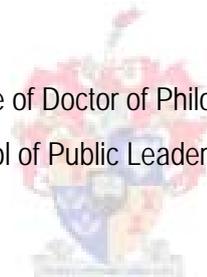


**ESTABLISHING VIABLE AND SUSTAINABLE RURAL ECONOMIC  
DEVELOPMENT PROGRAMMES IN A COMPETITIVE GLOBAL ECONOMY:  
ANALYSIS OF MARULA COMMERCIALISATION IN SOUTH AFRICA**

by

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Dissertation presented for the degree of Doctor of Philosophy in the Faculty of Economic and  
Management Sciences (School of Public Leadership) at Stellenbosch University



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**December 2011**

**DECLARATION**

By submitting this dissertation electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the sole author thereof (save to the extent explicitly otherwise stated), that reproduction and publication thereof by Stellenbosch University will not infringe any third party rights and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

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## ABSTRACT

The historical significance of the socio-political changes in South Africa since 1994 cannot be disputed. The challenge is to place the redress agenda within a macro-framework geared to promote competitiveness that positions South Africa as a credible and valued player within the continent and globally. Of concern here is the plight of the rural poor and the neglect of rural space, viewed as central in redressing imbalances and competitiveness. This study posits that the marginalisation of the rural poor results from the deliberate, structural and systemic exclusion evident in previous regimes and perpetuated by the reigning neoliberal policies and the rural development paradigm. It provides an in-depth analysis of the rural poor's spiral of deprivation. The spiral is viewed to perpetuate "dependent survivalism" with reliance on unsustainable hand-outs and oppressive paternalistic relationships between those with, and those without resources. The argument is that the emergence of the poverty eradication agenda has not focused attention and effort on the treatment of the causes of poverty.

The study objective is to offer alternative approaches for addressing these structural constraints, enabling rural household participation in viable and sustainable rural economic development programmes. To this end transdisciplinary methods premised on the view of the household as the nucleus of sustainable development are used. The study challenges the general economic theory that limits a household to only a source of labour and capital, with emphasis on household consumption. It shifts focus from the consumptive "dependent survivalism" mode to households as owners of productive assets, producers and suppliers, termed the "productive perspective". To achieve this, an inclusive and sustainable development conceptual framework is proposed with an alternative rural development policy perspective. The framework emphasises the deployment of capital assets and rural economic development strategies based on the theory of value chains.

The comparative analysis of marula commercialisation case studies is used to conceptualise the framework and formulate alternative approaches. Primary research focused on the Distell/Mirma Amarula Cream processing plant in Phalaborwa and the Marula Natural Products initiative at Thulamahashe, Bushbuckridge, South Africa. The findings demonstrated that marula supplying households are value chain actors with an objective function to maximise benefits and participate in the mainstream economy, but are structurally constrained. The profiles of the marula suppliers indicate that the majority are women who as heads of households bear the brunt of unpaid labour and the burden of care. The case study exposed the failure of the local and global economic systems to afford them their deserved opportunities and benefits as value chain actors. The study thus proposes a sustainable benefit-maximising system that is rooted in the value chain-based re-organisation of production, emphasising mainstreaming through institutional and systems change. The role of the state is

emphasised as central in creating an enabling environment with regulatory frameworks that ensure sustainable resource use and sharing in value created. The study calls for the courage to turn the 2008/9 global financial crisis into an inclusive and sustainable development agenda.

## OPSOMMING

Die historiese betekenis van die sosiopolitieke veranderinge in Suid-Afrika sedert 1994 is onbetwisbaar. Vandag se uitdaging is om die regstellingsagenda in 'n makroraamwerk te plaas wat daarop gerig is om mededingendheid te bevorder en Suid-Afrika sodoende op die kontinent en wêreldwyd te vestig as geloofwaardige en waardevolle speler. Die lot van plattelandse armes en die verwaarlosing van die landelike ruimte is sentrale kwessies in die herstel van wanbalanse en mededingendheid. Hierdie studie voer aan dat die marginalisering van plattelandse armes spruit uit die doelbewuste, strukturele en sistemiese uitsluiting wat in vorige regimes voorgekom het en voortgesit word deur neoliberale beleid en die paradigma van landelike ontwikkeling. Dit bied 'n indringende ontleding van die plattelandse armes se benadeling, wat beskou word as die voortsetting van "afhanklike oorlewing", met afhanklikheid van onvolhoubare aalmoese en verdrukkende paternalistiese verhoudinge tussen diegene met hulpbronne en diegene daarsonder. Daar word betoog dat die agenda vir die uitroeïing van armoede op die tafel geplaas is sonder dat dit die aandag en energie op die behandeling van die oorsake van armoede toegespits het.

Die doelwit van die studie is om alternatiewe benaderings te bied om strukturele beperkings die hoof te bied en plattelandse huishoudings in staat te stel om aan lewensvatbare en volhoubare ontwikkelingsprogramme vir die landbou-ekonomie deel te neem. Hiervoor word transdissiplinêre metodes aangewend wat voortbou op die siening van die huishouding as die kern van volhoubare ontwikkeling. Die studie betwis die algemene ekonomiese teorie wat 'n huishouding tot 'n blote arbeidsbron reduceer en kapitaal aan verbruik vasknoop. Die fokus word dus verskuif van "afhanklike oorlewing" na die huishouding as eienaar van produktiewe bates, en as produsent en verskaffer, te wete die "produktiewe perspektief".

Die primêre navorsing is toegespits op Distell/Mirra Amarula Cream se verwerkingsaanleg in Phalaborwa en die Marula Natural Products-projek in Thulamahashe, Bosbokrand, Suid-Afrika. Die maroela-gevalstudie het die nood van huishoudelike produsente en verskaffers blootgelê tesame met die onvermoë van plaaslike en wêreld-ekonomiese stelsels om hulle die geleentheid en voordele as waardekettingspelers te bied wat hulle toekom. Die profiele van die maroelaverskaffers toon dat die meerderheid vroue is wat as huishoofde die las van kwesbaarheid, onbetaalde arbeid en versorging moet dra. Die navorsing se ontleding het ook die sleutelemente uitgewys vir die verbetering van prestasie en voordele aan die arm verskaffers sonder dat die lewensvatbaarheid en volhoubaarheid van ondernemings ingeboet word.

Die gevolgtrekking van die studie is dat behoorlik uitgewerkte en ondersteunde programme vir plattelandse ekonomiese ontwikkeling die handelsgeleenthede van natuurlike hulpbronne kan maksimaliseer vir bedryfsgroei en voordele vir plattelandse gemeenskappe. 'n Alternatiewe, volhoubare stelsel vir die uitbou van voordele word dus voorgelê wat gesetel is in die reorganisasie van produksie volgens waardekettings, met die klem op hoofstroming deur institusionele en stelselverandering. Die rol van die staat is sentraal in die skepping van 'n bemagtigende omgewing, met reguleringsraamwerke wat volhoubare hulpbrongebruik en waardedeling verseker. Die studie bepleit moedige optrede om die wêreldwye finansiële krisis van 2008/9 om te skeep in 'n inklusiewe en volhoubare ontwikkelingsagenda.

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I whole-heartedly dedicate this PhD to my late father who died on 8 February 2010. My mother and mother-in-law are thanked for their continued support and understanding. I also wish to express my sincere gratitude to my business partners and support staff. A special mention and expression of appreciation goes to two people who challenged and inspired me to make this humble contribution to knowledge. They are Mama Zanele Mbeki (for deepening inquiry) and Nancy Gordon (for teaching me the “art of intergenerational trespassing”). To Gil (my husband), Liliitha (daughter) and Siseko (son): you have been my pillars of strength.

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#### LIST OF ACRONYMS

ANC	African National Congress
AU	African Union
AMPS	All Media and Products Survey
BBSDP	Black Business Supplier Development Programme
BBBEE	Broad Based Black Economic Empowerment
CBO	Community-Based Organisation
CBNRM	Community Based Natural Resource Programme
CBPWP	Community-Based Public Works Programme
CIDA	Canadian International Development Agency
Cosatu	Congress of South African Trade Unions
CPPP	Community Public Private Sector Partnership
CRDP	Comprehensive Rural Development Programme
CSIR	Council for Scientific and Industrial Research
DBSA	Development Bank of Southern Africa
DEAT	Department of Environmental Affairs and Tourism
DFI	Development Finance Institutions
DFID	Department for International Development, United Kingdom
DLA	Department of Land Affairs
DPLG	Department of Provincial and Local Government
DPW	Department of Public Works
EAP	Economically Active Population
EE	Employment Equity
EU	European Union
ECLA	Economic Commission for Latin America
EMIA	Export Marketing and Investment Assistance
ESOP	Employee Share Ownership Programme

EPWP	Extended Public Works Programme
FIG	Foreign Investment Grant
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GNP	Gross National Product
GPI	Genuine Progress Indicator
HDI	Human Development Index
HDI	Historically Disadvantaged Individuals
HDR	Human Development Report
HIV/AIDS	Human Immune deficiency Virus/Acquired Immune deficiency Syndrome
HRD	Human Resources Development
HSRC	Human Science Research Council
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IDT	Independent Development Trust
IDZ	Industrial Development Zone
IES	Income and Expenditure Survey
IIED	International Institute for Environment and Development
ILO	International Labour Organization
IMS	Integrated Manufacturing Strategy
ISEW	Index of Sustainable Economic Welfare
ISRDS	Integrated Sustainable Rural Development Strategy
JSE	Johannesburg Stock Exchange
LDC	Least Developed Countries
LED	Local Economic Development
MDG	Millennium Development Goals
MTEF	Medium-Term Expenditure Framework
NDA	National Department of Agriculture
NEPAD	New Partnership for Africa's Development
NIE	New Institution Economics
NFSD	National Framework on Sustainable Development
NGM	National Gender Machinery
NGOs	Non-governmental organizations
NIPF	National Industrial Policy Framework
ODA	Official Development Assistance
OPEC	Organization of the Petroleum Exporting Countries
PCAS	Policy Coordination and Advisory Services

PRA	Participatory Rural Appraisal
PPPFA	Preferential Procurement Policy Framework Act
PPP	Public Private Partnerships
PRP	Poverty Relief Programme
RDP	Reconstruction and Development Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARB	South African Reserve Bank
SARPN	South African Regional Poverty Network
SAWID	South African Women in Dialogue
SDC	Swiss Agency for Development Cooperation
SMME	Small, Micro and Medium Enterprise
SOE	State-Owned Enterprise
StatsSA	Statistics South Africa
DTI	Department of Trade and Industry
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNIFEM	United Nations Development Fund for Women
USAID	United States Agency for International Development
WDR	World Development Report
WEF	World Economic Forum
WSSD	World Summit on Sustainable Development

## CHAPTER 1

### INTRODUCTION

#### 1.1 BACKGROUND

Like most countries worldwide, South Africa is battling to survive the global economic recession that has resulted into the world economy declining with massive job losses and contraction of world trade (Spence & Leipziger 2010, UN 2009). Of interest here is the impact of the global economic system on the rural economies in developing countries, and prospects for rural household economic participation. The 2009 UN *World Economic Situation and Prospects* report indicates that

Developing countries will be hurt by the crisis through international trade and finance channels. The drop in commodity prices will hurt primary exporters in particular, but lower demand in the developed countries will affect export growth throughout the developing world (2009:21).

The devastating impact of the 2008 global crisis was sparked by the credit crunch in Western countries leading to the collapse of major banking institutions, with an economic downturn that commenced in the developed nations. This affected developing economies, with serious implications for the rural poor (UN 2009; Bond 2008; Mahlali 2009). Delivering his 2010 Budget Speech, the South African Minister of Finance referred to the crisis as the deepest recession in over 70 years. He pointed out that

...after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1,8 per cent last year. Mining output fell by about 7 per cent, manufacturing by over 12 per cent. Consumption and private investment contracted. About 900 000 people lost their jobs (Gordhan 2010:5).

The Statistics South Africa (StatsSA) Quarterly Labour Force Survey for 1<sup>st</sup> quarter in 2010 indicates that employment decreased by 171 000 with the numbers of persons in the labour force decreasing slightly by 25 000 between the last quarter of 2009 and the first quarter of 2010. Of further importance is that the number of unemployed persons increased by 145 000 of which 113 000 were women and 33 000 were men (StatsSA 2010).

The country has, however, benefitted from years of fiscal discipline and financial sector regulation post-apartheid. It has shown immense resilience in the face of the brutal global financial crisis (Gordhan

2010, PCAS 2008a<sup>1</sup>). Notwithstanding these efforts, poverty and unemployment persist. Of concern to this study is the goal and direction of the rural development agenda, and the national and global macroeconomic frameworks that are viewed to impact negatively on the rural poor population and space. The latter includes natural resource depletion, inequitable distribution of resources, and the undervalued rural people and space. This is evident in the continuing underdevelopment of rural locations with insufficient capital flows, especially to rural areas where poor rural households reside. Reports by Allan and Heese (2008) highlight the inequalities between rural and urban municipalities and their impact on productivity.

The Presidency report on *Development Indicators* (PCAS 2008a) acknowledges the problem of poverty and inequality. It points to the widening gap between the rich and the poor with the income of the richest 10% of the population increasing at a faster rate. It also shows the deep structural nature of poverty with a racial underpinning when the percentage income of the richest and the poorest quintiles are compared. The study commences by explaining the logic and arguments behind the research topic and problem to direct the expansion of relevant scientific knowledge in the research process. Literature review was used to determine the theories relevant for exploring the driving questions and assumptions. As this is a qualitative study the use of theory has been varied with the beginning chapters assisting to provide a lens that shapes the research strategy. Theory further provides a broad explanation for variables, constructs and themes throughout the thesis (Creswell 2009). The researcher also used the State's policy documents and reports as a basis of inquiry and proposed change. This primarily focused on the development trajectory relevant to rural economic development, as well as transformation of the historically disadvantaged people and institutions. These include the Department of Trade and Industry's (DTI 2006) transformation agenda encapsulated in *South Africa's Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment*, stating that

Our country requires an economy that can meet the needs of all our economic citizens – our people and their enterprises – in a sustainable manner. This will only be possible if our economy builds on the full potential of all persons and communities across the length and breadth of this country. Government's objective is to achieve this vision of an adaptive economy characterised by growth, employment and equity by 2014 (DTI 2006:4).

The focus of analysis is on whether the developmental trajectory, societal institutions, and socio-economic and ecological systems are adequately configured and aligned to ensure the achievement of

---

<sup>1</sup> According to the 2008 Presidency Report, the 2007/2008 budget surplus was 0,8% of GDP from 0,3% surplus in 2006/2007. At the same time, expenditure by government in economic, social and other areas increased in real terms.

transformation goals. The study uses a transdisciplinarity<sup>2</sup> approach to tackle these complex issues. This recognises the complexity and cross-cutting nature of the study problem and the recognition that it cannot be adequately tackled from the sphere of specific individual disciplines (Max-Neef 2005). Qualitative case study methods focusing on the analysis of marula commercialisation in South Africa are used to achieve this. According to Soy (1997) case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. The use of the method in this thesis draws strongly from Yin (1984, 2003 and 2009) who views a case study as a story about something unique, special, or interesting. This chapter sets the scene for an academic inquiry, by highlighting the study objective, the significance of the study, defining key terms and providing the thesis outline.

## 1.2 STUDY OBJECTIVE

The **main problem** addressed here relates to the current macro-environment with its socio-economic institutions and systems that do not enable the rural poor to effectively participate in, and benefit from, economic development programmes. The focus is on the prevailing conceptions of rural development, in particular the underlying assumptions about the nature of rural households, household production and the wider connections into the macroeconomic framework.

The **objective** is to make an original contribution to knowledge through evidence-based research by offering an inclusive and sustainable development framework with alternative rural economic development strategies, based on the theory of value chains, for mainstreaming rural household producers into a competitive global economy. This is done through:

- understanding, describing, analysing and challenging current theories, policies and practices so as to introduce a new way of thinking that centralises poor rural households within an *inclusive and sustainable conceptual development framework*;
- transcending disciplines, academic territories and fields (as well as "turfs") in order to develop a *rural development policy perspective* that goes beyond the current limitations in the literature;
- providing *alternative rural economic strategies* using the marula case study to:

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<sup>2</sup> Transdisciplinarity is discussed in more detail in chapter 2. Nicolescu (2002), a strong proponent, views it as a vision with life-long learning and the study of the universal. He believes that it is nourished by disciplinary research; and in turn, disciplinary research is clarified by transdisciplinary knowledge in a new, fertile way.

- analyse the relevance of *value chain approaches* in mainstreaming rural household producers as value chain actors, building on their social networks, traditional knowledge and existing industry structures;
- examine marula commercialisation strategies to unpack the complex *human-environment systems critical for sustainable resource use and benefit maximisation*.

### 1.3 SIGNIFICANCE OF THE STUDY

The discussion on the study significance covers the rationale and relevance, highlighting the strategic approaches used to validate the problem and provide alternative perspectives for the rural people and space.

#### 1.3.1 Relevance and Intended Contribution

This study focuses on the structural and institutional factors constraining rural South Africa and highlights the impact of the national and global macro-frameworks on the underdevelopment of the rural poor. However, it goes beyond “problematizing” frameworks, and offers solutions for establishing inclusive, value chain-based rural economic development programmes. The focus is on unpacking the structural constraints contributing to the marginalisation of the rural poor in general. The case study methodology is used to specifically demonstrate the exclusive and exploitative nature of the rural economic strategies. The contention is that the post-apartheid redress agenda has not addressed the fundamental issues relevant for structural and systemic integration. New industries with potential to benefit rural households blindly follow the dualistic and inequality-perpetuating rural economic strategies with exploitative institutional arrangements. The broader concern is the rural economy still characterised by unsustainable exclusive dependence on the export of primary products, absence of an industrial base, weak savings and investments, and limited profit-earning capacity of capital, as well as under-serviced basic and social needs (health, education, and social welfare) (Hugon 2004). Central are the spatial dimensions of economic development (urban-biased) and the link between micro and macropolicies.

Worth noting is that the study topic’s reference to rural economic development is not narrowly confined to the agricultural economy. The study recognises that rural economics and the design of rural policies to achieve rural development constitute a broader subject than agricultural economics, with a spatial as opposed to just a sectoral perspective. Critical also is that the elementary unit of analysis is the household, with the farm treated as a typical subset of economic activity (de Janvry *et al.* 2002). Of significance as well is the use of the marula case study to unpack the complex structural and systemic constraints responsible for the exclusion of the rural households with valuable production potential. The

study focuses on how poor rural households (owning potentially valuable natural resources, indigenous knowledge and labour), can strategically use commercialisation to secure sustainable livelihoods and prosper as industry players in the mainstream market economy. To this end, the marula primary research (methodology in Chapter 2, findings in Chapters 5-7) analyses the commercialisation approaches and strategies of three marula enterprises. These are the private sector-funded and driven Distell Amarula Cream (Phalaborwa-based processing plant in Limpopo Province), donor-funded and non-governmental organisation-driven Marula Natural Products (Bushbuckridge, Mpumalanga Province), and the state-initiated Swazi Secrets (Mpaka, Swaziland, with state funding and donor support).

### 1.3.2 Background and Significance of the Marula Case study

The selection of the marula commodity considered its commercial value, rural household participation, contribution to the rural economy and the complex human-environment systems for sustainability. Of further interest were the pre-industrial traditional production systems that are still prevalent in rural South Africa typical of traditional peasant economies. Marula also highlights the important socioecological and gender aspects of rural economic development. As a research case study it provides space for the use of scientific methods for the analysis of the economic activity, human action, territory and structuration deemed relevant for economic participation and development. It also builds on the emerging trend of applying transdisciplinary case studies as a means of sustainability learning towards sustainable development ((Scholz, Lang, Wiek, Walter and Stauffacher 2006. Kates & Dasgupta 2007; Burns & Weaver 2008).

Marula, or *Sclerocarya birrea* subsp. *caffra*, grows prolifically in a belt that stretches across the lowveld from Northern KwaZulu-Natal, across Mpumalanga, Limpopo, and North-West, as well as most parts of the Southern African region (Botswana, Mozambique, Namibia, Swaziland, and Zimbabwe). This valuable natural resource escaped colonial agricultural production systems as it was never industrialised into orderly and machined plantations and processing plants. It continues to grow wild and is found across many of the poorest areas in Southern Africa. The marula tree (referred to as morula in Botswana) has been called the king of African trees, with its fruit, nuts and bark prized by Africans for centuries. The tree has cultural and ritual importance, inducing fecundity and contact with ancestral spirits. The marula socioecology (complex human-environment co-existence) depicts its uniqueness, as articulated by Shackleton and Shackleton (2002)

Indeed, there are few wild species that demonstrate such a wide range of uses nor such a significant position in local culture. Marula provides fruits that can be eaten whole, made into juice or jam or brewed into beer; the kernels form an important food supplement and the oil

extracted from them has many uses; the bark and leaves have medicinal properties; and the wood is used for a variety of purposes including carving and fuel wood. The tree is also host to a range of edible caterpillars and larvae as well as parasitic mistletoes which produce outgrowths known as wood roses which are sold in the curio market (2002:1).

For thousands of years, celebrations in Southern Africa would not have been complete without marula beer. In Swaziland, the marula (maganu) harvest is still a huge annual national event with women brewing beer for Her Majesty the Queen Mother with celebrations at Ebuhleni Great Place. However, the marula commodity has progressed in recent years from just subsistence and cultural use to commercial value. These developments include the emergence of Amarula Cream produced by Distell in South Africa, which is the most successful example of marula commercialisation thus far. The product was judged the best cream liqueur in the world in the 2007 and 2008 International Wine & Spirit Competition in London. According to the Media Club South Africa website (2009) the judges stated that “[t]he exotic marula aroma is abundantly clear on the nose with delicate spice in the back ground and hints of chocolate and coffee”. The marula ingredient for the Cream comes from the flesh of the marula fruit. Commercialisation has now been extended to other parts of South Africa, Namibia, Botswana, Zimbabwe and Swaziland. The 1990s/2000s innovations include other marula flesh by-products (juice, jam, food seasoning, etc.). These have attracted mainly small/micro operators with household and community-based production, some of whom are NGO-driven with donor support.

Among the recent marula commercial innovations are the kernel-extracted products with primary production (nut-cracking) that is predominantly household-based. The IUCN-NATPRO report (2004:33) indicates that approximately 2000 households in South Africa were engaged in commercial trade in marula products, earning approximately ZAR1,1 million (US\$170 000) as a result. This is said to have provided about 10% of the households’ annual income. The report highlights that in 2002, around 3000 rural members of the Eudafano Women’s Cooperative of Namibia earned about US\$100 000 from the sale of marula kernels. The cost-benefit of this labour-intensive activity is, however, questionable considering the amount of effort involved. Chapters 5 to 7 discuss these issues in more detail.

Significant here is that the primary marula research focuses on rural household production, which is distinct from smallholder farming. The rural household production referred to here recognises diverse farming and non-farming economic activities that utilise household assets (including family labour) for income generation and wealth creation, leveraging communal resources and social networks (Mendola 2007). The smallholder or small-scale farmer is limited to agricultural production - growing crops and/or raising livestock on small plots of land (Machethe, Reardon & Mead 1997; Agra 2008). Worth noting is that the rural household producer/supplier is more often also a smallholder farmer. The study sample targeted marginal, survivalist rural households engaged in traditional economic practices. These

households with low levels of literacy use traditional and indigenous knowledge to survive, seeking to benefit from their poorly-managed ecosystem and imperfect markets.

The study points to marula supplying households that depict the life of peasant households. Hunt (1991) in Mendola (2007) identifies peasant farms as both production and consumption units. A proportion of their produce is sold to meet their cash requirements and financial obligations, and a part is consumed by them. According to Mendola, these units involve a variety of market and nonmarket tasks such as agriculture, pastoralism, fishing, crafts and gathering (fruits, nuts, fuel wood, water, etc.). They have to work with developing markets that function sporadically and somewhat disconnectedly across locations and time (Mendola 2007:50).

## 1.4 LOGIC AND SUMMARY OF ARGUMENTS

This section highlights the central argument focusing on the delimiting factors underpinning the marginalisation of the rural poor and the argued failure of the rural project. It also spells out the logic and assumptions that drive the research strategy.

### 1.4.1 Background to the Logic

The central argument of this thesis, also highlighted by the *World Economic and Social Survey* (UN 2005b), is that developing countries will not provide a better quality of life for their entire people unless the spiral of deprivation among the rural poor is broken. This argument is premised on the logic that the spiral of deprivation is an outcome and measure of the functionality (or dysfunctionality) of the macro- and micro-frameworks influenced by the reigning regimes. These frameworks in turn influence the structure and governance of socio-economic and ecological systems, institutions, the delivery machinery, as well as the performance of targeted initiatives and programmes. The relevance of this argument for South Africa is demonstrated by the findings of the UNDP *Human Development Report 2010* (UNDP 2010). The Report points to life expectancy that fell below 1970 levels with South Africa ranking 110<sup>th</sup> in terms of economic and physical well being. This is despite growth and material prosperity in recent years.

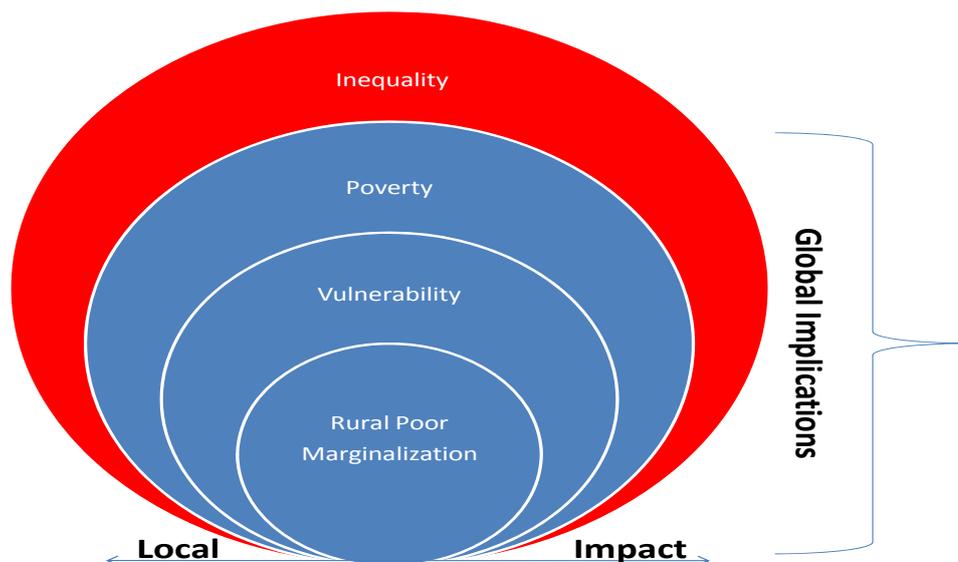
The concept of the “spiral of deprivation” primarily draws on Chambers’ variety of interlocking disadvantages which trap the rural poor in states of deprivation (Chambers 1983, 1989; Warren 1985). Chambers has used terms such as “The Deprivation Trap”, “The Poverty Trap” “The Vicious Circle of Poverty”, etc. In his book *Rural Development: Putting the Last First* (1983) he refers to the five clusters of disadvantage that interact with each other to trap people in a situation of disadvantage. They are powerlessness, physical weakness, isolation, vulnerability and poverty. Significant here is Chambers’

call for academic pluralism and the synthesis of social and physical explanations of rural poverty. Discussing "The Paradox of Poverty", Chambers, Saxena and Shah (1990) identify the priorities of the poor as survival, security and self-respect. This study commends Chambers' efforts for deepening understanding on the plight of the rural poor. However, the limited focus on survival and what Maslow (1943) terms as "deficiency needs" has not assisted in addressing the structural impediments to economic participation and the causal factors responsible for institutionalised inequality. The deficiency needs according to Maslow's "hierarchy of needs" encompass basic life needs (food, shelter), safety, belonging and esteem needs, excluding self-actualisation which is about growth and fulfilment. While these needs are essential for all, particularly in addressing absolute poverty, the exclusion of wealth creation and other productive assets critical for improved quality of life creates a residual problem of relative poverty (defined later). This gap is visible in the narrowly focused state intervention for the indigent using social transfers based on neoliberal trickle-down policies, ignoring the structural aspects of marginalisation, poverty and inequality. This also extends to responses by donors and NGOs who tend to focus on minimum resources for subsistence resulting in unsustainable micro-projects (Ashley & Maxwell 2001).

The researcher's preferred characterisation of the "spiral of deprivation" draws from what Martin and Osberg<sup>3</sup> (2007:35) refer to as the "unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks financial means or political clout to achieve any transformative benefit on its own". The preference, however, is to broaden the "lack of financial means" to "capability inadequacy", that is, beyond income poverty (Sen 1999). The lack of "political clout" should also include "social clout" as the study notes that patriarchy is at the core of rural marginalisation, which discriminates against women, who bear the brunt of vulnerability, unpaid labour and the burden of care. Important as well is the reference to "unjust equilibrium" resonating with the researcher's argument of a disadvantaging or disempowering macro-environment (or oppressive regimes) with a deliberate intent to exclude and marginalise (as indicated by the problem statement). Figure 1 illustrates the spiral and draws attention to global implications and local impact. The global implications stem from placing rural economic activity within a global context. Stiglitz (2002) asserts: "The West has driven the globalization agenda, ensuring that it garners a disproportionate share of the benefits, at the expense of the developing world" (2002:7). However, it is important to emphasise that the roots and impact of deprivation are localised. Therefore, breaking the spiral requires action at both local (including national and regional) and global levels.

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<sup>3</sup> The latter forms part of the authors' definition of social entrepreneurship which is about identifying and addressing such a situation, discussed later in the thesis.



**Figure 1: The Spiral of Deprivation**  
 Source: Derived from Chambers (1983, 1989)

#### 1.4.2 Key Assumptions and Related Arguments

Following on the above logic, this section unpacks the key assumptions and related arguments. At the core is the attribution of structural marginalisation and exclusion of the rural poor to disempowering macro-frameworks. The discussion on disempowering frameworks focuses on the problematic macroeconomic framework argued to have been influenced by the brutal and oppressive political economies of colonialism and apartheid (Chapter 4). The argument extends to what is viewed as the myopic continuation with neoliberal policies post-apartheid, characterised by an economy that is severed from social realities. The macroeconomic framework is blamed for propagating an unequal and welfarist development agenda with the majority of the rural poor depending on social grants<sup>4</sup> perpetuating what this thesis terms “dependent survivalism”. The critique focuses on the insufficiency of the macroeconomic framework and its strategies in addressing poverty, inequality and underdevelopment in rural areas. This touches on the overarching goal of development and the critical link between economic systems and inclusive, sustainable wellbeing.

<sup>4</sup> According to the Presidency 2009 Development Indicators Report of March 2009, just over 13 million people received social grants, and 5,5% of GDP is spent on social grant assistance (Presidency, 2009). This number was reported to have increased to approximately 15 million people in 2011 (Gordhan 2011).

This thesis views macroeconomics beyond price stability, as the study of whole economic systems aggregating over the functioning of the individual economic units (with focus on rural economic units). According to Black, Hashimzade and Myles (2009) macroeconomics is concerned with the

macro aspects of economics, concerning the determination of aggregate quantities in the economy. Macroeconomics considers what determines total employment and production, consumption, investment in raising productive capacity, and how much a country imports and exports... It is contrasted with microeconomics, which is concerned with disaggregated quantities, such as the incentives operating on individuals and firms in the economy, the organization of production and the distribution of incomes (p275).

The argument here is that the macroeconomic models are not built on the basis of reality-based microeconomic foundations. The study proposes the restructuring of the macroeconomic framework to be driven by reality-based and inclusive macro and microeconomic policies with emphasis on effective mainstreaming of the rural households. Black *et al.* (2009) define macroeconomic policy as a “normative counterpart of macroeconomic theory aimed at assessment of the state of the economy and prescription of practical ways of improving its performance” (p274). According to them macroeconomic policy tools used by government include monetary policy, fiscal policy, debt management policies, sometimes prices and incomes policies (e.g. regulated prices and minimum wage). Chapters 3, 4 and 6 provide a more detailed theoretical background to this argument.

Of great concern to this study is the dependent survivalism of the rural households surrounded by potentially valuable natural resources. Dependent survivalism in this context refers to the status of perpetual dependence of the rural poor, barely surviving as beneficiaries of the insufficient and unsustainable aid from the state and donors, forced to operate at the margins of the market economy. The argument is that their reality is excluded and constrained by the neoliberal market economic system. The system reduces them to servicing privileged private sector interests in an unfair business environment that favours the privileged (Harvey 2005). The argument here is that the rural poor can participate and benefit as value chain actors in the production and supply of value-added natural resources if an alternative inclusive, sustainable benefit-maximising economic system is introduced. This recognises that while having productive potential the rural poor are entrapped in an unjust equilibrium with institutionalised inequality, environmental degradation and unsustainable development (Cousins 1999; Laker 2005).

This study deals with dependent survivalism as a symptom of the spiral of deprivation. Therefore approaches for breaking the spiral commence with the problematisation of the neoliberal paradigm, its macroeconomic framework, and the current rural development paradigm. Rural development is

discussed in more detail in Chapters 3-6. According to Turner (2008), neoliberalism is an ideology that favours economic policies based on neoclassical theories of economics. According to him, these policies minimise the role of the state and maximise private business sector, emphasising fiscal discipline and business-friendly exchange rates. Harver (2005) argues that neoliberalism is a means to restore power to the rich and make the poor poorer. Neoliberalism policies, blamed for the failed Washington Consensus (Williamson 1990), continue to drive the global economic systems and economic policies of both developed and developing countries.

The neoliberal policies and strategies include trade liberalisation, privatisation, commoditisation, financialisation, the management of crises and state redistributions (Harver 2005). Their negative impact on the poor (real or perceived) has become the agenda of social justice movements and trade unions globally. They are the reason behind anti-poverty protests in world trade, G8 and G20 gatherings annually (Bhagwati 2007; Stiglitz & Charlton, 2005). The critique includes the management or "manipulation" of crises to impose fiscal discipline that results in joblessness and the reduction of social spending with negative impact on the rural poor (Mahlali 2009). Another contributing factor to the exclusion and disempowerment of the deprived poor that has not been adequately addressed in literature is the financialisation of the global economic system. According to Foster (2007), "financialisation" refers to the shift in the weight of economic activity from production to finance. The financialisation of the economic system in an environment of peasant households with poor access to financial capital and holders of "dead assets" (undervalued or worthless) (de Soto 2000), strengthens the problematisation of the macroeconomic framework. Of further concern are the deteriorating production conditions in communal rural areas with poor productivity (IAASTD 2008).

As the first argument related to problem definition, focus now turns to the study objective of offering alternative strategies for breaking the spiral of deprivation. This emphasises that establishing sustainable rural economic development programmes requires structural reform (policy and institutions) that is based on an agenda-setting and cross-cutting *inclusive and sustainable development framework*. This framework prioritises enabling policies and institutions for enhancing capabilities and leveraging rural-based assets using value chains to improve the performance of, and mainstream rural household production, termed the "productivist or productive perspective" (covered in Chapters 6-8).

The productive perspective views the rural poor beyond just grant beneficiaries, consumers and a source of labour. It takes a broader perspective to the production function as covered in the conventional productivity definition<sup>5</sup> which is confined to income earning with a reductionist focus on

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<sup>5</sup> Productivity SA defines productivity as the "efficiency with which inputs of capital and labour are used" (Productivity SA 2009).

labour productivity. The conventional definition emphasises a narrow focus on competition and corporate or sector performance (Nickell 1996, Söderbom & Teal 2001). The proposed productive perspective draws from the sustainable livelihood approach as it focuses “on people, their assets and activities, rather than sectors and their performance” (Ellis in Carney 1998:63). The inclusion of value chains is designed to connect people/assets/activities to relevant industry sectors with improved performance so that household producers and suppliers are enabled to operate as value chain actors in the mainstream economy. Chapters 5-7 use the marula case study findings to highlight problems with transactional governance and institutional arrangements whilst presenting alternative strategies. The analysis draws strongly from the new institution economics (NIE) literature (Coase 1937; Williamson 1985; North 1986, 1990).

Central to proposed restructuring and the alternative offering is the conception of household production (Chapter 3 and 6). This relates to the consideration of reality-based microeconomic foundations for the macroeconomic framework restructuring highlighted above. Gronau (2008) indicates that home production, even in modern economies, constitutes about one-third of the gross national product even though home output is not traded in the market. The conceptualisation considers Becker’s household production model (Becker 1965, 1991; Pollak 2002), but is not limited to economic theories. It takes a transdisciplinary approach drawing from feminist and other social and development sciences (Elson & Catagay 2000; Braunstein 2007; Collas-Monsod 2007; Carney 1998; Scoones 1998; Moser & McIlwaine 1997; Moser & Felton 2007). This is because household production has strong gender and family dimensions, with household assets being critical for sustaining livelihoods and productivity.

The reference to assets goes beyond “assets as a buffer against vulnerability” (Moser & McIlwaine 1997; Chambers 1983). It focuses on “asset-based empowerment”. This construct is explained in Chapter 6. The approach draws lessons from the marula case study and secondary research. The latter includes assertions that poor asset endowments entails an equity issue, but also may mean that the poor may not be able to use their own assets as efficiently as the rich may (Mendola 2007). Critical here is that the overall thesis thrust (problem and objectives) rests on the view that fundamental flaws and changes in the economic system are endogenous results of social struggles and economic exigencies (Braunstein 2007; Bookchin 1996). This argument forms the basis for challenging the reductionist view of the marginalisation of the poor as just a market failure problem. The latter is linked to the old and ongoing *state versus market* discourse (Meier & Stiglitz 2001). Yunus (2008) also challenges the market failure notion and argues that the problem is not market failure but conceptualisation failures. The latter refers to the failure to capture the essence of a human being in economic theory. Mendola (2007), in his attempt to explain the root causes of inefficient farm household behaviour, links market failure to “a behavioral response to risk, which is exacerbated by inequality and poverty” (2007:54). Braunstein (2007) adds a useful gender perspective highlighting the problem of viewing market imperfections and

institutions as exogenous. This takes into cognisance the organisation of nonmarket institutions with property rights that systematically exclude women or structure male advantage in capital markets, as well as women socialised to take on a greater share of the costs of social reproduction (2007:15). She cites Folbre (1994) who points to the heterodox feminists' argument that power, coercion, conflict and cooperation based on structures of gender, age, race, and class operate at all levels of the economy – the family, the community, the market, the firm and the state. Braunstein (2007:15) argues that

Institutions are not just about coordinating individuals and groups, but they also reflect the exercise of self-interest...So market structures and institutions may be inefficient from the perspective of maximizing total production, but efficient from the perspective of maximizing a certain share of production. Seeing the linkages between the economy and institutions in this way admits the possibility that the evolution and persistence of gender inequality is about the interplay between market incentives and social structures of power and cooperation... Now gender inequity is both cause and result; we are no longer limited to the language of imperfect markets or exogenous institutions.

## 1.5 DEFINITION OF KEY CONCEPTS AND SCOPE

The arguments above point to the centrality of the rural household as a foundation for sustainable development. Chapter 3 provides a definition of sustainable development. As indicated in the preceding discussion, the study proposes an inclusive approach that uses value chain strategies to mainstream the marula household producers and suppliers. Mainstreaming here is defined as an integrative transformational strategy, which concerns itself with addressing the discriminatory consequences of policies and practices that cause and/or perpetuate structural and systemic marginalisation. Central is gender mainstreaming. According to the European Union (EU 2005:12) gender mainstreaming

is a strategy aimed at achieving gender equality. It concerns planning, [re]organisation, improvement and evaluation of policy processes, so that a gender equality perspective is incorporated in all development policies, strategies and interventions, at all levels and all stages by the actors normally involved therein.

Gender equality means that "all human beings are free to develop their personal abilities, and make choices without the limitations set by strict gender roles; that the different behaviour, aspirations and needs of men and women are considered, valued and favoured equally" (EU 2005:10). Of importance is the differentiation between gender equality and gender equity. UNDP (2007:4) defines gender equity as the process of being fair to men and women with equity a means and equality the result. The

mainstreaming agenda here is based on a rights-based approach and draws on Sen's (1999) notion of development as freedom and enhancement of human capability.

As highlighted in sections above, the unit of analysis and targeted impact area is the rural or peasant household primary producer. Steyn *et al.* (2002:49) define a household as

all the people who live together and who make joint decisions or who are subjected to others who make such decisions for them. A household can consist of an individual, a family, any group of people who have a joint income and take decisions together.

The focus on peasant households recognises that they constitute a large percentage of the poorest of the poor and vulnerable even though they possess entrepreneurial capability (Woolard 2002; PCAS 2008b). Mendola (2007) highlights that peasant farm households account for no less than a quarter of the world's population with most in developing countries, where they can represent up to 70 percent of the national population.

The use of the term "peasant" is deliberate to emphasise the inequalities and dualism still pervasive in South Africa's "sophisticated" economy. South Africa, as the rest of the Western countries, has and continues to follow a predominantly capitalist system<sup>6</sup> with the co-existence of differentiated modes of social and economic organisation and activity. The Institute for Futures Research (2007) shows that the South African economy matches the profile of the average upper middle income economy and, in some cases, shares the features of high-income economies. However, the peasant typology as defined by Ellis (1993, 1996) still exists. Ellis (1996:15) defines peasants as "farm households only partially integrated into imperfect or incomplete markets. The dual aspect of this definition is the semi-subsistence basis of peasant survival and imperfect nature of the markets for farm outputs and inputs".

It is, however, important to emphasise that the study focus group is not homogenous, and covers various income and living standard measure (LSM<sup>7</sup>) groups engaged in household production for

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<sup>6</sup> Also known as capitalist market economy, market economy, free enterprise economy prevalent in First and Third World countries excluding centrally planned economies that have since shifted as well. Capitalism is defined as an economic system characterised by private ownership of the factors of production, and decentralised decision-making by the owners of the factors of production. Decisions are coordinated by the market mechanism (Mohr, Fourie & Associates 2002).

<sup>7</sup> LSM is a categorisation ranging from 1 to 10 used to measure household assets and aspects of consumption patterns (SAARF 2009). According to the *2009 Development Indicators* (Presidency 2009), the average income per month in RSA (2007/2008) in LSM 1-3 is R1000 to below R2000, LSM 4-6 above R2000 to R5000, LSM 7-9 above R5000, LSM 10 R20 000 and above.

income generation (subsistence), self-employment, and/or entrepreneurship (Chapter 5). The research approach factors-in both the structural/institutional context and transactional aspects of institutions. Matsuert (2002:2) defines institutions as “organizations or sets of conventions, policies or legislation which regularize social behaviour. Institutions operate at all levels from the household to the international arena and in all spheres from the most private to the most public”. She views institutional context as “transforming structures and processes”. D’Haese, Vink, Van Huylenbrock, & Kirsten (2003:20-25) cite Davis and North (1971) who make a distinction between the institutional environment and institutional arrangements. According to them, the institutional environment refers to the set of fundamental political, social and legal ground rules that establish the basis for production and distribution. The institutional arrangements, conversely, are the arrangements between economic units that govern the way in which these units can cooperate and/or compete; they are the contracts or arrangements setup for particular transactions.

In terms of scope, the research focuses inquiry on the continuous marginalisation of the rural poor households and the persistence of poverty and inequality in an environment of economic growth with budget surplus and political freedom since the dawn of the democratic era in South Africa, 1994 (PCAS 2008a&b). The period<sup>8</sup> of inquiry precedes the 2008/9 global crisis but the analysis and conclusions obviously take this crisis into account. The concepts of marginalisation, vulnerability, poverty and inequality are defined below to put the spiral of deprivation into perspective and assist with reality-based solutions.

According to *Chambers Concise Dictionary* (2004), *marginalisation* or to marginalise means, “to push something or someone to the edges of anything, in order to reduce its or their effect, relevance, significance, etc.” Marginal refers to “small and unimportant”. Chambers (1983, 1989) associates marginalisation with isolation and powerlessness, and a form of deprivation. In *Voices of the Poor*, Narayan, Chambers, Shah and Petesch (2000) provide a better understanding of marginalisation as they describe that which is “Keeping Poor People Powerless”, using “The Many-Stranded Web” (2000:247). This Web includes precarious livelihoods with few assets, seasonal and inadequate;

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<sup>8</sup> A Government statement (Presidency 2007) indicated that South Africa experienced continuous economic growth for eight years – faster than the country’s population, with capital investment that increased from 15% of GDP in 2000 to 19% of GDP in 2007. A survey by the South African Institute of Race Relations (2006-7) released in November 2007 (SAIRR 2007) indicated that inequality among blacks is rising faster than among any other population groups. Among Africans inequality had grown 20% since 1996, 17% in coloureds, 6% in Asians, and decreased by 2% among whites. The survey showed that inequality was highest in provinces with large poor or rural populations, such as Eastern Cape, KwaZulu Natal, Limpopo and Mpumalanga. Eastern Cape and Limpopo had the highest inequalities amongst blacks.

isolated, risky and un-serviced places of the poor; unequal gender relations; weak and disconnected organisations of the poor; abusive behaviour of those more powerful; disempowering and excluding institutions; and poor in capabilities.

*Vulnerability* on the other hand is associated with defencelessness, insecurity and exposure to risk. Vulnerability according to Chambers refers to

exposure to contingences and stress, and difficulty in coping with them. Vulnerability thus has two sides: an external side of risks, shocks, and stress to which an individual is subject: and an internal side which is defenselessness, meaning a lack of means to cope without damaging loss (1989:1).

Devereux (in Ashley & Maxwell 2001:507-519) argues that risk, uncertainty and vulnerability are the key features of livelihood insecurity. According to him, "[l]ivelihood insecurity is implicit – as the antithesis of 'sustainability'" (p. 507). Devereux believes that livelihood insecurity is not just a symptom of poverty, but a contributory cause. "Since vulnerability is correlated with lack of assets, any developmental intervention that increases the poor's control over assets will indirectly enhance livelihood security" (p. 516).

The International Strategy for Disaster Reduction (ISDR) defines vulnerability as the set of conditions and processes resulting from physical, social, economic and environmental factors that increase the susceptibility of a community to the impact of hazards (UN/ISDR 2004:302). This includes the adverse effect of climate change. Vulnerability is thus associated with the predisposition of a system, a process, an institution, a community or country to be affected when a natural event manifests itself.

*Poverty* has been a topical issue and focus of the developmental discourse, with diverse definitions. The main consensus however, is its multidimensional nature and the differentiation between absolute and relative poverty (World Bank 1975, 1997, 2000). Absolute poverty refers to households that are unable to meet basic needs for survival. Relative poverty is generally perceived to be a household income level below a given proportion of average national income (Sachs 2005).

Since 1994, the democratic South African government has invested in fragmented poverty relief initiatives without a clear definition of poverty or a clearly spelt out poverty reduction strategy. Only in September 2008 was a draft Anti-Poverty Strategy launched by the Presidency, following the release of development indicators in July 2007. The draft strategy indicates that poverty is defined as a deficiency in an individual's socio-economic capabilities, with dimensions that include income, access to assets, access to basic services, social capital and networks (PCAS 2008c:4). It emphasises the linkages

between these various dimensions of poverty as critical. The draft strategy emphasises focus on rural development and agricultural support for families.

A useful definition aligning with the views of this thesis is found in Wright, Noble and Magasela (2007), who build on the link between poverty and social exclusion. These authors released a body of work that present a fresh perspective in terms of poverty definition with focus on necessities required for full participation in society. They assert

Over the hundred years the debate about how poverty should be measured has shifted from one that focuses solely on the minimum *resources* required for subsistence, to the minimum required, in terms of *resources and other endowments*, to participate in society with dignity as a full citizen. That is, concepts and definitions of poverty have moved from a narrow focus on absolute resource-base subsistence definitions to the ones that are both relative and multi-dimensional (2007:1).

