the investments.

A.3 The identification, preparation and implementation of all subprojects financed through the matching grant window would be the responsibility of the beneficiary rural communities. Three different delivery mechanisms could be considered with regard to approval and financing of subprojects, with determination between and among them at a later stage of program design (Figure A.1):

¹ Eligible productive subprojects would be those that provide services that benefit a large number of community members and for which a fee is charged for operation and maintenance. Productive subprojects, as with infrastructure and social subprojects, must be property of the association as a whole and not of select members. For each type of productive subproject, a set of operational guidelines, developed by the PCU, would be provided to the association and must be adopted. In addition, each subproject proposal must identify the source of technical assistance for subproject implementation and subsequent operation.

² Beneficiary associations may request assistance from the PCU for procurement under subprojects.

Figure A1: Alternative Assignments of Responsibilities for Implementation of the Matching Grant Program

More Centralized
More Decentralized


	Provincial Community Scheme	Municipal Community Scheme	Pilot Municipal Community Fund
Province	<ul style="list-style-type: none"> • Screens proposal for technical feasibility • Approves projects • Manages funds - releasing funds for projects upon approval 	<ul style="list-style-type: none"> • Manages funds - releasing funds for subprojects upon approval 	
District		<ul style="list-style-type: none"> • Screens proposal for technical feasibility 	
Municipality	<ul style="list-style-type: none"> • Project priority ranking 	<ul style="list-style-type: none"> • Project priority ranking • Approves projects 	<ul style="list-style-type: none"> • Project priority ranking • Screens proposal for technical feasibility (with technical assistance if necessary) • Approve projects • Manages funds - releasing funds for projects upon approval

A.4 Provincial Community Schemes (PCS). Under PCS, rural communities would submit their subproject investment proposals to the municipal subcommittee for priority ranking, after which the subcommittee would forward them to the Provincial Project Coordinating Unit (PCU) or its local office at the district level. The PCU screens, approves and releases funds for subprojects, interacting directly with the beneficiary communities. Under this arrangement, the role of the municipal authorities is limited to the priority ranking undertaken by the subcommittee. The province retains a substantial role in screening, approval, and management of funds. In most cases, the provincial authority will have its staff assigned at the district level fulfill the provincial obligations.

A.5 Municipal Community Schemes (MCS). In MCS, decision-making on subproject approval is delegated by the Province to Municipal Councils, who would act on the recommendations of their project evaluation subcommittee. The Municipal Councils would have an indicative annual budget for the matching grant window, and the approval of proposals would take place at the municipal level. Municipalities could still call on additional technical resources from the district or provincial level to screen proposals for technical feasibility, but approval would take place at the municipal level. Execution in all cases would be by the community groups. Under this approval arrangement, municipalities would choose projects (rather than simply ranking them, as under the approach described above), but would not manage the funds. Provincial staff would release funds directly to the accounts of the beneficiary associations, and unallocated monies would remain at the provincial level.

A.6 Pilot Municipal Community Funds (MCF). Under this arrangement, Municipal Councils would rely on their subcommittees to prioritise and rank subprojects, and the Councils would both approve the projects and handle the funds. Municipalities operating under these arrangements would already have demonstrated considerable capacity in accounting and management, but their jurisdictions would still be poor enough to qualify for the matching grant window. The Municipal Council would transfer funds to beneficiary associations to finance approved community subprojects.

A.7 Each three options for management of the program outlined above correspond to increasing degrees of decentralization of decision-making and resource management. Moving between and among them, municipalities take increasing control over project investment planning, prioritisation, approval, and management of funds. Correspondingly, the municipal councils become increasingly experienced in interacting with their constituents, and increasingly accountable to them as they take on more functions. The three options might be seen therefore not as alternatives, but as sequencing of increased responsibility for the municipal governments. This institutionalisation of the participatory process would protect it from political fluctuation, and would eventually lead to stronger partnerships between communities and their respective municipal governments in determining the use of public resources.

A.8 Most of the municipalities eligible to participate in such a program would most appropriate start with the provincial community schemes. Upon meeting established benchmarks demonstrating capacity, first to approve projects, and next to manage funds, municipalities could successively graduate to increasingly decentralized versions of the program. The most decentralized version, the municipal community funds variant, could be introduced initially on a very limited pilot basis in the stronger eligible municipalities. Most municipalities could be expected to move eventually to the full management of their investment budgets under the municipal community funds model described above, prior to graduating from the program entirely. If monitoring and evaluation indicated problems with one type of project administration, the municipality could shift back to greater reliance on district and provincial authorities until the problem is addressed.

A.9 In compliance with good governance principals, beneficiaries must form legally constituted civil associations in order to be eligible to receive financing under the matching grant window. Disbursements to the beneficiary associations would be made through agreements with the implementing agency at the provincial or municipal level. Understandings should be reached on draft model agreements for implementation of subprojects between the PCU, Municipal Councils and community associations. Model agreements would form part of the Program Operational Manual. Beneficiary associations would contribute to subproject costs, either in cash, kind or labour, and would be responsible for the operation and maintenance (O&M) of the investments. The minimum level of contributions expected from the beneficiaries, municipalities and the higher levels of Government would be specified in a cost-sharing matrix in the Program Operational Manual.