This thesis associates absolute poverty with minimum resources required for subsistence, and relative poverty with resources and other endowments required for participation in society with dignity as a full citizen. Thus it is only when relative poverty is eradicated (or even reduced) that expansion of freedoms can be meaningful. This assertion is critical for breaking the spiral of deprivation.

General reference and discussion on *inequality* has been limited to income inequality using the Gini coefficient measure<sup>9</sup>. Gelb (2003:18) argues that “[i]nequality in South Africa is rooted in military conquest and political exclusion, which took a colonial and racial form, and was buttressed by continuing repression of political and social organization”. Seekings and Nattrass (2005) point to the fact that after ten years of democracy South Africa had distributional income that was probably the most unequal than it had been under apartheid. Inequality has also been intricately linked to poverty and unemployment with interventions on the latter two expected to positively address inequality. This study, however, views poverty as distinct from but linked to inequality. The focus on inequality stretches beyond race and class to spatial location (urban, peri-urban, rural) and gender imbalances. The World Bank Report (WDR 2008) points to the rising urban-rural income gap in transforming countries, accompanied by unfulfilled expectations which create political tensions. This echoes findings by

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<sup>9</sup> According to Landmark (2003:4), inequality is measured by the Gini coefficient, which can vary between 0 and 1. “The closer to 1, the more unequal a society, and the closer to 0 the more equal a society. The Gini coefficient measures the distribution of the national income. In a perfectly equal society 10% of the population will receive 10% of the income; 20% of the population will receive 20% of income and so on. For such a society the Gini coefficient will be zero.”

Milanovic (2005) who pointed to the increasing divergence between incomes within countries highlighting particularly inequalities in rural-urban incomes of India and China.

The thesis adopts a view of inequality beyond income as an indicator or measure. This notion is highlighted by Sen (1999: 92-94) in his argument that inequality of incomes can differ substantially from inequality in other “spaces” such as wellbeing, freedom and different aspects of the quality of life (including health and longevity). Of importance is Sen’s assertion that inequality can erode social cohesion (Sen 1992 & 1999). This view is also evident in Muller and Seligson (in Seligson & Passe-Smith 1998:77-92) who demonstrate a link between inequality and insurgency. They argue that when income inequality is high, the probability of domestic violence increases substantially. The recent municipal-level service delivery protests countrywide attest to this. The violent protests have attracted public attention with hearings by the South African Parliament (The Star, 2010).

## 1.6 PERSONAL STORY

This chapter is intended to introduce the reader to the thinking that informs the research paradigm. This includes my life experience, which is used as a loom on which the threads are weaved to bring theory to practical reality. The transdisciplinary methods explained in the following chapter form the backbone of the inquiry. Songca (2006) asserts that transdisciplinarity is about “changing people’s perceptions; it is about rebirth and the exploration of the self and the discovery or creation of new knowledge” (p. 225).

The beauty and advantage of a PhD finalised in one’s mid-forties lies in creatively capturing one’s journey with introspection that values every experience, including those previously deemed insignificant. My personal story is the watermark behind the text. It enhances without interfering. It commences with my primary years spent around Alicedale, a small town near Grahamstown, Eastern Cape, where my mother was a farm teacher and school principal. (The apartheid Bantu Education system did not permit married African women to get permanent posts in urban areas. It was only after presenting the Education Department with a divorce decree that my mother could get employment at home in Grahamstown, after 30 years in the profession.) The surrounding farms, now part of the protected areas of the Bushman Sands eco-tourism development, have always been a hive of wild, naturally occurring indigenous plants. I remember the drylands, with indigenous shrubs, prickly pear trees, aloes and thorn bushes. The descendants of the Khoisan living in the area introduced me to the value of natural products and sustainable harvesting. It was the discovery of the value of what I initially viewed as “a dry area offering no hope” that ignited my obsession for seeking viable and sustainable rural economic strategies. The intention was to find solutions for the unemployed and excluded.

I started off as a volunteer (whilst a student), which developed my interest in community development as a social justice activist. This evolved into a career as a development practitioner, exposing me to entrenched inequalities and the root causes of deprivation. I was forced to search for solutions, training and experimenting with the different models, ranging from Paulo Freire (liberation of the mind) to the Indian Self Help Movement, particularly Ela Bhatt's Self Employed Women's Association (SEWA) in Ahmadabad, India. These approaches helped me to develop an appreciation of the deeper problem of regulated and deliberate marginalisation. The experiments extended to the early 1990s, culminating with exposure to Robert Chambers' people-centred participatory methods and the revival of integrated rural development strategies with a sustainable livelihoods focus. I attended a seminar by Chambers in the UK, and met Ela Bhatt in 2005.

My first Bachelor of Science degree with biological and health sciences courses provided a foundation for practical and intellectual inquiry. However, it became clear that people-centred solutions were required for the achievement of the post-apartheid government's goal of a "better life for all". This was viewed to be only possible if we deepened our understanding to deconstruct the constraining frameworks that have sustained the oppressive regime, affording opportunities and privilege to a few, at the expense of a deserving, impoverished majority. I then chose to focus on development theory, policy and practice, hence my taught Masters at the London School of Economics (1994/5).

My career and further training progressed to small business development and the creation of business linkages between emerging and established businesses. I was privileged to have been part of formulating enabling policies in a democratic South Africa. This included contributions to the drafting of the Bill of Rights and the Constitution as part of the women, children and disability teams. The exposure extended to participation in World Bank initiatives and being part of the country advisory team at the United Nations Commission on the Status of Women. As I write this thesis, I am proud of the road I have travelled (including attending Professor CK Prahalad's lecture in South Africa 2007, and meeting the Nobel Prize winners, Professors Muhammad Yunus and Joseph Stiglitz in South Africa as we celebrated Mandela Month in July 2009 – all quoted in this thesis). I am at the same time saddened by the slow pace of unknitting the ropes of poverty, unemployment and inequality that have enmeshed our country and the continent. I sincerely hope that this thesis will contribute to the desperately needed breakthrough.

## 1.7 THESIS OUTLINE

### **Part A: Theoretical Framework**

The first two chapters present the introduction and background to the research methodology. Chapters 3 and 4 provide the study context, unpacking the complex study problem with focus on the problematisation of the rural development paradigm. The problematisation commences in chapter 3 with the review of the meaning of rurality and a discussion on the theoretical underpinnings to bolster the arguments introduced in this chapter. Chapter 3 concludes with an in-depth analysis of rural theories and policies that evolved around the 1950s to 1990s. Chapter 4 contextualises the research within the South African political/historical economy. These chapters rely heavily on the literature review and form the basis for the analysis of the marula case study findings, as well as the integrative synthesis of primary and secondary research for developing alternative approaches.

### **Part B: Empirical Research and Strategy Formulation**

Chapter 5 presents the marula case study findings covering the profile of suppliers, marula production process and relational implications. The chapter helps unpack the marula commercialisation strategies. Chapter 6 analyses the empirical data and draws lessons from marula commercialisation and other relevant case studies. Chapters 6 and 7 apply primary and secondary data to formulate strategies for establishing a viable and sustainable rural economic development programme that mainstreams and directly benefits the rural households.

### **Part C: Summary and Conclusions**

Chapter 8 concludes the thesis, providing a summary of the overall study findings with recommendations. The expected outcome is the emergence of a new way of thinking about the rural space and the population, that is, an inclusive and sustainable rural development paradigm: addressing local imperatives for global mainstreaming. Figure 2 provides a diagrammatic presentation of the thesis outline.

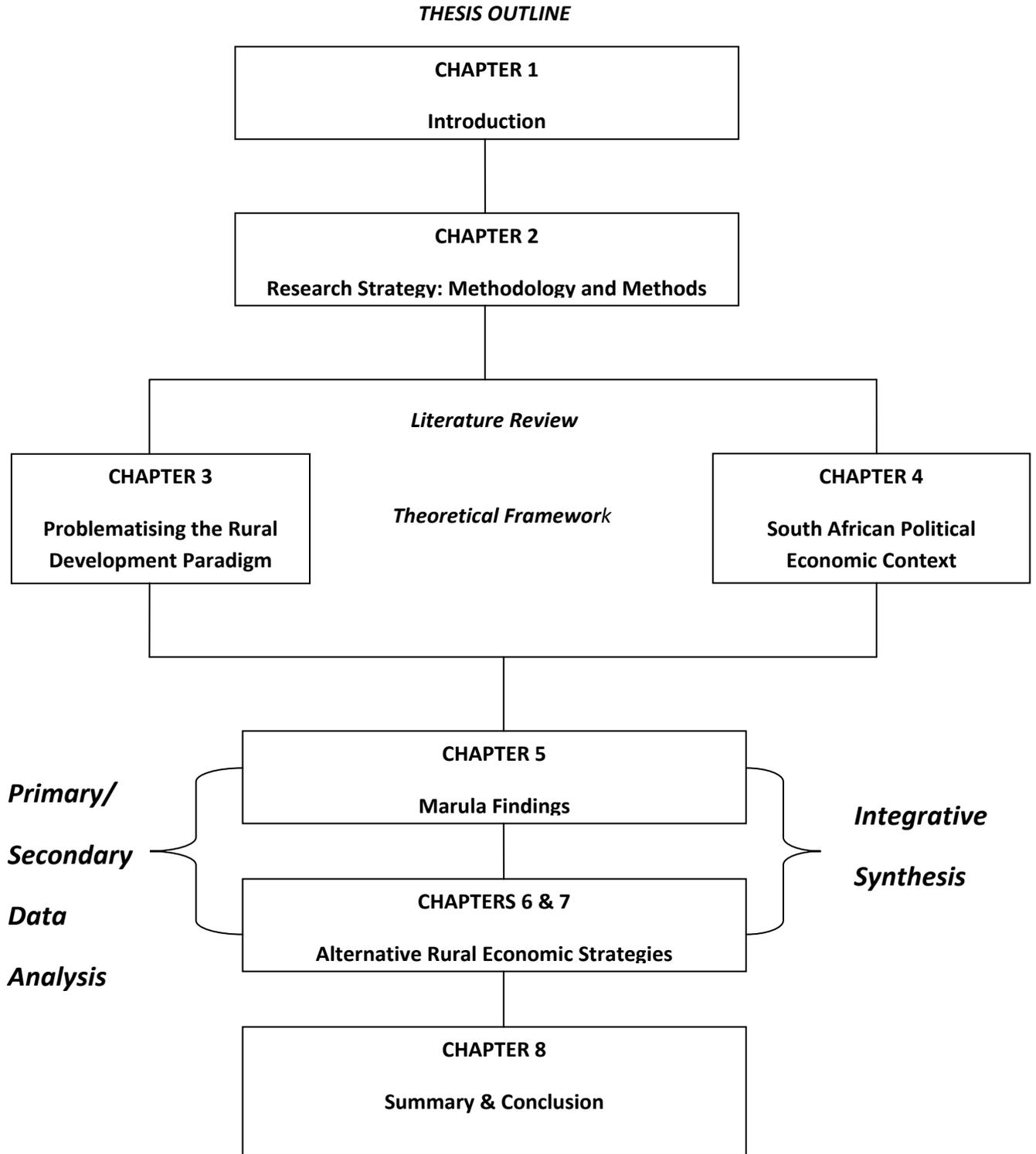


Figure 2: Thesis Outline

## 1.8 CONCLUSION

Chapter 1 sets the scene for the researcher to highlight and challenge the prevailing terms of debate and the perspectives from which policies and definitions are derived. This includes interrogating popular discourse on neoliberal growth models, and digging deep into unresolved contradictions (e.g. equal rights versus unequal economic status). The rights-based mainstreaming defined in section 1.5 above considers the constitutional proclamation of the equality of all citizens by the Constitution of the Republic of South Africa, 1996 and the Equality Act, 4 of 2000 (Government of South Africa 2008). The aim is to offer alternative strategies that address the reality that points to economic systems and institutions that create disparities among citizens in terms of living standards, material welfare and value creation (Presidency 2009; Okun 1975).

As an introduction to the thesis, Chapter 1 attempted to provide a succinct summary of the line of argument using concepts that will in certain cases only be defined later. The contention is that a new way of thinking is essential for breaking the spiral of deprivation. The starting point is found in Prahalad's (2005:1) statement for the need "to stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value conscious consumers". This challenges the notion of the poor as the problem with "victim-blaming"<sup>10</sup> tendencies and brings focus to the disempowering frameworks and systems that cause "dependent survivalism". While Prahalad offers solutions for converting poverty into opportunity, his emphasis differs from the researcher's as he focuses on the "Bottom of the Pyramid" (BOP) as consumers, as opposed to this study's proposed "productive perspective". Prahalad (2005: xii) defines BOP as "those 4 billion people who live on less than \$2 a day".

The use of the marula case study in this thesis is intended to capture the reality of rural household producers and suppliers in the conceptualisation of rural economic programmes. This is viewed to require multiple sources and transdisciplinary methods explained in Chapter 2. The methodology helps transcend disciplines, academic territories and fields, beyond the current limitations in mono-disciplinary literature.

I end this chapter with excerpts from a poem that is the conscience behind this thesis. It is by Pablo Neruda (Chilean) from *Plenos Poderes (Fully Empowered, 1962*, with translations by Alastair Reid

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<sup>10</sup> According to Terre Blanche and Durrheim (1999: 232) social scientists are sometimes prone to blaming the victim through research design and construction of questions. "Victim-blaming" is based on the assumption that people cause their own misfortune, with the analysts failing to take unequal social opportunities into consideration.

1995). In September 2006, on a Poverty Reduction Study Tour in Chile, I visited Neruda's house in Isla Negra (meaning "Black Island") with its spectacular views overlooking the Pacific Ocean.

*El pueblo - The People*

*That man I remember well,  
and at least two centuries  
have passed since I last saw him;  
he travelled neither on horseback nor in a carriage,  
always on foot he undid the distances,  
carrying neither sword nor weapon but nets on his shoulder,  
ax or hammer or spade;  
he never fought with another of his kind –  
his struggle was with water or with earth,  
with the wheat, for it to become bread,  
with the towering tree, for it to yield wood.  
with walls, to open doors in them,  
with sand, to form it into walls,  
and with the sea, to make it bear fruit.*

*I knew him and he goes on haunting me....*

*The father of the loaves was forgotten,  
the one who cut the trudge, beating and opening paths, shifting sand;  
when everything came into being, he no longer existed...  
I think that those who made so many things  
ought to be owners of everything.*

*That those who make bread ought to eat...  
Someone is hearing me without knowing it,  
but those I sing of, those who know,  
go on being born and will overflow the world.*

## CHAPTER 2

### RESEARCH STRATEGY AND METHODOLOGY

*The Comedy of Survival*

*A hopeless attempt to see things whole is at least as worthy as the equally hopeless task of isolating fragments for intensive study*

*Joseph Meeker*

#### 2.1 INTRODUCTION

Terre Blanche and Durrheim (1999:v) acknowledge the research student's dilemma as they state that "students who enjoy critical academic debate find themselves having to conform to a set of narrow scientific conventions...those who thrive on applied, practical work are fed a thin diet of hypothetical examples".

The situation is more challenging for a transdisciplinary practitioner who is attempting to operate across sectors in an integrated way that offers comprehensive solutions. The tension lies in securing a research method that adheres to scientific discipline as it clears the path towards the achievement of the study objective. The complexity, however, is not just about finding the method that confines one to the specific objective, but addressing the high-level questions and arguments that influence and drive the investigation. Central is the quest for solutions to the spiral of deprivation introduced in Chapter 1. The intention therefore is to find a research approach that considers the subtle but critical warnings from renowned economists like John Maynard Keynes who faced a devastating economic depression at a different time in our history. Keynes in 1933 asserted that (in Moss 2007:24)

If our poverty were due to earthquake or famine or war - if we lacked material things and the resources to produce them, we could not expect to find the means to prosperity except in hard work, abstinence, and invention. In fact, our predicament is notoriously of another kind. It comes from some failure in the immaterial devices of the mind... Nothing is required, and nothing will avail, except a little clear thinking.

These perspectives together with the arguments in Chapter 1 raise the overarching question that has to be addressed by the research strategy and methodology: Can global market economies be transformed into inclusive and sustainable systems with institutions that accommodate rural household producers trapped in pre-capitalist, traditional and subsistence activities? In other words, how can developing countries be set on the track of inclusive and sustained economic development for the immediate goal of reducing poverty and in the long-run catching up to the wealth of developed countries (D'Haese *et al.* 2003, Hayami & Gobodo 2005).

This chapter unpacks the qualitative research approach selected to tackle the complex problem addressed by this thesis. The approach uses a transdisciplinary framework as academic territories and single disciplinary methodological approaches are insufficient and inadequate to address the complex cross-cutting issues presented here. The following sections discuss the methodology and methods.

## 2.2 METHODOLOGY

Welman, Kruger and Mitchell (2005) differentiate between research methodology, methods and techniques. According to them research methodology considers and explains the logic behind research methods and techniques. The latter two are viewed to be more concerned with forms of data collection, analysis and interpretation (methods), and tools or instruments (techniques). The authors also provide the distinction between quantitative and qualitative research. The latter being the main methodology used by this study as discussed below.

### 2.2.1 Qualitative Research

According to Creswell (2009:4) qualitative research "is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem". Quantitative research on the other hand "is a means for testing objective theories by examining the relationships among variables". Welman *et al.* (2005:8-9) indicate that qualitative researchers try to achieve an "insider's perspective" and make use of a "holistic" approach. More relevant here is that qualitative research

deals with **subjective data** that are produced by the minds of respondents and interviewees (i.e. human beings). Qualitative data are presented in language instead of numbers. The researcher tries to understand the significance which the respondents attach to their environment (Welman *et al.* 2005:8).

This study utilises qualitative research as an approach using literature review and case study methods for strategic inquiry. The objective is to validate the complex study problem. The problem points to the disabling macro-environment with socio-economic institutions and systems that marginalise the rural poor denying them the opportunity to effectively participate and benefit from economic development programmes. The case study methodology is used for contextual analysis of the conditions of economically active rural households, the nature of their marula-based economic activities and relationships. Yin (1984:23) defines the case study research as an empirical inquiry that investigates a contemporary phenomenon within a real life context; when the boundaries between phenomenon and context are not clearly evident; in which the multiple sources of evidence are used.

Different studies from different disciplines have used both qualitative and quantitative methods to understand the plight of the poor, unpacking the multidimensional nature of poverty and offering market-oriented economic opportunities (Narayan *et al* 2000, Moser & Felton 2007, Aliber *et al* 2005, Prahalad 2005, and Sachs 2005). Quite often these focus on survival and vulnerability aspects without eliciting the value creation nature of poor households. When they do, alternatives proposed tend to entrench inequality and marginal existence (donor or state dependent, emphasis on “markets for the poor” and/or the poor as a market for the rich). The use of the qualitative approach here is designed to bring forward the critical elements of the productivist perspective, that is, the rural households as value chain actors. It is also about highlighting linkages (or lack of) between micro and macro-policies, and the institutional aspects relevant for economic mainstreaming of the marginalised rural poor. Central is the main question of how poor rural households (owning potentially valuable natural resources, indigenous knowledge and labour), can strategically use commercialisation to secure sustainable livelihoods and prosper as industry players in the mainstream market economy. The methodology also creates space for examining the assumption that peasant households have an objective function to maximise benefits, but are structurally constrained (the spiral of deprivation).

The application of the qualitative approach uses a transdisciplinary research framework characterised by:

- i. A qualitative study with an inductive and evolving methodological design. The approach is exploratory, descriptive and explanatory (flexible and inductive) ensuring a fit between purpose and technique;
- ii. Literature review to substantiate the research problem (Chapters 3 and 4) and interpret findings (Chapters 5-7). The literature review also assists in determining subthemes in line with the study objective;
- iii. The marula case study that unpacks the complex structural and systemic constraints responsible for the exclusion and vulnerability of the rural households with valuable production potential. To this end, the researcher divided the marula primary research into two parts. The first focuses on the comparative analysis of the commercialisation approaches and strategies of the three selected enterprises (a. Amarula Cream by Mirra/Distell, b. Marula Natural Products (MNP) and, c. Swazi Secrets). The second part and the bulk of the primary research focuses on Bohlabela/Ehlanzeni District marula household producers and suppliers.

Table 1 indicates the three themes of qualitative inquiry informing this study. These together with the transdisciplinary research framework explained below provide a basis for study recommendations towards “establishing viable and sustainable rural economic development programmes in a competitive global economy” (the study topic).

**Table 1: Themes of qualitative inquiry**

1. Naturalistic	Studies real-world situations as they unfold naturally; non-manipulative, unobtrusive, and non-controlling; openness to whatever emerges – avoids predetermined constraints on outcomes.
2. Holistic	The whole phenomenon under study is understood as a complex system that is more than the sum of its parts; focuses on more complex interdependencies, not meaningfully reduced to a few discreet variables and linear, cause-effect relationships.
3. Inductive	Immersion in the details and specifics of the data to discover important categories, dimensions and interrelationships; begins by exploring genuinely open questions rather than testing theoretically derived (deductive) hypothesis.

Source: Adapted from Patton (1990:40)

### 2.2.2 Transdisciplinarity

Transdisciplinarity in this thesis is used to capture the dynamic interconnectedness of the spiral of deprivation as well as that of human and nature. The choice also draws on the view of transdisciplinarity as “a distinct additional method to problem-solving” (Songca 2006:222). According to Nicolescu (2002: 44), transdisciplinarity “concerns that which is at once between the disciplines, across the different disciplines, and beyond all discipline... Its goal is the understanding of the present world, of which one of the imperatives is the unity of knowledge”. Nicolescu’s work has focused extensively on the relationship between the quantum and non-quantum levels of Reality. He argues that “[t]he transdisciplinary viewpoint allows us to consider a multidimensional Reality, structured by multiple levels replacing the single-level, one-dimensional reality of classical thought” (Nicolescu 2002:49). While the theory of transdisciplinarity drew extensively from his works, the research methodology used in this study strongly considered recent advancements, particularly the transdisciplinary case study approach (Hirsch Hadorn 2002, Klein, Grossenbacher-Mansuy, Haberli, Bill, Scholz & Welti 2000, etc.). Proponents include Scholz and Tietje (2002) who point out that the case study is an appropriate research methodology if the phenomenon investigated cannot be separated from its context. This resonates with the researcher’s argument that the marginalisation of the marula suppliers and household producers cannot be separated from their rural context (e.g. former homelands in South Africa).

According to Posch and Scholz (2006) the first transdisciplinary case study was undertaken at the Institute of Human-Environment Systems, Natural and Social Sciences Interface (NSSI) at the Swiss Federal Institute of Technology (ETH) Zurich in 1994. ETH developed the transdisciplinary case study

(TCS) approach into a research and teaching approach, as well as a means of sustainability learning and transformation towards sustainable development. Scholz, Lang, Wiek, Walter & Stauffacher (2006) emphasise that TCS goes beyond a qualitative approach and allows for integrating quantitative research methods. Significant here is their reference to the socio-cultural aspects of the research subjects as part of the studied phenomenon. However, they acknowledge that the case study approach is still viewed with skepticism when used as the research methodology. The following section provides the transdisciplinary methodology framework followed by a presentation of methods applied. The framework takes the cue from Posch and Scholz (2006:221) who emphasise that “from a science perspective, transdisciplinarity implies the integration of values and knowledge from society into the production of scientific knowledge”. Chapter 8 in its conclusion points to the limitations of the approach.

### 2.2.3 The Transdisciplinary Research Framework

The purpose of the framework is to guide the use of the case study methodology and address head-on the problem of knowledge fragmentation that is viewed to contribute to the perpetuation of the spiral of deprivation. Gutto (2006), discussing Africa’s development problems, argues this case when he criticises the existing knowledge regime. He asserts that the problem with the existing knowledge regime is demonstrated by poverty and the limitations of mono-disciplines in understanding Africa and promoting sustainable problem-solving. Gutto (2006:311) highlights the “arbitrary and discordant fragmentation into and by disparate mono-disciplines.” He quotes Ki-Zerbo (2003:114) who states that no single discipline on its own can give an account of the dense and intricate reality of the world. Figure 3 unpacks the essential research steps of the framework.

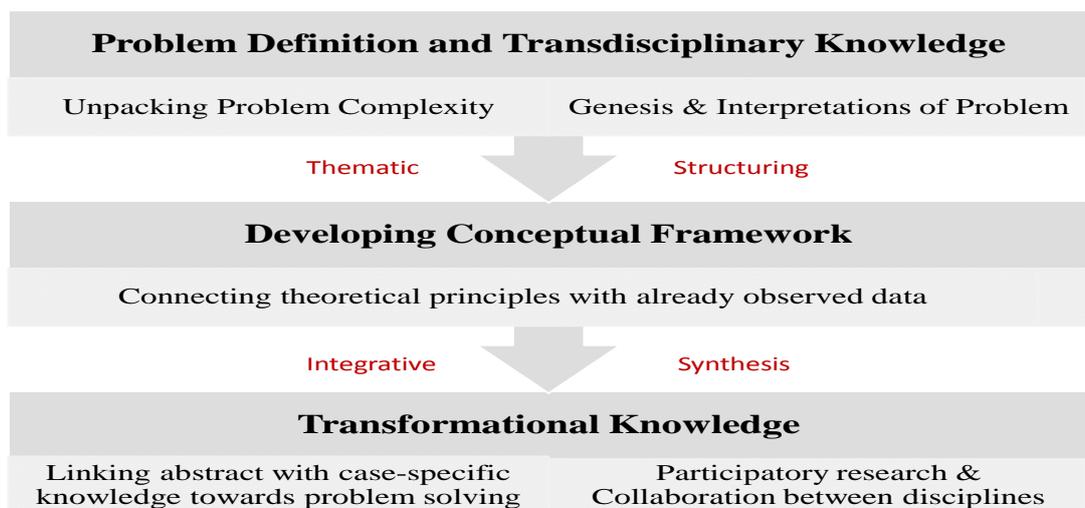


Figure 3: The Transdisciplinary Research Framework

Source: Adapted from Hirsh Hadorn (2002), Klein *et al.* (2000), and Pohl & Hirsh Hardon (2007)

It is important to note that the framework influences the structure of this thesis from chapter to chapter. Problem definition and complex system knowledge is covered in Chapters 1, 3 and 4. Conceptual framework development builds on problem definition and findings in Chapters 5 and 6. Transformational knowledge draws from the case specific knowledge emerging from findings to propose alternative strategies (Chapters 6-8). A research plan with three research steps and activities to achieve study objectives is provided in Table 2 below.

**Table 2: Transdisciplinary Research Activities**

Step	Activity
<p><b>Problem Definition and System Knowledge</b></p> <ul style="list-style-type: none"> <li>- Draw on disciplinary perspectives</li> </ul>	<p><i>Defining</i> the problem (question, topic, issue);</p> <p><i>Determining</i> relevant disciplines (schools of thought);</p> <p><i>Developing</i> working command of relevant concepts, theories, methods of each discipline;</p> <p><i>Gathering</i> all current disciplinary knowledge and <i>Searching</i> for new information;</p> <p><i>Studying</i> the problem from the perspective of each discipline; and</p> <p><i>Generating</i> disciplinary insights into the problem.</p> <p><b>Output: Problem Definition and Thematic Structuring</b></p>
<p><b>Developing a Conceptual Framework</b></p> <ul style="list-style-type: none"> <li>- Integrating disciplinary insights through construction of a more comprehensive perspective</li> <li>- Developing strategies (and/or building models) connecting theoretical principles with already observed experimental data, in order to predict further results</li> </ul>	<p><i>Identifying</i> conflicts in insights by using disciplines to illuminate each other's assumptions, or by looking for different terms with common meanings, or terms with different meanings;</p> <p><i>Evaluating</i> assumptions and terminology in the context of the specific problem;</p> <p><i>Resolving</i> conflicts by working towards a common vocabulary and set of assumptions;</p> <p><i>Creating</i> common ground;</p> <p><i>Constructing</i> a new understanding of the problem;</p> <p><i>Producing</i> a model (metaphor, theme) that captures the new understanding;</p> <p><b>Output: Integrative Synthesis Framework and Conceptual Framework</b></p>
<p><b>Transformational Knowledge</b></p> <ul style="list-style-type: none"> <li>- Linking abstract with case-specific knowledge towards problem-solving</li> </ul>	<p><i>Testing/Comparing/Validating</i></p> <p>Participatory research and collaboration between disciplines</p> <p>Linking theoretical knowledge with case-study to solve the problem</p> <p><b>Output: Recommended Strategies/Models through Integrative Synthesis (complexity-based modelling with non-linear components and sub-systems)</b></p>

Source: Derived from Hirsh Hadorn (2002), Newell (2001), Klein (1990, 2004), Pohl & Hirsh Hardon (2007)

## 2.3 METHODS

The study data collection and analysis draws from multiple sources covering both secondary (literature review) and primary spheres of inquiry (marula case study field work). The discussion on methods below focuses on the marula case study.

### 2.3.1 Secondary Data Collection

The data collection draws from published and unpublished (commissioned) reports as well as field data. Data collection was divided into: i) industry/sub-sector studies, ii) business/organisation strategic reports, annual reports, trade magazines, company documents, agreements, and government/donor programme reports, and iii) regulatory issues, policy documents and demographic studies. The literature review strongly considered studies that formed part of a collaboration between DFID and southern African academic institutions like the Institute of Natural Resources and Rhodes University (Sullivan & Regan 2003).

The DFID studies included various initiatives conducted as part of a project called “Winners and Losers in Non-timber Forest Product Commercialisation” funded by the DFID Forestry Research Programme (FRP) and coordinated by the Centre for Ecology and Hydrology (CEH) in the UK<sup>11</sup>. Among them is the “Marula Commercialisation for Sustainable Livelihoods” project that forms one component of a larger international research initiative on the commercialisation and equitable use of non-timber forest products (NTFPs). The project aimed to explore pathways associated with the commercialisation of NTFPs, examine the effects on rural livelihoods, and identify commercialisation processes that can promote more economic benefits to the industry while improving the sustainability of rural livelihoods. Included was a study that aimed to characterise the commercial chains within the South African marula industry during the 2001/2002 fruiting season. Other studies focused on resource and industry analysis (Shackleton *et al.* 2002; Shackleton 2002; Mander, Cribbins, Shackleton & Lewis 2002). Data was also drawn from the researcher’s role and experience as the Plant Fibre Commercialisation Project Manager at the Development Bank of Southern Africa (DBSA, January 1997-December 2000) and Programme Director at W.K. Kellogg Foundation (January 2001- February 2005). The DBSA experience included facilitating and managing the first Medical Research Council (MRC) authorised South African hemp trials in the Eastern Cape. This extended to the joint initiative with the Council for Scientific and Industrial Research (CSIR) for the use of sisal in Mercedes Benz “C” Class interior manufacturing. Other relevant lessons include the wild indigenous plant fibre commercialisation for the craft sector. These included imizi (*cypress spp*), ilala palm (*hyphaene coriacea*) and incema (*juncus* family).

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<sup>11</sup> All project outputs are listed at <http://www.nerc-wallingford.ac.uk/research/winners/literature.html>.

The researcher also worked with the IUCN in the conceptualisation of the W.K. Kellogg Foundation-funded Natural Products Enterprise Programme (NATPRO) as well as the creation of "There's another way that works" which got an award at the 2002 Johannesburg World Summit. NATPRO is implemented by Phytotrade Africa, with initial co-funding from Conmark Trust (NATPRO 2003/2004). The Phytotrade marula sub-sector study formed part of the IUCN natural products sector initiative. The researcher's data collection also benefited from engagements with representatives of the marula enterprises and attending programme workshops of the various marula initiatives in other southern African countries (Zimbabwe – Bulilimangwe, Swaziland's Swazi Secrets, and Botswana's Kgetsi ya Tsie – KyT)<sup>12</sup>. In September 2005 the researcher was recognised by His Majesty the King and Her Majesty the Queen Mother of Swaziland at the Swaziland Entrepreneurship Award Ceremony for the facilitation of Swazi Secrets, the marula commercial initiative. To supplement secondary research gaps and for alternative framework design, the researcher used various methods and techniques discussed below.

### 2.3.2 Sampling

Sampling considered the focus of the marula case study, that is, the analysis of commercialisation strategies of marula enterprises and the examination of the contemporary real-life situations of marula supplying households. Research focus was therefore on marula enterprises and rural suppliers using different methods and techniques as discussed below.

#### i. Population

The sample for primary research in 2004 was drawn from the Bohlabela District in the Limpopo Province of South Africa. The target population being the marula fruit growing communities with evidence of both marula enterprises and suppliers. The choice of target population as opposed to random samples considered costs and previous research. While the use of target population is admissible, Welman *et al.* (2005) caution about the extent of generalisation of results in cases of target population. "Knowledge about any population is valid as long it is presented as knowledge about that specific population" (p126). They are joined by Creswell (2009:193) in emphasising the usefulness of previous research. Figure 4 shows the map which covers Thulamahashe, the location of the MNP premises and Phalaborwa, the home of Amarula primary processing plant. The marula suppliers were drawn mainly from the Bushbuckridge local municipality and some parts of Maruleng local municipality. The total number of MNP marula suppliers from which the sample was drawn was 4000 (MNP 2004). A

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<sup>12</sup> It is important to note that the researcher worked as a Programme Director for the W. K. Kellogg Foundation from January 2001-February 2005 at a time when IUCN and Mineworkers Development Agency (founder and shareholder of Marula Natural Products) were grantees.

household survey done by Shackleton and Shackleton (2002) in Bushbuckridge, Limpopo, confirmed that 90% of the households harvested marula for their own use and/or commercial supply.

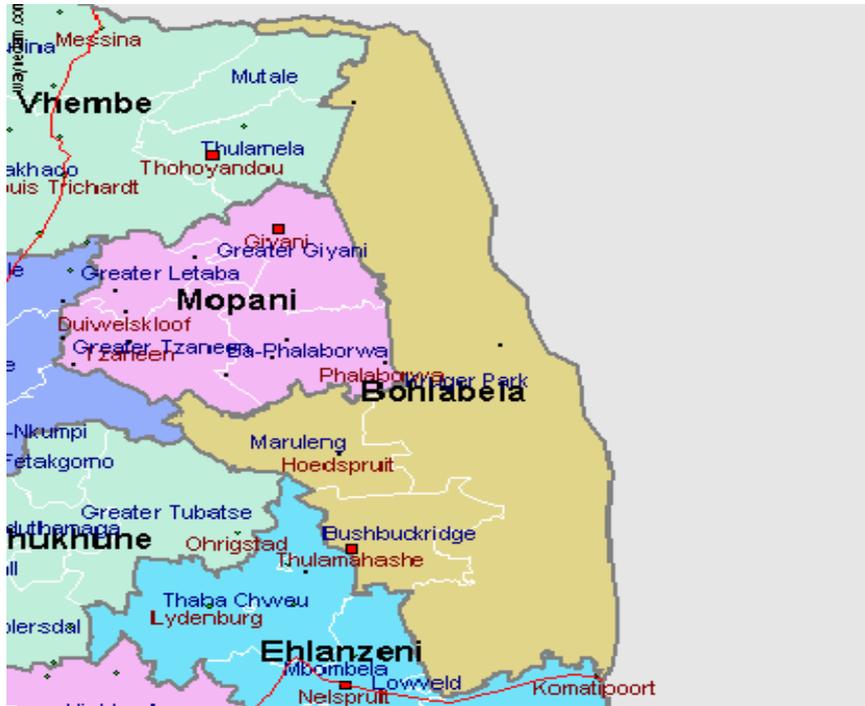


Figure 4: Bohlabela District Municipality, Limpopo Province

Source: DPLG (2004)

At the time of sampling in 2004, Bohlabela was a cross-boundary municipality shared between Mpumalanga and Limpopo provinces consisting of two municipalities: Bushbuckridge local municipality (83.6% of population) and Maruleng local municipality (15.7%). The district straddled parts of the Kruger Park (0.6% of population) and Bushbuckridge/Hoedspruit area of the two provinces. The population was approximately 720 000 with over 75% of households having an income less than R12 000 per annum or R1000/month, indicating a relatively high level of poverty (DPLG 2004). The poverty profile was critical for selection to validate the study problem of marginalisation of the poor and the spiral of deprivation. A Department of Local Government report (DPLG 2006:9) indicated that “Bushbuckridge is experiencing problems in the provision of service delivery. This has been caused by historical backlogs resulting from the inheritance of parts of the former homelands of Gazankulu, Lebowa and kaNgwane”. This inheritance influenced the language diversity of the area, that is, Shangaan/Tsonga, sePedi and Swazi. Worth noting is that Bohlabela, particularly Bushbuckridge, formed part of the targeted nodes in terms of the government’s Integrated Sustainable Rural Development Programme (ISRDP - discussed in Chapter 4). The area also received municipal support from Project Consolidate<sup>13</sup>. In 2006 Bohlabela

<sup>13</sup> Project Consolidate is a national government programme aimed at addressing capacity challenges that still exist in especially rural-based and needy municipalities (DPLG 2004).

was eliminated by the 12<sup>th</sup> amendment of the Constitution of South Africa (DPLG 2006). The area of the former district which contained the Kruger National Park and other smaller protected areas from which the suppliers harvested were distributed between Ehlanzeni (Mpumalanga Province) and Mopani (Limpopo Province) districts.

## ii. Considerations for Selection

The poverty profile, marula resource ownership (household and communal), and engagement in marula-related commercial and/or livelihood activities were the main considerations for supplier sample selection. The overall selection criteria for both enterprises and suppliers covered:

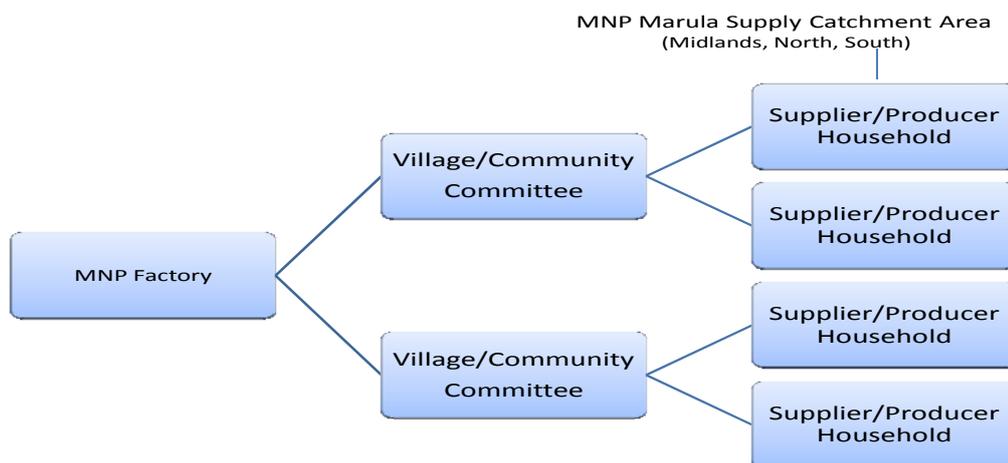
- Evidence of commercial operations and value-chain activity (formal/informal);
- Diverse product ranges and commercialisation approaches; and
- Diverse institutional arrangements and relations (private/community/donor/state).

While the Bohlabela district met the criteria to a greater extent, for a sufficient comparative analysis of commercialisation strategies by marula enterprises the researcher had to look beyond South African borders. An information-oriented purposive sampling as opposed to random sampling was applied. According to Welman *et al.* (2005) in purposive sampling researchers rely on their experience, ingenuity and/or previous research findings to deliberately obtain units of analysis. To this end the selection process was informed by previous research and personal experience as well as observations of the target population (May 2004 to March 2005). The process included visits to marula collection points at village level and processing plants (Limpopo enterprises considered: Amarula Cream, MNP, CSIR Giyani and Driekopies food and essential oil processing plants; Zimbabwe: Bulilimamangwe; Swaziland: Swazi Secrets). The selection criteria highlighted above directed the purposive sampling, limited by the general small number of existing commercial enterprises in Southern Africa. The process resulted in the selection of three enterprises. Two of these were from Bohlabela district: the privately-owned and driven Amarula Cream processing plant and the NGO/community owned and donor-driven Marula Natural Products (MNP). Swazi Secrets processing plant at Mpaka, Swaziland was the third enterprise. This provided the comparative advantage of a state-driven commercial approach, with involvement of traditional leaders (Queen Mother), the community and donor support. Thus comparative analysis of marula commercialisation approaches and strategies focused on these three enterprises, with more intensive primary research in the Bohlabela enterprises to align with the marula supplier examination.

The marula suppliers sampling methods took a different form as the researcher had to ensure that the case study creates space for understanding the uniqueness and idiosyncrasies of the rural households' real life situation, as opposed to just hypothesis testing. The sampling considered the DFID 2002

studies with the Bushbuckridge household surveys. This resulted in the inclusion of the four villages (Allandale, Edinburgh, Hokwe and Rolle) used in Shackleton and Shackleton (2002) survey.

Following considerations of validity and costs, the research focused on pre-existing, heterogenous groups of the MNP marula suppliers. Of greater advantage was that MNP had invested (since the DFID 2002 survey) on organising the suppliers into committees. The organisation of suppliers into committees is primarily for collective pools of supply, coordinated collection, quality control and payout-points management. Village-based supplier groups in 42 villages/communities around Bushbuckridge were organized into committees (see Figure 5 below). These consisted of 4000 supplying members at the time, who were able to earn incomes by supplying MNP with either fruit or kernels throughout the year. The “step-up system” as referred to by MNP (2004) involved delivery to a central point by main suppliers/households where the committee had a responsibility of checking quality and then delivering the collective raw material to a community facilitator at the MNP plant. An MNP report indicates that “participation in the process is based on self-selection, and it is transaction based: they are our suppliers, and we rely on them. The relationship empowers people rather than creating dependency” (MNP 2004:7). Committee members were therefore marula suppliers themselves. Interactions with marula suppliers indicated that committees provided the opportunity for commercial buyers to approach suppliers as a group with possibilities of lobbying for a better price. They also were useful for managing logistics and quality as well as conservation awareness and social capital. Office bearers (chairperson, secretary) were elected with rules established.



**Figure 5: MNP Marula Supplier Structure**

Source: Adapted from MNP (2004)

The researcher worked with the MNP personnel to align the sample with criteria as MNP had a database with a brief profile of suppliers. Cluster and stratified sampling techniques were used (Patton 1990, Terre Blanche & Durrheim 1999, Welman *et al.* 2005). Focus was on geographic coverage

(regions), diverse uses (products) and players (office bearers and non-office bearers, age, income levels and literacy). Out of the 42 village committees a sample of 12 committees of marula suppliers was selected. This represented a proportional geographic spread of south, north and midlands regions, covering the previous DFID 2002 household survey areas, and including suppliers engaged in other household produced marula commercial products for other buyers (marula beer, jam etc.). All the selected were MNP suppliers residing within the Bushbuckridge area mainly, under the Bohlabela/Ehlanzeni District between April 2005 and February 2008.

As the committees varied in size, for standardisation five marula suppliers per committee were selected from the overall sample of 12 committees (resulting in a total of 60 selected participants). Two of the five had to be office bearers. The selection ensured the recognition of the criteria with geographic representation, diverse marula commercial activity and supplier profile. The insistence on inclusion of office bearers (also producers and suppliers from the targeted communities) ensured the coverage of the institutional dimension and governance issues. All 60 participants were selected for participation in focus groups (explained in the following section). Of the total sample of 60, 24 participants (the two office bearers per committee) were selected as respondents to a pre-designed questionnaire.

### **2.3.3 Primary Data Collection: Marula Enterprises**

The selection of the data collection method focused on maintaining the relationship between the issue and evidence. This accommodated the reality that the marula case study is a holistic case with embedded sub cases (Yin 2009). Overall primary data collection used the following methods: i) structured interviews and observations at enterprise level; ii) focus groups targeting the 60 marula suppliers from the selected 12 marula committees; iii) the qualitative questionnaire filled in by the 24 suppliers who are office bearers drawn from the 60 participants; and iv) direct observations and unstructured interviews. These are discussed below with this section covering the marula enterprises methods. Section 2.3.4 discusses ii, iii and iv, for the real-life examination of marula supplying households.

#### **i) Data collection and comparative analysis of marula commercialisation enterprises**

The data collection and analysis of the selected enterprises relied on a combination of methods. Amarula Cream, the Mirma/Distell marula pulp factory in Phalaborwa and Marula Natural Products (MNP) at Thulamahashe, Bushbuckridge were the main focus for intensive primary research. The Phalaborwa factory is a subsidiary of the JSE listed Distell Stellenbosch winery. The donor-funded MNP is based at Mhala Development Centre (MDC) Thulamahashe, Mpumalanga. MNP is jointly owned by the non-governmental Mineworkers Development Agency (MDA) and a community trust. Swazi Secrets

data collection relied more on secondary data, a semi-structured interview with the then Coordinator, Mr. John Pearce and government representatives, and Mpaka factory visits in September 2005 and March 2006. In March 2006 the researcher was a participant observer at the marula (maganu) festival at Ebuhleni Great Place, Swaziland.

For the South African initiatives site visits took place from 2004 to 2008/9 with structured and semi-structured interviews. These were conducted with management representatives of the marula commercial enterprises who received prior notice with a detailed background of the study and the focus of the interview and site visit. These included Mr. Thys Slabbert (founder and shareholder of Mirma/Distell Phalaborwa Marula Pulp Factory, 2008), Amarula Lapa Public Relations Controller, Ms Emma Mahumane (2008/9), Ms Girlie Njoni of MNP in 2005 and Ms Sharon Marimi of MNP in 2008. At Distell (Stellenbosch) the researcher was referred to published reports, and the targeted respondents were cautious, insisting that the legal department handle interviews. This was viewed not to have a significant impact as Distell is a listed company with ease of access to critical information. The fact that the Distell Phalaborwa plant was visited again in 2008 with scheduled interviews to address major information gaps also assisted. Table 3 below provides the interview guide with Figure 6 providing the frame for data collection and comparative analysis for marula commercialisation enterprises.

**Table 3: Marula Interview Format**

1. Rationale for commercialisation	Driver and driving imperative; opportunity-seeking, profit-maximising vs. community development/ job creation
2. Steps taken for readiness	<ul style="list-style-type: none"> <li>➤ Capital (nature, source, funding structure)</li> <li>➤ Stakeholder and natural resource considerations</li> <li>➤ Market analysis</li> <li>➤ Investor choices</li> <li>➤ Research and development support</li> <li>➤ Technology considerations</li> <li>➤ Business model development</li> </ul>
3. Operations	<ul style="list-style-type: none"> <li>➤ Management and value chain structure &amp; roles</li> <li>➤ Contractual relations, procurement and compliance</li> <li>➤ Operational systems effectiveness and efficiency</li> <li>➤ Price and output decisions</li> <li>➤ Level of output to produce</li> <li>➤ Determination of market price (supplier price-taker? within or outside industry control?)</li> </ul>

The interviews, based on the qualitative and inductive techniques described in previous sections were designed to elicit narrative responses to complex issues covering a broad spectrum of areas (Denzin, Lincoln & Guba 2000; Neuman 2000). They were also used to assist with the design of the focus

groups. As the focus is on the comparative analysis, a method for a descriptive account of commercialisation had to be designed based on a clear definition of the concept. Commercialisation<sup>14</sup> here refers to the direct and systematic development of a commercial product from its natural, subsistence or cultural use for financial benefit and/or wealth creation. The conceptualisation also draws from the work of Ledgerwood and White (2006) who define commercialisation (of microfinance institutions) as “the application of market-based principles... movement out of a heavily donor-dependent arena of subsidised operations into one in which microfinance institutions manage on a business basis as part of the regulated financial system” (2006:xxvi). They draw from Charitorenko’s (2003) path toward commercialisation. They also cite Christen and Drake (2002), who view the impact of commercialisation as visible in improvements in product design, delivery systems and outreach. Indicators include sources of funds, from donor or government subsidy to private finance - debt and/or equity. Significant here is Ledgerwood and White’s link of commercialisation with transformation relevant for particularly state or donor dependent enterprises (MNP and Swazi Secrets), as well as community/household-based initiatives. Transformation in these authors’ view refers to “the institutional process whereby an NGO microfinance provider or a microfinance project creates or converts into a share-capital company and becomes licensed as a regulated financial institution” (2006: xxviii). Their recognition that commercialisation can take different forms is critical. One way is to transform from a non-profit entity into a formalised, regulated institution (intention for MNP discussed in Chapters 5 and 6). The second is to create a commercial entity from scratch. The third model is that of established for-profit commercial entities, commercialising products previously used for subsistence or survival. The last is commercialisation through mergers (and acquisitions) (2006: xxvii). The last two characterise the Distell case discussed in Chapter 7. Figure 6 illustrates the commercialisation process used as a framework for the marula commercialisation data collection and analysis. The method draws from Porter’s view that ultimately every firm (or enterprise) is unique. The analysis of the degree of strategic difference is based on the path to commercialisation and industrial mainstreaming.

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<sup>14</sup> Drawing from the original meaning related to mercantile, trading, marketable (Gredde & Grosset, 1997, Oxford Dictionary), aligning with innovation as defined by Drucker (1985) – systematic, organised and purposeful activity and adapting (Sheena 1991).

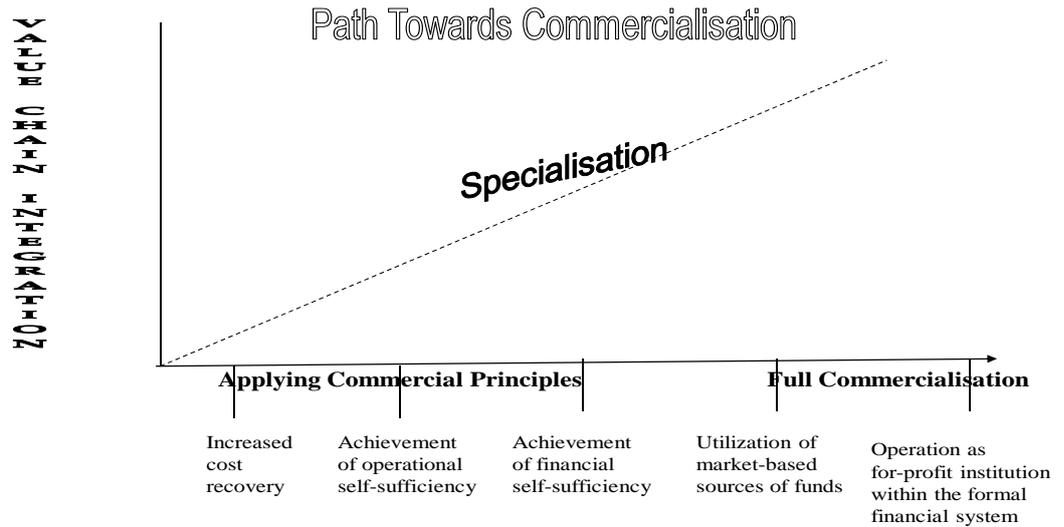


Figure 6: The Commercialisation Process

Source: Derived from Porter (2004a) & Charitonenko (in Ledgerwood & White 2006)

Porter (2004a:5) views “an industry as the group of firms producing products that are close substitutes for each other”. This thesis takes an expanded view of the firm or organisation of production that includes household production (explained in Chapter 3). The methods for comparative analysis of marula commercialisation include Porter’s conception of *strategic groups* aligned with trends to commercialisation path in Figure 6 above. Indicators for data collection and analysis considered enterprise viability<sup>15</sup>, value chain activity, specialisation and benefit to suppliers. According to Porter (2004a), a *strategic group* is a group of firms in an industry following the same or a similar strategy along the strategic dimensions. He stresses that strategic groups are *not* equivalent to market segments or segmentation strategies but are defined on the basis of a broader conception of strategic posture (Porter 2004a). Chapter 5 presents a table of findings using this method.

<sup>15</sup> Because of problems with accessing scientifically comparable financial data in enterprises studied, financial performance from financial results was excluded as a measure for viability. Indicators focused on cost-recovery, operational and financial self-reliance (donor-dependent, borrowing, own resources).

### 2.3.4 Methods for the real-life examination of marula supplying households

As highlighted previously the real life examination of marula supplying households relied on focus groups, a qualitative questionnaire and direct observation with unstructured interviews for data collection. The focus groups took a workshop format and were conducted at MNP premises at Thulamahashe. The workshops were conducted either in the morning or afternoon (average four hours excluding breaks). The methods and techniques are described below.

#### i. Focus Groups

Of the total 60 marula suppliers sampled, 55 participated in six different focus groups of 8, 10, 10, 8, 10, 9 (three in April – May 2005, and three in January/February 2008). The dominant technique for the focus groups was the Rapid Rural Appraisal (RRA) also drawing from the principles of Participatory Rural Appraisal (PRA). RRA ensured systematic extraction of relevant data while PRA principles facilitated effective participant involvement. According to Mukherjee (1995) PRA

is a methodology which helps in interacting with local communities, understanding them and learning from them. It helps in the process of involvement with local communities for indigenous knowledge-building exercises. It is a way of learning from and with community members to investigate, analyse and evaluate constraints and opportunities and make informed and timely decisions regarding development projects...Because of its participatory nature, it is a useful methodology, to focus attention on people, their livelihoods and their interrelationships with socio-economic and ecological factors...PRA is sometimes known as Rapid Rural Appraisal (RRA)/Participatory Rapid Appraisal (PRA) where emphasis is both on 'rapid' and 'participatory' (1995:27-28).

The *Participatory Community Development Training Manual* (PCD 2007) differentiates between Participatory Rapid Appraisal (PRA) and RRA. Participatory Rapid Appraisal is viewed as a growing combination of approaches and methods that enable vulnerable people to share, enhance, and analyze their knowledge of life and conditions, to plan and act and to monitor and evaluate. The role of the outsider is that of a catalyst, a facilitator of processes within a community which is prepared to alter their situation. RRA on the other hand is viewed as an extractive research methodology consisting of systematic, semi-structured activities conducted on-site by a multi-disciplinary team with the aim of quickly and efficiently acquiring new information about rural life and rural resources.

RRA was the method selected as it has been historically proven to be more efficient and cost-effective when used with communities in health, agriculture and ecosystems research (Chambers 1992,

Scrimshaw & Gleason 1992, IISD 2008). The RRA techniques were applied in focus groups with a maximum of ten participants. Information was elicited and extracted by the principal researcher and her team within a participatory environment conducive for learning and sharing. The team included MNP personnel (community facilitators) who assisted with translations and also observers, and four University of Venda final year students (who were co-facilitators drawn from the Centre for Rural Development<sup>16</sup>). A Social Consultant who is a PRA practitioner and a Senior Lecturer from the University of Venda acted as process observers in different groups. They also assisted the researcher with recording. Overall, the researcher was responsible for process management and content recording<sup>17</sup>. Focus was on four areas from which questions were drawn: a) *the profile and characterisation of MNP marula suppliers*. This dealt with the spatial dimensions that characterise and constrain marula households (e.g. basic services) and livelihood analysis (i.e. household structure, source of income and expenditure, educational levels, etc.). Included as well were the respondents' perspectives on rural household roles. b) *Marula economic activity analysis*. This covered the description of the marula productive process and levels of economic participation focusing on marula suppliers as value actors. c) *Institutional arrangements and relational issues* (contractual relations and governance structures in marula supply chains; inter and intra-community relations, and the nature of benefit flows). d) Socioecology. Chapter 5 presents findings covering these categories.

The sessions commenced with the researcher introducing the topic, method and rules (e.g. respect for each other's views, one person speaking at a time). Each participant (in turn) would make an opening statement (tell a story regarding their involvement with marula). The researcher would then guide the discussion using prepared questions. Tools and techniques included illustrative and descriptive story telling (narratives), mapping and diagramming with the use of pens/pencils/manuscripts and open-ended visuals. The visuals included photographs/pictures about the area and marula activities (see Annexure 2). Venn diagrams, ranking (priority matrix) and timelines were also used to illustrate hierarchies, complex issues and systems. The use of maps and pictures also helped in instances where verbal communication was challenging because of language (mainly Shangaan with some Swazi speakers). There was an interpreter in each group.

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<sup>16</sup> The University of Venda is based within the Limpopo Province. Its Centre for Rural Development and Poverty Alleviation is a multi-disciplinary centre devoted to research and outreach activities in all facets of rural development.

<sup>17</sup> The researcher's MSc training in Social Planning at London School of Economics included PRA techniques. Also, her consulting business in southern Africa had a strong social impact analysis division that used PRA/RRA techniques with ongoing training supported by DFID, Food and Agriculture Organisation (FAO) among others. The PRA orientation programme for the research team drew extensively from this experience using the *Participatory Community Development Training Manual* (PCD 2007) and IISDnet guides (IISD 2008).

At the end of the session each person (in turn) would give a final statement that may not be challenged. A summary of what has been learned and shared was then provided by the facilitator. The summary would deal with three areas: i) What have we learnt about the background and livelihoods of marula supplying households in our group; ii) What have we learnt about marula commercialisation in the areas represented in our group; iii) What are the emerging areas (threats/opportunities) related to marula commercialisation? This would be followed by the facilitator asking each member what they are taking away from the group. This last bit was critical to ensure that while this is an extractive research methodology, there was local sharing and ownership of information that could be used by participants to alter their own situations. For example the conclusion in one focus group (shared by many) was that “we as communities can use collective action to bargain for better prices but we are not sure how, as we do not want to lose the little we have by antagonising buyers”. Another focus group identified for the first time in the history of the area a worm that was attacking (destroying) the trees viewed as a threat to people’s livelihoods. Options were discussed with the committee leaders and MNP staff taking responsibility for follow-up. This approach was an attempt to address the limitations of an RRA method that essentially addresses the agenda of the researcher. Some participants (mainly office bearers) took the maps after the researcher had either photographed or recorded the contents to share with the rest of the marula suppliers in their villages. Welman *et al.* (2005) point to the many advantages of focus groups but highlight that in comparison to in-depth interviews the responses can be inhibited as some respondents are likely to be intimidated by the presence of others in the group. The questionnaire and unstructured interviews are therefore designed to address this.

## ii. Questionnaire Process

The questionnaire was intended for gathering relevant information to understand the characteristics and status of marula supplying households and their role as marula value chain actors. It also provided space for direct responses to direct questions albeit qualitative. The questionnaire also assisted with checking whether there are any significant changes since the previous DFID-funded studies in 2002, as well as the IUCN/Phytotrade 2004 studies. Caution had to be exercised in dealing with this as the researcher was limited by financial constraints and could not expand the sample to cover the DFID sample. The questionnaire focused on the same four areas of the focus groups and used direct questions for probing to address group participation constraints and clarify issues critical for study problem validation. To achieve this, after the conclusion of each focus group, the office bearers would remain to fill in the questionnaire with the assistance of facilitators. They were 24 filled in questionnaires in total. The questions commenced with the names of the interviewee and permission was sought for the use of the names in the report. A summary of three marula suppliers’ stories drawn from the questionnaire and focus group discussions is available in Annexure 2. The questionnaire design and execution process was as follows:

- 2003-2005: Questionnaire design: Literature Review and analysis of DFID studies and questionnaires/surveys from previous Bushbuckridge based studies;
- August 2004- March 2005 Questionnaire Testing;
- April/May 2005 and Jan/Feb 2008 – Execution: Focus groups and Questionnaires.

Whilst the researcher worked hard to ensure the scientific and ethical application of the qualitative methods as planned, the threat of unplanned developments could not be avoided (Welman *et al.* 2005). The process of re-determining the boundary in Bushbuckridge commenced by the Municipal Demarcation Board in 2005 and finalized by national government in 2006 created suspicion in terms of outsiders asking questions. As the research used a participatory process which required openness and honesty, the researcher (on advice from local leaders) suspended focus groups from mid 2005 and 2006 so as not to compromise the research process. This period coincided with resignations at MNP and the significant loss of donor funding. The researcher used this period to deepen understanding on emerging trends from the research process (e.g. self employment, commodity associations/cooperatives and household-centred state interventions). Focus shifted to intensive transdisciplinary secondary research for data analysis (expanded in following section) to unpack these concepts. The researcher was privileged to participate in three international study tours partly funded by government and an NGO. The tours formed part of the small enterprise national programme that the researcher was part of. These were to India (April/May 2006), Chile (September 2006) and Israel (January 2007). The Indian tour focused on self help groups for enterprise and job creation. The visits were to Hand in Hand<sup>18</sup> in Chennai, Tamil Nadu and Self Employed Women's Association (SEWA) in Ahmedabad. The Chile visit focused on household-centred poverty reduction strategies driven by government in partnership with NGOs and private sector. The study tour to Israel focused on cooperatives with site visits to different kibbutzim, as well as attending a taught course on cooperatives *Decent Jobs Lead to an Equitable Society: The Cooperative Perspective* (Mahlati & Spinges 2007). This experience was valuable for appreciating contextual issues and exposure to alternative approaches and systems for economic mainstreaming. Chapters 3 and 6 draw from these experiences.

### iii. Direct Observation

Following the international visits, 2007 and 2008 were used to deepen literature search and observe the marula supply chain in action, from harvesting to transporting to factory with unstructured interviews. The observation covered the pre-harvest, harvesting and post-harvest period (February to June 2007

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<sup>18</sup> Hand in Hand (HiH) in a Public Charitable Trust aimed at building self reliance of disadvantaged groups through income generating programmes (HiH 2010). SEWA is an organization of poor self employed women (SEWA 2010).

and March to June 2008). The researcher spent a week a month during this period using direct observation methods and unstructured interviews (Welman *et al.* 2005). This period contributed immensely to appreciating the contextual situation of the marula supplying households and the thesis real-life examination. The process is summarised below:

- *Research Design Phase in 2004 & 2006*: Data recording sheets design commenced prior to sampling to analyse critical aspects of the marula chain and relations. This was revised after 2005 focus groups and international visits to also capture elements of self employment, organisation of production and the community's perspective of an enabling environment (particularly the perceived role of government).
- *Execution in 2007 and 2008*: Direct observations focused on production activities within the homesteads and community level, the supply chain and marketing system, as well as socioecological implications. Observations on harvesting targeted household and communal land areas around Thulamahashe, Acornhoek road, Allandale, and Edinburg. (Some Edinburg households also supplied Amarula plant in Phalaborwa). The protected areas (that is, small protected areas in Bushbuckridge and the Kruger National Park (KNP - near Punda Maria) were also included. This is where the researcher was introduced by the locals to the work of Prof Kas Holtzhausen (a citrus and deciduous fruit specialist) with interest in different marula varieties (pharulani, mharulana, ngwarulana) and the big marula tree (30m high with 40m canopy). Unstructured in-depth interviews were conducted with nine (9) harvesters (mostly family members of main suppliers) in both communal and protected areas, two personnel at protected areas, and six (6) suppliers at MNP (4) and Amarula (2) factories. The questions focused on the description of marula activities, players and roles. The aim was to uncover and explicate how the suppliers manage their situations and the difficulties they encounter. The researcher ensured that the direct observation occurred under natural circumstances and thus anonymity was guaranteed. A day would be spent on one spot during harvest watching different people come and go with observation notes taken. Other days were spent tracking transporting of marula fruit from trees to homestead, household production and transporting from homestead/village to factory. The data analysis methods are discussed in the following section with the results presented in Chapter 5.

## 2.4 PRIMARY DATA ANALYSIS

The marula primary data analysis followed the case study methodology. According to Francis (2004), case studies are written summaries or syntheses of real-life situations based on data and research. They isolate issues and analyse them against the background of both theory and the larger comparative environment. In the process, appropriate strategies for the resolution of the cases are identified before assessing the remedial options. The analysis considered the study objective and problem drawing from the multiple sources discussed in previous sections [questionnaires, field notes (observation and

unstructured interviews), focus group reports, record of in-depth structured and semi-structured interviews]. Before embarking on analysis the data was sorted. Sorting focused on three areas:

- Data that assists with understanding and describing the real-life situation and marula commercialisation;
- Identification of unique patterns; and
- Identification of emerging themes.

The process involved the cutting and sorting of the most important remarks with names and context. This assisted with the preparation of the case study narratives including the metaphors and analogies. There was an ongoing process of verification and clarification of particularly the vernacular expressions and indigenous characterisation with the researcher calling interviewees, relevant practitioners or experts, as well as revisiting sites. Attention then focused on content analysis and nominal measurement of key areas for emphasis illustrating the frequency of themes and sequencing (e.g. marula supplying households engaged in survival to entrepreneurial marula activity).

The next step was the cross-case analysis with categorisation of similarities and differences. The researcher also considered options for data presentation (systematic, visual representation of information to provide a descriptive explanatory framework of the investigation). As the research strategy was designed to accommodate both the validation of the problem and alternative solutions, the analysis of primary data against secondary data took a more systematic transdisciplinary approach described later. The strong consideration of previous research with resource limitations challenged the researcher to creatively draw a distinct line between what is known and what this study offers. Focus was on the creative exploitation of available data, whilst making explicit the new knowledge contribution. What was emerging was the potential contribution of rural household production through value chain action to macroeconomic circulation, and the constraints that thwart the realisation of this potential for the benefit of the rural households – Chapter 3 to 7).

## 2.5 THE TRANSDISCIPLINARY DATA ANALYSIS FRAMEWORK

Posch and Scholz (2006:222) acknowledge that the major challenge of transdisciplinary studies “lies in filtering out the most suitable pieces of research from the whole body of scientific knowledge and making them accessible in an appropriate and efficient way”. They also emphasise the need for combining analytical knowledge with systems understanding. To attain this balance and for effective data analysis the researcher designed a transdisciplinary knowledge-gathering method with thematic structuring intended to organise and structure the theoretical knowledge for efficient and effective use throughout the study. This is illustrated in Figure 7.

## Transdisciplinary Thematic Structuring Process

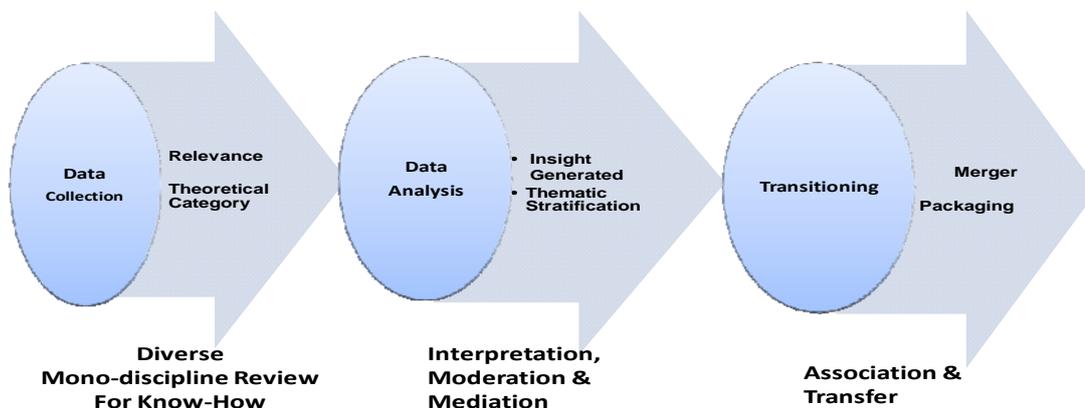


Figure 7: The Transdisciplinary Thematic Structuring Process

Source: Derived from Muhar (2007) and Posch & Scholz (2006)

The thematic structuring process resulted in the adoption of two theoretical/thematic approaches: The Paradigmatic Transdisciplinarity Approach and the Value-added Chain Approach (adapted from Muhar 2007). These are discussed below.

### i. The Paradigmatic Transdisciplinary Approach (PTA)

PTA is about overlapping theories operating across disciplines (Nicolescu 2002, Zeleza 2006). The focus is on shared beliefs integrated into a body of knowledge addressing specific concerns (paradigms). PTA draws from Muhar's (2007) Sectorial/disciplinary approach. According to Muhar, transdisciplinary sectors are arranged according to the most relevant disciplines or land uses (e.g. geology, agriculture, tourism, transport, health, education). The cross-boundary theories of PTA here are grounded in development theory, policy and practice. The application of PTA in this thesis uses excerpts or extracts from historical reviews, emphasising chronological development depicting phases and stages of development; thematic reviews highlighting debates between different schools and models; theoretical reviews analysing theories supported by empirical evidence (focusing on substantive, procedural and normative theories of development), and empirical reviews (case studies). PTA is used more for contextual environment analysis and framing (that is, the causal macro-factors).

To provide a holistic and integrative perspective, the excerpts factor behavioural, cultural and sociological conceptions of rural poor marginalisation (Magubane 2001, McClelland 1961, Lewis 1959, Seligson & Passe-Smith 1998). The developmentalist perspective captures both the diverse disciplines and land use. It draws primarily from development economics, social theories and ecological

economics. Central are the historico-political dimensions of pre- and post-colonial knowledge. The developmentalist perspective also extracts from African studies and feminism to address the structural and systemic issues perpetuating marginalisation and inequality. PTA assists in making sense of the disjuncture between the development goals and the sustainable trajectory (at one level), and the macroeconomic frameworks and institutional arrangements (at another level). It forms the basis for probing and addressing the contextual environment. The latter covers the enabling macro-framework and causal factors critical for inclusive and sustainable development. The application of PTA creates space for innovative change. Significant here is Swilling's (2008) reference to the nexus between governance, growth, institutional change, technological innovation and the ecological crisis. He offers a useful distinction in terms of diverse views of innovation

For development economists, innovation holds the key to the emergence of new value chains to drive new modes of growth. But, we must ask, innovation for what? For ecological economists, innovation is also the key to decoupling and the dematerialisation of existing production and consumption systems. Although innovation is central to both paradigms for different reasons, innovation potentially provides a point of convergence between post-neoliberal conceptions of economic development and solution-oriented approaches to ecological sustainability (2008:3).

## ii. The Value-added Chain Approach (VACA)

Muhar (2007) refers to VACA as the work packages installed around relevant value-added chains (e.g. forestry to the timber and furniture industry; farming to food processing, local trade and gastronomy). The researcher's use of VACA transcends supply-demand aspects of commodity chains to factor in human relations, territory and structuration. The significance of this approach is premised on the centrality of the rural households as producers and suppliers (demonstrated by the marula case study). It is also about the competitiveness of the rural space (Vink & Sandrey 2007). The study uses VACA to explore the economic potential of alternative food networks (Marsden & Murdoch 2006) building on rural-based social networks (Chapter 6). The theoretical base for VACA is mainly extracted from the agricultural economics field, Porter's value chain theories, and the emerging Value Chains in Rural Development (VCRD) Community of Practice (CoP) approach (Roduner 2004 & 2007). The focus is on investigating how approaches to agricultural commercialisation can be adapted to enhance existing potential and create mainstream opportunities for the benefit of poor rural areas and entrepreneurs. This refers specifically to pre-industrial peasant-type economies. VACA forms the basis for transactional environment analysis and framing, using the value chain analysis methodology described below.

## 2.6 VALUE CHAIN-BASED METHODOLOGICAL APPROACH

The value chain-based approach recognises value chains as both a system and a technique. The value chain system forms the basis of the proposed alternative rural economic development strategy for mainstreaming the rural households.

### 2.6.1 The Value Chain System

The literature on value chains focuses on Michael Porter's work since the 1980s as articulated and promoted by his first books on the subject. According to Porter (2004b), the value chain is a basic tool for diagnosing competitive advantage and finding ways to create and sustain it. His view is that every firm is a collection of activities performed to design, produce, market, deliver and support its product, and that all these activities can be represented using a value chain. According to Porter, value activities are the building blocks of competitive advantage and the "value chain is a system of interdependent activities" (2004b:59). The value chain is also viewed as playing a valuable role in designing organisational structure. Porter believes that a firm's value chain and the way it performs individual activities are a reflection of its history, its strategy, its approach to implementing its strategy, and the underlying economics of the activities themselves (2004b:59). The value chain system is characterised by interlinkages operating within an enabling and supportive environment as illustrated by Figure 8. The approach links local producers to local and global opportunities with accessibility of appropriate supply-side measures to develop human capabilities and improve productivity (Roduner 2007).

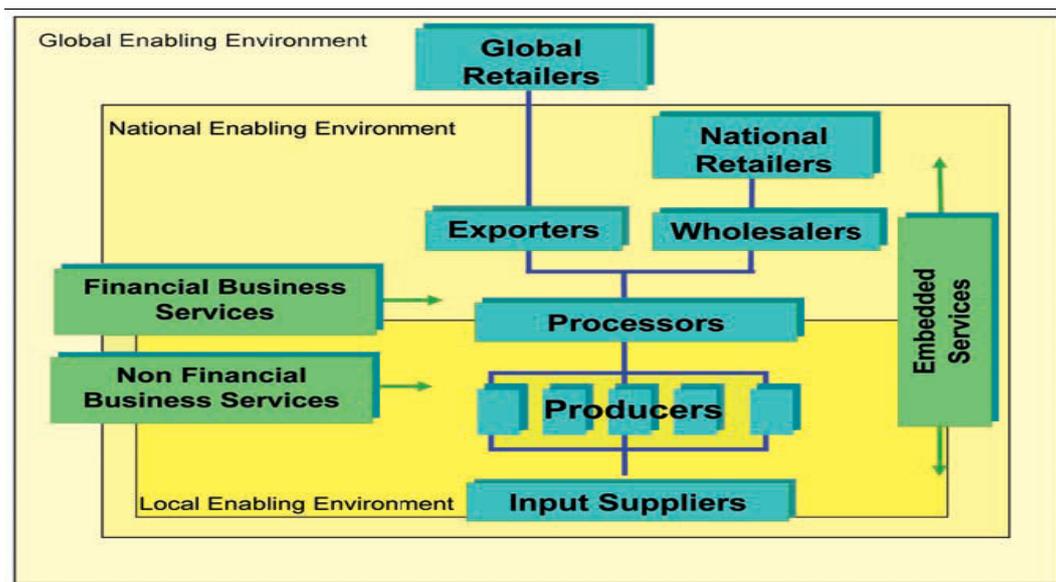


Figure 8: The Value Chain System

Source: Roduner (2007)

## 2.6.2 The Value Chain Technique

The discussion on value chains invariably introduces subsector and supply chain terminology. The value chain analysis technique is intricately linked to subsector and supply chain analysis. This section provides the definition of terms and clarifies the distinction. Marion and NC 117 Committee (1986) define a subsector as "an interdependent array of organisations, resources, laws and institutions involved in producing, processing and distributing an agricultural commodity". The subsector conceptual framework builds on the structure, conduct, performance framework developed by industrial organisation theorists such as Bain (in Scherer and Ross 1990). The approach provides a tool for analysing agricultural and food markets, particularly of commodities that involve several marketing stages and channels. It can also assist with analysing how policy changes and globalisation may affect an agricultural and food marketing system. It is however, limited in terms of analysing and addressing other areas critical to performance, like finance. Its scope is also broader and thus misses some of the commodity-specific intricacies. Roduner (2005) clarifies the difference between subsector analysis (SSA) and value chain analysis (VCA) showing that tools, methods and procedures for SSA could be very similar to those of VCA. The difference is said to lie in the focus. VCA looks at one market channel only, while SSA identifies the different channels within the overall subsector and then looks at the competitive relationships between those channels.

Other studies also refer to the value of pairing VCA and SSA in mainstreaming the marginalised informal economy. According to Morales-Nieto (2009:8-10), the value chain analysis refers to "the detailed description of sequential (primary and support activities) within a commodity and service system that turns inputs into value added outputs". Critical in his school of thought is the proposal for the mainstreaming of small and medium enterprise and business (SMEB) development into the commodity systems and value chains of large industries. His underlying assumption is that in most developing markets there are structural disconnections between large-scale and small-scale economies and enterprises within the same sector, industry and location. The value chain and subsector analyses are therefore viewed as critical techniques for analysing the structural and systemic issues relevant for designing a framework that mainstreams the rural poor. This thesis attempts to adapt Porter's firm value chain approach to household production and linkages. The following section introduces the adaptation of the methodology to the marula case study.

## 2.7 THE STRATEGIC IMPORTANCE OF VALUE CHAIN-BASED METHODOLOGY FOR MARULA COMMERCIALISATION

This section highlights the strategic importance of value chain-based methodology for mainstreaming rural household producers into a competitive global economy. The background it provides is regarded

as useful for contextualising the findings in Chapter 5. The sections above explained the value chain and commercialisation concepts and techniques. The data collection and analysis of commercialisation in this study focuses on the whole or parts of the marula fruit [in raw form (selling of fruit) or through primary production and processing]. Commercialisation extends to different parts of the marula tree (bark and leaves). Gamedze (1995) describes the marula tree as having a “pale grey bark, stout branchlets, pinnately-leaved leaflets” (1995:2). Marula trees growing naturally take about 20 years to fruit. Research shows improved planting material of grafted plants producing about 6000 to 7000 fruits within 8-9 years (Gamedze 2004). Underneath the thick yellow skin is the fruit’s flesh, rich in vitamin C, with kernels (nuts) rich in protein, oil, magnesium, phosphorus and potassium, as indicated in Figure 9. These components form part of the commercial value.

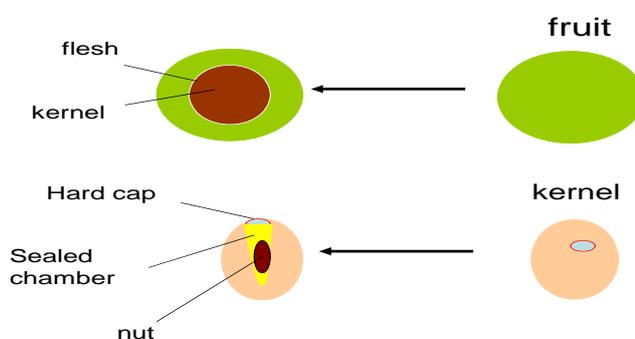


Figure 9: Marula Fruit

Source: Moyo (2005)

The link between commercialisation and value chains relates mainly to the production system and the marketing channel. This includes the production processes and related transactions (value addition linkages between producers/ suppliers, retailers, distributors, buyers and end users). Value chain methodology is used to analyse commercialisation approaches: commodity chain processes, linkages, roles, institutional arrangements, distribution of benefits and sustainability issues. The methodology further assists with framing the alternative approaches for the transcendence of “traditional”, “subsistence”, and “informal” producers and suppliers into effective “value chain actors”. The construct of value chain actors draws from Roduner (2007) who provides a useful differentiation of roles:

- *Value chain actors*: The chain of actors directly dealing with the products, i.e. produce, process, trade and own them;
- *Value chain supporters*: The services provided by various actors who never directly deal with the product but whose services add value to the product;

- *Value chain influencers*: The regulatory framework, policies, infrastructures, etc. (at local, national and international level) (2007:4).

The strategic advantage of value chains as a potential solution to rural development has recently been a subject of debate amongst some development agencies and academics. The researcher's preferred version that accommodates both private and community enterprises supported by non-governmental initiatives, comes out of work facilitated by the Swiss Agency for Development and Cooperation (SDC). The SDC<sup>19</sup> website indicates that the value chain approaches are helpful to generate added value, additional income and employment opportunities for small farmers and rural areas, and for other poor actors along a chain. The argument is that added value is to be understood not only as monetary, but also as other non-monetary benefits like improved know-how, social cohesion, and enhanced social standing.

## 2.7 CONCLUSION

This chapter unpacked the research strategy and methodological framework used to acquire and synthesise the knowledge and data that is deployed in the following chapters. It discussed the diverse methods applied (structured interviews, focus groups, questionnaires and direct observation with unstructured in-depth interviews). These used the transdisciplinary case study approach and value chain methodology to examine the real life situation of marula suppliers and compare commercialisation approaches of three marula enterprises (Amarula/Distell, MNP and Swazi Secrets). The chapter presented the comprehensive framework for the validation of the complex research problem. The latter relates to the current macro-environment with its socio-economic institutions and systems that do not enable the rural poor to effectively participate in, and benefit from, economic development programmes.

The next two chapters focus on the prevailing conceptions of rural development, in particular the underlying assumptions about the nature of rural households, household production and the wider connections into the macroeconomic framework. Emphasis is on problematising the theoretical underpinnings of macroframeworks, and the rural development paradigm while exposing the truths about rurality.

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<sup>19</sup> The Community of Practice on Value Chains in Rural Development (VCRD) online debate initiated by the Employment and Income Division of SDC in 2004 focusing on theories and methods of value-chain approaches. The initiative forms part of the SDC Focal Point for Development – A platform for information, exchange and learning (SDC 2004).

## CHAPTER 3

### REVIEWING RURAL DEVELOPMENT PARADIGM

#### 3.1 INTRODUCTION

This chapter uses the literature review to substantiate the research problem and arguments introduced in chapter 1. Focus is on the structural and systemic marginalisation of the rural poor households with macroeconomic policies that are not built on the basis of microeconomic reality. The discussion extends to the problematisation of the rural development paradigm and the argument of the “failure of the rural project”. The view of the failure builds on Ashley and Maxwell’s (2001) contention that rural development is in a troubled state. They point out that

Put briefly, it is that the crisis in rural development reflects a loss of confidence in the rural development “project” which has for long been central to the development effort. In policy terms, rural development has lacked a convincing narrative, offering manageable and internationally agreed solutions to clear well-understood problems (2001: 395).

The chapter unpacks the prevailing conceptions of rural development, in particular the meaning of rurality and the theoretical underpinnings of the rural development paradigm. The discussion is directed to the underlying assumptions about the nature of rural households, household production and the wider connections into the macroeconomic framework. It is designed to show the dominant knowledge base that is responsible for the way policy and interventions are configured.

#### 3.2 BACKGROUND ON RURAL DEVELOPMENT CONCEPTIONS

The study focuses the conceptual problematisation at four levels:

- The lack of clarity on the meaning of rural and the distorted spatial perspective;
- The narrowly-focused development goal of the current rural development paradigm with adhoc dependent-survivalist perpetuating interventions;
- Sectoral emphasis – “agriculturalisation” of rural development;
- A dualism-perpetuating macroeconomic theoretical framework that does not accommodate household production.

Central to these is the impact of the global market economic system on the spiral of deprivation. The 1999 UNDP Human Development Report pointed to the global integration process that is “uneven and

unbalanced". It reported that "the new rules of globalisation... focus on integrating global markets, neglecting the needs of people that markets cannot meet" (UNDP 1999:30). According to the report the process is concentrating power and marginalising the poor, both countries and people. The 2009 economic crisis as highlighted in Chapter 1 has further exacerbated this situation for particularly the rural poor. The opportunity to participate in the global economic system is constantly replaced by an increasing reliance on social grants for household income. The following sections expand.

### 3.3 THE MEANING OF RURAL AND THE SPATIAL DIMENSION

The meaning of "rural" at face value has been, and continues to be an assumed area of consensus that in reality does not exist. The ever-changing terminology globally complicates the situation even further. In South Africa the understanding and statistical measure of rurality is complex and confusing with racial and class undertones. This complexity and diversity of meaning stretches from the pre-colonial (Khoisan era); to the beginning of modernisation (industrialisation-era); the formalisation of oppressive regimes (the early British-Parliament-adopted South Africa Act of 1909, Land Act of 1913 and later, the apartheid rural with homeland/ Bantustan system) to the current post-apartheid rural (Chapter 4 expands). Fundamentally, the meaning of rurality is a national question and is central to the liberation struggle of Africans. Literature review points to political and historical paradigms characterised by colonisers and capitalists tempering with the nature and texture of rurality and its spatial dimensions for self-interest (Chapter 4).

While the political history is critical, of concern here is the belief that South Africa post-apartheid simply assimilated the pre 1994 distorted rural spatial dimensions and discriminatory institutions without an intensive structural and systemic redress agenda towards inclusivity and sustainability. "Rural" therefore continues to be racially, spatially, and from a gender and class perspective, a place of the poor with high inequalities and imbalances. What changes in an inconsistent and confusing manner is terminology. For instance the 1996 Statistics South Africa Census (StatsSA 1996) refers to urban and non-urban areas. The recent reports (Presidency 2009, Vink & Van Rooyen 2009, CSIR 2007) make mention of metropolitan (metro) and nonmetro areas with emphasis of former Bantustans in reference to rural. Figure 10 provides the post-apartheid population that indicates that rural South Africa is predominantly African. The picture depicts the exclusionary effects of apartheid spatial planning.

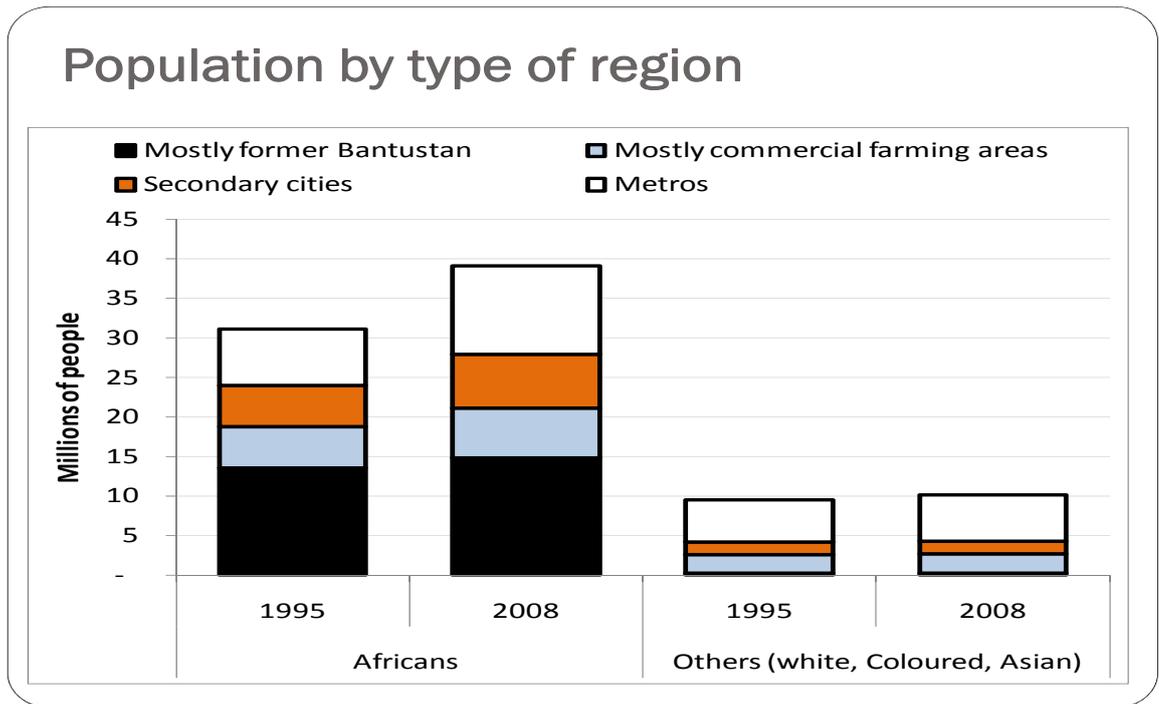


Figure 10: South African Population by Region

Source: Makgetla (2010)

The *Strategic Plan 2010-2013* of the Department of Rural Development and Land Reform (2010) defines "Rurality" to mean "a way of life, a state of mind and a culture which revolves around land, livestock, cropping and community". "Rural areas include all traditional communal areas, farmland, peri-urban areas, informal settlements and small rural towns where people have a number of possibilities to live from the land (2010:4). The question is whether the abandoned fields in former homelands still depict "a culture which revolves around land". A review of settlement patterns in South Africa shows concentration of the rural population in former homeland/Bantustan areas. These are the former Transkei, Ciskei – now part of Eastern Cape Province; KwaZulu – part of KwaZulu-Natal; KwaNdebele and KaNgwane – part of Mpumalanga; Lebowa, Venda, and Gazankulu – part of Limpopo; Bophuthatswana – part of North West; and Qwaqwa – part of Free State Province (StatsSa 2003, Presidency 2009). According to Statistics South Africa 2001 census (Stats SA 2003) 42,5 % of the population live in rural areas with Limpopo having the highest rural population (86.7%) followed by Eastern Cape (61.2%) and Mpumalanga (58.7). The map in Figure 11 below, using 2001 population census per 50 square kilometres, illustrates the population density in former homelands and cities (metros – Johannesburg, Tshwane, Ekurhuleni Cape Town, Durban, Port Elizabeth).

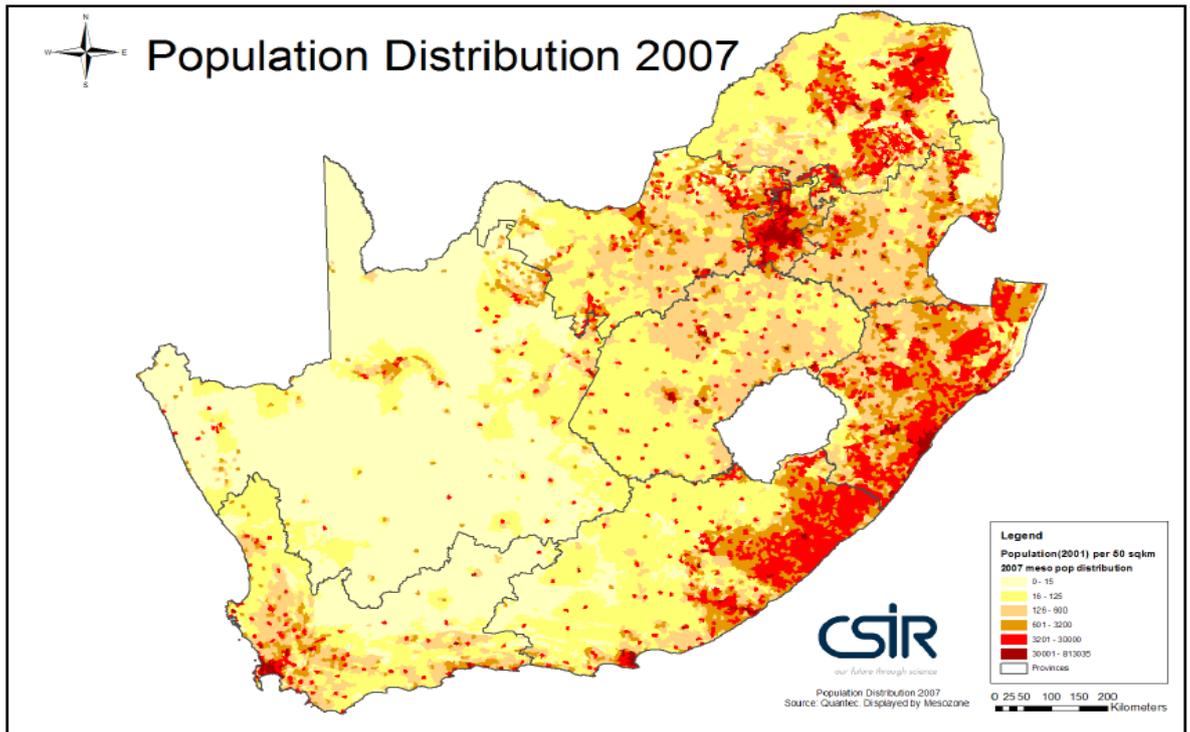


Figure 11: Population Distribution

Source: CSIR (2007)

This thesis asserts that clarity on the meaning of rurality is central to adequate conceptualisation of rural development. The facts presented in figures above point to the driving vision and norms of spatial planning that have not been adequately interrogated post-apartheid. Spatial planning continues to perpetuate an urban-biased inequality-entrenching development agenda. Smith (2007) asserts that spatial planning is concerned with space and place, the location and quality of social, economic and environmental changes from national to local levels. Normative drivers include sustainable, integrative, inclusive, value and action orientation. The next subsections highlight this point commencing with an exploration of what characterises rural areas.

### 3.3.1 Defining Rural: What Characterises Rural Areas?

Avila, Gasperini & Atchoarena (2005) estimate that the rural population represents 70% of the world's poor and 72% of the population of the Least Developed Countries (LDCs). The World Development Report (WDR 2008) indicates that three out of four poor people in developing countries – 883 million people – lived in rural areas in 2002, with most depending on agriculture for their livelihoods, directly or indirectly. The Report indicates that 1,5 billion of the world's 1,9 billion rural poor live in “transforming” countries, where agriculture contributes less to growth, yet poverty remains overwhelmingly rural. South Africa is classified as a transforming country in terms of the Report with the Sub-Saharan African

(SSA) countries “agriculture-based”. SSA countries are purported to constitute 280 million of the world’s 1.9 billion rural poor (WDR 2008).

The characterisation of rural areas is critical for understanding the human, socio-economic and environmental aspects of development. Important as well is the unpacking of the location, space and place to appreciate livelihood/productive activity, demographics, structures, and systems. Wiggins and Proctor (2001) emphasise the value of the rural space indicating that “[g]eographical theories of location tend to conclude that most activities will nucleate in towns” (p429). They assert that

it is the immobility of the natural resources that primarily defines the rural economic role. Farm lands, forests, water bodies, mineral deposits and the like are for most practical purposes immobile. We use them on site or not at all. Hence rural areas are usually the location for farming, forestry, quarrying, (inland) fishing and mining (2001:429).

Donovan and Mather (2004), provide an in-depth description of rural features from an analysis of cross-sectional household surveys, which include many sub-Saharan African countries. The surveys indicate that poverty is concentrated in rural areas with a very high incidence of HIV/AIDS. The pandemic is viewed to have substantially reduced life expectancy, with a profound impact on labour availability. The authors highlight the problem of lack of health care facilities, and more specifically testing facilities to identify the presence of HIV. A study for the World Bank (Narayan, Chambers, Shah & Petesch 2000) also showed that the places of the poor are lacking infrastructure and services with poor sanitation and unfavourable geography.

The South African rural landscape is characterised by spectacular countryside panoramic views and valuable resources. However, areas of underdevelopment exist, even though the rate of urbanisation has been faster with impressive material prosperity. The rural life is fraught with infrastructural problems, communication networks that are substandard (poor roads/transport services) as well as poor access to basic services (water, sanitation) (Allan & Heese 2008). Figure 12 below highlights the discrepancies that point to poorest services in former Bantustan areas.

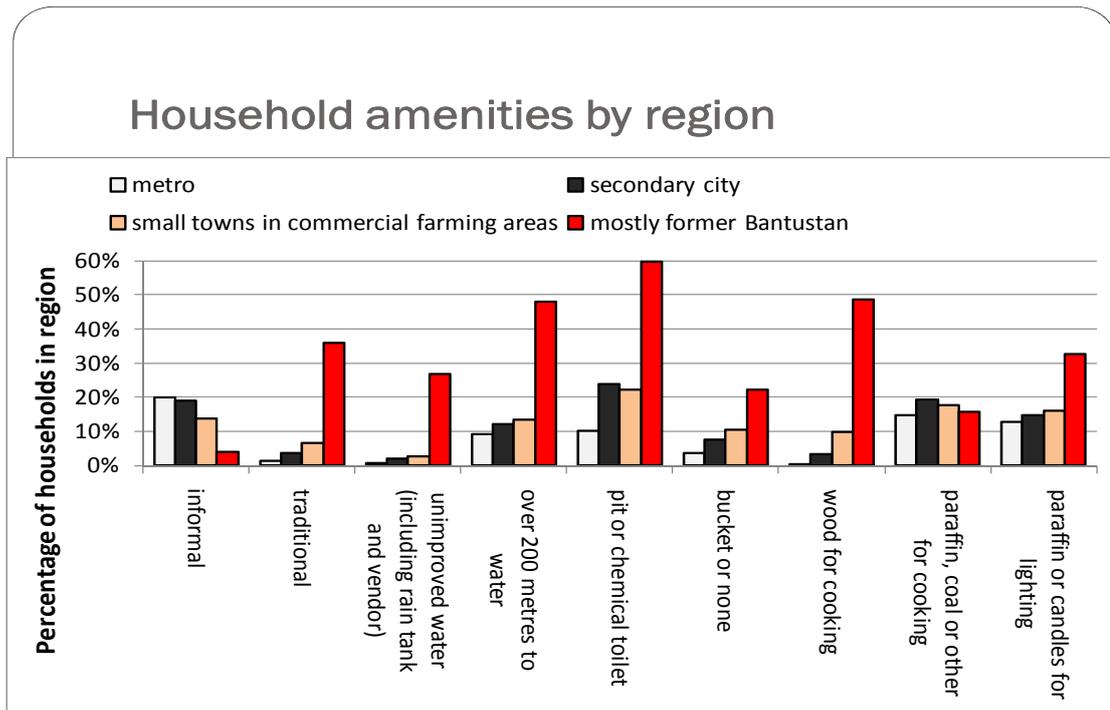


Figure 12: South Africa’s Household Amenities by Region

Source: Makgetla (2010)

However, the picture is not doom and gloom. *Development Indicators 2009* (Presidency 2009) shows an improvement in the “household community assets” sector, with progress in electricity, housing, sanitation and water infrastructure (2009:26-33). It is notable that the percentage of households with access to water infrastructure increased from 61.7% in 1994 to 91.8% in March 2009. More important for rural areas is that the number of access to free basic water has increased to over 11 million in the 2008/9 financial year. The Report indicates that “South Africa has surpassed the Millennium Development Goal (MDG) of halving the proportion of people without sustainable water and is likely to achieve the 2014 goal of universal access to potable water, despite the challenge of ever-increasing number of households” (2009:27). This achievement is commendable. The concern, however, is the focus on quantity (how many) as opposed to quality (effectiveness and efficiency critical for household productivity). The findings of deteriorating water quality contained in the *Green Drop Regulatory Card 2009* (South Africa DWAF 2010) are alarming. The document highlighted problems with water treatment works, the crumbling sewerage infrastructure and the poor capacity of municipalities. Even more concerning is the reference to the low capacity of rural municipalities in the light of rural basic service delivery backlogs (Allan & Heese 2008). The *Pretoria News* (2008) reported that 50% of municipalities do not even have one qualified engineer in their staff.

The Draft Anti-Poverty Strategy Report indicates that poverty is highest in former homelands (PCAS 2008c). According to Vink and Van Rooyen (2009:14), of the estimated 8 million households living in the

“non-metro areas” of South Africa, 17% or 1.3 million households have access to land for farming purposes. Geographically, these households are clustered in the former homeland areas. The authors indicate that the majority of households (64.5 %) have access to small pieces of agricultural land (less than 0.5 hectares), with 2.7 % having access to 20+ hectares. “The most important source of income for the majority of these farmers is from social grants, such as pensions and child support grants. Some 96% of household heads are black, and 56.5% household heads are women (2009:13)”. They highlight that these households undertake farming to supplement household food requirements, adopting a transitional type of livelihood portfolio with farming undertaken only when other sources of income fall away.

Critical aspects that characterise rural areas are highlighted by the marula case study secondary data (Shackleton & Shackleton 2002; Shackleton *et al.* 2002). They include the prominent use of traditional practices as part of sustaining livelihoods with communal land ownership governed by traditional structures (chiefs, izinduna). The traditional practices extend to socio-cultural activities (customs and rituals), with pronounced socioecological (human-environment) and gender dimensions. The latter underscores a very important trend of the feminisation of rural areas with an increase in women-headed households. The discussion on marula findings provides more details.

### 3.3.2 The Spatial Dimension of Rurality

This section focuses on urbanisation as it forms and influences the rural development discourse and reality. The researcher argues that rapid urbanisation with rural neglect has entrenched rather than balanced the distorted pro-urban development agenda in South Africa. Also, the association of economic development with urban opportunity in an environment of jobless and high-skill-level-growth has led to disappointments. The poor and traditionally-skilled that migrate have faced increasing urban poverty and informality (May & Meth 2007, Presidency 2009). Singh (1999:27) highlights the problematic “tendency among economists to consider urbanisation as an index of development”. Cross (2008) and Gelderblom (2007) also indicate that in terms of the rural poor, evidence points to their marginalisation and exclusion that disempowers them from migrating. Disempowering factors include low levels of education and reliance on traditional skills with unaffordable transport costs as they tend to reside far from the main labour markets. An interesting dynamic however is the increasing remittance transfer from rural to urban areas as opposed to the trend of urban migrant remittances to rural households in Southern Africa. FinScope Zambia 2009 indicated that 52% of remittances were from those residing in rural areas and 48% the urban migrants. Similar trends were found in South Africa (FinMark Trust 2010). The urbanisation trend that perpetuates skewed development according to Singh (1999:27) emanates from the continued existence of

a small but highly modern and developed urban sector, which absorbs most of the material, financial and educated and talented manpower resources; on the other hand, a very large but traditional and underdeveloped rural subsector, characterised by poverty, unemployment and low productivity, which forms the majority of the population. In many developing countries, both subsectors coexist, but without those linkages between them that were once the main factors which contributed to the development of today's developed countries.

Singh criticises the “dogma” of rural development with proponents who tend to either disregard or underplay the linkages between the rural and the urban subsectors of the economy. This points to the importance of understanding the meaning, nature and form of linkages, viewed central to macroeconomic policy problematisation. The recent World Bank's proposed policies and strategies are worrisome as they are viewed to entrench a skewed pro-urban agenda. Whilst the reality of urbanisation cannot be denied with the importance of urban development recognised, the concern is the strategic focus that does not consider the reality of rurality. The World Bank's Report (WDR 2009) on “Reshaping Economic Geography” is a case in point. Its principles and arguments sounded valid at face value. These indicate that places do well when they promote transformations along the three dimensions of economic geography, that is, density, distance and division. However, the urban-bias undertones and perceptions of rural households as urban labour fodder have raised apprehension of dualism backlash with the danger of entrenchment of skewed growth and development. More concerning were the comments by proponents of the World Bank approach (Shanta Devarajan, the chief economist of the World Bank's Africa Region and Indermit Gill, the director of the Report), at a time when cities are overwhelmed by unemployment and poverty (Presidency 2009). Devarajan and Gill argued that urbanisation and labour mobility are critical for containing the spill-over effects of the global financial crisis. Gill was quoted in the South African *Business Day* (November 2008:2) stating that, “contrary to what many believe, if urbanisation is done right, it can help development more in Africa than anywhere else...Living standards are much higher in Africa's cities than in rural areas, and so if this process is managed better, there could be great gains in productivity and poverty reduction”. While that sounds correct the concern was the recommendation that in hinterland districts (such as the Limpopo valley) investment should be in people – education, health and other social infrastructure, “rather than in places”.

The problematisation of urbanisation as an index of development is however not limited to the problem of labour absorption. Kamete (2004) points to the ecological threshold of urbanisation, particularly the mutually reinforcing processes of urbanisation and industrialisation notorious for exerting pressure on society and nature. The paper recognises that cities and towns have become centres of productive activities essential to the wellbeing of many developing countries. “However, the very fact that urbanisation and industrialisation are characterised respectively, by population concentration and

heightened productive economic activity, means that these processes inevitably affect human and physical environments" (2004:664). Critical here is the assertion that "[h]ow the human and environmental components are exactly affected depends, to a large extent, on the macroeconomic and socio-political context, as well as the policy framework within which they operate".

The discussion on the spatial dimension brings to the fore the association of "urban" with "economic prosperity and productivism", and "rural" with "supply of labour, grant beneficiaries and survivalism". This thesis therefore proposes a productive perspective that considers "rural" together with "urban" for rural-urban integration. The approach takes the cue from Tacoli (in Carney 1998) who cautions that the division between "urban" and "rural" policies is based on the assumption that the physical distinction between the two areas is self-explanatory and uncontroversial. She indicates that demographic and economic criteria used to define what is "urban" and what is "rural" can vary widely between nations, making generalisations problematic. The intention however is not to be stuck in the narrow rural-urban-bias debate. Satterthwaite and Tacoli (2003) caution against the latter and argue that the straddling of the rural-urban divide is usually ignored by policy makers, and that the rigid division between "rural" and "urban" on the part of sectoral strategies actually makes life more difficult for low-income groups. They further assert that the notion of a divide has become a misleading metaphor, one that oversimplifies and even distorts the realities. They shift the focus to the significant synergies between many rural and urban interests as a consequence of the growing strength of the links in the rural-urban continuum.

### **3.4 CHALLENGING THE DEVELOPMENT GOAL OF THE CURRENT RURAL DEVELOPMENT PARADIGM**

Here the inquiry centres on the overall development goal as a driver for inclusive and sustainable change in rural areas. Central to the goal is the spatial vision which should take into consideration the social, political, economic and environmental agenda. The previous section discussed the problematic narrow focus on rural *versus* urban agenda raising questions about the spatial vision and the adequacy of the spatial frameworks. The latter include the Development Facilitation Act No. 67 of 1995 (DFA), the White Paper on Spatial Planning and Land Use Management published in 2001, and the National Spatial Development Perspective (NSDP) launched in 2006. The DFA review highlighted that, "the complexity that the DFA was developed to address, still exists today and is further exacerbated by poor capacity in municipalities to plan for and take decisions around land development. There are some areas (former homelands) where there is no other legislation applicable" (Urban Landmark 2010: vi). This gap was identified by the January 2003 Cabinet Lekgotla with the Presidency commissioned to find a solution (PCAS 2004a). The overarching purpose of the assignment was to contribute to the achievement of the common objectives and outcomes of the State with respect to economic growth and development by improving integration and alignment across the three spheres of government. In the

May 2003 State of the Nation Address, the President called for the harmonisation of the NSDP, the Provincial Growth and Development Strategies (PGDS) and the municipal Integrated Development Plans (IDPs) (PCAS 2004a). The question remains, what drives rural development? Is it poverty relief or reduction or eradication with welfarist approaches? Or is it development through trickle-down growth? The following discussion turns attention to the notion of “rural synonymous with poor” and implications on the development goal. It also deals with the concept of “growth as development”.

### 3.4.1 Rural Synonymous with Poor

Mkandawire's (2005) asserts that ideologies play an important role in the choice of instruments used to address problems of poverty, inequality and insecurity. Thus a critical review of the driving agenda as well as the rationale and assumptions for state intervention is necessary. The problematic notion of rural synonymous is argued to be a conceptualisation problem which is demonstrated by the State intervention in rural areas. Central is the identification of “rural areas” or “rural people” in the same way as identifying poverty. This however does not deny the reality that poverty remains disproportionately a rural phenomenon. This thesis attributes the poverty identity to a structural and systemic problem as the rural poor are constrained by asset disempowerment, and incapability to leverage their limited assets and value creation potential. According to Perez (2003), rural poverty is a worldwide social, cultural and economic phenomenon that affects a significant population group. This extends to the fact that it simultaneously affects urban areas by means of the migratory flows towards the cities and urban centres, resulting in a multiplied phenomenon that contributes to the development of social inequalities and conflicts (2003:108).

The critique here centres on the victim paternalistic perspective of the rural poor with welfarist approaches as opposed to enhancing the potential of the people and space within a rural-urban continuum and complex interconnections. This results in the goals of intervention being limited to vulnerability or absolute poverty reduction as opposed to capability enhancement for self-reliance and sustainability. Sen (1999: xii) argues that “the linkages between different types of freedoms are empirical and causal, rather than constitutive and compositional”. He proposes an integrated analysis of economic, social, and political activities to get to a lasting solution. This includes investigation of institutions in terms of their contribution to enhancing and guaranteeing the substantive freedoms of individuals, seen as active agents of change, rather than as passive recipients of dispensed benefits. This approach resonates with the researcher as it focuses strategic interventions and outcomes on a holistic, sustainable development goal with poverty reduction as a means and one of the key pillars of rural development. Such a perspective provides an improvement to Chambers's (1983) poverty-focused definition of rural development as a

strategy to enable a specific group of people, poor rural women and men, to gain for themselves and their children more of what they want and need. It involves helping the poorest among those who seek livelihood in the rural areas to demand and control more of the benefits of development (1983:147).

This narrow definition does not sufficiently consider the multi-dimensional macro- and micro determinants of development in general, and as they relate to the rural people and space. The concern stretches to the definition by the Department of Rural Development and Land Reform's (2010:4) which states that: "Rural development is about enabling rural people to take control of their destiny, thereby dealing effectively with rural poverty through optimal use and management of natural resources". Madu (2003) provides an alternative view to rural development with emphasis on the improvement of the spatial and socioeconomic environment of rural space, leading to the enhancement of the individual's ability to care for and sustain well-being.

### **3.6.2 Growth as Development**

The critique here is on the neoliberal economic conceptions of growth as development. Literature review traces the origins of the growth agenda from classical economists. According to Smith (1776), the key to national wealth and power was growth. He argued that economic growth was a consequence of the increasing division of labour and capital accumulation associated with expanded production and investment. Integral to this was an expansion of markets and exchange, that is, trade. Smith rejected the mercantilist pursuit of wealth through the regulation and restriction of trade. Among the classical economic growth theorists is Rostow (1990), who believed that underdevelopment and gaps between the rich and poor were short-term and that they would disappear as countries became rich. Inherent in the growth model is the belief that growth that mainly benefits the rich will "trickle down" to reach the poor for social change (Lewis 1954). The arguments in Chapter 1 referred to the problematic neoliberal conceptions. Different sections of this chapter address the different aspects of these conceptions.

The problematisation of "growth as development" in terms of the rural development goal, relates to its reductionist tendencies and the exclusive nature as well as the perpetuation of the unjust equilibrium. This recognises the reality that growth has been generally accepted as a factor in the definition and measurement of development. The Gross domestic Product (GDP) as a measure of growth remains reductionist excluding the majority of rural value actors, particularly rural households. GDP is defined as the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports (Moss 2007).

The shortcomings of GDP as an indicator have led to the design of alternative methods that mainly draw from and seek to integrate social theories. These include the social indicator of the United Nations Research Institute for Social Development (UNRISD) and the World Bank. The Human Development Index (HDI) of the United Nations Development Program (UNDP HDR 2009) has achieved widespread recognition and use. HDI is used as a yardstick for development to publish scores computed from equally weighted measures of life expectancy, education and income released annually from 1990 in its *Human Development Report*. Recent alternatives include the concept of pro-poor growth – defined *ex post* as the type of growth that disproportionately benefits the poor. Klasen (2001), one of its proponents, has gone further to look at policies that produce pro-poor growth, but critics of these policies argue that they are not clear (Cagatay & Erturk 2004). Other alternatives include the Index of Sustainable Economic Welfare (ISEW) that takes social and environmental costs and benefits into account. This uses the genuine progress indicator (GPI), which attempts to shift the prevailing definition of progress from economic growth to people’s sense of quality of life (Leonardi 2006). According to Leonardi, the GPI assigns value to the life-sustaining functions of households, communities and the natural environment in such a way that the destruction of these and their replacement with commoditised substitutes do not appear as growth and gain (2006:6). Its proponents, Venetoulis and Cobb (2004:3), concede that GPI cannot accurately reflect everything of value in an economy – or life, for that matter.

The impact of these alternative efforts has not fundamentally shifted the focus to inclusive and equitable growth and development. The World Conference on Agrarian Reform and Rural Development (WCARRD) emphasises that the transformation of rural life must be pursued by policies which allow growth to be reached in an equitable way, through redistribution of the economic and political power and people’s participation (Leite & Avilla 2006).

A recent development relevant to this thesis is the conception of “inclusive growth” adopted as a national vision by India. According to the India 2039 Vision report by Centennial Group (CG 2009:34) the vision “focuses on how the excluded groups can participate in aggregate growth – that is, how can government policy directly and indirectly bring the benefits of growth to all”. Gokarn<sup>20</sup> (2007) defines “inclusive growth” as a process, in which economic growth, measured by a sustained expansion in GDP, contributes to an enlargement of the scale and scope of the following four dimensions. These are opportunity, capability, access and security.

The researcher therefore places the study topic of *establishing viable and sustainable rural development programmes* within an *inclusive and sustainable development conceptual framework* in an

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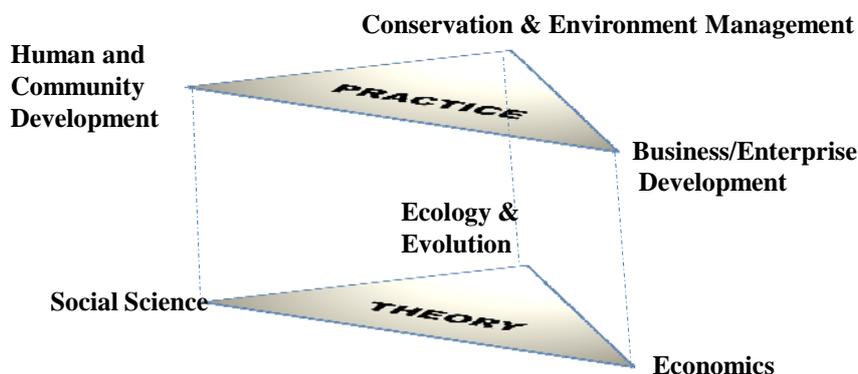
<sup>20</sup> Chief Economist at Standard & Poor’s Asia-Pacific.

attempt to propose strategies for addressing the spiral of deprivation. The concept of sustainable development is widely accepted as described by the World Commission on Environment and Development (WCED) as "...development [in particular to benefit the poor] that meets the needs of the present without compromising the ability of future generations to meet their needs" (UNDP 1987:43). WCED further describes the key conditions for achieving sustainable development:

- Economic growth that is significantly greater than population growth;
- Population size and growth that are in harmony with the changing productive potential of the eco-system;
- Changes in the exploitation of resources, direction of investments, orientation of technological development and institutions that are consistent with future as well as present needs; and
- Equitable access to resources to enable social growth.

There is however no agreed-upon and common definition of inclusive development (Rauniyar & Kanbur 2009). Literature reviewed makes a distinction between inclusive development and growth. Inclusion in this context responds to the exclusion and disbaring of the disadvantaged and discriminated. It is a transformative measure intended to correct and address marginalisation and structural incapacitation. Its core principles are freedom, equity, equality and social justice (Sen 1992 & 1999). Rauniyar and Kanbur (2010) indicate that inclusive development means access to benefits by all those that are poor, particularly women and children, minority groups, the extremely poor in the rural areas, and those pushed below the poverty line by natural and human-made disasters. According to them "development" brings into play dimensions of well-being beyond simply income, while "inclusive" focuses attention on the distribution of well-being in society. Chibba (2008) attributes the emergence of the inclusive development concept to the demise of the neoliberal ideology. He offers a practical approach proposing interventions that enhance governance and promote effective institutions, sound economic policies, and cultural and socio-economic considerations in policymaking and implementation.

**This study proposes a development goal premised on a transdisciplinary, inclusive and sustainable conceptual framework that covers the rural-urban continuum with growth and development a function of an "integrative synthesis" of social, economic and ecological systems** as illustrated in Figure 13 below. The integrative synthesis refers to the complexity-based conceptualisation with non-linear, multi-dimensional components and sub-systems (Yorque *et al.* 2002). It is used to analyse marula case study findings as well as a basis for alternative strategies proposed in later chapters.



“Vertices of the triangle of practice resting on theoretical foundations”

Figure 13: The Integrative Synthesis

Source: Adapted from Yorque *et al.* (2002)

### 3.5 “AGRICULTURALISATION” OF RURAL DEVELOPMENT

Aliber, Baipheti, and Jacobs (2008:7) state that

Agriculture is often held up as a sector in which much employment can be created, not least because it is allegedly characterised by a relatively low cost-per-job. However, long-term trends in South Africa suggest that – at least in terms of employment on commercial farms – agriculture as a source of employment is in decline...Despite this apparently bleak picture, the potential contribution of agriculture in pursuit of national objectives of job creation and poverty reduction is and will remain an urgent issue.

The critique of the “agriculturalisation” of rural development conceptualisation however recognises the value of agriculture not just in job creation or poverty reduction, but in sustainable growth and development. The main concern is about the policy imperatives and conceptualisation of strategic frameworks that position agriculture as a driving transformational agenda capable of redressing structural imbalances. Central is the continuous disregard of the multi-dimensional nature of rural development, constituting diverse sectors beyond agriculture, with a spatial as opposed to just a sectoral definition (Madu 2003, 2007). In introducing the *Strategic Plan 2010-2013* with the Comprehensive Rural Development Programme (CRDP), Minister Nkwinti (Department of Rural

Development 2010:2) emphasised the strategy is about “agrarian reform” – interpreted to denote ‘a rapid and fundamental change in the relations (systems and patterns of ownership and control) of land, livestock, cropping and community”.

Whilst the strategy is broadened to include critical assets such as human capital, physical infrastructure and basic services, the narrow agro-emphasis on land, livestock and cropping remains problematic conceptually. Central is the elementary focus on farming activity as opposed to the multiple non-farming dimensions at household level critical for survival, as well as equitable and sustainable existence. The limited agro-focus on land also misses the reality that land is not only a means of production; but also a means of gaining wealth, prestige and power. Therefore, more equitable redistribution of land (extending to gender equality) would lead not only to an increase in the economic assets held by the poorest people, but also an increase in their political power and socio-economic participation (Leite & Avilla 2006). Figure 14 provides the essence of the newly formed strategy.

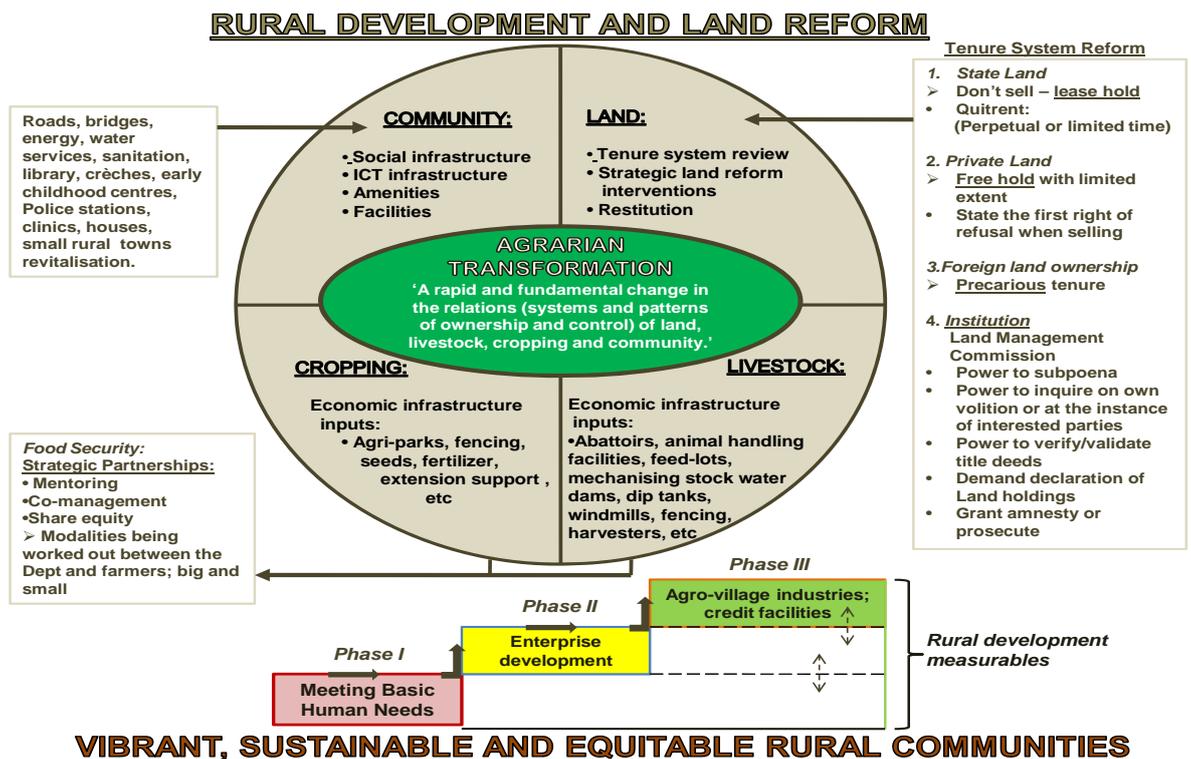


Figure 14: South Africa’s Rural Development Strategy

Source: Department of Rural Development and Land reform (2010)

Fundamentally the “agriculturalisation” of rural development in South Africa is not viable, nor sustainable. Trends on the state of agriculture point to declines in employment, income to poor households, GDP contribution, marginal competitiveness with increasing imports (Vink & Van Rooyen 2009, Aliber *et al.* 2008). The draft South African Anti-Poverty Strategy launched in 2008 indicates that

with over 40 per cent of the South African population rural, only 10 per cent are working in agriculture as opposed to the international norm of 50 per cent rural and 40 per cent working in agriculture (PCAS 2008c). Significantly, the Food and Agriculture Organisation (FAO) found that the gap between the size of the rural population and farm employment was higher in South Africa than in virtually any other developing country (see Figure 15).

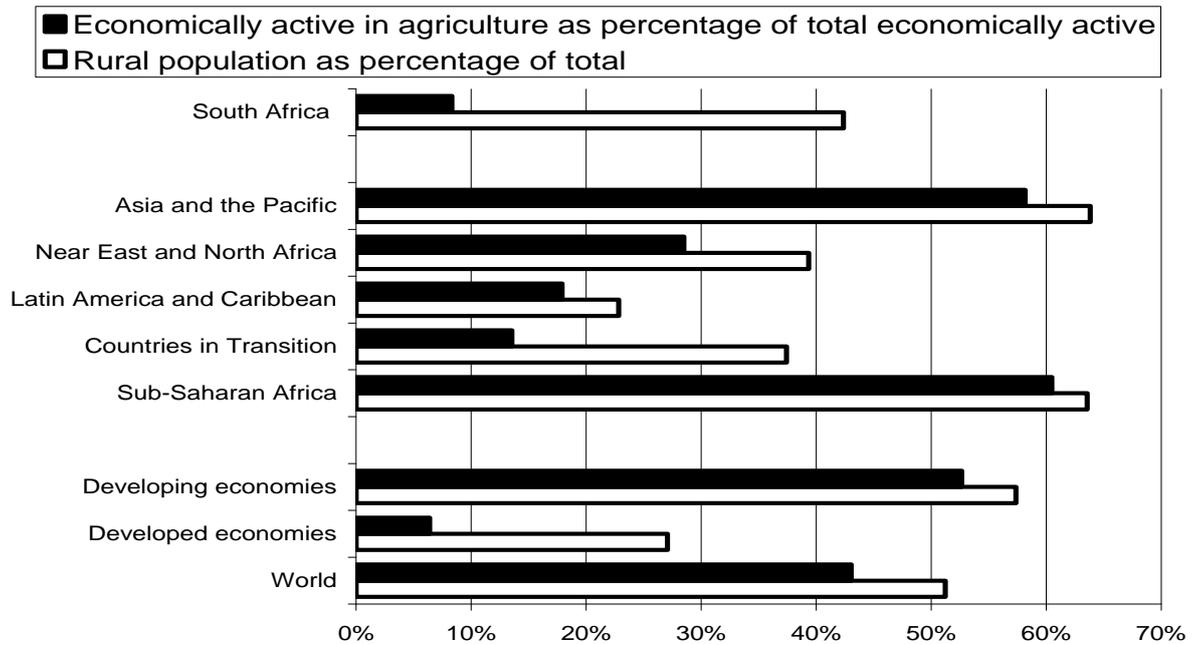


Figure 15: Rural Population and Agricultural Employment in South Africa Compared to the Rest of the World, 2004

Source: PCAS (2008c) from FAO, *The State of Food and Agriculture* (2006)

Figure 16 provides a closer analysis of the employment trends nationally revealing an agricultural employment downward trend from 1970 to 2009 with a significant private household contribution emerging post-1994.

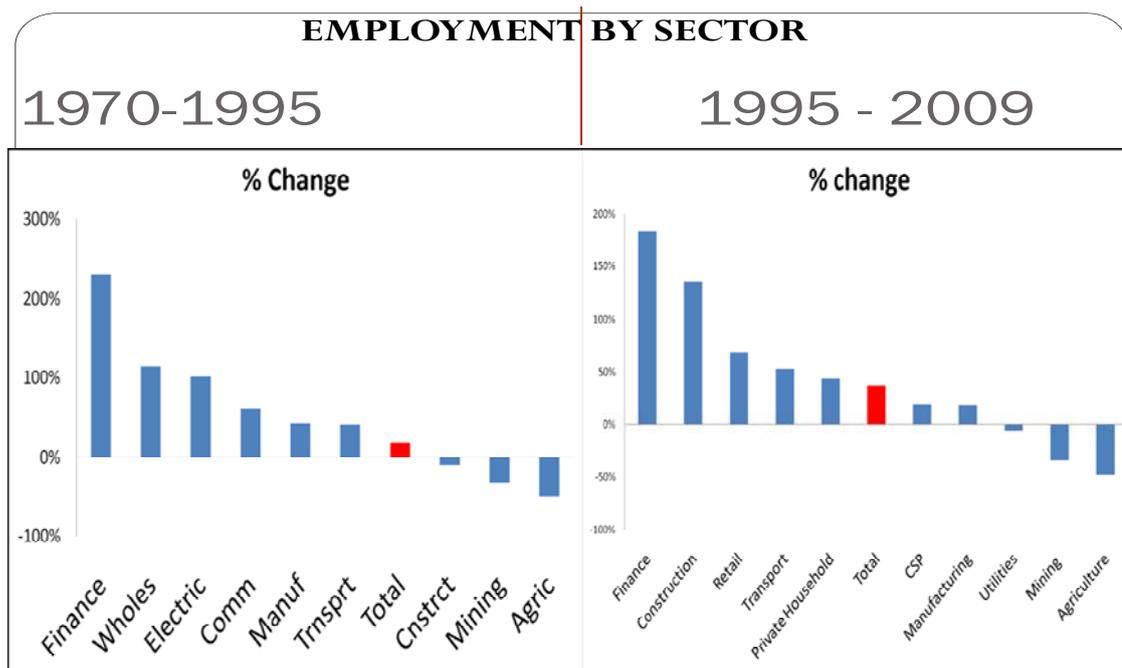


Figure 16: South Africa - Employment by Sector

Source: NPC (2011) from Sassa (OHS, 1995; LFS 2001; QLFS, 2008, 2010)

Statistics South Africa in its *Guide to the Quarterly Labour Force Survey* (Stats SA 2008) discusses the redesigned labour market survey (LFS) which resulted in changes to the survey methodology, unleashing new household information. The first LFS was conducted in 2000 expanding on the annual October Household Survey (OHS). The methodology introduced the dwelling unit approach “adopted because households are mobile and cannot easily be tracked. The unit of sampling is therefore the dwelling unit and the unit of observation is the household” (2008:1). This advancement, while still not comprehensive, is a major contributor to the recommended alternative approaches mooted by this thesis. Berdegué and Escobar (2001) in their analysis of the impact on poverty of agricultural innovation processes concluded that not all poor rural households are agriculturalists, and agriculture is not the best avenue for reducing income poverty for all rural households. Given the heterogeneity in the assets and contexts of the poor, and of the determinants of poverty, they argue that it is no surprise that rural households pursue a number of different livelihood strategies. They indicate that the agricultural path out of income poverty is relevant only to those who have access to sufficient land and other assets relevant to agricultural production. WDR (2008) highlights the increasing trend of moving beyond the farm (2008: Ch 9). The Report concludes that off-farm economic activities offer employment opportunities for both males and females, with up to 20% of adult males in Sub-Saharan Africa (SSA) employed off-farm. The Report indicates that in Chile, rural non-farm employment rose from 25 percent of total rural employment in 1960 to 49 percent by 2002, and in Brazil from 14 percent to 31 percent. The next section expands on the constraining factors of the macroeconomic framework.

### 3.6 THE MACROECONOMIC FRAMEWORK AND THE HOUSEHOLD PRODUCTIVE PERSPECTIVE

The discussion here focuses on the selective detachment between the macroeconomic framework and micro reality as it relates to the failure of structural transformation of the rural traditional sector and mainstreaming of household producers. The research strategy contextualises rural economic development within the rural development paradigm and macroeconomic framework. Economic development is thus treated as one of the strategic pillars or thrusts of rural development as illustrated in Figure 13. Critical here is the differentiation between “economic growth” and “economic development”, with growth perceived as a means and a critical path of sustainable economic development. This distinction between economic growth and economic development is traced back to welfare economists and early development economists (Lewis 1954; Solow 1956; Kuznets 1961; Schultz 1975).

Todaro (2006) and Todaro & Smith (2009) provide a comprehensive definition of economic development. According to them, economic development is a sustainable process of structural change in which real per capita output increases, with wider participation in the production and consumption of output, to such an extent that an increasing proportion of the population experiences an improvement in its level of economic welfare (Todaro 2006). While the definition provides a welcome shift, Todaro & Smith (2009) underscore the challenge of measuring economic development, which pertains to devising a quantifiable measure or indicator for each of the dimensions of economic development, and combining appropriate indicators for each dimension into a single indicator of economic development. Therefore, rural economic development (for this thesis) is about factoring the spatial dimensions (rural-urban) and the reality of the rural populace to Todaro’s definition. It includes not only agriculture but various sectors (mining, tourism, biodiversity) as well as manufacturing, trade, construction, transportation and services. Central is the resource ownership and allocation by households, and their choices of income strategies as enabled by institutions and policies. Innermost to the economic development is the market economic system that regulates participation and transcendence of assets to capital. The spiral of deprivation and structural incapacitation of rural value chain actors is to a large extent argued to be a result of a structural fault in the market system and the macroeconomic framework that influences it.

Varian (1996:18) asserts that economics proceeds by making models of social phenomena, which are simplified representations of reality. It can thus be argued that the organisation of production and the shift from the overwhelmingly agrarian era to the industrial era was based on the pioneering developed nations’ social phenomena. Singh (1999) highlights that many developing countries established highly capital-intensive and sophisticated industrial enterprises similar to those in developed countries. He

argues that such efforts “have often led to bitter disappointment when the desired results failed to materialise...because they are built at the expense of enterprises that meet the basic needs of people” (Singh 1999:28). No one can dispute the contribution of industrialisation to modern prosperity, but the concern is ownership, benefit, as well as the culture and nature of institutions/business systems that tend to disregard local reality. The idea is to borrow intelligently from foreign/global models with local reality at the centre of conceptualisation and implementation.

The researcher’s contention is that the shift in the organisation of production from the traditional/subsistence agriculture, “small craftsmen” and home industry in most colonised developing countries resulted in foreign-owned and led industries with less recognition and appreciation of home production and the traditional sectors that served local interests. The economic system that ensued accommodated mainly the foreign capital interests with marginalization of especially the rural poor. Hayami & Godo (2005), Chayanov (1966) and Heaton (1948) provide an insightful account of peasant economy transformation. In South Africa this shift was also politically manipulated. Andrew and Fox (2004:690) state that, “subsistence producers were converted into peasants (with occasional involvement in migrant labour), and then into migrant labourers who depended heavily on their wages for their survival and wellbeing”. They point to evidence of a long history of growing peasant production during the colonial period until the 1930s that was disrupted by oppressive regimes (Chapter 4 expands).

**Table 4: Shifts in the Organisation of Production**

PRE-FORDIST SYSTEM		FORDIST SYSTEM		POST-FORDIST SYSTEM
Economic growth since Agricultural & Industrial Revolution	1 <sup>ST</sup> GREAT INDUS- TRIAL DIVIDE	Unprecedented economic growth from 1945 to 1960’s when levels of productivity began to decline Rising living standards, rising profits, economic stability and social harmony	2 <sup>ND</sup> GREAT INDUS- TRIAL DIVIDE	Series of shocks destabilising the global economy (1973 oil crisis, Arab-Israeli war and Iranian revolution in 1979): Economic uncertainty, stagflation (stagnation and inflation) and economic depression; Unemployment soared = stagnation
Little economic policy		Linked to Keynesian Welfare State and Keynesian strategies to stimulate demand		Linked to Radical Neo-liberalism

Individual production	1 <sup>ST</sup> <b>GREAT INDUS- TRIAL DIVIDE</b>	Mass production triumphed over craft production	2 <sup>ND</sup> <b>GREAT INDUS- TRIAL DIVIDE</b>	Craft-based forms of productions
Individual products		Standardised products (such as Ford motor-cars)		Products customised in process and design and continuous innovation in process and design
		Mass consumption		Diversified and rapidly changing markets
		Hierarchical structures of control within firms		Flexibility in organization structures with clusters of highly specialized and interlinked small firms, with a mixture of co-operation and competition between firms
Craft guilds		Creation of Trade		Trade Unions weakened as traditional manufacturing declined and the informal sector expanded
Craftsmen controlled own work programme		Unions Industrial workers whose work schedules regulated by management (scientific planning) doing repetitive tasks to maximize efficiency		Subcontracting, part-time work; temporary work, freelancing and flexi-time

Source: Muller (2004)

### 3.6.1 Background on the Household Productive Perspective

As highlighted above the organisation of production worldwide commenced from home (for maker's use). However, home-based production never really ceased. The transformation to mass production with wage-based industrialisation (Fordist system) deemed the household base primitive and unprofitable. Unfortunately (or fortunately) the post-1960 economic shocks brought instability that disrupted the organisation of production into orderly factory-based assembly lines. Flexi-time work and subcontracting emerged with renewed forms of home work, but the firm remained the main recognised organ of production.

This background is relevant as this thesis puts emphasises on the marula household suppliers as value chain actors, that is, *producers* as opposed to just *workers and consumers*. The differentiation has conceptual and policy relevance in terms of household productivism. Chen *et al.* (2004) highlight another critical dimension of the rural economy, the "informal home worker". According to them these "are dependent workers who work under direct supervision of a given employer in his or her enterprise or home" (2004:107). They are distinct from farm/factory casual labourers with no fixed employer.

According to the ILO *Convention on Home Work* (ILO 1996), the term *home work* means work carried out by a person (home worker):

- in his or her home or in the premises of his or her choice, other than the workplace of the employer;
- for remuneration;
- which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs used, unless this person has a degree of autonomy and of economic independence necessary to be considered an independent worker under national laws, regulations or court decisions.

Home work takes different forms. Examples include global value chain industries that engage home workers in the agriculture and garment industries (Carr 2004; Gibbon 2001). The researcher visited such self help groups in India (SEWA<sup>21</sup> and Chennai Hand in Hand in 2006). The relations in these industries are characterised by the lead firm outsourcing to home workers. In the garment industry (e.g. SEWA), the lead firm would supply raw materials and receive the finished goods against payment for work done by the home worker. In agriculture this has assisted with the shift from on-farm permanent labour to off-farm seasonal, contractual, or casual labour (Carr 2004). The informal worker–lead firm relationship is traditionally paternalistic, with a lack of contractual clarity, particularly when intermediaries are involved on behalf of the lead firm. More often, home workers absorb many production costs and associated risks without help from the employers (Chen *et al.* 2004). The significant policy implication here is that “home worker” interventions and advocacy (by organisations like SEWA) focus more on labour market restructuring as opposed to the industry and economic system restructuring proposed by this thesis.

### 3.6.2 Unpacking the Theoretical Framework

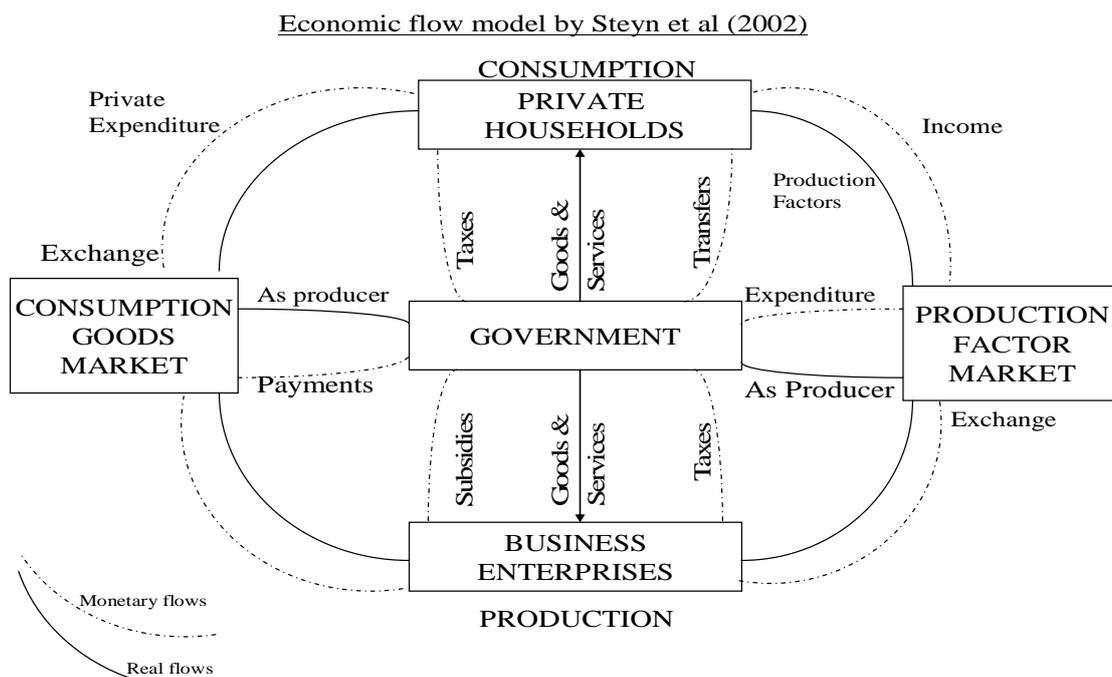
Of relevance to the household production perspective is Becker’s household production model that refocused the attention of scholars to household and family economics (Pollak 2002). Becker’s model postulates that households combine time and market goods to produce more basic commodities that directly enter their utility functions (Becker 1965). Becker’s thesis stimulated the debate between preferences and opportunities at household level as he pointed to the three foundational assumptions of the economic approach: maximising behaviour (the rational actor), market equilibrium, and stable preferences (Becker 1965, 1985).

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<sup>21</sup> Self Employed Women’s Association (SEWA) is a trade union registered in 1972, based in Ahmedabad. It is an organisation of poor, self-employed women workers who form part of the unprotected labour force (SEWA 2010).

While viewed as a significant advancement, Becker's model was seriously criticised by particularly feminist economists. They include Braunstein (2007) who argues that his conception reinforces a narrow economic approach to household and women livelihoods. Referring to Becker's view (1985: 355) that the "housework responsibilities" of married women are a key factor in gender earning differentials, Braunstein (2007:26) argues that the use of the word "responsibility" rather than choice is revealing. She states that "Becker seems to leave open the possibility that this responsibility was imposed from without". Feminist economist Barbara Bergmann (in Pollak 2002) attacks both Becker's methodology and his conclusions. She asserts that "Becker's method of thinking about the family, as does almost all neoclassical theory, leads to a conclusion that the institutions depicted are benign, and that government intervention would be useless at best and probably harmful" (Pollak 2002:7). Pollak, in defending Becker argues that he has "perhaps inadvertently" been an important ally of feminist economics. "Although we may reject many of Becker's answers and refashion many of his tools, his answers and his tools provide the starting point for economists who work on the family" (Pollak 2002:7). Pollak further argues that Becker's conclusions depend on auxiliary theoretical assumptions to which neoclassical economics has no commitment and which lack empirical support. He highlights that the interpretation of behaviours such as childbearing, marriage and divorce as active choices by maximising agents rather than as passive responses to social or cultural forces epitomises the economic approach.

Becker's model was a significant contribution to economic thinking as it highlighted the economic dimensions of gender and household inequalities. Pollak (2002:20) highlights that "[p]rior to Becker, neoclassical economics had avoided specifying a model of collective choice by treating families and households as if they were individuals and not asking too many questions". Significant here are the diverse roles of households – as a source of labour and capital, consumers, asset owners and producers. Sadly, Becker's model did not result into fundamental shifts in the conceptualisation of economic models. Of serious concern are the macroeconomic models that confine households to the consumptive role and source of labour supply. The models include the economic flow model by Steyn *et al.* (2002) demonstrating the "interdependence between households and firms" (2002:49) as illustrated in Figure 17.



**Figure 17: Economic Flow Model**

Source: Adapted from Steyn *et al.* (2002)

The Steyn *et al.* conception is based on the view of firms as the basic production units in the economy. They define a firm “as the unit that employs factors of production to produce goods and services that are sold in the goods market” (2002:49). The model restricts production to just being the prerogative and monopoly of the firm while the households are confined to being consumers who sell their factors of production (labour, capital, etc.). The firms then combine these factors and convert them into goods and services. Sloman (1997) offers a similar argument in his static macroeconomic circulation model. According to Sloman, households are a source of labour supply and the beneficiaries of wages. His model highlights transfers between household and government, as well as household savings into the financial markets. The link includes commodity markets.

The critique of the narrow firm conception extends to Coase's (1937) thesis on “The Nature of the Firm”. Coase purports that the value of things can be increased by reducing the costs of knowing them and transacting with them. Significantly, he argues that the costs of carrying out transactions can be substantially reduced within the controlled and coordinated context of the firm. Coase's thesis affirms the exploitative character of the firm as the benefit of value is focused on the firm at the expense of particularly the vulnerable, voiceless value chain actors. The interpretation of reduction of “costs of knowing and transacting with them” in especially unregulated environments, leads to greed and exploitation by firms under the cover of “free market”. It also devalues household producers as commodity chain actors who invest own resources, treating them as a labour cost that can be

manipulated by firms using paternalistic dependency-perpetuating strategies. Central to the argument is the promotion of the false notion of the conventional formal economy where firms are the centre of production with prescribed and rigid institutional arrangements. According to this model, the firms pay factor remuneration to households in the form of wages for labour, rent for natural resources with dividends to individuals and/or corporations as shareholders. In an environment riddled with job losses and microenterprise proliferation, with the formal economy increasingly unable to absorb the unemployed, one wonders which reality and economic behaviour these macroeconomic models reflect.

Hill's (2000) thesis provides potential answers. He argues that the organisation of production is not limited to the theory of the firm model with proprietorships, partnerships and corporations as the main institutional arrangements. He includes the household as one of the institutions around which production is organised, but focuses on what he calls the "invisible form of economic organisation, the cooperative" (2000:1). Hill views the cooperative as another form of investor-owned corporation, but alludes to the difference. According to him, investor-owned firms are controlled by capital owners in proportion to their share of capital. However, cooperative ownership is different. He quotes the International Co-operative Alliance (ICA), which defines a cooperative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise... based on the values of self-help, self-responsibility, democracy, equality and solidarity" (2000:1).

The cooperative ownership takes different forms:

- producer cooperatives (those who cooperate to produce and sell);
- marketing cooperatives (coordinated marketing);
- consumer cooperatives (those who cooperate to buy); and
- worker cooperatives.

Hill's (2000) paper might not specifically describe or refer to the household producer. However, its unique characterisation and positioning of cooperatives as critical economic institutions forms the basis for alternative rural economic strategies. Roumasset (2004) points out that the economics of rural organisation with endogenous behaviour and organisation is in its infancy. He cautions against the idealistic view of cooperatives highlighting that "farmer cooperatives are notorious for broken agreements and favouritism, both of which undermine the sustainability of group contracts" (2004:60). The criticism of cooperatives is also shared by Phillip in her description of the Mineworkers Development Agency strategy (in Cousins 1999:349-360).

### 3.7 REVIEWING THE RURAL DEVELOPMENT THEORETICAL FRAMEWORK

This section aims to advance the line of argument, problematising the rural development theoretical framework. The aim is to critique the way rural development was and is still conceptualised. The researcher argues that over the decades rural development theory has been subordinated to and derived from wider development paradigms which are based on neoliberal policies that marginalise, disregard or undervalue the productivist perspective of the rural households. The review focuses on development theories and paradigms from the 1950s to 1990s. The rural development approaches of the 2000s were highlighted in previous sections and are further discussed in Chapter 4, focusing on South Africa's rural development strategies.

The review follows Ellis and Biggs's timeline (in Ashley & Maxwell 2001) (Figure 18). The timeline lists a number of theories, themes and policy thrusts that have influenced rural development thinking since the 1950s. It attempts to highlight mainstream rural development narratives and explore the turning points between them". The authors caution against oversimplification, indicating that these transitions were not neat and linear but occurred in a cluttered manner (2001:439). The timeline shows an era characterised by modernisation in the 1960s, State intervention in the 1970s, market liberalisation in the 1980s, and participation and empowerment in the 1990s. Ellis and Biggs indicate that understanding has been uneven across disciplines, national governments and international agencies. The following sub-sections highlight the significant paradigm shifts focusing on development themes that demonstrate the link between the evolution of economic and development theories, and rural development.

## Rural Development Ideas Timeline

Adapted from Ellis & Biggs (2001)

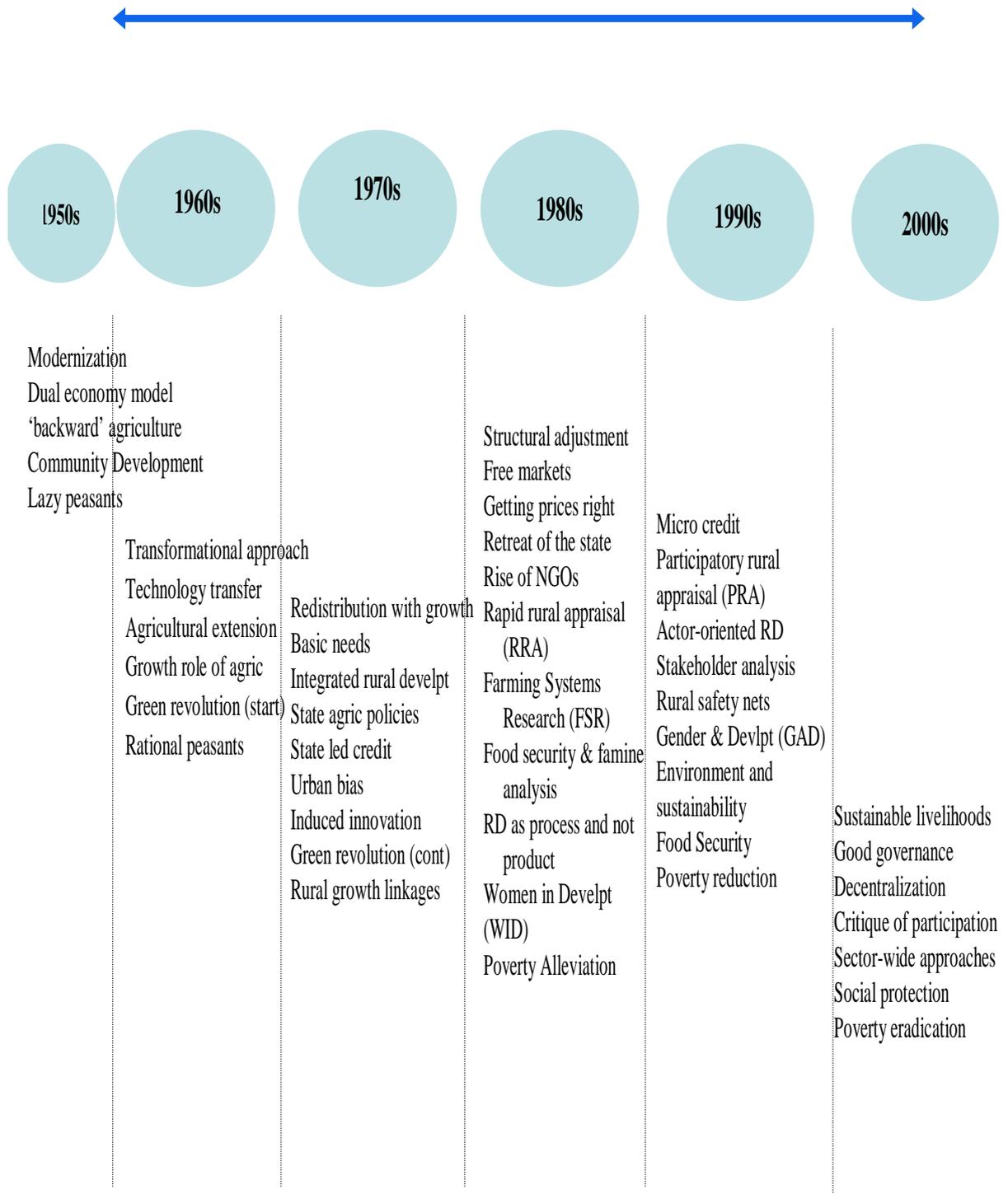


Figure 18: Rural Development Ideas Timeline

Source: Adapted from Ellis & Biggs (2001)

### 3.7.1 The Link between Industrialisation and Rural Development

In the 1950s industrialisation dominated theories of development, and was viewed as a means to high incomes and social welfare. Agricultural and industrial production and commerce were directed by national development planning, policy formulation, regulation and implementation. For rural communities, the concept of modernity in the 1950s implied large-scale “modern” agriculture (plantations, estates, commercial farms and ranches), in addition to other resource-based manufacturing industries like mining. It was embodied in the dual economy theories of development (Lewis 1954). The “traditional” or “subsistence” sector played only a passive role in the process of economic development, supplying resources to the modern sector. According to Ellis and Biggs the first “paradigm shift” occurred in the early to mid-1960s, when small-farm agriculture was elevated and considered the very engine of growth and development, although it did not replace large-scale farming which used mechanised technology.

### 3.7.2 Rural Development and Poverty

The 1970s witnessed the first strong identification of “rural” with “poverty” (Ellis & Biggs 2001; World Bank 1975) with policy orientation that pursued “growth with equity” (Cardoso & Faletto 1979). Empirical evidence began to show that poverty was on the rise (World Bank, *World Development Report* 1980 and 1988) in developing countries, with the SSA countries hardest hit. This increase was evident even in countries that were achieving reasonable rates of economic growth. The era marked a policy shift to the “basic needs approach” popularised by the International Labour Organization (ILO 1977), which elevated State intervention in economic and social matters. The basic needs approach formed part of the targeted initiatives to tackle poverty directly (Bhagwati 1988:539-555). The World Bank financed many such targeted initiatives in the economic-growth context, emphasising the correlation between poverty and GNP per capita. The era also marked the “redistribution with growth” discourse. Political unrest in South Africa intensified to greater global attention (Soweto 1976 uprisings).

The inability of large-scale industrial agriculture to address the needs of poor peasant households led to a quest for new solutions. The intention was to tackle rural poverty in a cross-sectoral manner through integrated rural development projects (IRDPs) (Ashley & Maxwell 2001). IRDPs, however, led to unintended development consequences. Critics highlight the failure to involve local people properly in a participatory process as well as the failure to build the capacity of local institutions. In addition, they cite the overly centralised, blueprint approach to programmes design that left implementation agencies unable to respond to the demands of local people (Independent Development Trust 2000).

### 3.7.3 Rural Development and Structural Adjustment Policies

The development policy in the 1980s witnessed a predominantly state failure paradigm and what Hulme and Turner (1990: 90-102) term “an intellectual climate conditioned by the New Right” or the characterisation of what I have called the “neoliberal” approach throughout this thesis. Hulme & Turner indicate that the fundamental premise of this new orthodoxy was that the state should be rolled back and that the market forces should increasingly guide resource allocation and decision-making. In terms of the proponents of this theory, the government was to take responsibility for constructing and regulating a macroeconomic framework that permits competitive markets to set prices and allocate resources. The private sector was to play a dominant role in identifying and supplying public needs (Hulme & Turner 1990:100)<sup>22</sup>. A compensatory measure in dealing with the marginalised was the emphasis on safety nets that alleviate the impact of these policies, termed “structural adjustment with a human face” (Cornia, Jolly & Steward 1988). The latter, spearheaded by UNICEF, recognised that macroeconomic problems facing developing countries must be overcome by adjustment accompanied by targeted compensatory policy measures. These include support to small-scale producers, further investment in low-cost primary health care, rural works programmes and nutritional interventions.

### 3.7.4 Rural Development and Sustainable Livelihoods Approach

The structural adjustment era resulted in the intensification of calls for poverty alleviation (1980s) and poverty reduction (1990s) and later “poverty eradication” (2000) with participatory processes to empower rural dwellers. Ellis and Biggs (2001:438) argue that this shift occurred on a separate plane from economic theories about the role of agriculture in growth and poverty reduction (in Ashley and Maxwell 2001:443).

The focus on livelihood insecurity intensified the call for food security, resulting in governments’ reviewing their food policies with NGOs engaging in food security initiatives, in the height of dwindling donor support and fluctuating food prices. According to McLachlan & Thorne (2009:5), the concept of food security was first introduced into the discourse on hunger during the 1960s and 1970s. This culminated in the adoption of the Rome Declaration on World Food Security at the World Food Summit

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<sup>22</sup> These draw from the IMF- and World Bank-led structural adjustment policies that were based on the Washington Consensus and prescribed as the policy basis for developing countries with conditionalities for access to loans. They advocated for liberalisation of markets, reductions in public expenditure, and transfer of assets from the public to the private sector.

in 1996<sup>23</sup>. Environmental awareness intensified with a stronger focus on poverty, environment, and sustainable development. The Rio Earth Summit in 1992 highlighted that sustainability is central to the struggle against poverty. Governments of developing nations followed suit and initiated processes to formulate sustainable development approaches that are aimed at socially and economically empowering marginalised communities.

A “paradigm shift” of the 1990s in rural development was the so-called sustainable livelihood (SL) approach, viewed by Ellis and Biggs as an advancement to bottom-up rural development. “The SL starting point involves the assets and diverse strategies of a poor household – and is fundamentally different from the principles underlying ‘small-farm first’” (2001:444). They argue that the approach has significant economic antecedents in food security and famine analysis originating in the publication of Sen’s (1981) seminal work on famines (2001:444-445). It is important to note that SL shifted the focus of rural away from being synonymous with agriculture. It recognised the reality that non-farming activities play a crucial role, and assessed the rural-growth linkages and non-farming income sources like remittances and transfers. SL also focused on other antecedents connected with multiple realities of rural poverty and was greatly supported by DFID (Chambers 1983; Carney 1998). By the mid to late 1990s the SL concept had progressed to sustainable rural livelihoods (SRL). SRL is viewed to be a modification drawing from Robert Chambers and Gordon Conway’s original definition, which stated

A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base (in Carney 1998:4).

Its framework is illustrated in Figure 19, adapted from Carney (1998) by Goldman *et al.* (2000).

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<sup>23</sup> This Declaration is endorsed by the United Nations, the World Health Organisation and 183 nations. The definition emphasises an integrated food security strategy addressing physical, social and economic access aspects and healthy living (McLachlan & Thorne 2009). Ellis (1996:303) defines food policy as “the integration of state actions affecting the supply, distribution, and consumption of food in order to ensure continuity of access to enough food for all the people of the country”.

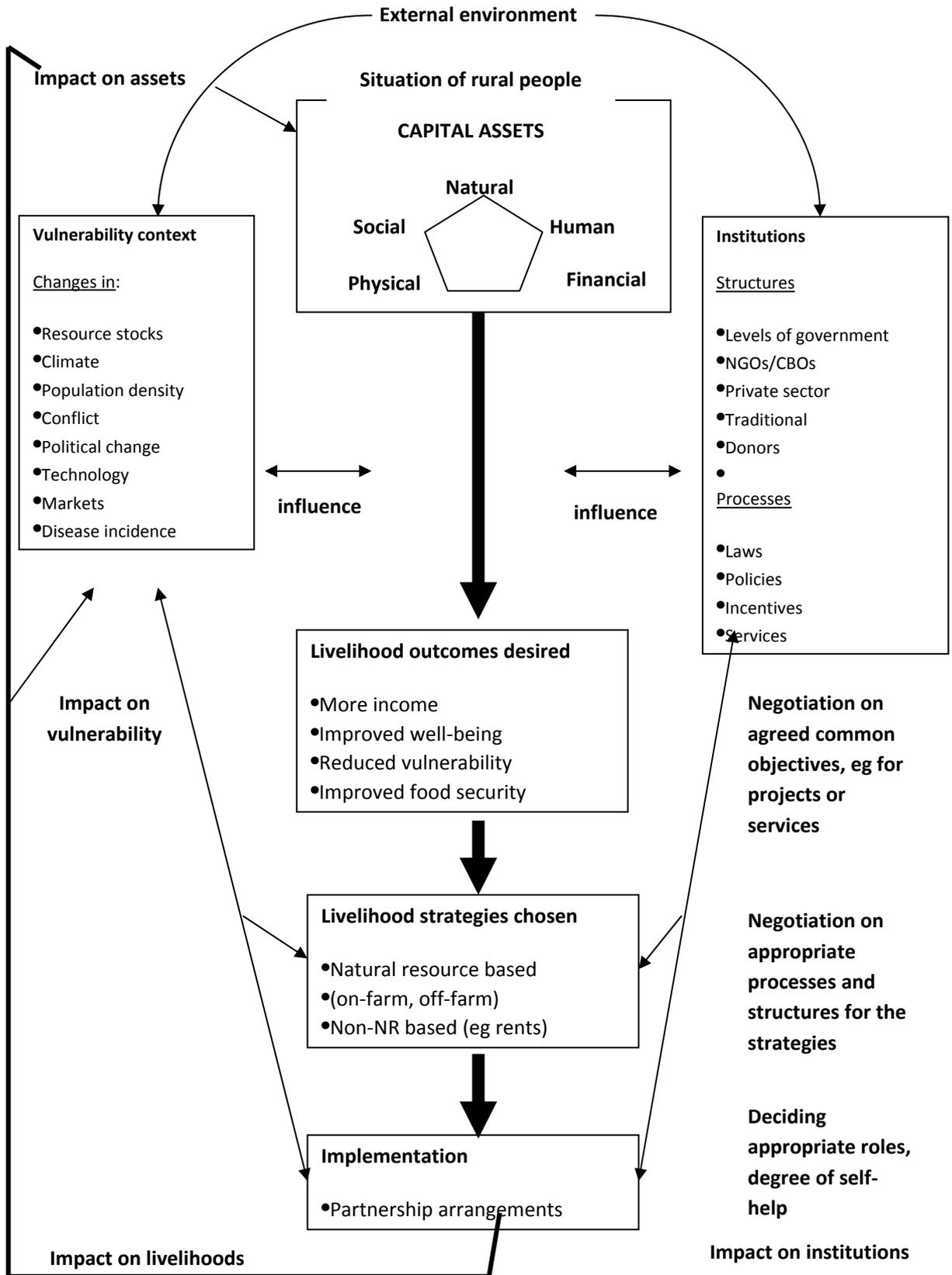


Figure 19: Sustainable Rural Livelihood Framework

Source: Goldman *et al.* (2000)

According to the proponents of SRL, the different types of assets/capital from which individuals draw to build their livelihoods are natural, social, human, physical and financial capital (Scoones 1998; Carney 1998). This is built on the premise that there is a close correlation between people's overall asset status, the resources from which they draw in the face of hardship, and their robustness. Another critical element of the concept is the recognition of the cross-sectoral and multi-occupational diversity of rural livelihoods. The sector approach is viewed to offer an appropriate framework for improving the sustainability of rural livelihoods (Akroyd & Duncan in Carney 1998), and a means of managing government's role. The sector approach and sector investment programmes (SIP) were designed as a response to the perceived shortcomings of project-led approaches to development aid.

The practicality and effectiveness of the SRL approach has not been rigorously assessed, particularly with the persistence and deepening of rural poverty in SSA. Goldman *et al.* (2000) point to evidence that suggests that the SL approach helps to structure analysis of the support required to assist the poor. According to them, areas that are particularly important include an understanding of clients using a holistic analysis of strengths; understanding of micro-macro-linkages; and holistic approaches. They argue that for these to happen, decentralised approaches are needed. While the intention of the SRL with its attempt to be comprehensive and integrative is commendable, the dominant donor-driven initiatives have perpetuated isolated and fragmented implementation. These have been characterised by ineffective or limited mainstreaming into government macro-frameworks and programmes, as well as industry structures and systems. The desired livelihoods outcomes are more absolute-poverty-focused with limited exploration of the sector investment programmes, thus perpetuating marginal and dependent existence. The sustainability of the programmes and livelihoods without public and private sector linkages is therefore questionable.

### 3.7 CONCLUSION

This chapter reviewed relevant literature to strengthen the theoretical dimension of arguments in Chapter 1. What emerges is that these reaffirm the problematic conception of rurality and the rural development paradigm. The conclusion is that the problematic rural development conceptualisation has been influenced by the neoliberal economic theories and the evolution of development thinking informed to a large extent by colonial and apartheid political regimes. The argument is that the rural development project is doomed for failure in its current form as the underpinning theory has not progressed beyond the unquestioning subordination to skewed, inequality-perpetuating models of economic theory. Of importance is the emphasis on spatial dimensions (rural-urban linkages) as opposed to a narrow agricultural sector focus. A radical paradigm shift with re-organisation of production is proposed to transform and mainstream the marginalised rural traditional sector. Chapter 4 presents the South African context underscoring critical milestones and policy choices that led to the current situation.

## CHAPTER 4

### SOUTH AFRICAN CONTEXT: A HISTORICAL PERSPECTIVE OF THE POLITICAL ECONOMY

#### 4.1 INTRODUCTION

Chapter 4 revisits Chapter 1's argument that the spiral of deprivation is an outcome and measure of the functionality (or dysfunctionality) of the macro- and micro-frameworks influenced by the reigning regimes. The frameworks are argued to further influence the structure and governance of socio-economic and ecological systems, institutions, the delivery machinery, as well as the performance of targeted initiatives and programmes. Pointing to facts that support this argument, this chapter places the study's theoretical framework and case study within a South African historical and macro-context. The intention is not just to focus on the primacy of ideas in society, nor is it designed to romanticise a history that depicts Africans as victims of colonisation and apartheid. There is no denying the fact that these regimes destroyed African social structures, culture and knowledge systems, resulting in the oppression of Africans over a long period. The intention is, however, to deepen the understanding of the core subject and object of this thesis, viz. the rural household producer and the market economic system. The chapter is divided into two main parts. The first deals with the contextual review of the political economy that shaped the current rural scene. The second part presents democratic South Africa's rural development framework. The review of the South African context is limited to the analysis of the evolution of commercial agriculture with a focus on the conditions that institutionalised the oppressive and unequal development trajectory. This chapter, in presenting the historical perspective, drives a point home that the rate of redress post-apartheid has done very little to deal with the racial, class, gender and urban-rural divide from a rural perspective.

#### 4.2 BACKGROUND TO THE SOUTH AFRICAN POLITICAL ECONOMY AND THE PROCESS OF INDUSTRIALISATION

This section expands on the argument in Chapter 1 of the deliberate structural and systemic exclusion of the rural poor. It is premised on South African agrarian history, the indigenous knowledge systems and on the understandings of capitalist accumulation generally (Beinart 2003; Lipton 1977 & 1985; Peires 1981; D'Haese *et al.* 2003; Wilson 1972). The literature reviewed indicates a link between the origins of the agrarian economy, mining and industrialisation (Bradshaw & Ndengwa 2000; Lipton 1985). This generally corresponds with other developed and developing countries. The difference, however, is rooted in the South African political economy. According to Lipton (1985), the changes in South African society since Union (1910) are most dramatically illustrated by the agricultural sector

Their essence was the shift from a system, though capitalist, had features which could usefully be called feudal – a tied, serf-like labour force on the white farms and black agricultural sector that was kept in an undeveloped and precapitalist state, so that it would not compete with white farms and mines (1985: 85).

This section includes a review of indigenous knowledge systems focusing on the origins and chains of knowledge and innovation that shaped the agrarian commercialisation models. The emphasis on origins of knowledge is designed to highlight the valuable contribution of peasants to the process of industrialisation. It also draws attention to early signs of their undervaluation and marginalisation that are still visible today. Chapter 2 provided a definition of commercialisation, showing a link between commercialisation and transformation in governance for adaptability to the market economy. The focus here is on addressing the key development questions and assumptions that form the basis of the African commercialisation discourse. This considers the social processes that evolved into the production and trade environment conducive for commercialisation. It also deals with the paradox of individual versus collective, competition versus collaboration, and the role of the State. This inquiry is also designed to highlight the argument that rural economic activity still retains traits of the traditional economy evident in the pre-industrial era. It also investigates Smith's notion that "the phenomenon of capital was a consequence of man's natural progression from a hunting, rural and agricultural society to a commercial one where, through interdependence, specialisation and trade, he could increase his productive powers immensely" (De Soto 2000:30).

The literature indicates that the process of industrialisation was generally based on the use of available scientific knowledge and/or acquisition of knowledge by colonists from the indigenous Africans using unconventional and sometimes immoral and cruel methods. Beinart (2003) draws attention to the historical literature on the seventeenth and eighteenth centuries that emphasised the violence of colonial incursions, the imposition of colonial systems of authority and knowledge, along with the growth of a slave-holding society (Elphick 1985). His evidence includes the writings of William Burchell, an English naturalist who visited the country in the early 1800s, and Anders Sparrman. Sparrman was a Swedish scientist and botanist, a collector of biological and zoological specimens, who arrived in the Cape at the age of 24 in 1772. While drawing from the writings of such scientists, Beinart cautions that scientific understanding of the colony was in its infancy, thus less defined and specialised. He attempts to demonstrate that pastoral farming was "not simply the subject of waning traditional knowledge but of growing scientific interest". He argues that the pastoral economy became the site of investment and wealth from the mid-nineteenth century. Progressive farmers also participated in experiments and technological innovations with information dissemination in agricultural journals and newspapers. They were referred to as practical farmers who had initially been sceptical of theoretical research (Beinart 2003:17).

Further evidence shows that this scientific development was partly assisted by the beginning of anthropological studies at the end of the eighteenth century. These studies focused on understanding the Cape indigenous people even though they had been nearly exterminated by then (Schapera & Farrington 1970). The studies seem to have formed the basis of the current revelations about the evolution of the human species, with archaeological evidence dating back to the Holocene era. The Khoikhoi (or Koi/Koi) distinguished themselves from the stone-age San who were hunters living in small groups. They were pastoralists, taller and brown-skinned (Greaves 2005). The interest in the Khoikhoi and the San (Khoi-San or Khoisan) people was stimulated by the recognition of the value of their skills as pastoralists, hunter-gatherers, cattle-breeders, trackers, and for their knowledge of the land, the location of water and plants (edible and medicinal). This knowledge was not only beneficial to the colonial economy but also assisted the settlers in establishing safety and security measures, and implementing nature conservation strategies. Central to this was the spirituality of the Khoisan, to which very little attention had been paid in the beginning.

Welsh (1998) affirms the evolution into science asserting that the “anthropological curiosity” of the second wave of explorers developed a new interest in scientific matters, referred to as the “Great Instauration” of new learning (1998:18)<sup>24</sup>. His view is that this brought about a change in the profile of travellers. This focus was more on methodological observers, whose accounts were said to have formed the first reliable historical evidence relevant for prosperity. This view is supported by Varian (1973), who states that “the knowledge gained by these early wanderers led to the settlement and eventual subjection to civilisation of enormous tracts of Africa” (1973:1). Welsh also highlights the initial symbiosis, that is, the easy coexistence and assimilation between the settlers and the Khoisan, which he attributes to the latter’s loosely organised, sparse and open society. He argues that “[h]ad the first European settlers in the south been faced with powerful tribes, with a sense of specific identity amounting to something like nationalism, and under strong leadership, the most likely outcome would have been conquest, as in Ashante, or a system of treaties backed by the threat of coercion, as in Nigeria” (1998:18).

One should nevertheless not conclude that the colonists had a free ride faced with helpless indigenous South Africans. Evidence from Schapera and Farrington (1970) shows the contrary, with the Khoisan

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<sup>24</sup> The first of the new explorers were the Portuguese who saw the Khoisan as potential merchandise or benighted souls to be saved followed by the Dutch and Germans in 1652. Greaves (2005) highlights that for Bartholomew Diaz and his men, southern Africa had “nothing to offer beyond its geographic location” – a southerly route to the East Indies. He further shows that the landing of Vasco da Gama ten years later was “only to replenish water supplies”.

not easily divulging their information. They demonstrated resistance and tried to keep secrets, particularly about their medical knowledge. Beinart directs us to the recognition that the command of labour and increasing power over the Khoisan contributed to the capacity of the colonists to extract knowledge and literally also to create a common language by the late eighteenth century. He highlights that “[i]n the interior of the country, in the pastoral districts, settlers depended both on the labour and the environmental knowledge of the indigenous inhabitants whom they had elbowed aside... settler and Khoisan environmental knowledge was imbricated in complex, although asymmetrical ways” (2003:29).

The body of work on the origins of agrarian commercial activity thus far presented has not dealt with the main players in commercial agriculture from the formally documented literature. These are the Anglophone elites who dominated the articulated evolution of commercial and conservationist approaches in South Africa. This is critical as the arrival of the first British missionaries at the end of the eighteenth century brought different approaches to development as well as structural changes that altered the balance of power between the colonists and natives. An in-depth analysis of their programmes and those of the Afrikaner regimes that followed will be provided in the following chapters. According to Beinart (2003), the evolving scientific ideas were closely linked to mid-Victorian colonial notions of progress, agricultural improvement and economic growth. He stresses that conservation often implied wise usage of natural resources rather than protection. Of relevance to this chapter is his conclusion that “[w]hile Cape pastoralism initially drew heavily on local breeds of sheep and cattle, as well as natural veld and transhuman techniques, agriculture depended from the start almost entirely on a wide range of introduced species: from wheat and vines, to fruit and vegetables... Botanical knowledge was intimately bound up with colonial expansion” (2003:64). The question thus remains: How did some indigenous plants like the marula and rooibos escape the scientific attentions of colonial expansion?

#### **4.3 THE COLONIAL ECONOMY: EMERGENCE OF INNOVATIONS AND THE PERSISTENCE OF PEASANT ECONOMY**

The historical background of agrarian commercialisation is expanded in this section to understand the events that contributed to the exclusion of peasant households from the mainstream economy. The following sub-sections consider the implications of the emergence of innovation on the development of the South African economic system and its discriminatory regulatory frameworks.

##### **4.3.1 Background to the Problematic Economic Structure and System**

Chapter 3 discussed the negative impact of the neoliberal macroeconomic framework. The discussion on the economic structure here is important for addressing the spiral of deprivation. The discourse is

traced from the association of the colonial economy with the mid-Victorian colonial notions of progress, which extended to technological innovations, marking the beginning of the twentieth century. Varian attributes the great engineering achievements to the Victorian age as he traces the evolution of railways in South Africa (1973:31). However, he acknowledges that by the time Queen Victoria acceded to the British throne in 1837, the age of steam had already dawned. Of critical note was that in South Africa

hundreds of ox-drawn wagons were streaming from the Cape Province in the Great Trek which, in 1836 and 1838, cut new trails into the unknown hinterland to the north, east and west.... But it was in the building of the railways throughout the world that civil engineering made one of its greatest impacts, and in Africa it was to become a major civilising factor. Following in the wake of mining and agricultural development, and in the advance of commercial and industrial growth, the railway was the agent which induced the awakening of Africa from its long dark past, the key which unlocked the treasure chest of the continent's natural wealth (Varian 1973: Publisher's Introduction).

However, the pre-Victorian evolution of locally initiated production and trade for wealth creation was already visible in South Africa's peasant households. Andrew and Cox (2004) point to pre-colonial peasant production highlighting that during the earlier colonial period rural livelihood changes entailed occasional and temporary involvement in migrant labour in order to invest in agricultural resources. They indicate that the socio-economic realities and political policies increased pressures on peasant farmers forcing them to expand their involvement in migrant labour. However, the dual existence continues to date as evidenced in the marula case study. Peires (1981) provides evidence of early commercialisation (pre-colonial production and trade) with evidence of the development of a propensity for business among Africans (amaXhosa in this case). Quoting Landdrost Alberti in 1810, he argues that Xhosa trade was not directed towards supplying subsistence deficiencies but towards acquisition of greater wealth. He points out that the intention was not primarily the exchange of one use-value but a form of financial speculation.

The production of commodities for the market (dagga, tobacco) and the use of certain forms of money (cattle, spears) were important features of pre-colonial society.... The new spirit of commodity production, however, succeeded in weakening existing social relationships by elevating the market principle to the centre of society" (Peires 1981:120).

Peires's analysis covers the trading that occurred between the Xhosa tribes and with other African ethnic/tribal groups like the Khoisan, the Kwenas and Tswana, as well as the travellers and explorers. He refers to the seventeenth-century trading model that saw traders acting as middlemen and producers. For example, the Tswana would trade with the Koi, exchanging iron and copper for cattle,

and the Koi would in turn trade with the Xhosa, in exchange for tobacco and hemp. Beads of Portuguese origin circulated through the trade network. However, the literature shows that the value of the beads depended not on their intrinsic value but on their value in terms of cattle, which in turn depended on their rarity (Peires 1981:108; Soga 1930; Thompson 1827). Initial misconceptions about the interest of Africans in ornaments and glitter, were soon replaced by the recognition that they favoured beads because the beads were convertible into cattle. This operated well until the collapse of the bead currency in 1829.

The new paradigm was entrenching itself – natural resources previously produced and conserved for own sustenance, food security, cultural and medicinal use were increasingly valued for wealth creation. The resultant need for the division of output into subsistence crops and cash crops continues to be a modern-day challenge. As Peires points out, this period marked the genesis of the class of peasant producer which was to become so important in the century. *The boys became men*<sup>25</sup>. Amongst them was Soga, a spearmaker who became one of the economic specialists operating within the pre-colonial economy. He was the first recorded Xhosa to irrigate his land and the first to grow maize and sorghum for the market.

Evidence of trade between Boer and Xhosa began in the early eighteenth century, but was soon thwarted as it was deemed illegal by the colonial government. Peires quotes a trader who observed that “the Xhosa [have] now become so knowing and the competition among the Buyers so great that the full value is obtained by them” (1981: 114). This, however, was not to last a lifetime. The colonial government introduced new structures (an official fair) and rules (market regulation) with control over supply and wagon transportation. However, Greaves (1985) indicates that the Boers quickly discovered that this new race was far more defiant than the San and the Khoikhoi. He states that “[t]he two opposing migrations were competing for the same natural resources and the disputed boundary area created a pattern of conflict between black and white races that was to shape the future of southern Africa and modern times” (1985:30).

This culminated in the Frontier Wars of 1793, 1799, 1846 (“the war of the axe”) to the eighth war in 1850 with the Khoikhoi joining forces with the Xhosa, and the Boers being supported by the British. According to Lipton (1986), by the late nineteenth century, the whites had conquered the whole of South Africa and

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<sup>25</sup> As the meaning of Khoikhoi – “men of men”. This is also a strong expression used in the Xhosa (and most African) cultures to depict strength and stature – also a symbol of improvement in status, rights of passage and graduation to the next level. This includes when boys are initiated to manhood, or when a man marries or conquers (e.g. by seizing cattle) from trading or wars. The opposite (men to boys) is viewed as the most dehumanising occurrence.

taken possession of the greater part of the land. *The men became boys*. They became labourers for white farmers, literally called “boys” by their bosses (“baas” in Afrikaans). Their land and cattle were seized. Seleti (2008) describes the plight of Africans deprived of ownership remaining on the land as squatters, tenant farmers and labourers. These events of nineteenth-century South Africa resulted in Africans assuming a subservient position as servants, where their meagre share of their labour was determined by others.

This diversion of men to agricultural and mining labour introduced different values, together with a division of labour and gender dynamics that continue to shape our modern discourse. Senior women took over while the men were labourers, caring for the family, tilling and cultivating the land, and looking after the sheep, goats, cattle and chickens. The new method of labour organisation confused the traditionally based social organisation that informed the division of labour, the decision-making hierarchy, and the distribution of land and benefits. Kuzwayo (2004) describes this sorry state of affairs: “Overnight, the values of the past became legend to the point of being ridiculed and out-dated. People began to question certain long-standing practices which had been taken as law and the truth and thus become the cornerstone of the moral fibre of black community” (2004:15).

The head of the household had been subjected to slave labour. Peires points out

When a man joined a mission station and began work on the fields, he left behind forever the old world of cattle and the Great Place, where he was henceforth the object of pity and scorn. He committed himself to a new world in which material affluence conceived in European terms became the indicator of social prestige (1981:121).

#### **4.3.2 The Destructive Prosperity: Early Regulatory Framework and Development of Commercial Agriculture into a Racially Segregated Bureaucracy and Exclusive Technocracy**

Commercialisation as defined in Chapter 2 requires a level of organisation that enforces a purposeful and systematic behaviour guided by a governance framework. This is achieved through structural and regulatory arrangements that are adequately enforced. Selete (2008) argues that the African trade and politics theme is well established in African historiography. He views it as based on the demonstration that Africans were also actors who initiated historical change. His contention is that the change activities were regulated through African social structures. Magubane (2001) raises concerns about the disregard of African social structures. He attributes this to the misunderstanding of the basic structure of African society, rooted in the myth that tribal or ethnic differences are so intrinsically divisive that they can be sustained only through external control. This thesis argues that the non-recognition of the indigenous

African culture with its institutions and systems contributes to the rural poor's incapacitation and exclusion. This view is supported by Gelb's (2003) assertion that South African inequality is buttressed by colonial repression of political and social organisation.

The researcher, however, extends problematisation to the neoliberal conception of the economic strategy and governance that is inherently Western, and devalues the African way. Cooper (2002) reinforces this argument indicating that the new postcolonial African governments inherited both the narrow, export-oriented infrastructure which developmentalist colonialism had not yet transcended, and the limited markets for producers of raw material which the post-war boom had only temporarily improved. He posits that the independent States took over the failure of colonial development, and that the African farmer and worker had not become the predictable and orderly producer officials dreamed of (2002:4). Dowden (2008) captures the argument well as he asserts that independence officially restored power in Africa to Africans. "[B]ut the countries created and the systems that the Europeans imposed on Africa as they left were not rooted in African culture or experience and not strong enough to contain social and ethnic pressures that lay immediately beneath the surface. European influence – indirect and sometimes direct – remained strong in Africa" (2008:59).

This section analyses the evolution of the discriminatory institutional framework. Menard (in D'Haese *et al.* 2003) views an institution as something manifested in a long-standing, historically determined set of stable, abstract and impersonal rules, crystallised in traditions, customs or laws, so as to implement and enforce patterns of behaviour governing the relationships between separate social constituencies. The argument is that the South African discriminatory regulatory framework and the adoption of the narrow growth model resulted in a problematic conception of commercial agriculture governed by a racially segregated bureaucracy and exclusive technocracy. The skewed rural economic system with its dualistic commercial agriculture is characterised by an industrialised (modern) economy occurring side by side with the subsistence (traditional) economy. The section analyses the construct of the traditional economy drawing from Rostow's (1990) conception of a traditional society. It has to be categorically stated that this thesis takes a critical view of Rostow's theory of "five stages of growth" as reductionist, simplistic and disputed by current reality. This refers to his notion that the problem of economic underdevelopment was only short-term, with the progression from stage to stage resulting in all countries ultimately achieving a similar level of development through economic growth. However, some elements of his concepts are useful and offer a better description of the traditional economy. According to Rostow, "a traditional society is one whose structure is developed within limited production functions" (in Seligson and Passe-Smith 1998:10). It is, however, not static, and would not exclude increases in output, productivity or introduction of technological innovations. He stresses that the central fact about traditional society is that a ceiling existed on the level of attainable output per head. "This ceiling resulted from the fact that the potentialities which flow from modern science and technology were either

not available or not regularly or systematically applied" (1998:10). Other factors prevalent in traditional economies include fluctuations and vulnerability determined by the degree of political and social turbulence, efficiency of central rule, and the absence or upkeep of the roads, water and energy infrastructure. Central to the traditional economy is the hierarchical social structure, with a relatively narrow scope for vertical mobility, as well as family and clan connections, which play a large role in social organisation.

The discussion above points to a South African pre-colonial peasant economy that was informal in nature. This, however, operated under organised African traditions demonstrating the characteristics and traits of a traditional economy described above. The social structure was based on customary laws that also ruled the division of ownership of factors of production, land and wealth distribution. Providing his perspective on the nineteenth-century state formation in South Africa, Seleti (2008:3) states that

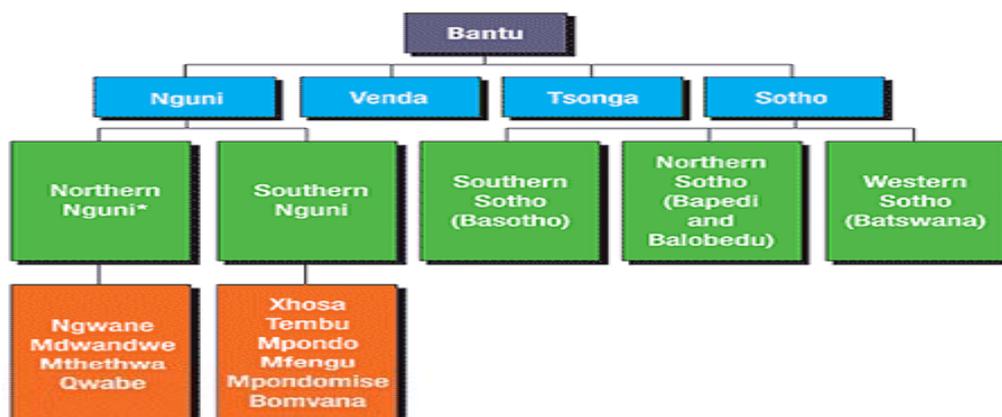
[ ]and was distributed on the basis of African traditions, which still held societies together. Labour was organised in line with the social organisation of these communities, through the homestead and occasionally communally through strategies such as *ilima* – communal work parties. Slave labour had not been a method of labour organisation among the Nguni, Sotho, Xhosa, Tswana and Khoi people.

The structural formations of the Bantu are further illustrated in Figure 20<sup>26</sup>.

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<sup>26</sup> According to Seleti only the Northern Nguni developed into powerful states that vested immense power in the structures of the central state and developed elaborate state structures for governing their societies. The Xhosa to the south were fragmenting. The Southern Sotho were split into many chiefdoms, although a process of consolidation could be seen. The Western Sotho were divided into small chiefdoms. Among the Venda and the Pedi, the process of nation-building was in its infancy. The Tsonga had been displaced by the Tembe and both were small kingdoms.

**Main Bantu political and language groups of South Africa at the end of the nineteenth century**



**New labels such as Zulu, Ndebele and Swati developed out of nineteenth century history. Source: Seleti (2008)**

**Figure 20: Main Bantu Political and Language Groups of South Africa**

Source: Seleti (2008)

The origins of colonial rule were formalised by the British seizing the Cape from the Dutch in 1806. For most of the nineteenth century, unlike other British colonies (United States, Canada, Australia), the Cape Colony remained under the control of the British government with reluctance towards local self-government. The agrarian commercialisation approach was based on the control of local resources, but drawing from British experience and methods, including sourcing plants from Europe. This was preceded by and coincided with a period (until about 1850) when the centre of interest in agricultural change was Great Britain. According to Heaton (1948), the English countryside in the 1700s mainly experienced growth of commercial farming during the Tudor and Stuart times. This included the expansion of grain exports, the evidence of some interest in experiment and improvement, and the passage of much land into the hands of large owners who were more interested in political life and its rewards than in improving their estates (1948:402). The development of the white-controlled commercial agriculture in the more fertile coastal areas of South Africa tended to follow this trend and was thus geared towards export markets. This development was achieved at high cost: lots of cheap, coerced black labourers and huge state subsidies, financed by mining taxes and high food prices. The result, as indicated by Lipton (1985), shows an increase of gross value of output from R58 million in 1911 to R382 million in 1948 to R6.6 billion in 1981 with net contribution of agriculture to total exports (including gold) since the 1920s being between one fifth and one third.

Humanitarian concerns about the treatment of natives continued to occupy public debate in Great Britain. Responses included the 1834 British government legislation for the emancipation of slaves as well as the establishment of the Aborigines Protection Association. Welsh points out that the “imperial

policy was much argued in London... Either it was right to work for as rapid an assimilation of races and cultures as possible, or the existing population must be protected by assigning a proportion of the land to them in which existing rulers could run matters in traditional style" (Welsh 1998:210). Both these approaches were adopted. There was rapid assimilation of the small group of "Western-educated" black elites who became increasingly urbanised, parallel to a majority of Western semi-illiterate and illiterate rural folk whose vast land was taken, but who were "assigned a proportion of land" by masters to run their matters in "traditional style".

Significant here is that these debates influenced the colonial government's introduction of the betterment policy in 1939. The policy was viewed as the most disruptive intervention into rural life since conquest in the nineteenth century (Beinart 2003: xvi). The scheme was about the villagisation of scattered African settlements, fencing of communal pastures into camps (large paddocks) that could be rotated, and the separation of arable land from residential and grazing land. Beinart (2003) argues that these betterment programmes originated in the regulation of white farmers rather than of Africans.

The entrenchment of white rule was not without incident; in particular, there were power struggles among white groupings. The increasing tensions among the British and the Boers, fuelled by the abolishment of slavery, marked the origins of the "Great Trek". This was a migration into the interior resulting in the Boers ("the trekkers") establishing two independent, landlocked republics – the Orange Free State and the South African or Transvaal Republic (Rattray 2007). The conflict, however, continued with short-term victories for both sides culminating in the signing of treaties. This included the proclamation of Natal as a British possession in 1843 and a separate colony in 1853. The discovery of diamonds and the fight for mineral wealth extended British control to the Transvaal. The centralisation of power in the Cape Colony raised concerns and ongoing tensions and conflicts with arguments over division into East and West. Resistance erupted from all angles. These included the Frontier Wars, the Tswana-Boer-Griqua conquest of Mosega in 1837, the Anglo-Zulu War of 1870, and the Anglo-Boer War of 1899-1902. In the final analysis, the whites gained the victory, and a racially based dual economy emerged. This was based on a sophisticated public policy with socioeconomic and education systems established exclusively for white people. The recognised scientists and technocrats acted as catalysts and supported commercialisation remaining white, with blacks participating only as invisible labourers and sources of indigenous and practical knowledge. Beinart (2003) notes that intensifying segregation dictated that agricultural interventions and ideas of nationality took on a racial shape. Among the celebrated agricultural bureaucrats, he cites Heinrich du Toit<sup>27</sup> who not only contributed to modernisation and scientific agriculture but also promoted the power and breadth of conservationist thinking during his time.

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<sup>27</sup> Du Toit, born in 1874, chaired the Drought Investigation Commission in South Africa (1920-1923).

The state of affairs progressed to what was later to be known as the apartheid system. This was not only characterised by white control over black labour, but also designed to kill competition with blacks for land and markets and to exclude them from political rights. Lipton argues that apartheid<sup>28</sup> had its origins in legislative and customary measures of the colonies and the republics that formed the Union of South Africa in 1910. These were the British colonies of the Cape and Natal, and the Afrikaner/Boer republics of the Transvaal and the Orange Free State. He demonstrates that the most discriminatory pieces of legislation had been promulgated before the Afrikaner National Party was elected to power under Malan in 1948. These include the 1913 and 1936 Land Acts, which reserved almost 14 per cent of the land for Africans. Another example is the 1922 Stallard Commission that stipulated that an African should only be in the town to “minister the needs of the white man and should depart there from when he ceases to minister” (Lipton 1985:18). Kuzwayo (2004) argues that the discriminatory education system and the Native Land Act of 1913 were responsible for breaking up families, uprooting communities, corrupting values as well as destroying the whole culture of black people. She states

[t]he endless, complex legislation which accompanied all the new and foreign developments gnawed at the very fibre of the stable code of ethics at the heart of black people's lives. The pangs and strains of those far-reaching changes fell on the shoulders of the women of the rural communities where fathers, sons, brothers, uncles, husbands had left to sell their labour in the towns and cities of South Africa in order to earn cash to pay poll-tax, the scourge of generations in the black community (2004:14).

The above discussion points to an agrarian economy with a governance system that was designed for the benefit of the privileged white colonial population. Natrass's (in Giliomee and Schlemmer 1985) perspective provides a useful summary pointing to South Africa's rural sector that is composed of two distinct parts. That is, a largely white-owned, capital-using, commercially-oriented farm sector; and a black-controlled, traditionally oriented, low-productivity, subsistence agricultural sector. This system remains entrenched post 1994 through economic institutions, government support programmes with investment incentives schemes that continue to benefit white organised and established business. The pervasive challenge is captured by Van Rooyen *et al.* (1998)

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<sup>28</sup> Apartheid characteristics include: hierarchical ordering of the economic, political and social structures on the basis of race; discrimination against Africans, and to a lesser extent Coloureds and Indians; segregation of races in all spheres of life; legalisation and institutionalisation of this discriminatory and segregated system, enshrined in law and enforced by government (Lipton 1985:14).

In contrast to the 55 000 white commercial farmers, the approximately one million black smallholder farmers (usually operating at low output levels) face problems related to insecure and fragmented land rights, communal tenure arrangements, non-viable and small farm units, overstocking and deterioration of land, as well as lack of infrastructure, water supplies, transportation networks, financial support, extension and research services (1998:45).

The discussions and arguments presented in the above sections are crucial for dispelling the reductionist view of the marginalisation of the rural poor as just a market failure problem. They strengthen the researcher's view that the problem is conceptualisation with a political and economic system built on deliberate exclusion and marginalisation of the African majority. The researcher asserts that unless the assumptions on which the national and regional macroeconomic frameworks are based are analysed and tested in terms of the benefit to the rural poor, skewed growth will persist. The arguments thus pave the way for alternative rural strategies with value chain-based mainstreaming of household producers that will be discussed in the following chapters. Of relevance is the discussion of the mode of governance that disregarded existing structures and socioecological formations, imposing the self-fulfilling and destructive prosperity of the rich. The main concern remains the post-apartheid development agenda, as the economic reforms in democratic South Africa actually continue to marginalise rural entrepreneurs with a widening gap between the rich and poor. The following sections highlight this as they discuss the rural development frameworks.

#### 4.4 THE DEMOCRATIC SOUTH AFRICA DEVELOPMENT FRAMEWORK

South Africa's policy frameworks are primarily driven by local imperatives factoring regional, African continent and global protocols and opportunities. The redress agenda does not only focus on systematic dispossessions and exploitation (the legacy of colonialism and apartheid discussed in the previous sections), but extends to patriarchy. The challenge is that transformation has to also assist the country to assert itself as a valued player globally within a competitive environment characterised by a fluctuating global economy and crises. This more often results in the targeted beneficiaries (dispossessed and poverty-stricken Africans, majority of whom are women) ending up compromised when intervention choices are made.

The introduction of the Reconstruction and Development Programme (RDP) (ANC 1994) generated hope for the new democracy in 1994. The RDP drew from the Freedom Charter<sup>29</sup> and was intended to deliver on the ruling tenet of the African National Congress (ANC) manifesto, viz. a better life for all. The

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<sup>29</sup> The Freedom Charter was adopted at the Congress of the People, Kliptown, Johannesburg on 26 June 1955 (ANC 2007)

document was emphatic on the redistributive justice agenda (more from a fiscal perspective), particularly access to basic services and land reform. It can, however, be argued that the vague economic chapter laid the basis for the neoliberal economic policies that followed. The RDP nevertheless became a good philosophy, although it lacked a clear operational framework. In 1996 the Growth, Employment and Redistribution strategy (GEAR) was introduced. This policy redefined priority areas with policy positions that borrowed strongly from the neoliberal policies. The GEAR strategy emphasised fiscal discipline aimed at reducing budget deficit, inflation targeting, state asset restructuring with public sector downsizing, as well as a focus on global competitiveness with trade liberalisation (DoF 1996). The GEAR strategy included the following key redistributive elements:

- Land reform;
- Delivery of housing;
- Reform of water rights;
- Infrastructural development; and
- Meeting energy requirements.

GEAR as a macroeconomic framework resulted in policies that adopted growth-oriented strategies with the rural poor, to a greater extent accommodated under trickle-down policies and programmes (welfarist social transfers). The latter is demonstrated by the strong system of social grants that caters for certain categories of vulnerable groups with over 13 million beneficiaries and a fifth of the budget (in 2007/8 financial year) spent on direct transfers to households (van der Berg *et al.* 2007; Presidency 2009). However, the strategy is credited for reducing the budget deficit and improving revenue collection<sup>30</sup>. It is also viewed to have assisted with increasing resilience to external shocks. Increasingly, jobless growth raised concerns about the consequences of the narrow efficiency agenda adopted by the public sector including the corporatisation strategies of state agencies. This refers to the impact of this agenda on the broader social imperatives and labour absorption deemed critical for addressing unemployment, poverty and inequality. The need for the formulation of rural development strategies became urgent (Mbeki 1999). Ryan-Collins *et al.* (2007) argue that pursuing short-term financial efficiency gains through competitive market models have squeezed out the broader considerations of positive social and environmental outcomes that would enable local public services to better serve communities. The section below presents these strategies.

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<sup>30</sup> The apartheid debt stood at R189,9 billion in 1994 and increased to R375,9 billion by March 1999.

#### 4.5 SOUTH AFRICA'S RURAL DEVELOPMENT INITIATIVES

The first rural development policy initiatives came directly after the launch of RDP in 1995 by the Ministry in the Office of the President. A discussion document was released entitled *Rural Development Strategy of the Government of National Unity* (SA 1995). Renewed efforts to design a rural strategy were later 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 (DLA 1997). This framework focused on rural infrastructure, public administration, local government, and rural non-farm employment, but it was not confirmed as government strategy for rural development. This resulted in a range of fragmented initiatives emerging from different departments which were not based on a specific set of targets or common indicators, but aimed at addressing important elements of rural development<sup>31</sup>.

Efforts to reform land and agriculture for rural development strengthened, driven by the Departments of Land and Agriculture. In 2002 the National Department of Agriculture (NDA 2002) launched "The Strategic Plan for South African Agriculture" in partnership with AGRI-SA (Association for established majority white agribusiness entrepreneurs and commercial farmers) and the National African Farmers' Union (NAFU – predominantly African emerging farmers). The launch followed the approval of the Strategy by the then President Mbeki and his Cabinet on 27 November 2001 (NDA 2002). The driving vision indicates "[a] united and prosperous agricultural sector". The strategic goal aims "[to] generate equitable access and participation in a globally competitive, profitable and sustainable agricultural sector contributing to a better life for all" (2002:1).

Recognising deepening rural poverty and the problem of fragmented approaches, the Integrated and Sustainable Rural Development Strategy (ISRDS) was approved by the Cabinet as a government strategy following President Mbeki's State of the Nation Address in 1999 (Mbeki 1999). The ISRDS implementation plan presented a ten-year horizon followed by an intensive evaluation. However, the implementation of ISRDS was aborted prematurely viewed to be showing signs of failure discussed later. Of concern is that ISRDS was not formally concluded with an evaluation of its success or failure. The ruling ANC 2007 Polokwane Policy conference identified problems that pointed to the neglect of the rural poor, prioritising rural development in its 2009 election manifesto (ANC 2007). The change of administration in April 2009 saw an introduction of yet another programme, the Comprehensive Rural Development Programme (CRDP). The latter is again viewed as a cross-cutting initiative driven by the new Department of Rural Development and Land Reform. The concern extends to the fact that the

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<sup>31</sup> This document (March 2000) by the Core Group of Ministers contains a detailed discussion on selected government initiatives, by department, from 1994 to 2000.

reconfiguration of CRDP was rushed through with little reference to or consideration of ISRDS lessons. Both strategies are discussed in the next section.

#### 4.5.1 The Integrated Sustainable Rural-Development Strategy (ISRDS)

The ISRDS mainly draws from the sustainable rural livelihoods (SRL) approach discussed in the previous chapter, with strong emphasis on the “poverty agenda”. However, it did not define poverty or specify indicators. According to an IDT Report,<sup>32</sup> the ISRDS was designed to realise a vision that would “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 are equipped to contribute to growth and development” (2000:1). The strategy was to be implemented over a 10-year period from 2001 to 2010 through co-ordinating existing departmental initiatives and programmes to achieve greater impact in the short term and over a horizon to 2010.

The approach was based on decentralised implementation in selected rural nodal areas, enhancing the reform of municipal/local government to play a central role in integrating programmes to achieve synergistic rural development. This approach required the Presidency to provide strong strategic leadership and co-ordination. The elements behind the vision of the ISRDS were rural development, sustainability, integration and rural safety net. It placed emphasis on changing environments to enable poor people to earn more, invest in themselves and their communities and contribute towards the maintenance of key infrastructure.

It is untimely to comment before a formal evaluation after 2010. However, the indications are that the programme has failed, because the ISRDS did not have a dedicated budget and executive capacity. The fact that the programme was totally reliant on the existing intergovernmental fiscal allocation processes in a governance system riddled with fragmentation and protection of turfs, complicated matters even further. A critique by Cousins (2003) questions the ISRDS’s feasibility. He highlights that decentralisation without strategic planning and sectoral prioritisation is unlikely to address the systemic and structural constraints that hamper rural development. Another problem area is the ISRDS’s uncritical acceptance of the Land Redistribution and Agricultural Development (LRAD) programme’s inadequacies. Cousins cites other critiques (Everatt & Zulu 2001; Pieterse 2001) who query the

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<sup>32</sup> IDT a state agent, has been an implementing arm of ISRDS in conjunction with the Department of Provincial and Local Government to assist with policy, planning and coordination. IDT commissioned various reports on ISRDS and established a reference group. These include the 2000 Report on *The Integrated Sustainable Rural Development Strategy*, and the 2001 Report on *The Integrated Sustainable Rural Development Strategy (ISRDS): A Summary*, the main sources for this section.

execution capacity, particularly at local government level. The strategy and implementation of the ISRDS demonstrated attributes of the early theories of integrated rural development with poor linkages to macroeconomic frameworks and national policies and key initiatives. Another attribute was the top-down government-heavy design with questionable participatory processes.

#### 4.5.2 The Comprehensive Rural Development Programme (CRDP)

Literature on CRDP mainly draws from government's strategy documents and speeches, as the programme is still unfolding, and was formally launched in August 2009. President Zuma's keynote address at the launch on 17 August 2009 highlighted that CRDP

is our national collective strategy in our joint fight against poverty, hunger, unemployment and lack of development in our rural areas. It is an embodiment of our unshaken commitment that we shall not rest in our drive to eradicate poverty (Zuma 2009:2).

Zuma indicated that a critical part of the rural development strategy was to stimulate agricultural production with a view to contributing to food security. "In this regard, government will support the provision of agricultural implements and inputs to support emerging farmers and households nationally. We must also make agricultural loans accessible and ensure agricultural extension services of a high quality" (2009:3). Rural Development and Land Reform Minister Nkwinti in his 2010 Budget Speech indicated that the CRDP strategy would be achieved through coordinated and broad-based agrarian transformation which would focus on:

- Building communities through social mobilisation and institution building;
- Strategic investment in old and new social, economic and ICT infrastructure and public amenities and facilities coordinated through the Rural Infrastructure Programme;
- A new land reform programme implemented in the context of the reviewed Land Tenure System;
- Rendering of professional and technical services as well as effective and sustainable resource management through the component of geo-spatial services, technology development and disaster management;
- Effective provision of cadastral and deeds registry as well as surveys and mapping services.

He further emphasised "agrarian transformation" as the core focus. This is interpreted to denote "a rapid and fundamental change in the relations (systems and patterns of ownership and control) of land, livestock, cropping and community. The objective of the strategy is social cohesion and development"

(Nkwinti 2010:2). He also referred to the Green Paper formulation process that is under way, focusing on the CRDP's three-pronged strategy of agrarian transformation, rural development and land reform. Linked to this is a proposal for a Rural Development Agency for coordination, planning, resource mobilisation, monitoring and evaluation.

While it is too early for a comprehensive analysis, CRDP design framework has at least recognised the need for a review of land reform policies and strategies (discussed below). However, as highlighted in Chapter 3, it has a strong agrarian focus, with a danger of overlooking the emerging trends of a diverse rural economy. The researcher also questions the conceptualisation of, and strategies for the intended agricultural transformation or reform. Leite and Avilla (2006) caution against the confusion of agricultural reform or transformation with modernisation. They emphasise that agrarian reform is about the functioning of the agrarian system versus modernisation of agriculture (the modification of the technical base). According to them, modernisation has led to the formation of what is called "the agro-industrial complex" or "agribusiness" or to "the industrialisation of agriculture". They point out that

this kind of modernisation, which took place without modification in the land ownership structure, has had some "perverse effects": land ownership became more concentrated; disparities of income grew; rural migration was accentuated; the rate of exploitation of the labour force in agricultural activities increased; recourse to one's own labour force in the smallest properties also increased; the quality of life of the rural labour force declined; the environmental conditions degenerated (Leite & Avilla 2006:22-23).

This distinction is significant from a policy perspective particularly with regard to traditional/subsistence sector transformation. For true reform, Leite & Avilla (2006) emphasise access to resources, the distribution of political power, the regularisation of property rights and use; and guaranteeing the social reproduction of vulnerable families.

Of further concern is the limited or no reference to soil rehabilitation when agricultural specialists and soil scientists remain concerned about degraded lands. Laker (2005) indicates that South Africa has only 13% (about 14 million ha) arable land, most of which is marginal for crop production, with low production potential. Significant is that "only 3% is considered to be high potential" (2005:1). Vink and van Rooyen (2009) also refer to South Africa's poor agricultural resource base.

A critical component of CRDP as indicated is land reform. Land reform forms the central thrust of South Africa's land policy. It has three aspects: redistribution; land restitution; and land tenure reform (Ntsebeza & Hall 2007). According to the South African *White Paper on Land Reform* (DLA 1997):

*Redistribution* refers to the transfer of land to recipients who were not necessarily original owners, but were nonetheless dispossessed of land under apartheid law. It also aims to provide the disadvantaged and the poor with access to land for residential and productive purposes. Its scope includes the urban and rural poor, labour tenants, farm workers and new entrants to agriculture.

*Land restitution* refers to the transfer of land back to original owners or their descendants. It covers cases of forced removal that took place after 1913. This is being dealt with by a Land Claims Court and Commission established under the Restitution of Land Rights Act 22 of 1994.

*Land tenure* reform is led by a vision of flexible tenure regime that legally secures the rights of people occupying and using land, balancing these rights equitably against rights of owners. The intention is to improve tenure security of all South Africans and to accommodate diverse forms of land tenure, including types of communal tenure. According to Hall (in Ntsebeza & Hall 2007), tenure reform policy was intended to address the chaotic state of land administration in the communal areas of former homelands and coloured reserves.

The complexity of the South African land reform programme is the responsibility of redressing injustices and addressing poverty and underdevelopment, in a dynamic environment of population growth, increasing inequality, climate change and the “financialisation” of the economic system. Walker (in Ntsebeza & Hall 2007:142) argues that the 30% target based on the transfer of farmland from white to African ownership “is inadequate as an indicator of success if sustainable economic development and the reduction of rural poverty are the main concerns”. Nkwinti’s 2010 Budget Speech recognises this as he refers to a new approach to land reform recognising delivery constraints

To date approximately 6 million hectares of land have been transferred through restitution and redistribution and much of this land is not productive and has not created any economic benefit for many of the new owners. There has been an over emphasis on hectares at the expense of development and food security (Nkwinti 2010:2).

The emerging debate of equity/ownership versus income/jobs/food security, whilst appreciated is dangerous as it is short-term inclined with long-term negative implications. The researcher proposes a strategic distinction between the two priority areas with clear goals, strategies and indicators. Meeting the constitutional commitment to equality and moral obligation for social cohesion cannot be compromised for short-term gains. This refers to the deracialisation of commercial farmland and advancement of women’s rights in communal, family and household land. The argument is based on the perceived need to address the historical reality discussed in preceding sections and articulated by Vink

and van Rooyen (2009). These authors point to the problematic state intervention in supporting white farmers, [using]

legislation such as the Cooperative Societies Act (1925) and the Marketing Act (1968), through investment in research and development, infrastructure, extension services and the settlement of farmers, and through protection of domestic markets from international competition. At the same time, a range of measures, such as the Land Act (1913) and the creation of the homelands, were put in place to suppress black farmers, both in the commercial farming sector and the communal areas of the former homelands (2009:4).

In other words, the sustainable livelihoods and poverty eradication focus, viewed as a critical element of land reform, should be placed within the equity and social justice agenda. This should consider Walker's caution (in Ntsebeza & Hall 2007:134) that land reform can contribute to economic development at both household and societal level, "but one cannot assume that it is a cure for deeply entrenched problems of poverty, inequality and social dislocation".

The strong link between CRDP and poverty eradication is nevertheless similar to the vague approach found in ISRDS. While the link theoretically and conceptually makes sense, the concern is how. The release of *Development Indicators 2007 & 2009* and the Draft Anti-Poverty Strategy by the Presidency (Presidency 2009; PCAS 2008a, b & c) has been insightful and instructive in terms of poverty trends. The Draft Anti-Poverty Strategy Report indicated that rural poverty dominates the poor households and working poor categories with coverage for all social grants being higher in the rural former Bantustan regions (PCAS 2008c). The Reports highlighted the structural racial, spatial and gender underpinnings of poverty and inequality, ten and fifteen years after the inauguration of a democratic South Africa. The *Development Indicators 2009* states that "although poverty has reduced over time, more worrying is the fact that the rate of eliminating poverty is slow" (Presidency 2009:25). On the other hand, inequality remains stubbornly high with wage inequality as the main driver.

While the ISRDS included rural safety nets, the CRDP is not clear on the linkages between rural social protection, safety nets and agrarian/land reform. This raises serious strategic and structural concerns, recognising government's prioritisation of social grants as a contributor to poverty gap reduction and severity of poverty (Presidency 2009:26). The conceptual and practical concern here refers to fragmented and unsustainable interventions, as well as reliance on neoliberal trickle-down approaches as opposed to asset-based empowerment for sustainable household productivism. Of greater concern are human capital problems with increase in HIV prevalence (Presidency 2009:37), and the deteriorating women's health with an increase in maternal mortality ratio (ibidem p. 36). The Presidency Report (2009:44) also highlights the inconsistency in literacy rate improvement (the literacy rate

increased to 74% between 2002 and 2005, and has remained at that level until 2008). These facts lead to the contention that the CRDP still requires further discussion and improvement, as it cannot (as conceptualised) address South Africa's complex rural problems.

#### 4.6 CONCLUSION

This chapter focuses attention on the historical and structural underpinnings of South Africa's political economy and the conceptualisation of rural development. It highlights the origins of the institutionalised inequalities and the shifts in household productive roles, as well as the disempowerment of the household productive space. Importantly, the chapter points to the origins of the problematic economic structure and systems relevant for understanding the marginalisation and exploitation of the rural poor.

The discussion on South Africa's rural development confirms the argument by Belete *et al.* (2004) that the rural development initiatives by governments and donors have not managed to enhance the existing potential and deliver human development-centred, growth-oriented and sustainable solutions. It also indicates that South Africa is still struggling to come up with integrated and comprehensive strategies for redress towards inclusivity and sustainability. The researcher concludes that there is a need to redefine the driving development agenda to clarify the interconnectedness of land reform, agricultural transformation and rural development. This will also assist in formulating appropriate strategies for addressing poverty and inequality. May (in Cousins 2000) points out that there are three contributing factors to poverty in South Africa. These are the erosion of the rural asset base, the impact of the destabilising state, and the direct impact of apartheid policies (2000:10).

The analysis of the rural development strategies highlights the importance of linking social assistance strategies with asset empowerment and diverse-sector growth strategies for self-reliance and sustainability. This has to be coupled with well-targeted and monitored support mechanisms for graduation from indigence to self-reliance. The reliance on social transfers in a globally turbulent environment with unpredictable fluctuations is proving not to be sustainable. President Zuma in his 2011 State of the Nation Address alluded to this: "Since we are building a developmental and not a welfare state, social grants will be linked to economic activity and community development, to enable short-term beneficiaries to become self-supporting in the long run" (Zuma 2011:3).

The researcher however recognises the importance of social transfers in a society with such high poverty and unemployment. The recommendation is for social transfers to be treated as a short-term social protection strategy that is a necessary springboard towards self-reliance. The argument is that social transfers as a stand-alone strategy or an end in themselves entrench dependent survivalism and the spiral of deprivation. Holzmann and Jorgensen (2000:3) define social protection as "public

interventions to (i) assist individuals, households, and communities better manage risk, and (ii) provide support to the critically poor". The space for social protection in the rural development strategy is therefore critical, but this should be only one of the pieces of the puzzle and well targeted, hence the proposal for households as an entry point discussed in Chapter 6. Chapter 5, in presenting the marula findings substantiates these arguments.

## CHAPTER 5

### MARULA CASE STUDY FINDINGS

#### 5.1 INTRODUCTION

Earlier chapters pointed to the researcher's argument that rural households have an objective function to maximise benefits, but are structurally constrained (the spiral of deprivation). Chapter 2 presented the research methodology and methods which use the marula case study to validate this argument as captured by the study problem. The presentation of findings in this chapter is based on the two-pronged research approach discussed in Chapter 2. The discussion of results commences with the real-life examination of the selected Marula Natural Products (MNP) supplying households. This is intended to unpack the underlying assumptions about the nature of rural households, household production and the wider connections into the micro- and macro-frameworks. This is followed by the comparative analysis of marula commercialisation strategies of two enterprises in South Africa, as well as Swazi Secrets in Mpaka, Swaziland. The South African enterprises are the Mirma/Distell Amarula pulp factory in Phalaborwa, Limpopo, (a subsidiary of the JSE listed privately-owned Distell Stellenbosch winery). The second enterprise is the donor-funded MNP, based at Thulamahashe, Bushbuckridge, Mpumalanga.

The overall research methodology was designed for a descriptive and narrative presentation of findings, drawing from the field data and secondary sources. Uprichard and Bryne (2006:665-676) argue that narratives enable human actors to express the meaning that underlies their own agency as part of their account of the trajectories of places. They point to the necessity of narratives for complexity-related research, particularly the conscious reflection of individual or collective social action. They also cite Guhathakurta (2002:909), who argues that the strength of the narrative is that it substitutes meaning for the straightforward copy of the events recounted: "It follows that the absence of a narrative is an absence of meaning itself."

The main finding confirms the study research problem that marula supplying households, as value chain actors have an objective function to maximise benefits and participate in the mainstream economy but are structurally constrained. Linked to this finding is the underplayed contribution of traditional and informal rural household producers to industry performance and economic flow (Section 5.5). The results also point to the disregard of the constraints that contribute to the exclusion of value-oriented household production for the benefit of rural households. Of significance is that the findings highlight the problematic State rural intervention post-apartheid that has taken a welfarist approach failing to enhance productivism of rural households.

In terms of comparative analysis of commercialisation strategies the findings point to marula commercialisation in South Africa that perpetuates the dualistic economy with increasing inequality in the distribution of value chain derived benefits. The privately-owned and driven Amarula Cream enterprise was the most value chain-integrated, technology advanced, operating on market-based principles and systems, with the Amarula Cream product well mainstreamed within the parent (wine) industry (more detail in Section 5.3 with Chapter 7 expanding further). MNP while strong on social objectives was weak operationally, with a high dependence on donors that deems its strategy unsustainable. The community-based marula commercial activities are generally informal/survivalist with evidence of focused investment for self-employment and entrepreneurial engagement.

Notwithstanding, the study demonstrates that new industries, particularly those derived from rural-based natural resources offer opportunities for the reorganisation of production and market systems critical for the inclusion and maximisation of benefits to rural household producers. In other words, value chain-based commercialisation, if adequately supported with enabling and inclusive systems, as well as capability enhancement, can maximise benefits to and mainstream rural household producers. An emerging issue is the centrality of sustainable socioecological systems in establishing rural economic development programmes. The following sections present the MNP supplying households' findings to help describe the context for the comparative analysis of marula commercialisation.

## 5.2 THE PROFILE AND CHARACTERISATION OF THE MNP MARULA SUPPLIERS

The overall results as highlighted point to a disabling contextual environment of marula household producers and suppliers. This section unpacks the emerging critical elements in terms of key household features relevant for the productivist perspective. These point to:

- Marula suppliers that have an objective function to maximise benefits but are structurally constrained. The main focus (in order of priority) is, survival and sustaining household livelihoods, participate in mainstream economy and contribute to environmental sustainability;
- Inefficient "welfarist" State intervention within the Bohlabela/Ehlanzeni District that is directed more towards survival rather than productive and sustainable existence. This refers to inefficient focus on improvement of capital assets (human, social, financial, physical, natural), a welfarist and fragmented focus on absolute poverty (social grants), and a minimalist and inefficient delivery of basic services (water, electricity).

The details are provided in the following sections with reflection on and comparison with the 2002 DFID studies where appropriate.

### 5.2.1 The Spatial Dimensions that Characterise and Constrain Marula Households

The main location of the MNP suppliers is Bushbuckridge with a small contribution from other parts of the former Bohlabela District. Findings from direct observations, the six focus groups (55 participants), 24 questionnaires, interviews with enterprise representatives, and secondary data, indicate that the area profile resembles that of former homelands. Bushbuckridge, as indicated in Chapter 2 includes parts of Gazankulu, Lebowa and kaNgwane (former homelands). Evidence presented in this section indicates that the area is characterised by lower income/expenditure per capita and lower educational levels in comparison with urban centres. It has a long history of relocation and reclassification. This includes the forced removals by the apartheid government in the late 1960s and early 1970s, when the separate homelands of Gazankulu and Lebowa were created (Shackleton and Shackleton 2002:5). The respondents when telling their stories in focus groups traced their origins highlighting their journeys of resettlement. The diversity of languages in the groups (majority Shangaan, with Swazi and sePedi) was in itself telling. Of interest was the reference to the post-apartheid contested demarcation process which affected Bushbuckridge as a cross-boundary municipality. The demarcation was formally implemented in 2006. This story was reluctantly highlighted by respondents as it was deemed to be a sensitive and potentially divisive issue.

However, the discussion on relocation and reclassification is critical in unpacking the inefficiency of government intervention. Literature indicates that settlement patterns in Bushbuckridge were influenced by the colonial government's introduction of the betterment policy in 1939 (Shackleton & Shackleton 2002). As indicated in Chapter 2 the scheme was about the villagisation of scattered African settlements, fencing of communal pastures into camps (large paddocks) that could be rotated, and the separation of arable land from residential and grazing land. (Beinart 2003: xvi) viewed the scheme as the most disruptive intervention into rural life since conquest in the nineteenth century. The resultant settlement arrangement in Bushbuckridge indicates this. 23.7% of the area is under state-owned plantation forestry and conservation, and inaccessible to local residents (Shackleton and Shackleton 2002). This leaves an area of 1 843 km<sup>2</sup> of which 84.9% as communal grazing land, 8.7% rain-fed crop production, 2.9% irrigated agriculture and 3.5% residential land distributed across 65 settlements varying in size from fewer than 100 homesteads to over 800. The people are highly dependent on communal lands (some 1 564 km<sup>2</sup>) for a range of goods and services that contribute to their everyday livelihood, including grazing, firewood, wild fruits, herbs, wood for construction and tools, medicines and craft materials.

This picture, typical of most rural municipalities, is central to this study's critique of State intervention and the rural development paradigm in South Africa post-apartheid. Bushbuckridge is one of the rural local municipalities with dependence on operating grants. [Salga (2009) pointed to 65% dependence as

percent of total operating revenue by local municipalities predominantly located in the former homeland areas]. According to Buanews (2008) the Bushbuckridge municipality after incorporation into Mpumalanga in 2006, made an appeal to incorporate the tourist town of Hazyview (administered by the Mbombela local municipality) into its municipal area in order to boost its local economy. The publication quoted Zondi Mkhabela the municipal spokesperson who highlighted that, "Bushbuckridge currently depends on government grants because we don't have a strong economic base. All our money is moving out of our households to Hazyview and Nelspruit (2008:1)."

The contention here is that the government's redress agenda and strategies ignored the structural impact of the politico-historical basis of spatial planning, characterised by the deliberate underdevelopment and marginalisation of the majority African settlements in apartheid South Africa (Chapter 4). The view is that government simply assimilated the distorted settlement patterns with welfarist interventions and the introduction of incoherent municipal structures working tangential to traditional structures. The result is a disabling environment for productivism with perpetuation of dependent survivalism. The researcher concludes that the approach depicts an inefficient welfarist rural development strategy. In terms of basic services, the driving rationale for the allocation and distribution of resources is also questionable as these are not paired with efficient maintenance plans and mechanisms to ensure equitable access for productive use and sustainable livelihoods. This refers to the high percentage coverage of water and electricity that does not translate to reliable availability of these services for survival and productive use (Chapter 3 referred to this). The results below also point to a similar situation. Figures show increased access to water, electricity, and other physical infrastructure - transport and telecommunications, with poor service. Figure 21 presents findings on basic household services.

### Basic Household Services/ Physical Infrastructure

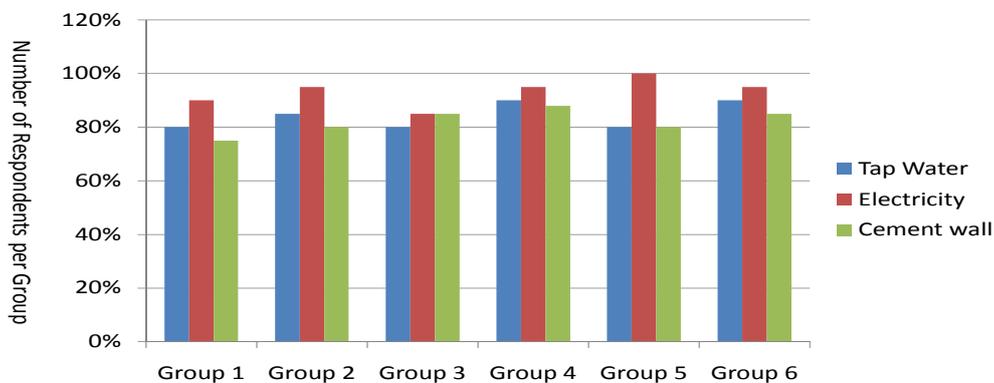


Figure 21: Marula Supplier Household Basic Services

Source: MNP Suppliers in Focus Groups

The evidence points to the area benefitting from government efforts towards access to basic services (even though general physical infrastructure is inferior compared to most urban areas). There is a marked improvement in basic service delivery, but with poor quality and maintenance. The marula respondents in all focus groups complained that the available tap water and electricity was of poor quality and unreliable as the “water and electricity did not always work”. This affected not only their domestic needs, but their entrepreneurial endeavours as well. Worth noting is that most houses (over 70%) are built from cement blocks (walls) with corrugated iron roofs as opposed to mud walls and grass roofs found in other rural areas. However, some of those renting in outbuildings and additional dwellings indicated that their structures are still made of mud and thatch.

In terms of telecommunications, mobile phones dominate as opposed to fixed line telephones. Television (TV) ownership/usage (average 60%) also showed a slight improvement from the previous household study by Shackleton and Shackleton (2002) with 50% TV ownership. From a logistics perspective, the ownership and use of wheelbarrows as a means of local transporting of marula and vegetables for selling was viewed critical as evidenced in the Figure 22 below. Vehicle ownership remains low (below 20%), and poor road infrastructure was also cited as a challenge. Most households hire vehicles when required. The respondents also referred to the joint contribution in the hire of transportation (*bakkies*) by marula committee members to ensure affordability and maximum usage.

### Telecommunication and Transport Services

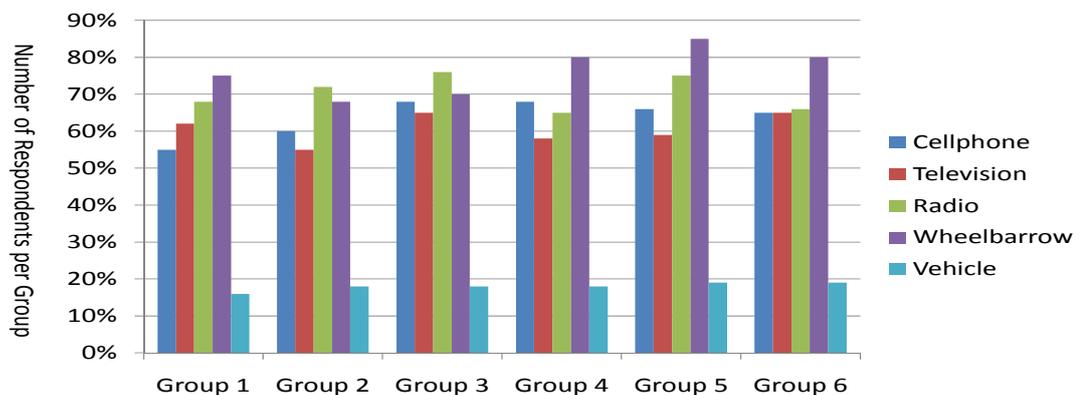


Figure 22: Telecommunication and Transport Services in MNP Marula Supplying Areas

Source: MNP Marula Suppliers

The focus on telecommunication modalities is critical for the mainstreaming of the marginalised rural household producers. Telephone, internet and computer services were a challenge with respondents citing non-availability for access, affordability, and low skill levels in terms of computers and internet. The 2007 Community Household Survey points to this as a national problem with low rural provinces penetration. Figure 23 below shows Limpopo with the lowest penetration of internet (2%), telephone (5%) and computer (7%).

Household communication modality penetration , 2007						
	Cellphone	Telephone	Computer	Internet	Radio	Television
Eastern Cape	61%	11%	7%	3%	68%	51%
Free state	68%	13%	11%	4%	80%	65%
Gauteng	80%	24%	24%	12%	80%	75%
Kwazulu-Natal	72%	19%	12%	6%	76%	59%
Limpopo	70%	5%	7%	2%	73%	56%
Mpumalang	77%	9%	11%	4%	78%	64%
North West	71%	8%	9%	3%	72%	61%
Northern Cape	62%	22%	13%	5%	74%	69%
Western Cape	74%	42%	30%	16%	83%	84%
<b>Average SA</b>	<b>73%</b>	<b>19%</b>	<b>16%</b>	<b>7%</b>	<b>77%</b>	<b>66%</b>

*Source :Community household Survey, 2007*

Figure 23: Household Communication Penetration, 2007

Source: Community Household Survey (StatsSA 2007)

In terms of education levels, findings were consistent with Shackleton and Shackleton (2002:10). The majority of older group participants had primary education (5 to 9 years of schooling), with the younger participants (below 35) more educated with secondary to higher education. However, there were cases that pointed to the low literacy levels in the area. These included the 39 year old female head of household and marula supplier interviewed with no formal education, and a 58 year old male (spouse of a participant) with no formal education. It was encouraging to interview 46 and 49 year old participants with standard 5 (grade 7) education, parents of children at university, as well as 29, 27 and 26 year olds with grade 12 as marula suppliers. An overall picture of educational levels in Bushbuckridge at the time of sampling is provided by the Table 5 below.

Table 5: Educational Levels achieved by over-20-year-olds at Bushbuckridge

Level of education	Numbers	Percentage
No schooling	87 254	39,57
Some schooling	31 130	14,12
Primary	10 472	4,75
Secondary	51 303	23,26
Grade 12	27 091	12,28
Higher	13 271	6,02
<b>TOTAL</b>	<b>220 521</b>	<b>100</b>

Source: Gaffney Group (2004)

### 5.2.2 Marula Supplier Livelihood Patterns

Like most former homeland households, marula suppliers undertake farming to supplement household food requirements. They adopt a transitional type of livelihood portfolio with farming undertaken only when other sources of income fall away. Figure 24 indicates the household income sources as described by the participants.

#### Household Income Sources

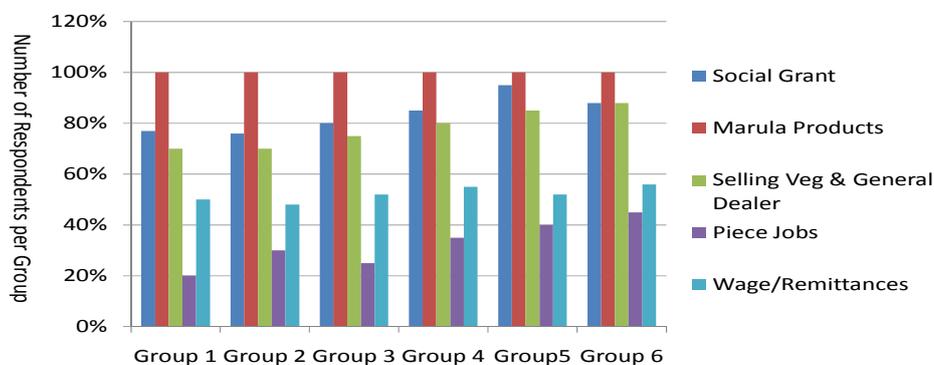


Figure 24: MNP Supplier Income Sources

The household income profile highlights the dominance of women in marula supply (99%). The results pointed to approximately two thirds of the women being heads of households including as *de facto* heads in terms of absentee male migrants. All participating respondents by selection were suppliers of marula, thus drawing income from various marula activities described in the following sections. In comparison to 2002 DFID studies, there was a high reliance on social grants for household income. Reference to social grants in this study was in terms of member(s) of a household who receive old age

pension, disability or child support grant. The high number of social grant recipients corresponds with the PCAS (2008c) report that coverage for social grants is higher in the former Bantustan regions.

According to Shackleton and Shackleton (2002) social grants in the previous Bushbuckridge survey were dominated by government old age grants with about 34.7% of households having at least one pensioner. They highlighted that “these figures were lower than have been found in other parts of the country (Shackleton *et al.* 1999a, Shackleton *et al.* 2001) where there is a high dependency on pensions as a source of cash income. It is not clear why these differences exist” (2002:8). The old age grant amount per month at the time was R570. This study found a higher dependence on social grants with approximately 80% of respondents having a member of household who receives a grant (either pension, child support grant or both) that contributes to household cash income. In 2008 pension amount was R870 per month with child grant R200 per month per child. Following previous increases, the *2011 Budget Speech* announced a rise in the monthly old age, disability and care dependency grants to R1 140 with a R20 extra for pensioners over the age of 75 to R1 160. The child support grant will increase to R260 in April 2011 and to R270 in October 2011 (Gordhan 2011:26). The researcher argues that the improved administration of social grants assisted in improving access to the poorest marginalized areas. However the situation is not perfect with high administration costs as highlighted by Minister Gordhan (2011:26). “Over 9 billion a year is currently spent in administering our fragmented social security system. An integrated and better coordinated social security system will offer better protection to vulnerable households, at a lower administrative cost.”

Figure 24 above points to other household income sources. They include subsistence farming (mainly selling vegetables). The respondents reported a higher reliance on self-employment (selling marula products, vegetables, sweets, chips, crafts, sewing, second-hand clothing, block making and welding) than they did in the Shackleton and Shackleton (2002) study. The authors indicated that “[t]he levels of self-employment were lower than those for formal employment with just less than one third of households reporting one or more self-employed household member” (2002:8). Self-employment or microenterprise income within a household was complimented with engagement in “piece jobs”, that is; i) domestic services - washing, cleaning, child care, ii) casual labouring in others’ microenterprises and local business, as well as iii) participation in short-term government programmes such as the Land Care Programme and Extended Public Works Programmes (EPWP).

The case study measure focuses on the number of respondents indicating reliance on the source, as opposed to the share of income sources within a household. However, it is important to note that in 2008 (Groups 4-6) the transitional type of livelihood portfolio indicated a shift with selling of vegetables and general dealership undertaken more, as MNP viability was threatened with payment to suppliers erratic (Groups 1 to 3 were in 2005). The increased social grant access and economic growth within the

2005 and 2008 period (cash) could be argued to have contributed to the consumption of sold essentials as an alternative. There was generally less reliance on wage income and remittances from formal employment (as compared to 2002 studies). This is attributed to the agriculture and mining sectors that continued to shed jobs, with public service job opportunities requiring higher educational levels. When asked why this pattern, a respondent in one focus group summarised that “our husbands and children are either back home unemployed, or themselves relying on casual work in urban areas. The money from them is now inconsistent, we are the ones who send money to children at colleges, or help our family members with money as job seekers or traders in urban areas”.

### 5.2.3 Respondent’s Perspectives on Rural Household Roles

This section expands on the perceived household roles. The researcher used the RRA process (reality mapping) in focus groups to assess the participants’ perspective of their households’ roles, positioning, opportunities and constraints. Venn diagrams, circles, arrows and pictures were used to illustrate hierarchies and interconnectedness. The researcher also wanted to understand the participants’ appreciation of marginal *versus* mainstream assessing whether they imagine themselves as part of the mainstream. The different diagrams in Figure 25 below provide a summarised version of the respondents’ perspectives. Critical was the emphasis by all on the human-environment interdependency with the household as part of a broader context and larger systems (social, economic and ecological). There was also a strong view of household sustainability as a continuum of productive and consumptive actions. Ellis (1993: 105-6) also acknowledges the dual character of the peasant farm household, that is, being both a production unit (farm enterprise) and a consumption unit.

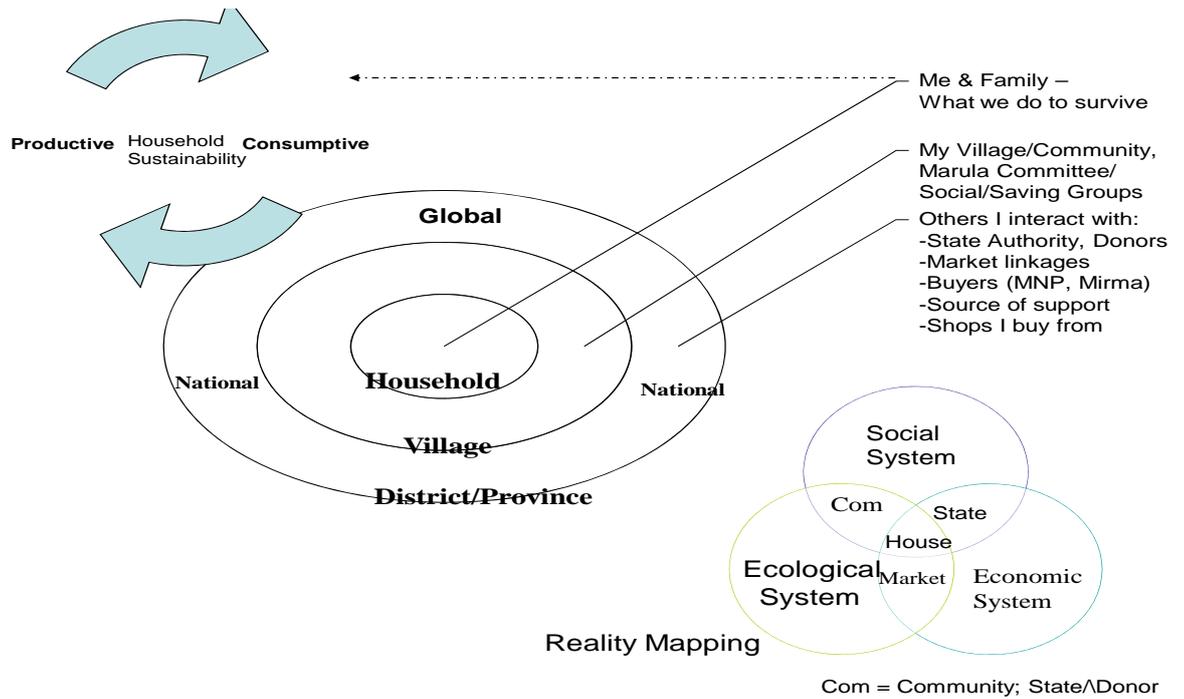


Figure 25: Bushbuckridge Marula Suppliers' Reality Mapping (Summarised Version)

Source: Focus groups using RRA techniques

The household circle (Me & family – what we do to survive) was presented in focus groups in the form of stories. In terms of “Reality Mapping” (right hand corner), participants viewed the village/community as a safety net, solidarity (collective bargaining) and social capital source. There was also reference to community as a market (buyer of each others’ products), albeit more from a social survival as opposed to economic sustenance perspective. The community was also associated with ecological systems (land and other natural resources that household and communally owned). There was also a strong alignment of the State (grants, schools, clinics) with the social system. All respondents felt that while the government contributes to basic services delivery, there is little support to marula commercialisation. However, the role of government within the economic system was seen as mandatory. Private sector and donors were associated more with income generation support (economic system), with the market/enterprise viewed to be central to the ecological and economic systems. The respondents linked the enterprises/buyers to the commercial value of their natural resources. Worth noting was the perception of the household as central to all systems.

While the sample was drawn from MNP suppliers, some were also selling fruit to other buyers (e.g. areas around Edinburgh supplying to Mirma/Distell factory). When questioned there was a general discomfort in providing detailed responses on how this is structured. An affected participant raised a significant point about the need for their empowerment to maximally benefit from market opportunities. “For instance, Phalaborwa factory processes the fruit to pulp, and MNP processes kernel to oil, how can

we sell and benefit from both companies? Why must we choose?" she asked. "MNP is our company, we work well together, it's just that things are tough now" was a response from another participant. (The reference to "our company" emphasizes the MNP structure with a Community Trust as a shareholder in MNP (Pty) Ltd. This is discussed later).

#### 5.2.4 Marula Supplying Households and Self Employment

The increase in self employment was viewed as critical with the researcher using focus groups and interviews to deepen understanding of the rationale, traits and driving imperative. All focus groups linked self employment/income generation to sustaining livelihoods (food security, household wellbeing, children's education and their access to job opportunities). There was also a general consensus in group discussions that engagement in diverse economic activities was driven by the increasing loss of income through formal employment (and remittances), and the dependency on women as heads of households. Significant here is that the participants put more emphasis on their support in maximising self-employment opportunities than seeking employment (e.g. reference to "better price for our harvest" "access to markets" "technology and skills to improve our products"). Employment was mainly required for other family members, usually unemployed sons and daughters who are school dropouts (with babies), unemployed matriculants and some with post-matric qualifications, or retrenched husbands or siblings.

These findings are in line with the trend in rural economies as depicted by Aliber *et al.* (2005) in their study that shows a rise in the rural microenterprise<sup>33</sup> sector. According to them this rise is attributed to the "lacklustre" performance of the economy in creating formal sector and employment opportunities. They highlight that South Africa's rural microenterprise sector is small, diverse, and ephemeral with a large element of "survivalist" enterprises, even though some were found to be more entrepreneurial and organised (2005:100). Mbhele and Aliber (in Aliber *et al.* 2005:78) indicate that the microenterprises include formal dealerships as well as tuck shops, but these are "dying a slow death as a result of the high levels of unemployment and poverty". The slow death is also blamed on the presence of big supermarkets in rural towns, undercutting the microenterprises with lower prices, reducing them to selling small-pack essentials like mealie meal, cooking oil and sugar. The authors also draw attention to the flexibility and important contribution of the rural microenterprise sector to household income. They indicate that "the ability and desirability of engaging in different forms of employment and self-employment are likely to be a function of the *household's* economic circumstances more than those of just the adult household member" (2005:102).

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<sup>33</sup> Aliber (2005:99), drawing from the National Small Business Act (Act 102 of 1996), defines micro-enterprise as any private, non-agricultural enterprise with four or fewer workers, including the proprietor(s).

Chapter 3 in defining the home worker highlighted the importance of differentiation between employed labour and self-employment within the context of household production. Nieman, Hough and Nieuwenhuisen (2003) also provide a useful distinction between *labourers* (formal and informal employment – wage earners), *self-employment* (employers and/or own account operators) and *entrepreneurs* (business organisers and innovators). The respondents referred to various forms of participation in economic activities described in Box 1 below.

#### Box 1: Income Generation Differentiation

**Level 1: Basic Subsistence/Survival:** this refers to individuals and/or groups who are engaged in income-generating activities for survival (hand to mouth) with no or limited bookkeeping or specific consistency of product. Group formation is characterised by start and stop (depending on availability of opportunity).

**Level 2: Self-employment – Subsistence Entrepreneurial:** this refers to individuals and/or groups who have progressed to reliance on their income-generating activity, building market intelligence and product innovation, as well as value and economies of scale thinking (formation of commodity associations). There is a proactive focus on creation of opportunities for next income which is risk averse with awareness of mainstream demands. This category also demonstrates appreciation of accountability to organisational structures and bookkeeping, even if basic manual methods are used. This level is also characterised by diversification to manage seasonality or division of labour in families or communities. For example, a women's group can be involved in farming as well as commercial crafts for food security. Another could be engaged in both child care and/or home-based care and clothing manufacturing (permanently part-timing both).

**Level 3: Entrepreneurship –** This refers to individuals and/or groups who are opportunity-seeking, risk-taking and growth-oriented. There are different types of entrepreneurs with generally a higher level of appreciation of economic mainstreaming and value-chain-based growth. This includes appreciation of business linkages, required skills, finance and competencies as well as systems.

Source: Derived from the marula case study.

The majority of marula suppliers in focus groups fell in level 2 (Subsistence Entrepreneurs – 60%), while there was an emergence of a small group at level 3 (Entrepreneurship – 15%) with the rest engaged at Level 1 (Basic Subsistence/Survivalism – 25%). However, the structural impediments robbed the potential entrepreneurs of the opportunity to participate in secondary and tertiary value chain opportunities discussed in following sections. These include those with entrepreneurial interest and some level of capability, who are not supported as value chain actors in processing, logistics and other related services industries. The following section focuses on findings related to the marula commercial activities.

### 5.3 FINDINGS: MARULA COMMERCIAL ACTIVITY

The results here point to:

- Marula commercialisation in South Africa that follows the dualistic economic trend and entrenches the unequal industrialisation strategies;
- Marula commercialisation as an emerging industry is not adequately structured. There is no, or poor role clarification in terms of value chain actors and supporters (donors, government), with no standardisation of regulation to ensure just and accessible systems as well as institutional arrangements;
- Notwithstanding, the reality is that “traditional”, “subsistence”, and “informal” marula suppliers do act as “value chain actors”. They engage in upstream marula tree production as individual households, and are also communal marula resource owners. Of significance here is that despite their low educational levels they build on social networks, traditional knowledge for seed nurturing, harvesting, home production and supply. They also link (through intermediaries) to the existing industry structures albeit with unfair practices;
- Rural households are central to the marula supply chain as illustrated by Figure 26.



Figure 26: Marula Supply Chain

The discussion of results in this section covers the following areas: marula economic activity, institutional arrangements and relational issues, socioecological dimensions as well as the nature and sharing of benefits (methods were introduced in Chapter 2).

### 5.3.1 Description of the Marula Commercial Activity and Levels of Economic Participation

Figure 27 illustrates the formal and informal marula commercial activity derived from primary research, highlighting the value chain actors in Limpopo and Mpumalanga provinces operating at different levels of the chain.

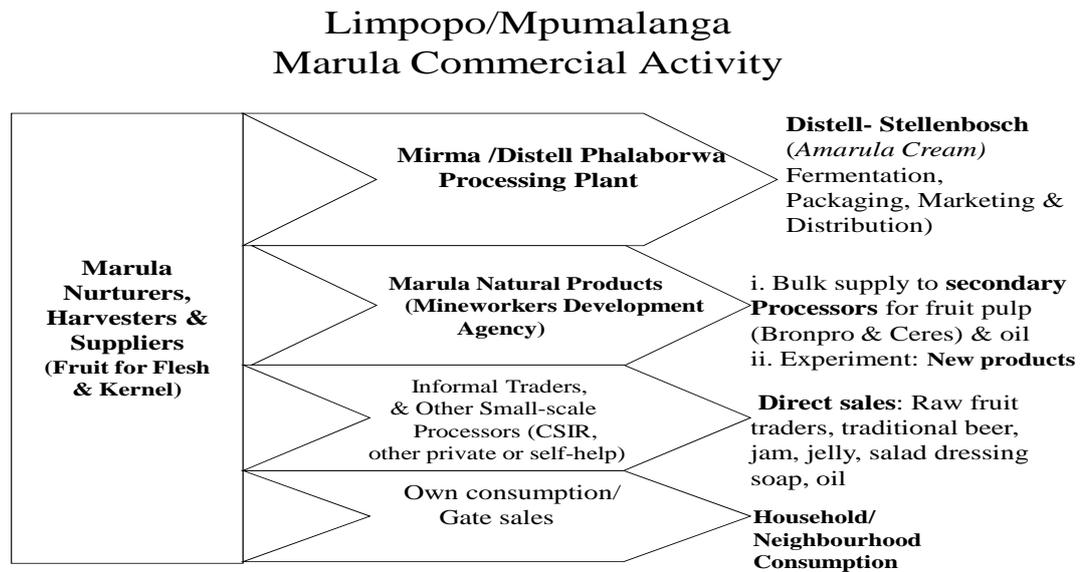


Figure 27: Limpopo/Mpumalanga Marula Commercial Activity

The picture presents sophisticated, capital-intensive marula commercialisation by a majority-white lead firm (in this case the JSE listed private-sector driven Amarula Cream producer, Distell). This operates side by side with donor-driven enterprises (MNP), as well as traditional, under-developed subsistence activities by (black) African women. It is important to highlight that the marula seed nurturers, fruit harvesters and suppliers on which all players (including established private firms) depend, are the rural households. They also engage in household production, adding value as informal traders and small-scale processors. The suppliers are also shareholders and potential beneficiaries of profits through the Community Trust of the MNP. Noteworthy are the enterprise variations: from household-based owner-operator with family labour (at the lower end), to factory-based owner-manager with hired labour (the higher end). The owner-operators include household/community micro-producers who sell their products directly to the public (beer brewing, jam production, etc.). There is no or very little external support (particularly government and the donors). The Mirma/Distell Phalaborwa pulping factory exhibits characteristics of owner-manager while governed by stringent corporate regulations with support from the Distell (chapter 7 expands). The co-founder (Mr Thys Slabbert) is the manager responsible for overall production decisions including the hiring of labour. Roumasset (2004:66-67) offers some useful insights in terms of these types of arrangements. MNP on the other hand presents a different structure

with ownership by an NGO, Mineworkers Development Agency (MDA) in partnership with a community trust and reliance on donor support for finance. Management is sourced through, and reports to the MNP Board of Directors, and in turn hires labour, including making production decisions and supplier arrangements. Significant here is that MNP has distinct *value chain supporters* that include donors and MDA (detail in next section), as well as government agencies like the Council for Scientific and Industrial Research (CSIR) for product development.

### 5.3.2 Comparative Analysis of Commercialisation Strategies

The discussion in this section includes the Swaziland (Swazi secrets) case study. The marula findings point to an industry with diverse segments and subsectors. These can be divided into *food and drinks* (marula fruit, marula pulp for drinks and food ingredients and kernel oil for edibles), *cosmetics/essential oils* (kernel oil) and *pharmaceuticals* (whole tree: leaves, bark, kernel). Pharmaceuticals, in terms of these findings, were less commercialised, and mainly found among informal herbal medicine traders in rural areas and cities (Durban and Johannesburg). Figure 28 illustrates these subsectors, discussed in the next sections and Chapters 8.

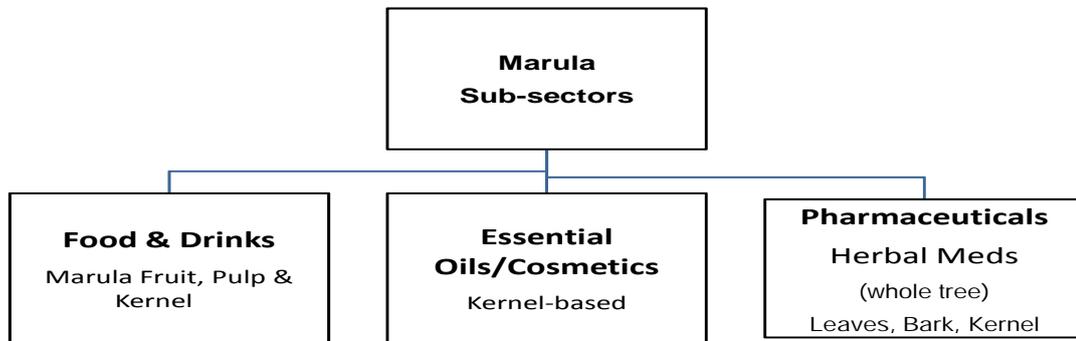


Figure 28: Marula Industry Subsectors

Source: Derived from interviews and secondary data

Table 6 below provides a comparative analysis of commercialisation strategies highlighting the key features.

Table 6: Marula Commercialisation Strategic Groups

GROUP*	DOMINANT PRODUCT/ENTERPRISE	FEATURES
A	Amarula Cream: Distell (Stellenbosch Winery)	<b>Entity:</b> Private Listed Company. <b>Marula Commercialisation Approach:</b> an addition to established brand with broad product lines, heavy national advertising, extensive integration, and captive distribution and service. Demand-driven, No direct link to marula fruit suppliers (only through Mirma Phalaborwa plant).
B	Amarula Pulp: Mirma/Distell JV, Phalaborwa, Limpopo	Private Joint Venture (JV). Specialist pulp producers/fruit processors focusing on high-quality high-price segment with selective distribution to Distell in Stellenbosch. Direct link to marula suppliers with no formal contracts.
C	Cosmetics: Swazi Secrets	Swaziland government-funded and driven with non-profit beneficiary structure (Lutsango women) and donor support. New initiative with subsidised premises and technology. Moderate line, processing plant with direct link to suppliers. Own brand and products: oil, handmade soap, lotion, lip balm, shampoo, facial scrub and shower gel. Supply-driven: Access to markets/sustainability concerns.
D	Oil and fruit pulp: Marula Natural Products (MNP) owned by Mining Development Agency (NGO) & Community Trust (suppliers)	Initiated by non-profit NGO, donor-funded; transforming into a joint venture with marula supplier shareholding. Labour-intensive, low productivity, main source of income from production of unadvertised products for private label (Bronpro, Ceres – fruit processing and Arch Personal Care oil). Own product emerging, moderate quality, low price and service. Fluctuating performance with viability concerns.
E	Self-Help Initiatives: (Household/Community micro-processing and informal trading: fruit, jam, marula beer, herbal)	Majority unregistered household-based informal micro-enterprises; producer cooperatives (engaged in other commodities to mitigate seasonality) & supplier associations. Subsistence/Entrepreneurial, labour-intensive, low productivity, low price, low quality, low service, with application of indigenous innovation. Self- or donor-funded, self-supply of marula fruit or purchase from peers/neighbours.

NB: \* Shading indicates technology levels (darker - high tech, lighter - low tech).

The institutional and structural analysis of the marula commercialisation depicts an emerging industry with no standard approach or rules of the game. According to Porter “emerging industries are newly formed or re-formed industries that have been created by technological innovations, shifts in relative cost relationships, emergence of new customer needs, or other economic and sociological changes that elevate a new product or service to the level of a potentially viable business opportunity” (2004a:215). The trend in marula commercialisation is of business rules and norms that follow the rules set in the parent industries or subsectors (e.g. wine industry for Distell), or the procuring firm (e.g. Body Shop for kernel oil suppliers). While this creates opportunities for flexibility and innovation, it presents a high risk to the marula suppliers as it exposes them to insecurity and exploitation. As marula products are marketed and used globally this can further perpetuate the view of developing countries and rural areas as a source of cheap labour and production with institutionalisation of exploitative practices. The problem includes the threat of environmental sustainability and socioecology of marula as a natural

resource. The absence of a clearly defined marula commercialisation regulatory framework and adequate support mechanisms exposes the under-resourced value chain actors to the complex competitive space of global value chains with internationally defined quality standards. This refers to the increasing demand of certified organically produced edible products (UNEP-UNCTAD 2008), now spreading to cosmetics.

The analysis of these findings requires a deeper understanding of the structural performance of marula subsectors and strategic groups with sector market analysis. Morales-Nieto (2009:9) defines the sector market analysis as “an analytical approach aimed at uncovering the systemic relationships, linkages and patterns which lie behind the delivery of a product or service to the final consumer”. Figure 29 illustrates the generalised commercial market channels from the study by Mander *et al.* (2002), which were still found applicable.

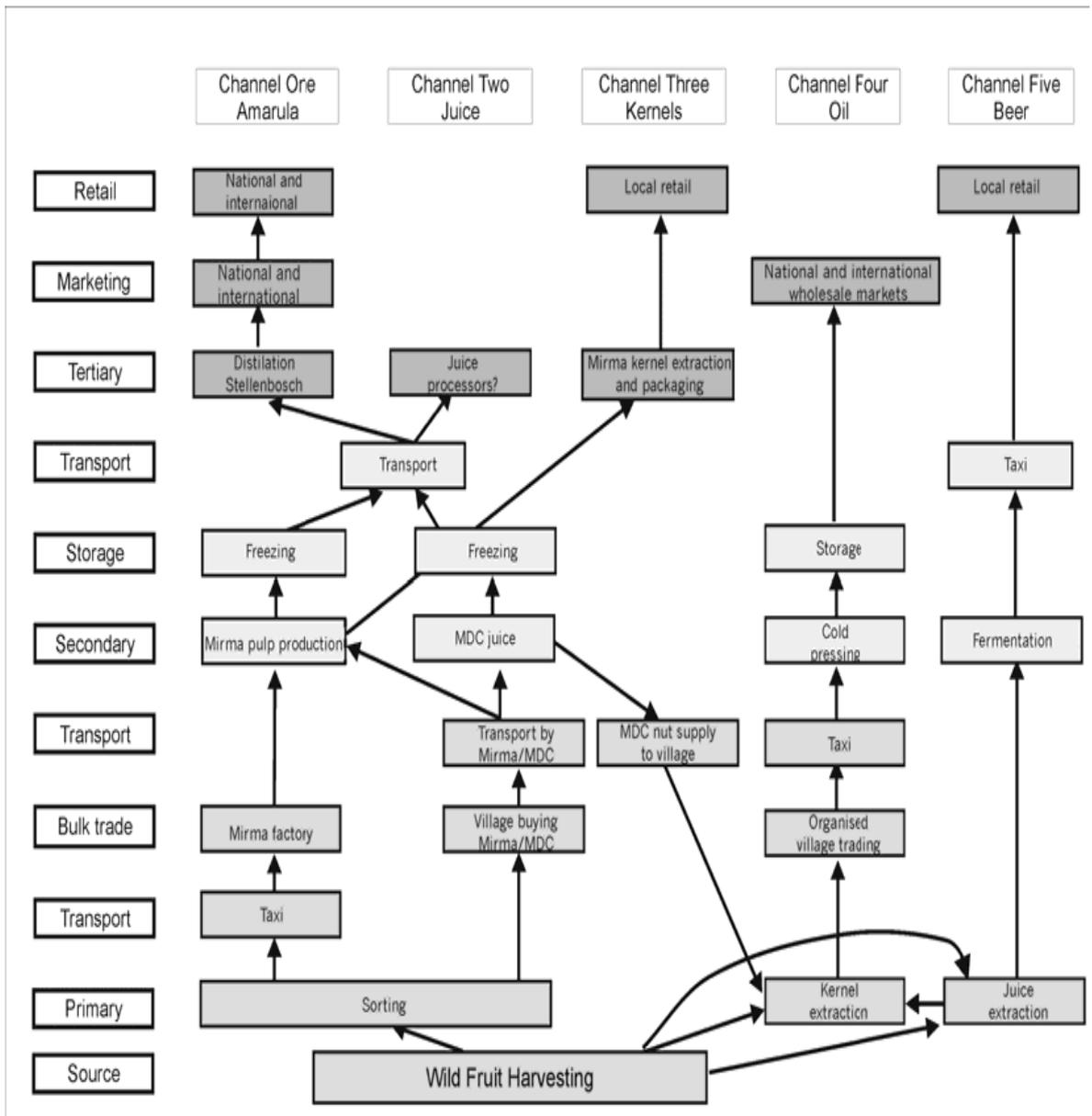


Figure 29: Generalised Commercial Market Channels in the Marula Industry in South Africa

Source: Mander *et al.* (2002)

Table 7 below provides a status update highlighting developments since 2002. This shows good performance by the private sector-driven Distell/Mirra and poor performance by the donor-driven Marula Natural Products (MNP).

Table 7: Status on Channel Performance

Channel (in 2002)	Entity/Producing company	Performance status
1. Amarula Cream	Distell/Mirma	South Africa's biggest and most widely distributed alcoholic beverage, sold in more than 160 countries worldwide in all continents (Distell 2009)
2. Juice	Marula Natural Products (MNP)	Low productivity – Pulping at MDC halted, Thulamahashe (MNP visit 2005 to 2008)
3. Kernel	Mirma Kernel	By-products put on hold, no longer sold at Lapa (no local retail) – kernel extract sold to other retailers (Lapa visit 2008)
4. Oil	MNP	Main activity, low productivity <sup>34</sup> : MNP kernel traders earned R14,50 per 500 g in January 2008
5. Beer	Community members	Increasing number of local brewers – unregulated entry and competition affecting price, as stated by one interviewee: "I used to make reasonable money, now I am selling, my neighbour is selling and every other person, it's not that good." Another concern was police harassment (Focus groups & observation).

Source: Primary and secondary data (Mander *et al.* 2002, Shackleton *et al.* 2002)

The following section provides narratives from the enterprise interviews and secondary research that help substantiate the findings.

#### 5.4 THE MARULA PRODUCTIVE PROCESS AND RELATIONAL ISSUES

This section presents narratives of Mirma/Distell, Swazi Secrets and MNP highlighting the rationale for commercialisation, structural arrangements, steps taken for readiness, and supply decisions. The discussion points to different approaches in terms of driver/funder. This refers to private sector-driven Mirma/Distell Amarula Cream, government-driven Swazi Secrets and donor-funded and NGO-driven MNP. MNP is discussed in more detail to build on the MNP suppliers' findings presented in previous sections. The narrative on Amarula Cream focuses on the primary production process and relational

<sup>34</sup> The researcher observed a depressed state of affairs at MNP in 2008 compared to the vibrancy in 2005. There was also a significant reduction in staff employed (due to drying up of donor funds) resulting in the need for the mother body (MDA) to take over management.

issues in Phalaborwa, with the broader value chain and industry strategies covered in Chapter 7. This discussion is also critical for the alternative proposals in the following chapters.

#### 5.4.1 Amarula Cream: Mirma/Distell Marula Pulp Factory, Phalaborwa, Limpopo

Mr. Thys Slabbert<sup>35</sup> is the founding entrepreneur. While working for the Foskor Development Trust in the 1990s, he identified opportunities in marula commercialisation and began working in his double garage with his brother. The commercialisation followed earlier interactions with local communities who engaged in the traditional use of marula, mainly brewing. Thys recalls those difficult times, when he was consumed by his passion while facing problems at work and failing to obtain support from banks. "All I needed was a R62 500 loan, but I could not convince banks to support me and I faced increasing tension at work for moonlighting." The latter is a matter he still feels strongly about: "Entrepreneurship is not encouraged or supported in this country, institutions do not allow workers to be entrepreneurs; increasingly employment is becoming less certain and permanent, but people engaged in other income-earning activities are treated with suspicion, or forced to leave". He believes that the focus should be on establishing clear rules and support mechanisms, as wages can seed sustainable entrepreneurial activity in a low job-growth economy, as is the case in South Africa.

Thys, a fitter and turner by trade, built the technological base of the business through building on his experience as boilermaker in the mines. This skill was transferred to making machines for marula processing. He attributes his commercial breakthrough to Dr Anton Rupert. Following a short exposure to marula, Dr Rupert "stimulated an idea of making something big out of marula". This resulted in the formation of Mirma Products, a company that owned Amarula factory in Phalaborwa with Thys and his technical partner shareholders. The company initially just supplied pulp to Distell, the manufacturer of Amarula liqueur, with fermentation, maturation, distillation and marketing managed at Distell's Stellenbosch factory. In 1998 Distell bought 50% shares in the Phalaborwa Amarula factory. The factory has now grown due to upgraded technology and improved infrastructure (water, electricity, roads). Fifty-two people currently work in the plant, with 6000 suppliers (99,9% women). The company has organised collection points in villages and towns with six lorries that collect at these points. Collection is centred on the fruit harvest from mid-January to April. The purchase price is R24 per 80-kg bag (average marula used is 70 kg). The kernels are sent back to the suppliers for "destoning" (nut-cracking). The cracking of the nuts continues throughout the year. The nuts are sold for oil extraction. When asked about resource availability, management and access Thys stated that there is an abundance of marula (with supply greater than demand), as only a small fraction of what is available is

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<sup>35</sup> Key informant interviewed, January 2008. The interview mainly covered driving imperative, founding stakeholders, defined value proposition and strategic lever for entry.

used. He sees no need for planting marula trees and nurturing seedlings and cautions against moving away from the comparative advantage of the organic nature of marula. As he puts it, "it's a wild fruit, why do you want to tame it ... you do not want to start spraying insecticides". He suggests that what could be done is to graft marula at household level to protect it from being eaten by goats and cattle.

He asserts that the relationship with suppliers encourages building on existing village structures through involvement of izinduna. "There are no contracts signed with suppliers. We are in constant communication with them directly or through izinduna in terms of quality control, storage and payment." Payment is in cash, with plans to explore use of a bank card. "A family can make up to R400 a day. We have pumped approximately R12 million to families over the years and contribute through our social responsibility initiatives as well". Thys indicated that the business has experienced tremendous growth year after year. He argues that the industry has great potential but government needs to play its role and bring order as there are silent rules with no boundaries

This situation can be exploited. There is a need for regulation if we are to build this industry. We also have to stop the prostitution of the marula name<sup>36</sup>. Government has to be serious about investing in black entrepreneurs through Broad-Based Black Economic Empowerment. I have been in discussions with the Limpopo Provincial Government and am prepared to partner with locals for skills transfer to develop and promote the marula by-products building on the success of Amarula Cream. This has to be done based on business principles. The feeder areas go beyond our borders to Botswana and Zimbabwe, we must just act so that we can grow rapidly, because if we just play around we will die quietly.

#### 5.4.2 Swazi Secrets

The Swazi Secrets Marula Project was initiated by Swazi women and obtained formal support from the Swazi government in June 2003 through the Ministry of Agriculture and Co-operatives. The Project was made possible partly by funding from the W.K. Kellogg Foundation. An interview with her Majesty the Queen Mother (Indlovukazi) in 2004 revealed a passionate woman who, as part of her dream of women's emancipation and conserving traditional knowledge, initiated the marula commercialisation project in collaboration with the Swazi women umbrella association known as Lutsango. Contrary to the South African experience of strong private sector and non-governmental organization drive with limited or no government participation, Swazi Secrets enjoys a strong national government backing with

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<sup>36</sup> Du Plessis (2004) also identified the problem: "Potential industrial users are aware of marula's marketing potential. Some have resorted to using 'nature-identical' marula flavour, or even marketing products without any marula content under the name Marula."

technical support from the University of Swaziland. The joint steering committee consists of the leaders of Lutsango together with the Minister for Agriculture and Co-operatives (MOAC), the Minister for Enterprise and Employment (MEE), the Minister for Economic Planning and Development (MEPD), senior officials from all three departments and the Secretary to Cabinet (in the Prime Minister's Office). A core project team of specialists was established that appointed the current project co-ordinator (now manager), Mr. John Pearce,<sup>37</sup> in July 2004. Activities focused on mobilising and training women, establishing a processing factory at Mpanza (closer to the Mozambican border and en route to Simunye sugar plantations), with further studies on products, the resource as well as markets.

The conceptual design process included exchange visits to Amarula Lapa in Phalaborwa, MNP at Thulamahashe, and KyT in Botswana. Technical support was also sourced from Phytotrade through IUCN, as well as the CSIR. Swazi Secrets has progressed to the extent that it won the 2006 Phytotrade Africa Ubuntu Natural Award for outstanding achievement in Fair Trade natural products. This is encouraging, recognising that the initiative aims "to create a viable community-owned natural products company in Swaziland in accordance with the highest standards of Fair Trade, environmental sustainability and ethical bio-trade" (Swazi Secrets 2008). According to their website (Swazi Secrets 2008), over E360 000<sup>38</sup> was paid directly to rural harvesters in 2006 – with the company helping members to establish self-help groups. Swazi Secrets is marketed as

the range of natural oils and associated cosmetics produced by Swazi Indigenous Products, a community-owned, not for profit company set up to empower rural Swazi women. The products are based on oil produced from the kernels of marula, the King of African trees... Marula oil, rich in natural antioxidants and the most stable of all known vegetable oils, is the basis of the Swazi Secrets range – other products are a handmade soap, lotion, lip balm, shampoo, facial scrub and shower gel (Swazi Secrets 2008).

Swazi Secrets offers useful lessons in terms of government-driven initiatives, particularly with community development intentions. While the project design attempted to be comprehensive and integrative, with strong political will, teething problems could not be avoided. These are attributed to primarily a supply-driven commercialisation approach. Too much control by government also proved to have its consequences, with tensions arising out of poor role clarification and struggle to modify the bureaucratic behaviour for more coordinated and aligned activities. In order to place Swazi Secrets on a sustainable path the following interventions are proposed:

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<sup>37</sup> Mr Pearce was previously the Project Leader of KyT, a marula initiative in Botswana.

<sup>38</sup> E for Emalangeneni (1 Emalangeneni = 1 Rand).

- A clear value chain-based commercialisation strategy that is demand-driven with business structures and strategies that follow the vision of viable community ownership and sustainability;
- Differentiation of roles in terms of value chain actors, supporters and influencers;
- Organising community/self-help groups to produce adequate volumes to supply export markets with fair and transparent transaction practices;
- Addressing trade policies that restrict trading in natural resource products across countries;
- Developing technologies that improve the processing and value addition of natural resources;
- Generating private sector interest to participate for industry growth;
- Improved natural resource management.

#### 5.4.3 Marula Natural Products (MNP)

According to an interview with Ms Girlie Njoni, former chief executive officer (CEO) in 2005, MNP started as an initiative of the Mineworkers Development Agency (MDA) in 1995 to re-skill retrenched mineworkers and create income-earning opportunities for local communities. MDA is a non-profit agency that emerged as a job-creation wing of the National Union of Mineworkers (NUM). A paper by Phillip (in Cousins 2000) confirms this view. Njoni states that MDA was a response to the trend of sustained job losses in early 1990s, including the 1999 crisis in the gold mining industry precipitated by the sale of gold by central banks. Phillip (in Cousins 2000:350) indicates that MDA “was set up after the 1987 mineworkers’ strike as a unit within NUM, and with a focus on the establishment of producer cooperatives”. The initiative formed part of the Social Plan for the mining industry. However, the failure of cooperatives, with only five surviving out of the 30 established between 1988 and 1992, forced a change of strategy. Phillip adds that the shift resulted in an introduction of a new MDA approach that was inclusive of locals, with reliance on local resources and services. According to her the shift marked a focus away from project-based approaches that perpetuated the unsustainable entrenched wage-employment culture (Cousins 2000:349-360).

MDA then established the Mhala Development Centre (MDC) at Thulamahashe, Limpopo. The birth of MDC has its own historical significance with relevance to the alternative strategies proposed in Chapter 6. Phillip traces MDC’s origin from Amcoal’s Arnot Colliery retrenchments

When the group from Mhala district in the Northern Province (now Limpopo) returned home they called a community meeting, contributed money from their retrenchment packages to slaughter an ox, and announced that they would not be going back to the mines, saying they

aimed to use their skills to create jobs in their own community instead. They invited others to join them (Cousins 2000:351).

MDC became a hive of agri-based economic activities (poultry, nursery), as well as a training and counselling centre. According to Phillip, the introduction of marula was seen as a graduation “from assistance to very simple, often marginal economic activities, into support for more ‘value-added’ products and services with higher returns and with a greater long-term impact on the local economy” (p353).

Njoni recounted the development stages that commenced with product development (pre-commercial stage – research and piloting between 1995 and 2003) which was donor-funded and driven by the non-profit MDA. This stage was also supported by the CSIR. Early experiments in commercialisation focused on the addition of value to the marula fruit. These experiments included “vuka beer” targeted for the formal market, particularly the lowveld tourist lodges. This marula beer brand was bottled (diluted, with extra sugar and gas), with secondary processing at a micro-brewery established at the CSIR in Pretoria. The location was designed to overcome the technology management constraints associated with running such a process in Bushbuckridge. Du Plessis (2004) attributes the abandonment of the scheme to the limited scale and the cost of transporting juice and beer to and from Pretoria. He adds that the brewery was not financially viable enough to justify the management costs and created very few additional jobs.

The early experiences contributed to a change of strategy that limited products to primary processing of the fruit and kernel into marula pulp and oil. MNP was then registered as a limited company in March 2003. The company was established with donor funding from the W.K. Kellogg Foundation, the Ford Foundation, and USAID. It became a joint venture between MDA (with 70% shareholding) and local community members (30% shareholding through an MNP Community Trust). The intention was to source a commercial partner to be offered 40%, with MDA shareholding reduced to 30%. The enterprise focused on production and marketing of oil and fruit pulp. The products are completely organic, and suppliers are predominantly women who collect the fruit during season (January to March) and sell to MNP. MNP then processes the fruit into pulp and sells to the food and beverage industry. Off season (April to December), the women sell kernels to MNP. The kernels are processed into oil, which is in turn sold either crude or refined to the edible and cosmetic oil industries.

The beginning of the commercial phase post-2003 produced encouraging results. MNP’s database showed that the number of suppliers grew from 2400 in 2001 to 4000 in 2003. However, the MNP (2004) Annual Report indicated challenges. These include bridging the gap between a small-scale pilot production process run with the support of donor funding in an NGO environment, to a high-volume

processing plant supplying the demands and expectations of the commercial sector. The report also pointed to positive developments:

- The establishment of marula community committees facilitated by the appointment of three full-time community facilitators resulting in improvement of buyer-supplier relations, improved efficiencies and increased volumes resulting in greater benefits for suppliers and community members;
- tons of crude oil in first year of operation;
- 20 tons of pulp produced mainly for fruit juice and exotic foods manufactures. MNP secured orders from Bronpro, Fruit Time and Ceres fruit juice producers. This led to these key market players agreeing to take the risk of developing commercially available marula-based fruit juice for the first time in 2002, and with MNP as the sole supplier. MNP also supplied 8 tons of pulp to the Taste of Thailand. There was excitement about the prospects for international markets that create similar opportunities to that created by Amarula Cream at Distell. Bronpro secured a significant order from a German buyer, but was prevented from proceeding because European Union regulations did not recognise marula as a fruit at the time.

Despite the complexity and constraints of the cosmetics and essential oil industry, MNP made significant gains, creating relationships with different companies that developed their initial products and had them on their shelves. These included Woolworths (Marula bath salt) and the Body Shop. However, Njoni in 2005 highlighted that their regulatory processes “robbed us of the status of being part of their suppliers”.

Field visits in 2008 revealed that the picture had changed drastically. The suppliers were disillusioned by the deterioration of operations and the effect on their livelihoods. The operational staff interviewed attributed this to cash flow problems. “MNP faces a financial crisis as the last grant from USAID was for 2006/2007,” one of the respondents remarked. The researcher enquired about the original plans in terms of ownership structure and operational staff. A response from the management representative (Ms Sharon Marimi), interviewed in January 2008, indicated that MNP could not sustain salary payments due to funding problems as “the company is suffering losses through drying up of donor funding. The plan to source a commercial partner did not materialise either”. A follow-up telephone interview in October 2008 revealed that Ms Marimi had left the organisation and that MDA was providing interim management.

The picture is, however, not altogether doom and gloom. MNP was privileged to be adopted as one of the enterprises receiving support from the Maruleng and Bushbuckridge Economic Development Initiative. This is a pilot programme of the Business Trust's Community Investment Programme

(Business Trust, 2007). In July 2006, Business Trust appointed TechnoServe (an international agribusiness consultancy) to develop and support the turnaround of MNP in order to create employment, develop local skills and knowledge, and spur local economic development.

During the 2008 visit, the researcher was informed that TechnoServe and MDA were actively problem-solving with an intention to address short-term cash flow and management problems and come up with more sustainable, long-term solutions. The immediate focus was on fixing the core marula oil business. This included i) increasing cracking productivity; ii) improving extraction rate; iii) securing contracts for oil; iv) securing contracts for fruit/nuts; v) expanding the fruit/nut collection scheme; vi) lowering fixed costs; and vii) redesigning and implementing the organisation and ownership structure.

The renewed focus saw the introduction of custom-built nut-cracking equipment at MNP. This was expected to improve productivity, and the signs were already there. Cracking productivity increased from 500 g of kernel per person per day, to around 2 kg of kernel per person per day. A new kernel collection point was established in Phalaborwa after negotiations with Mirma to augment the existing kernel supplies from the Thulamahashe communities. The MNP representatives believed that this would assist MNP to move closer to the TechnoServe goal of producing 1000 litres of marula oil a month. However, benefits of the renewed focus could still not cover the operational costs, deeming the enterprise non-viable. Attention focused on sourcing another donor.

## **5.5 THE TRADITIONAL, INFORMAL HOUSEHOLD PRODUCERS AS VALUE CHAIN ACTORS**

The previous sections already pointed to the role of marula household producers as value chain actors. This section, drawing from focus groups, questionnaires and direct observation, goes beyond their role in the production system to highlight their participation in the marketing system and related socioecological dimensions. Figure 30 demonstrates the traditional and informal production at household level (kernel cracking by a marula supplier in her homestead with children around). Also shown is the collective fruit sorting by village committee members at MNP premises where it is prepared for processing. The household-based marula decortication (kernel cracking) is a labour-intensive and time consuming process that still uses manual primitive methods with a day's work (average 8 hours) that can only produce about one kg of kernels (hitting the pips between two rocks or holding the pip against the sharp edge of an upturned axe blade and striking it with a short, heavy stick). Du Plessis (2004) asserts that this makes marula kernels a relatively expensive raw material for oil production.



Marula kernel cracking at home with children

Collective fruit sorting (top), with MNP product below

**Figure 30: The Traditional Household Producer as a Value Chain Actor**

Source: MNP

Important here is the demonstration of the creative use of value chains that commence from a poor village home in Southern Africa, molded around people's way of life and finally leading in up market homes all over the world (e.g. Amarula cream, essential oils and soaps). The picture also highlights the value of integrating economic activity with reproductive imperatives, a critical advantage of household-based production.

### 5.5.1 Role in the Marula Marketing System

The marula commercial market channels in above sections point to marula suppliers as crucial but undervalued value chain actors in the marula marketing system. This encapsulates the physical transmission of marula fruit from points of production by harvesters/suppliers to points of purchase by processors or consumers. This process touches on three dimensions through which marula as a natural product is transformed by the marketing system: *time*, *space*, and *form*. Table 8 illustrates the dimensions of the marketing system (Ellis, 1996:96-100).

Table 8: Rural Households as Value Actors in the Marketing System

Dimensions of marketing system	Implications for household producers/suppliers
<i>Time</i> : All aspects of storage with costs and risks	<i>Household storage</i> Fruit storage : pre-sorting, during and after sorting Kernel storage : Pre-extraction, during and after extraction (consideration of space, temperature, and health implications) According to Ellis, household storage by peasants is an important proportion of the total volume of inter-seasonal storage (1996:97)
<i>Space</i> : All aspects of the transport of marula fruit and kernel	<i>Movement of marula to and from homestead</i> From tree to homestead, from homestead to village collection point, village collection point to factory (consideration of packaging for maintaining good condition and safety, disintegrating infrastructure, mode of transport and risks related, fuel costs, etc.)
<i>Form</i> : All changes in the physical attributes of marula between producer/supplier and processor and buyer	This includes harvesting, cleaning, sorting, labelling, packaging for fruit (flesh) and kernel/nut extraction/cracking for factory buyers. It also involves household brewing, canning, jam/jelly manufacturing for self-help initiatives.

Source: Ellis (1996)

Table 8 is designed to highlight the value added by rural households and the imbalances in the corresponding benefits. This includes the problem of rural households absorbing many production costs and associated risks that are not compensated or rewarded by the buyers. In January 2008, the researcher recorded from interviews that Mirma/Distell paid R24 for an 80 kg bag which contains about 70 kg of used fruit. MNP paid R8,75 per crate, containing approximately 20 kg of used fruit<sup>39</sup>. However, the interviewed MNP supplier committee leaders complained of lowering standards at MNP and low market demand resulting in reduction in sold volumes and delayed payments. The findings show minimal difference in the price for marula fruit paid to suppliers by both Mirma/Distell and MNP in 2008 as compared to the 2002 studies. However, the price of Amarula Cream<sup>40</sup> has increased with its ever-expanding worldwide reach. The increase extends to the price of other marula fruit drinks and oil-based products.

<sup>39</sup> 1crate = 25 kg. Average = 6 crates per head. MNP kernel traders earned R14,50 per 500 g in January 2008. Traders sell marula beer (nhlowa) for R7 per litre and R12 per 2 litre.

<sup>40</sup> For local markets, on June 27, 2009 Pretoria liquor outlets visited by the researcher sold 1 litre of Amarula Cream for R110 and 750 ml for R85. For international markets: According to the Distell website (Distell 2009) India launched in April 2009 a litre of Amarula Cream at US\$19,99.

These findings raise questions about the *market margin* of marula for rural households. Ellis (1996:97) defines the market margin as the overall difference between the purchase price of a commodity by consumers and its sale price by producers. The concern is that the price paid to marula suppliers does not seem to factor in the dimensions of the marketing system discussed earlier. It also does not adequately factor in monetary policy implications (inflation and interest rate fluctuations) with high fuel prices for transporting the harvest to and from homesteads. Of further concern is the limited attention paid to the socioecology of marula, which is critical for sustainability. The following section expands on this.

### 5.5.2 The Socioecology of Marula

The discussion on the socioecology highlights the complex human-environment systems. This is designed to show the productive potential of households within complex systems. The focus is on how the social structure and organisation are influenced by organisms and the environment. Fischer-Kowalski and Haberl (2007:16) associate socioecology with the “feedbacks that transform both social and natural systems and the biophysical limitations of the systems involved”. As a science, socioecology is derived from sociology, anthropology and ecology. It also draws from the works of Murray Bookchin (1996, 2005) who developed the philosophy of social ecology in the 1960s.

The findings (mainly from focus groups, observation and unstructured interviews) point to the centrality of land, conservation management and labour to the socioecological discussion. Land refers to issues of access/availability and the sustainable use of the marula resource. At the core is land reform, the redistributive and management role of the state and gender imbalances. This study has shown that marula availability and access is at three locations, homesteads, communally-owned areas and protected areas. Traditional structures (izinduna/chiefs) have been cited by the marula suppliers and enterprise representatives interviewed as central to governing access to marula particularly in communal areas. The researcher concludes from focus groups that the traditional communal land governance structures pose a danger of perpetuating the traditional women’s subordination to patriarchal structures. There was, however, a mixed reaction in terms of the traditional system of governing communal areas, with 45% of the participants happy with access (particularly the survivalists). Others (55% – self-employed to entrepreneurial) believed that the system is open to exploitation, with no “forward-looking plan” for future resource availability. The women in the group discussions referred to the paternalistic tendencies and “favouritism” in allocation by the izinduna (chiefs).

Central to marula socioecology and the exploitation of the economic opportunity is the undercapitalisation of the rural space with poor infrastructure (village road and communication

networks). A critical aspect is the insecurity of property rights for long term planning and engagement in viable and sustainable transactions. The latter refers to access to protected areas, communal ownership arrangements with traditional governance systems, and informal regulations. Participants were more concerned about protected areas as there was no contractual security of access rights and no government support. They also referred to unresolved land claims in protected areas, pointing to a need to consider co-management arrangements in the interim.

In terms of labour, the practice was focused on household division of labour and distribution of benefits directed by the head of household and/or lead member in marula production (usually the mother). This deals with the participation of different family members (including children) and the structuring of remuneration and reward systems. The allocation of benefits is generally not based on individual performance or needs, but collective household needs with some compensation for individual effort that does not necessarily constitute a salary. This is however different from the microentrepreneurs who source labour (mostly casual) for production and marketing. The researcher was concerned by the laissez-faire attitude towards child labour. When quizzed, one participant responded (with others nodding) "the kids are just helping, it's good for them, that's how they learn".

## 5.6 CONCLUSION

This chapter presented the main findings of the marula case study using narratives, descriptions and illustrations as guided by the qualitative methodology presented in Chapter 2. Focus was on the real life examination of marula supplying households and commercialisation strategies of selected marula enterprises. The inquiry questioned how poor rural households (owning potentially valuable natural resources, indigenous knowledge and labour), can strategically use commercialisation to secure sustainable livelihoods and prosper as industry players in the mainstream market economy. The results pointed to the root causes (contextual issues) while focusing attention on transactional/operational issues. Critical is that the findings validated the study's main problem in terms of the institutional and systemic marginalisation of rural household producers and suppliers. It also transpired that while perpetuating dualism, marula commercialisation does accommodate traditional and informal rural household production through value chain action. However the structural and institutional constraints thwart the effective realisation of this potential for the benefit of the rural households. The following chapter expands on this, introducing alternative rural economic development strategies.

## CHAPTER 6

### RETHINKING RURAL ECONOMIC DEVELOPMENT: CONCEPTUAL FRAMEWORK AND ALTERNATIVE APPROACHES

*The key problem is to find out why that sector of society of the past, which I would not hesitate to call capitalist, should have lived as if in a bell jar, cut off from the rest; why was it not able to expand and conquer the whole of society?*

Fernand Braudel, *The Wheels of Commerce*

#### 6.1 INTRODUCTION

The previous chapters provided the context to the study's complex problem utilising the marula case study to substantiate it. Central to the arguments was the problematic macro-environment and the failure of rural development policies and strategies. This chapter transitions through integrative synthesis to alternative solutions as the objective is to move beyond problematisation. The discussion expands on the antecedents relevant for the proposed household "productive perspective". The latter is mooted as the cornerstone of the alternative rural development policy perspective. The perspective is based on the argument that adequately supported, households, as basic units of sustainable development can catalyse transformative change. This however, requires an enabling and inclusive environment with the restructuring of the economic system to benefit the rural people and their environment.

The first part of the chapter unpacks the new way of thinking about rurality and rural households offering an alternative rural development policy perspective. The second part discusses the alternative rural economic development strategies drawing on lessons relevant for the reorganisation of production. The reorganisation proposed remains market-oriented, but considers local realities and spatial dynamics. Central is the economic system restructuring. This takes cognisance of Hayami and Ruttan's (1985:12) argument that the productivity of an economic subsystem, consisting of its resource endowments and technology, is conditioned by the culture and institutions in society.

In framing the alternative, the chapter engages in the deconstruction of a body of statements and practices that have been accepted as rules, norms or the core on which development solutions have been or are being based. Using the transdisciplinary data analysis framework in Chapter 2 the discussion sources from seemingly disconnected literature and also draws from the previous chapters. The focus is on the interplay of the problematic practices at rural/local level, with an analysis of the delimiting factors that are argued to have contributed to the failure of the rural project in order to design

alternative solutions. The analysis and proposed strategies focus on the conceptual and structural incapacitation that marginalises the rural household producers and suppliers.

## 6.2 TOWARDS A NEW WAY OF THINKING ABOUT RURALITY AND RURAL HOUSEHOLDS

This study includes “a new way of thinking” about rurality as one of its objectives. The objective is discussed under the following topics: an inclusive vision for enhancing the diversity of rurality; building on indigenous knowledge, natural and social capital; promoting a “productive perspective”; and the gender dimension.

### 6.2.1 An Inclusive and Sustainable Vision that Enhances the Diversity of Rurality

Chapter 3 in problematising the rural development paradigm emphasised the diversity of rurality, highlighting the diversity of productive sectors beyond agriculture. The problematic rural development strategies and perpetuation of the spiral of deprivation and “dependence survivalism” were also discussed. Findings in Chapter 5 affirmed this problematic state of affairs hence the proposal for a new way of thinking driven by an inclusive and sustainable development vision defined in Chapter 3. Discussion in this section commences by translating the vision into a conceptual framework. The framework (illustrated in Figure 31 below) is intended to be a foundation for the multidimensional alternative rural development approaches discussed in this and the following chapters. It does not necessarily introduce new concepts, but emphasises causal factors and the interconnectedness and integration of known concepts. Its basis is ownership of, and/or access to assets. It is premised on the belief that enhancement of capabilities (inner circle *causal variables*) is a function of an enabling and conducive environment (the outer circle's *macro-frameworks*). The framework emphasises the interplay and interconnectedness of causal variables (human, social, financial, physical and natural capital) with an enabling institutional environment. It also presents the drivers of transformational change (inclusive policy framework, innovation, and institutional reform).

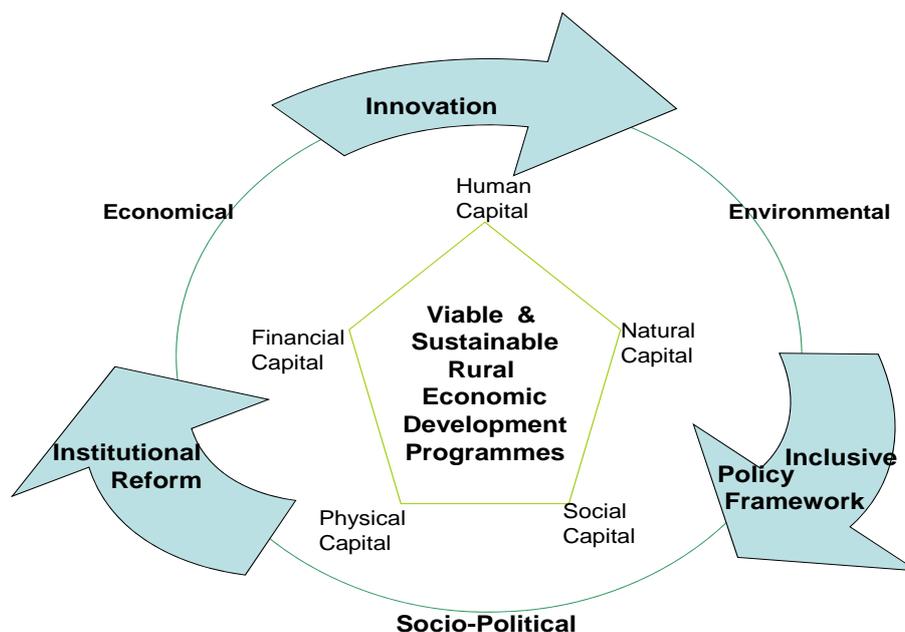


Figure 31: The Inclusive and Sustainable Development Framework

Source: Derived from Carney (1998) & Yorque *et al.* (2000)

In a rights-based democracy as the case in South Africa, capital assets should be the cornerstone of equalisation of opportunities. They address ownership and access issues, critical for inclusion and sustainability. Box 2 provides a description of the forms of capital (FAO 2005; UNEP-UNCTAD 2008).

**Box 2: Forms of Capital**

**Natural capital** – The natural resource stocks from which resource flows useful for livelihoods are derived. Natural capital produces environmental goods and services. It is the source of: food (farmed and harvested or caught from the wild); wood and fibre; water supply and regulation; treatment, assimilation and decomposition of wastes; nutrient cycling and fixation; soil formation; biological pest control; climate regulation; wildlife habitats; storm protection and flood control; carbon sequestration; pollination; and landscape.

**Social capital** – Mutually beneficial collective actions contributing to the cohesiveness of people in their societies. The assets comprising social capital include norms, values and attitudes that prompt people to cooperate; relations of trust, reciprocity and obligations; and common rules and sanctions that are mutually agreed on or handed down. These are connected and structured in networks and groups.

**Human capital** – The total capability of individuals, based on their stock of knowledge skills, health and nutrition. It is enhanced by access to services that provide these, such as schools, medical services and adult training. People’s productivity is increased by their capacity to interact with productive technologies and with other people. Leadership and organisational skills are particularly important in making other resources more valuable.

**Physical capital** – The store of material resources made by humans, comprising buildings such as houses and factories, market infrastructure, irrigation works, roads and bridges, tools and tractors, communications, and energy and transportation systems that make labour more productive.

**Financial capital** – The financial resources which are available to people and provide them with different livelihood options. This is largely an accounting concept, as it provides a facilitating role rather than being a source of productivity in and of itself. It represents accumulated claims on goods and services, built up through financial systems that gather savings and issue credit, such as pensions, remittances, welfare payments, grants and subsidies.

Source: UNEP-UNCTAD (2008)

The enabling environment in the proposed framework includes economic, environmental and socio-political aspects. This focus is critical considering the fundamental reality that colonial and apartheid acts legalised a constitutional and political order which condemned the rural households to marginal existence. Govan Mbeki, the Rivonia Treason Trialist (in Rimmer 1991) emphasises that: “The denial of political rights to black majority went hand in hand with the economic deprivation and super exploitation of that majority (p16)”. He further asserts that among the matters to be addressed is not only the issue of more equitable distribution of income, but the question of ownership of productive resources, including land. He asserts that “[t]he struggle that the community has waged to end the apartheid system will have to continue to ensure that we eliminate the system’s economic and social consequences (1990:21)”. Pouring money into poverty relief schemes without addressing these fundamental issues cannot work.

### 6.2.2 Building on Indigenous Knowledge, Natural and Social Capital

This section highlights the value of the inherent ability of the rural people and space critical for a shift towards “enhancing capabilities” as opposed to victim blaming and “indoctrination” presented as part of the historical context in Chapter 4. The enhancement of capabilities recognises the productive potential (ability and possibility) of the rural space and the rural household (intra- household division of labour and household-community nexus). Chapter 5 discussed the socioecology of marula supplying areas, reflecting on the opportunities and challenges related to the natural and social capital. What emerges is that to the rural communities, natural capital is a source of survival, a platform for productivity and sustaining livelihoods, a legacy from the ancestors, but also a source of conflict. Part of the conflict relates to resource ownership, access, use and management. Of importance here are land-related institutions and systems highlighted in the marula case study. Table 9 below provides a useful frame for tackling diverse land uses and institutional arrangements.

**Table 9: Meanings of land**

Sphere of Meaning	Description
<i>Survival land</i>	The land or access to the products of land that are essential for living
<i>Rights land</i>	Emerges when a group of people need to decide on how access to a portion of land will be shared amongst the group
<i>Simple Commodity land</i>	Depends on rights to land having emerged. The simplicity derives from the relationship between the transacting parties and their willingness to externalise complex calculations.
<i>Asset land</i>	Land is linked to or forms part of an investment strategy and requires the recognition by financial institutions of the claims people hold. By implication this means that part of the claim to land must involve the Deeds Registry.
<i>Complex Commodity land</i>	Land that is linked to abstract financial instruments and corporate entities

Source: Adapted from Wallace and Williams in Marx (2007)

Secondary research (and marula findings) point to former homeland areas that mainly operate within the sphere of survival land. Mendola (2007:62) asserts that having poor initial asset endowments entails an equity issue, but also means that the poor may not be able to use their own assets as efficiently as the rich. The new way of thinking proposes an asset empowerment intervention approach that is broader than the current land and agriculture redistributive agenda. This goes beyond “land for subsistence” correcting the lack of legally integrated property and governance systems to assist with sustainable choices and options. The “Asset Empowerment or Asset-based Empowerment” concept in this thesis is firmly based on Sen’s (1999) view that the economic entitlement that a person has will depend on the resources owned or availability for use as well as on conditions of exchange, such as relative prices and the working of markets. It is argued that the tipping point for economic viability, global mainstreaming and sustainability lies in the ownership or access to assets, and their transformation into capital for wellbeing and sustainability. De Soto (2000:241) believes that implementing a property system that creates capital is a political challenge because it involves getting in touch with people, grasping the social contract and overhauling the legal system.

The discussion on indigenous knowledge and land-related institutions and systems brings to the fore issues of intellectual property rights, equality and socio-economic participation. Central is the complex social contract with interdependent existence that is difficult to capture and nurture. The marula case study findings indicate that despite the diverse cultures in MNP catchment areas, an interactive and interdependent community continues to exist. The disruptive resettlements and demarcations have not totally eroded the valued social capital. The conception of social capital here whilst not new is viewed as central to rural household productivity. It draws from Putnam *et al.* (1993), Wallis *et al.* (2004) and others. Putman *et al.* define social capital as the “features of social organisation, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions” (1993: 167). Wallis *et al.* (2004) hail social capital as a critical link between the fields of economics, sociology and political sciences. According to them, the focus has been largely motivated by academic and policy interest in the explanatory power of social capital with regard to spatial variation in economic and institutional performance. Of relevance is their view that it signifies a reconvergence of “the economy” within a complex social and institutional environment (2004:239-258). However, they also highlight that some economists remain critical of the concept as an economic phenomenon.

Thomas (2003) points out that it is important for social capital to be understood for development purposes. She defines social capital in relation to the economic terminology of natural, human and physical capital. She claims that the social capital and development debate centres on a recognition that the development and economic prospects of communities need more than “funding” and resources, namely human, natural and physical capital. Other factors such as access to information, political stability, social support, education, health, resources and markets are important. Thomas also

recognises that many still treat social capital with scepticism as they believe that it has too broad a range of meanings to be of any use. There is increasing appreciation that the concept has value in helping a range of disciplines to find a common language to facilitate interaction with one another in social issues. Factoring social capital in the new way of thinking is critical for a sustainable and reality-based transformation of peasant economies.

### 6.2.3 Promoting a “Productive Perspective”

At the heart of the proposed new way of thinking is the promotion of the “productive perspective” introduced in Chapter 1, and the view of the rural households as value chain actors and entry points for targeted transformation. The emphasis here is on households as change agents for sustainability and as part of a broader context and larger systems. This considers Mendola’s (2007) reference to the dual character of peasant households as both families and enterprises (also highlighted by findings in Chapter 5). Mendola however cautions that the peasant household behavior is typically influenced by several natural, market, and social uncertainties with impact on production decisions. This emphasis is critical considering this study finding that rural households have an objective intent to maximise benefits. Mendola (2007:51) indicates that

the risk behavior of agents is determined not only by preferences but also by the availability of institutions that facilitate risk bearing...household preferences and market imperfections (e.g., in capital markets) are not independent... Furthermore, where institutional arrangements provide imperfect insurance, households will self-protect by exercising caution in their production decisions... All these factors shape farm households’ production choices and explain why vulnerable peasants are often observed to sacrifice expected profits for greater self-protection.

The promotion of the rural household productive perspective requires a careful understanding and consideration of local reality and the challenge of the institutionalised view of the macroeconomic framework discussed in Chapters 3 and 4. At the core is the State welfarist approach. The problem extends to donor support (as demonstrated by the MNP case study) which tends to perpetuate dependent survivalism. In terms of value chain support provided by both the State and donors, the marula case study indicates that it is fraught with market distortions with inadequate supply-side strategies leading to poor economic performance. Roduner (2007) and SDC (2009) highlight the importance of appreciating the different needs for adequate support. This includes acknowledging that:

- i. some people need support to become actors in existing value chains;

- ii. the role people play in a value chain is more important than belonging to it, i.e. their negotiation power in the value chain;
- iii. some actors are stuck in value chains that exploit low-income possibilities. Support is therefore needed for the exploration of new opportunities;
- iv. by strengthening one actor in a value chain there is the possibility of creating competitive advantages for the whole system. In such a case, a large number of people competing in local, regional or global markets can benefit from these advantages.

Later sections and following chapters expand on this.

#### **6.2.4 The Gender Dimension**

The dominance of marula supply by poor rural women, at the bottom of the marula value chain, with the lowest monetary benefit, is not a matter of choice or coincidence. As highlighted by preceding chapters, it is a historical feature of structural and systemic oppression, the core of which is racism and patriarchy. According to Braunstein (2007) patriarchy is predominant in socio-cultural, political and economic policy frameworks and practices (highlighted by findings, including the socioecology of marula). All these relate to the general impact of institutionalised gender inequality with unequal access to resources and opportunities, labour market discrimination and chronic feminised poverty (Elson & Cagatay 2000). The resultant low status of women in society complicated by low literacy levels pushes them to the margins of the rural economic activity.

Mtshali (2000) asserts that women in rural areas have not just been beneficiaries, but champions of development. She argues that in contemporary development literature women's contribution to rural development has been underestimated and sometimes overlooked. She attributes this to the fact that the objectives of women's rural development projects frequently tend to have a qualitative nature that cannot necessarily be measured in quantifiable form. According to her such projects have non-material objectives that require a different approach to support, monitoring and evaluation. This assertion is relevant as the women in the marula case study emphasised income generation food security, sustainable livelihoods and ecological sustainability. The economically viable enterprises on the other hand prioritised profit maximisation for shareholder value with supplier social objectives addressed mainly as social responsibility projects with limited outreach.

A critical aspect of the new way of thinking is the valuation of the women's unpaid work. Table 10 points to a high percentage of unpaid work by women.

Table 10: Rural Employment Status of Adults, Showing Gender Distribution

Employment status	Men (%)	Women (%)
No paid work	39,3	60,7
Self-employed	61,4	38,6
Permanent, paid salary	64,3	35,7
Seasonally employed	38,5	61,5
Occasionally employed	50,8	49,2

Source: Aliber *et al.* (2005)

Barrientos (2001) attributes the temporary and insecure nature of women's employment to the entrenched belief that men are "breadwinners" while women's income is viewed as essentially supplementary. The situation of the marula women suppliers with two thirds as heads of households raises questions about the relevance of this view. Gender and Media Southern Africa (GEMSA<sup>41</sup> 2009) highlight the impact of unpaid care work on women productivity and household sustainability. According to GEMSA

- *Unpaid* means that the person doing the activity does not receive a wage for the work;
- *Care* means that the activity serves people and their well-being;
- *Work* means that the activity has a cost in terms of time and energy and rises out of a social or contractual obligation, such as marriage or less formal social relationships.

The UNDP (2005) "Global Conference on Unpaid Work and the Economy" demonstrated that recognition of the burdens and constraints of unpaid work have not been sufficiently integrated into the formulation of public investment policies and pro-poor alternative macroeconomic strategies. This is supported by the Women's Edge, an international NGO that blames economic theories and macroeconomic policies for not taking into account women's unpaid work. The United Nations estimates that if monetised, the value of unpaid women's household work would equal \$11 trillion per year (Bhagwati 2007:79).

Collas-Monsod (2007) (a Filipino professor of economics and former minister), also points to the invisibility of women as their unpaid work and household production is excluded from the GDP. She emphasises that "non-marketed equals non-economic." Concerning the household productivity perspective, she highlights that the United Nations System of National Accounts (SNA) production boundary that was expanded to include household production of goods (as well as water-carrying, at the insistence of developing countries), still excludes non-marketed services.

<sup>41</sup> GEMSA is an initiative of Oxfam Novib (GEMSA 2009).

The new way of thinking about rurality and rural households thus has gender equity central to the reshaping of rural economic development programmes. Braunstein (2007) also emphasises the importance of equality-focused change. She cautions against the maintenance of patriarchal hierarchies with incorporation of women into the paid labour market in ways that do not unduly challenge traditional gender norms, with high and persistent wage gaps (2007:22). In this regard, she cites Amsden's (1989) example of South Korea, which was able to maintain a competitive labour-intensive sector along with a highly paid male labour aristocracy by keeping wages in female-dominated export industries low. Of significance Braunstein, (referring to Walters 1995) asserts that

Structures of gender inequality, rooted in the sexual division of labour and women's primary responsibility for reproductive sector, shape economic outcomes. Gender becomes an important analytical variable in and of itself. So instead of focusing solely on workers and capitalists, the distribution of income between women and men has macroeconomic effects on aggregate demand, savings, investment and growth. It is essential to note that this is not about adding a neoclassical micro foundation of sex-specific preferences and endowments to a structuralist macro model. Women and men have different interests and opportunities because of their different *institutional* positions in sites like family and the labour market (2007:17).

In conclusion, Figure 32 provides an alternative rural development perspective as a way of summarising the new way of thinking on rurality and rural households.



Figure 32: Alternative Rural Development Perspective

The alternative rural development perspective considers equity and redistributive justice as an agenda setting imperative for productive participation of the marginalised rural households. It uses a three-pronged approach that is enabled by an inclusive and sustainable macroframework. This focuses on **enhancing household capability**, utilising **diverse sector strategies** that offer opportunities for the application of value chain techniques and systems as well as factoring the **spatial dimensions** with investments in rural space that ensure sustainable rural-urban linkages. The following section builds on this policy perspective to formulate alternative strategies for establishing viable and sustainable rural economic development programmes in a globally competitive market.

### 6.3 RESTRUCTURING THE ECONOMIC SYSTEM FOR SUSTAINABLE MAINSTREAMING OF RURAL HOUSEHOLD PRODUCERS

The findings in Chapter 5 showed marula commercialisation strategies that follow and perpetuate the dualistic economic system. The results point to a rural economy that still demonstrates features of Lewis's labour market dualism theory characterised by the informal sector with labour being paid very low shadow wages or the "average product of labour or some function of the average product" (Field 2004:733). Feedback from the case study indicates that the problem starts at entry level, where the rural households find it difficult to penetrate the value chain system. Du Plessis (2004) also asserts that adapted traditional processing by the rural household producers is unlikely to meet the quantity, quality and price expectations of formal markets. According to him, "penetrating formal markets with a marula retail product is a difficult exercise fraught with pitfalls, not to be attempted lightly or with insufficient budgets" (Du Plessis, 2004:9). At face value, and as identified by the consultants the problems of enterprises like MNP can be reduced to management and finance issues (Business Trust 2008). However, a closer look presents a more complex structural problem as discussed in Chapter 3. This refers to the macroeconomic framework and the market economic system. Gollin (2009) indicates that the modern growth literature has ignored for many years issues of structural transformation.

To address this, the thesis proposes structural transformation that focuses on three aspects; i) **enhancing household capabilities** for sustainability-focused production and consumption. This talks to the support mechanisms addressed in previous sections. ii) **Restructuring the market economic system** to accommodate the invisible forms of economic organisation (households, cooperatives, and the "beyond profit social enterprise"). This restructuring is designed to challenge the notion of the firm as the basic production unit in the economy, and the shallow focus on "profit" or "nonprofit". The alternative strategies focus on the "social enterprise" as a viable and inclusive commercial strategy. iii) Lastly is the **industry strategy restructuring** (covered in Chapter 7). These strategies are illustrated in Figure 33.

**ALTERNATIVE STRATEGIES FOR A SUSTAINABLE  
BENEFIT- MAXIMISING RURAL ECONOMIC SYSTEM**

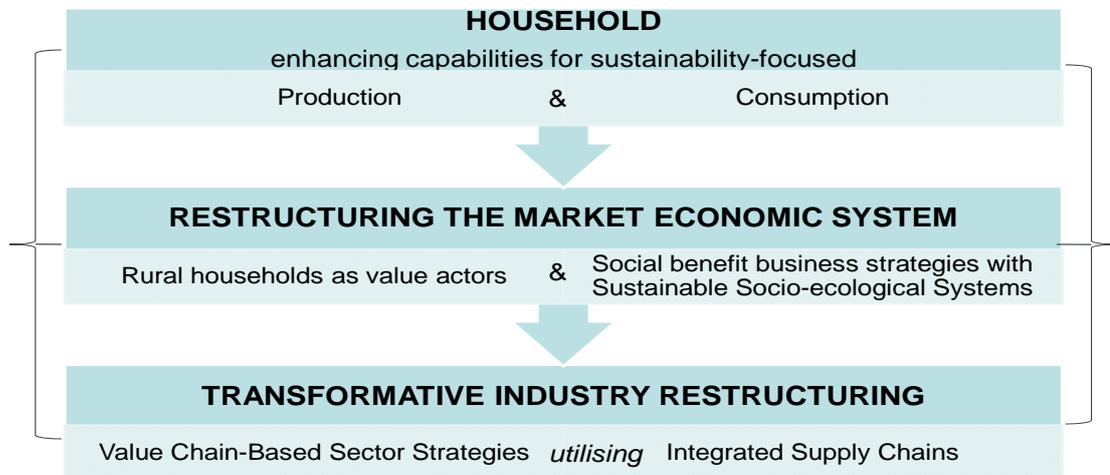


Figure 33: Alternative Rural Economic Development Strategies

The proposed restructuring necessitates the reorganisation of production that accommodates the household productive perspective for global competitiveness. This however, is not just about a shift from subsistence-oriented production. It includes changes in the institutional context with transformed institutional arrangements that accommodate flexible, specialised production, operating within inclusive markets and/or other systems of exchange. The next section expands.

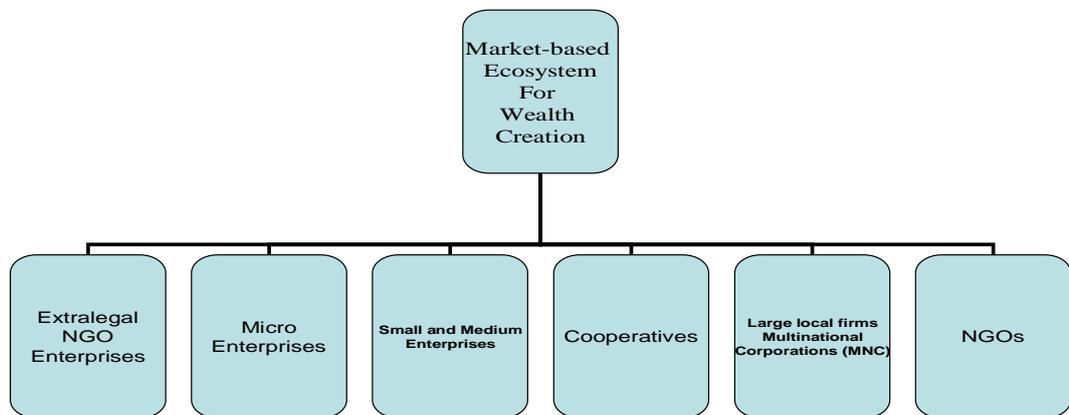
### 6.3.1 Restructuring the Market Economic System

Chapter 2 in presenting the research strategy introduced the study main question. This examines whether global market economies can be transformed into inclusive and sustainable systems with institutions that accommodate rural household producers trapped in pre-capitalist, traditional and subsistence activities? Chapters 3 and 4 unpacked the constraining factors which include theoretical frameworks, policies, institutions, as well as the weak State and markets in rural areas. Of concern here is the exclusion of rural producers from modern markets. This raises questions about the relevance and adequacy of the reigning market model. Menard (in D'Haese *et al.* 2003:24) defines a market model as “a specific institutional arrangement consisting of rules and conventions that make possible a large number of voluntary transfers of property rights on a regular basis, these reversible transfers being implemented and enforced through a specific mechanism of regulations, the competitive price system”.

The proposed approach for the restructuring of the market system borrows from Prahalad's (2005) Market-Oriented Ecosystem (MOE). MOE is defined as "a framework that allows private sector and social actors, often with different traditions and motivations, and of different sizes and areas of influence, to act together to create wealth in a symbiotic relationship" (2005:65). Lessons are also drawn from Evenson and Roumasset (1986) (market organisation and contractual arrangements in rural Philippine), as well as Hayami and Kawagoe (1993), who captured the nature of marketing operations in Western Java and Sumatra, Indonesia. The Indonesian experience offers lessons from the marketing organisation of village collectors, intervillage collectors, traders, and processors.

Important in Prahalad's MOE is the recognition and inclusion of various institutions that operate formally or informally in the market economic system. He points out that the concept of the ecosystem is used because each constituent in the system has a role to play. "They are dependent on each other. The system adapts and evolves and can be resilient and flexible." He adds that the ecosystem can provide the tools for the poor and the disadvantaged to be connected seamlessly with the rest of the world in a mutually beneficial and non-exploitative way (2005:69). Figure 34 provides a summary of the elements of the market-based ecosystem.

### Components of the Market-based Ecosystem



(Extralegal NGO enterprise refers to those existing outside the legal system)

Figure 34: Market-based Ecosystem

Source: Prahalad (2005)

While the researcher sees value in Prahalad's model, the main criticism relates to the constraining macro-frameworks and the fact that the playing field has not been levelled. This refers to the structural constraints that make it difficult for the poor to operate as equals in such an ecosystem. The limited reference in Prahalad's model to the exclusive economic frameworks and systems raises concerns about his assumptions. This view is based on the experience and assumption that the rich will continue to operate in an opportunistic and exploitative manner if the system allows it. Notwithstanding Prahalad (2005) proposes the Transparent Transaction Governance (TTG) as an integral part of MOE, even though enforcement mechanisms are not clearly indicated. The researcher asserts that the adoption of MOE should be within an inclusive macroeconomic framework with changes in industrial structuring that integrate the rural suppliers on a sustainable basis. There should be clearly defined and regulated transaction governance arrangements. These should be based on a fair share of value created. It is also about securing appropriate and synergised supply-side measures that redress imbalances and strengthen capabilities to enable mainstreaming and the creation of new markets.

The restructuring of the market economic system therefore commences with mindset change at all levels beyond the confines of false formality thinking. This should be paired with structural changes from the theoretical/conceptual framework, to policy and programming with enabling institutions and regulatory framework. The proposed changes in the theoretical framework include improvements in Sloman's (1997) macroeconomic circulation model and Steyn *et al.* (2002) Economic Flow Model (discussed in Chapter 3) that factor household production. Critical as well in reformulating an enabling market economic system is the consideration of the determinants of market access.

Empirical evidence shows the importance of non-land capital assets as major determinants of market access. The Regoverning Markets (2008) programmes indicate that the world of financial services and that of market development are still largely separated, with the finance gap creating a barrier for the small-scale farmer participation in dynamic markets. "It is crucially important to bridge that gap, developing innovative financial products that cater to the needs of the small-scale farmer and rural entrepreneur" (2008:17). The FinScope South Africa 2009 (FinMark Trust 2009) showed that 26% of adults are not financially served (i.e. not using financial products, albeit formal or informal). The study indicated a drop in banking (from 63% in 2008 to 60% in 2009), particularly in the most vulnerable groups in lower LSM. The evidence pointed to an increased reliance on income from informal work (16%), with the decline in formal employment resulting in 28% of adults getting money from formal employment, and 28% from friends and family. Of note was that 25% of adults sourced income from government social grants with 62% of South Africans aged 16 years and older claiming not to be saving.

The focus on non-land capital assets however does not exclude the link between land, property rights and market access. Most importantly, the working of markets and conditions of exchange such as

relative prices, have at the centre the subjective judgment of “value”. Rural households are unfortunately disadvantaged as the conception of “value” is mostly clouded by the association of urban with growth, with them just viewed as wage or grant “beneficiaries”. Therefore the failure of the rural project has central to it the problematic conceptualisation of the market economic system embedded in the devaluation of what is perceived to be non-formal, non-modern, and non-urban. Figure 35 provides the key elements of the restructured market economic system.

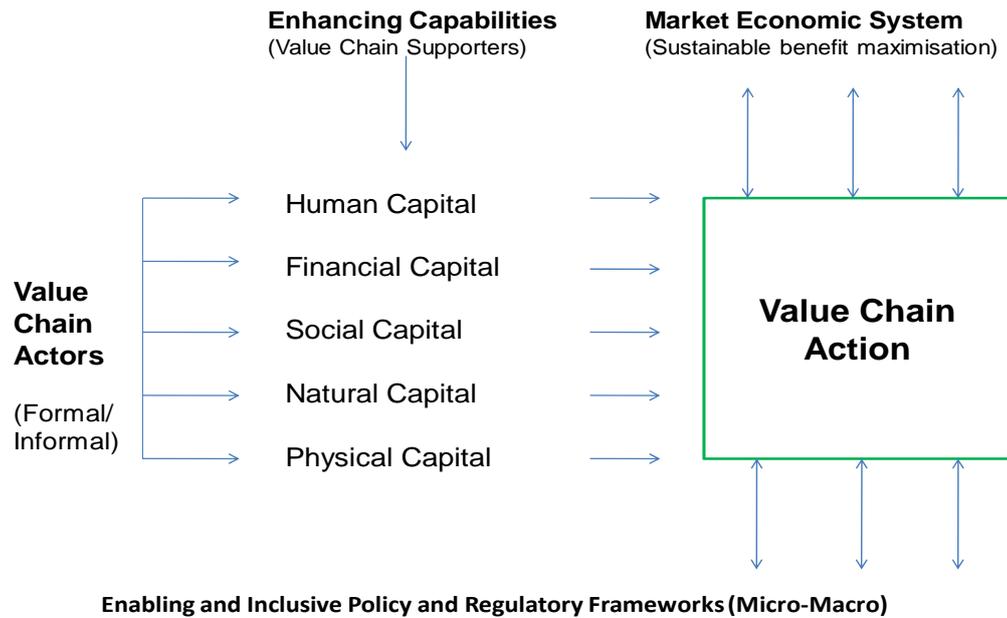


Figure 35

Figure 35: Restructured Market Economic System

To address the needs and aspirations of value chain actors, the restructured market economic system has to operate within, and be governed by a **sustainable benefit-maximising economic system**. The key principles and elements of such a system are:

- **Enhancement of capabilities**, the causal variables critical for self-reliance, well-being, mainstream participation and sustainability (human capabilities, resource access and conditions of exchange);
- **Inclusive policy frameworks** with efficient and effective, context-specific and target-oriented programmes critical for equitable and sustainable development;
- **Institutional reform** that is focused on the catalytic role of institutions as a channel for the execution of the transformational agenda, particularly enabling regulation enforcement, governance, exchange, allocational and distributional aspects;

- **Innovation** for sustainability viewed as a function of responsiveness to human, social, natural, financial and physical capital, enabled by flexible, context-sensitive institutions and an inclusive macro-framework. Central to innovation is viability, which is about feasibility, growth and sustenance (Chambers 2004)<sup>42</sup>.

The marula case study commercial models presented in Chapter 5 show that different people engage in various commercial enterprises for different reasons. What is required then is a market economic system that accommodates those different needs with clear ground rules and targeted support for success. An example selected for discussion here is the social enterprise viewed to accommodate the different objectives and situations of the marginalised value chain actors.

### 6.3.2 The Social Enterprise Commercial Strategy

The concept of social enterprise is not new. However, it is increasingly gaining momentum as an inclusive business model in market economies. It draws from seminal works by Michael Young (1950s to 1990s), Mawson (2008) and Prahalad (2005). Other proponents include Yunus (2003, 2008) who promotes the adoption of the social business model with lessons from the Grameen Bank which he founded. Yunus's (2008) social business model emphasises social objectives, non-profit distribution and community ownership. Social enterprise in this thesis embraces these principles, taking a "more-than-profit" view – that is, combining the revenue-generating growth imperative with a social and sustainable value-generating imperative embedded in enterprise structure and business principles. The selection of the social enterprise strategy is based on the valuable lessons from the MNP case study. It recognises the importance of aligning strategy to the driving intent and structure, with suitability of support. (In other words it cannot be broadly applied, but should be context-specific). The social enterprise commercial strategy is viewed as able to accommodate flexible production and the creation of space for sustaining household livelihoods while creating wealth through value addition. To this end, the strategy builds on the value chain in rural development (VCRD) conception promoted by Gerrits and Roduner (2007). These authors emphasise that VCRD is only for poor people with an enterprising mind and that it is usually done through entrepreneurs, business companies or associations.

The literature review indicates that the conception of the social enterprise is interlinked with social innovation and social entrepreneurship. Ashoka defines social entrepreneurs as "individuals with

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<sup>42</sup> *Chambers Concise Dictionary* (2004) defines Viable *adj* Viability *n*

- i) Said of a plan , etc.: having a chance of success, feasible, practicable
- ii) Said of a plant, etc.: able to exist or grow in particular conditions
- iii) Said of a fetus or baby: able to survive independently outside the womb (2004:1364)

innovative solutions to society's most pressing social problems" (Ashoka 2007). Martin and Osberg (2007:35) offer a useful definition that distinguishes between a social entrepreneur and social service provision and social activism. They list three components of social entrepreneurship:

- Identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalisation or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own;
- Identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage and fortitude, thereby challenging the stable state's hegemony; and
- Forging a new stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through the limitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large.

Martin and Osberg's perspective of social entrepreneurship fits the proposed meaning of the social enterprise as an alternative commercialisation strategy in marginalised rural areas. While social enterprises exist and have been used for a long time, the current distinguishing factors focus on: i) integrating the social enterprise as part of the mainstream market economic system; ii) value chain-based commercialisation with supply-side support and improvement of socioecological systems; iii) driving business objectives, enterprise structure and institutional arrangements for mutual benefit-sharing. This approach draws partly from Yorque *et al.*'s (2002) integrative synthesis of community development, business development and conservation, highlighted in Chapter 3. The strategy accommodates partnerships with the state, private players and donors. It is, however, **not** a corporate social responsibility (CSR) or investment (CSI) approach, as it is not just a philanthropic initiative for merely building goodwill and corporate citizenship. Nor is it a donor-driven or government-sponsored "poverty relief project" for "poor beneficiaries". It borrows partly from the principles of Ryan-Collins, Sanfilippo and Spratt's (2007) *Public Benefit* model with "social return on investment" (SROI). According to these authors, the approach makes it possible to pursue efficiency without undermining effectiveness (2007:12-13).

Figure 36 highlights the defining elements of the strategy with different value chain-based partnership options. These include community partnerships at household production level with the formation of commodity associations (CAs). The CAs build on human and social capital for bargaining power and economies of scale with sharing of resources, information, training, machinery, transport, etc. Other options extend to primary and secondary processing with the state and/or private sector as partners. The social enterprise strategy accommodates as part of its core business strategy, community development objectives and alternative income or employment opportunities to mitigate against

seasonality. More importantly the strategy creates a platform for complementary programmes for integrated conservation and development (ICD) and ecological sustainability. The section below expands on this.



Figure 36: Social Enterprise Commercial Strategy

### 6.3.3 The Integrated Conservation and Development (ICD) Strategies

The researcher views sustainable socioecological systems as being at the centre of viable and sustainable rural economic development programmes. The management and governance of nature conservation for access and benefit sharing, in particularly communal land and protected areas, forms part of the social enterprise strategy. However, the problem lies in the insufficiency of the needed government intervention to correct rather than exacerbate the degree of allocative distortion (Bailey 1995:7-17). A case in point is the Bushbuckridge municipality that is situated between the Drakensberg escarpment in the west and the Kruger National Park and Sabi Sand Game Reserve in the east, the Sabie River in the south and the Orpen road to the Kruger National Park in the north.

This thesis proposes management approaches that consider the spatial, demographic and resource aspects of socioecological systems premised on the construct of integrated conservation and

development (ICD) (Benjaminsen, Cousins & Thompson 2000). The ICD strategies emphasise partnerships. These include conservation co-management (State, community, private), which accommodates enterprise development and resource access with benefit sharing arrangements. The ICD also builds on the "biosphere reserve" concept and the community-based natural resource management (CBNRM). According to Dovie, Shackleton and Witkowski (in Benjaminsen, Cousins & Thompson 2000:340) the biosphere reserve concept grew out of UNESCO's Man and the Biosphere (MAB) programme. This underscores the links between biodiversity conservation and sustainable development. It enables the linking of communal lands with conservation areas, combining natural and social sciences in designing strategies to guide the rational use of natural resources. One of the examples cited in terms of successful practices is Tanzania's Ngorongoro Conservation Area, which was visited by the researcher.

Relevant experiences can be drawn from CBNRM. However, Turner (2000:173) differentiates between CBNRM and common property resource management (CPRM). He argues that in South Africa, management of nature is never "community-based". "At best, there may be 'community-based' elements within co-management arrangements." He believes that CBNRM offers the greatest potential as a framework for nature conservation in communal areas conservancies. Fabricius, Matsiliza, and Sisitka (2002) highlight the value of CBNRM in fostering wise use of natural resources, but indicate a strong lack of coordinated action. They claim that a vast majority of CBNRM initiatives in southern Africa are informal, with neither project managers nor a budget, and that local people use their resources as they have done for generations.

As far as the state-owned protected areas are concerned Turner believes that they cannot aim for "community-based" natural resource management. "Instead they have to build a new kind of hybrid governance structure that integrates elements of both these paradigms in a range of co-management arrangements with the state and, in some cases, the private sector." (2000:173). Turner's view is that CPRM offers solutions for protected areas if specific criteria and conditions are met. These include a clear definition of insiders and outsiders as well as boundaries, resource use rules based on local conditions, some level of democracy, nested governance, monitored use, and conflict resolution. Turner (2000:172) clarifies this as he explains the various forms of co-management. These are:

- *Contractual national parks*. These are national parks that remain the property of the local land owners. The key governance structure is a joint committee on which both the land owners and the state representatives are represented. Examples include the Richtersveld National Park community and the Makuleleke community in the Pafuri area of the Kruger National Park. The researcher was involved in both cases as the programme manager and founding member of the Community Public Private Partnership Programme at DBSA;

- *Participatory planning and shared management* with communities living next to protected areas. Examples include joint committees and local stakeholder boards (KwaZulu-Natal Nature Conservation);
- *Conservancy model*. This model links conservation authorities with land owners who want to undertake nature conservation and ecotourism on their property. It has been used with commercial farmers interested in introducing game farming. The model also accommodates communal land conservancy.

Another relevant partnership approach for the social enterprise strategy is the community public private partnership (CPPP) pioneered by the researcher whilst at the Development Bank of Southern Africa (DBSA). CPPP was launched as a national programme by the then Deputy President Zuma on 16 November 1999 (Zuma, 1999). This commenced as a partnership between the DBSA and government departments represented by the Department of Trade and Industry (DTI). Zuma (1999) indicated that it is a programme with an agenda for revitalising the rural economy, whilst ensuring empowerment and sustainable resource use. "In our efforts to improve output per capita in especially rural areas, it is important to combine land reform with economically competitive land-use and effective natural resource management" (1999:1). CPPP therefore recognised that the nature and extent of their land rights were critical for the economic empowerment of rural communities.

CPPP was an offshoot of the government's spatial development initiatives (SDI). SDIs commenced as an investment facilitation initiative of the national Departments of Transport and Trade and Industry aimed at unlocking the inherent, underutilised economic development potential of certain locations in Southern Africa. CPPP establishment was based on the recognition that the model used for the Maputo Corridor (the first SDI) fell short of addressing the complexities of rural-based forestry and agri-tourism SDIs like the Wild Coast. The relevance of CPPP in this study lies in its alignment to the ICD partnerships. It also has a strong emphasis on asset ownership, benefit sharing and sustainable development. More relevant here are the models that were developed during the pilot phase, creating opportunities for a variety of deal structuring arrangements. These span from community-owned and driven enterprise approaches (with state/donor partnerships), to community-owned but privately operated enterprises and joint ventures. The benefit sharing arrangements included equity shares, with direct income through land concession fees, gate fees (in protected areas) and percentage of turnover. The partnerships also created space for direct employment and skills development (operational involvement), small and microenterprise development, as well as environment co-management (De Beer, Elliffe, & Mahlati 1998).

The CPPP partnership emphasis recognised the weaknesses of CBNRM and that communities were not strong enough to establish viable and sustainable enterprises. Turner (2000:173) refers to this

There is potential in CPPPs as a means of marshalling the resources needed to make nature conservation and ecotourism succeed. But if the institutional challenges of getting co-management to work between the two partners of state and people have proved daunting, the challenges of building three-way partnerships that also involve the private sector will be immense. To date discussions on CPPPs seem not to have addressed gender disparities.

While used throughout as a model in transaction structuring, the transfer of the CPPP Unit from the DBSA to the Small Enterprise Development Agency (SEDA at the DTI) seemed to have contributed to it losing momentum. However, there are efforts towards its revival. These can only be successful if planning and execution centralises cooperative governance with systematic inter-departmental streamlining, adequate financial allocation and execution capacity. Critical to note is that the CPPP concept can be used with or without the CPPP Management Unit. Its value lies in the fact that on its own it is a policy instrument as well as a transactional model.

The next section, drawing on agro-food lessons, explores options for the reorganisation of production to accommodate the inclusion of household producers. Focus is on options for industrial restructuring with a call for the “reterritorialisation” of production that factors the rural-urban dimensions as part of inclusive commercialisation models.

#### **6.4 LESSONS FROM THE AGRO-FOOD SECTOR**

The consideration of the agro-food lessons provides useful insights for value chain-based commercialisation. These lessons are drawn from relevant global research not excluding South Africa as a global value chain actor in fruit and drinks (fruits, wines and other beverages) (NDA 2002). A publication by the Regoverning Markets Consortium (2008) indicates that agro-food markets are in an unprecedented state of flux, generating intense policy debate worldwide. This is attributed to

Market liberalisation, foreign direct investment, a reduced role of the state and a shift towards market-driven policy, changes in consumer preferences and purchasing power, urbanisation and the modernisation of food processing and retailing are primary drivers (2008:3).

A crosscutting analysis of diverse commodities in different countries by Reardon (in Regoverning Markets 2008) points to uneven restructuring of the agro-food chain. The study presents evidence of small-scale farmers being excluded from modern markets. It indicates that while the market structure is

changing fast, substantial restructuring downstream at the retail level is not always matched by upstream (farm-level) restructuring. The study concludes that land and non-land assets (irrigation, cooling tanks) are critical for modernisation of food retail and processing in the countryside.

The review of the agro-food studies includes the traditional questions of social science with regard to human action, territory and structuration. The latter is critical as the thesis focuses on the productivist perspective of rural households and space. It also sheds light on options for the socioecological trajectory. The relevant lessons stretch from a society/nature dualism progressing to hybrid approaches and sustainable development (Winter 2005; Goodman 1999; Marsden 2000). Referring to sustainable development Winter (citing Evans, Gaskell & Winter 2003) argues that “social scientists have joined the fray with attempts to demonstrate both positive and negative interactions between agricultural policy and environmental policy, leading to a rediscovery of place-specific policy effect”. However, he points out that the implications for the food chain are less well-developed (2005:612). His view is that academics have struggled to come to terms with relating macro-political and economic forces with decisions “in the field” that affected land use and rural development (2005:613). This view is clearly consistent with the overall argument of this thesis.

Morgan, Marsden and Murdoch (2006:9-14) describe the uniqueness of the agro-food sector, indicating that the processes of its globalisation are constrained by nature. In their thesis, biology mediates the social processes of industrialisation and constrains the extraction of profit or value from the food system. This is despite many efforts to overcome the constraints of nature in order to maximise productivity gains (e.g. to overcome problems of seasonality or perishability). The critical aspect here is their highlight of the cultural dimension of the food sector. The cultural aspects are also raised by Marsden (2000) as part of her critique of agro-food studies and the emphasis of the political economy. She argues against the compartmentalisation of production and consumption. She stresses that the political economy approaches which take food beyond production into the spheres of processing and retail – using concepts such as “food chains” and “systems of provision” – “share a tendency to configure the geographies of food as a unilateral translation of sociomaterial value from field to plate, in which food is little more than the terminus of the crop” (2000:123).

Morgan *et al.* (2006) propose a new paradigm, the “Alternative Food Networks” (AFN) approach. They argue that the AFN approach can reverse the negative consequences of industrialisation. This is based on the view that the processes of industrialisation of agriculture have resulted in a “deterritorialisation” of the agro-food system, while AFN can result in “reterritorialisation”. The latter is defined as “a process whereby local and regional geographies come back again to play a central role in reshaping food production and consumption systems” (2006: 53).

Vink & Sandrey (2007:6) view the rise of AFN as important, but caution that the arena is still dominated by retailers and the “industrialisation” process

AFN could help developing countries, but only if there is economic justification (i.e. only if they are competitive), and only if there is the capacity within multiple layers of government to support such initiatives. Even then, AFN may not help small farmers, whose beneficial involvement is even more dependent on capacity to organise, an arena where they are by definition lacking. In the traditional supply chain, the adoption of private standards also favours large over small farmers.

The household productive perspective proposed by this thesis is well placed for adopting the “reterritorialisation” conception, which has the potential for creating a space for flexible production systems, building on social networks with rural-urban, local-global linkages that benefit poor rural households and socioecological systems (from face to face to distance purchasing). Such a system is to the advantage of regional geographies (cross-border trade), reshaping production and marketing systems. This, however, requires adequate support for capability enhancement by the state, donors and the private sector to improve economic performance relevant for promotion of diversified products and value addition (Morgan *et al.* 2006). Table 11 outlines the key features of AFN.

**Table 11: Rural space as competitive space and ‘battleground’ between the conventional and alternative agri-food systems**

Type of spatial relationships	Delocalisation Conventional Agri-foods	Relocalisation Alternative Agri-foods
Producer Relations	Intensive production “lock-in”; declining farm prices and bulk input suppliers to corporate processors/retailers.	Emphasis on “quality”; producers finding strategies to capture value-added; new producer associations; new socio-technical spatial niches developing.
Consumer relations	Absence of spatial reference of product; no encouragement to understand food origin; space-less products.	Variable consumer knowledge of place. production, product, and the spatial conditions of production; from face-to-face to at-a-distance purchasing.
Processing and retailing	Traceable but privately regulated systems of processing and retailing; not transparent; standardised vs. spatialised products.	Local/regional processing and retailing outlets; highly variable, traceable, and transparent; spatially referenced and designed qualities.

Type of spatial relationships	Delocalisation Conventional Agri-foods	Relocalisation Alternative Agri-foods
Institutional frameworks	Highly bureaucratized public and private regulation; hygienic model reinforcing standardisation	Regional development and local authority facilitation in new network and infrastructure building.
Associational frameworks	Highly technocratic – at a distance relationships; commercial spatial relationships; lack of trust or local knowledge.	Relational, trust-based, local, and regionally grounded; network rather than linear-based; competitive but sometimes collaborative.

Source: Vink & Sandrey (2007) adapted from Morgan *et al.* (2006)

**Note:** The “porous” boundary emphasises that this is not a binary choice

The “reterritorialisation” or relocalisation of production has implications for the restructuring of the structure and relations of food and drink production and distribution in South Africa and globally. According to Ortmann (2001), the industry has been undergoing structural changes caused by changing and diverse consumer demands, new technologies (e.g. bio- and information technologies), new product characteristics, changing firm sizes, and greater exposure to world markets. He argues that the structural realignment in agriculture and the formation of new supply chains are partly a response to increasing concerns by food processors, retailers and food service companies about food safety, health and nutritional issues. Ortmann stresses that the objective of agro-food supply chains is to reduce costs, particularly transaction costs, in order to promote competitiveness.

Echoing these sentiments from a European perspective, Aslesen (2008) argues that the innovation pressure in the food and drink sector contributes to a trend towards consolidation. She views this as an attempt to address challenges related to the availability of raw material, competition on prices, increased regulation, health and traceability, costs of product and process innovation. She highlights that rules and regulation often pose a challenge for firms, especially small and medium enterprises (SMEs)

Many SMEs in the food and drink industry are embedded in local and regional innovation systems, representing tradition and culture. In order for this part of the industry to become more proactive with regard to innovation, closer connections to consumer demands and national and global trends must be attained together with an upgrading of the human capital in the sector that will make it responsive to such innovation pressure (2008:3).

Aslesen believes that if the regulations passed are shaped in an SME-friendly manner, small companies could benefit from regulatory changes with opportunities to outperform bigger firms. She also views information and communication technologies ("ICT – as a generic technology") as an important part of food distribution that is increasingly being used to improve efficiency in all steps of the production, processing and distribution of food (2008:5). Jeroen Bordewijk, Senior Vice President, Supply Chain Excellence Program, Unilever, in his paper on "Chains and Networks for Development" (2006) highlights the complexity of connecting producers in developing countries with global markets<sup>43</sup>. Bordewijk maintains that smallholders have to organise themselves with the support from private-sector programmes

We should first concentrate on content, on building capacity of communities in agricultural areas to really improve but also to begin to connect to markets. Too often the focus of discussions on food chains as instruments for development is on niche markets. We believe that niche markets will organize themselves, and that the real challenge is in the commodities and mainstream markets. Important is to have a better forecast of supply and demand in these markets, a shift from subsidy-driven to demand-driven markets, bringing farmers closer to the market and supporting participatory learning programmes (2006:55).

Bordewijk's argument is relevant in terms of the "markets for the poor" discourse. The emphasis on mainstream markets and demand-driven approaches with support is critical for systemic change. At the core are support mechanisms to address the prevalence of asymmetric information, distorted market power with imperfect competition, and transactional governance.

## 6.5 CONCLUSION

This chapter focused the analysis of the marula case study findings beyond the problematisation of rurality to develop a new way of thinking about rural development and alternative strategies for the mainstreaming of rural household producers. Central is the proposal for a new rural development policy perspective that emphasises the spatial dimension, recognising diverse economic sectors as well as households as the basis for sustainability. The marula case study showed that the rural households pursue a number of different livelihood strategies with heterogeneity in their contexts. Access to diverse productive assets and mainstream markets is therefore critical to strengthen their livelihood strategies. To address these, the chapter calls for the enhancement of capabilities and restructuring of the economic system to upgrade and mainstream particularly traditional and informal rural household

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<sup>11</sup> Unilever sources a large share of materials, such as tea and palm oil, from smallholders in developing countries.

producers. Lessons from the agro-food sector are deemed important in this regard. However, to address these complex issues the allocative, redistributive and regulatory role of the State and its capacity to execute is essential. This extends to what Bailey (1999) refers to as the stabilisation role, that is, addressing macroeconomic constraints using fiscal, monetary and other economic policies to pursue objectives for the control of inflation, unemployment, and other problems. The intended outcome is the restructuring of the economic system to an inclusive and sustainable benefit-maximising system. Such a system enables social and ecological benefits beyond profit maximisation, with business models that accommodate rural household realities. It is critical for the shift from a welfarist approach to an inclusive and sustainable development approach.

However, the approaches and strategies presented in this chapter are not intended to be reductionist and deterministic. Their limitations as blueprints beyond the research context are acknowledged. The acknowledgement follows Sen's (1999) statement that

[t]he motivation underlying the approach of "development as freedom" is not so much to order all states – or all alternative scenarios – into one "complete ordering", but to draw attention to the important aspects of the process of development, each of which deserves attention (1999:33).

Chapter 7 provides practical suggestions to the proposal of reorganisation of production and mainstreaming strategies.

## CHAPTER 7

### IMPROVING ECONOMIC PERFORMANCE AND BENEFIT FOR THE RURAL POOR: THE ROLE OF VALUE CHAIN-BASED INTEGRATED SUPPLY CHAINS

#### 7.1 INTRODUCTION

The findings in Chapter 5 indicate that marula supplying households are value chain actors who are central to the marula supply chain, but incapacitated by institutional and systemic constraints. In response Chapter 6 presented the alternative rural economic development strategies focusing on the restructuring of the market economic system and the social enterprise commercial strategy. The marula findings and alternative strategy proposals highlight the need for reshaping production, business and marketing systems. Such changes necessitate transformative industrial restructuring strategies that factor in rural-urban and local-global linkages, premised on the “reterritorialisation” of production with benefits to household producers and rural space competitiveness. The economic performance of the rural value chain actors is a central aspect of such transformation.

According to Porter (2007) economic performance results from two distinct causes: industry structure (overall rules of competition), and relative position within the industry (sources of competitive advantage). He asserts that strategic positioning and sources of competitive advantage result from creating a unique and sustainable competitive position, namely by sourcing core competencies and critical resources. This chapter focuses on transformative industry restructuring as an alternative rural economic strategy. It uses the Amarula Cream (Mirma/Distell) case study to investigate the feasibility of improving the performance and economic mainstreaming of rural entrepreneurs and enterprises.

The analysis of the Distell case study links the Amarula Cream marketing channel with its parent wine industry. This is designed to illustrate the impact of strategic positioning and competitive advantage in marula commercialisation. It also creates space for highlighting gaps in the transactional environment and Distell's empowerment strategy. The case study analysis is preceded by a brief discussion on the background and the theoretical basis for the proposed strategy.

#### 7.2 BACKGROUND TO THE TRANSFORMATIVE INDUSTRIAL STRATEGY

This section provides a background to the transformative industrial strategy, one of the alternative rural economic development strategies proposed here (see Figure 32 in Chapter 6). The intention is to consolidate the emerging study framework and case study findings to formulate a basis for industry restructuring.

## 7.2.1 Background

Gereffi (2005), commenting on the organisation, governance and development of the global economy, argues that the development strategies of countries today are affected to an

unprecedented degree by how industries are organised. The view is that transformations in the industrial organisation affect not only the flows of goods and services across national borders, but also the processes for how countries move up (or down) in the international system (2005:160).

The previous chapters presented the value chain activities in the Limpopo and Mpumalanga provinces. These were limited to primary production and processing with pulp and oil as the end products. The focus on Distell in this chapter introduces the chain progression to urban-based, high-technology, secondary/tertiary processing and global distribution. The analysis is based on the argument that adequately supported and mainstreamed, rural value chain-based strategies can maximise the commercial opportunity of marula for industry growth, benefits to rural communities and rural space competitiveness. The approach is intended to unpack the industrial framework, particularly the industry segments. Porter defines industry segmentation as the division of an industry into subunits for purposes of developing competitive strategy (2004b:231). The key determinants of segmentation are product varieties and buyers. He differentiates between market segmentation and industry segmentation. According to him, market segmentation “tends to focus on the marketing activities of the value chain. Industry segmentation combines buyer purchasing behaviour with behaviour of costs, both production costs and the costs of serving different buyers” (Porter, 2004b:233). He asserts that industry segmentation encompasses the entire value chain. Significant here is his emphasis that an industry is a market in which similar or closely related products are sold to buyers. Figure 37 presents the proposed marula industry framework, recognising marula product diversity.

## Demand-driven and Inclusive Value-chain based Marula Industry

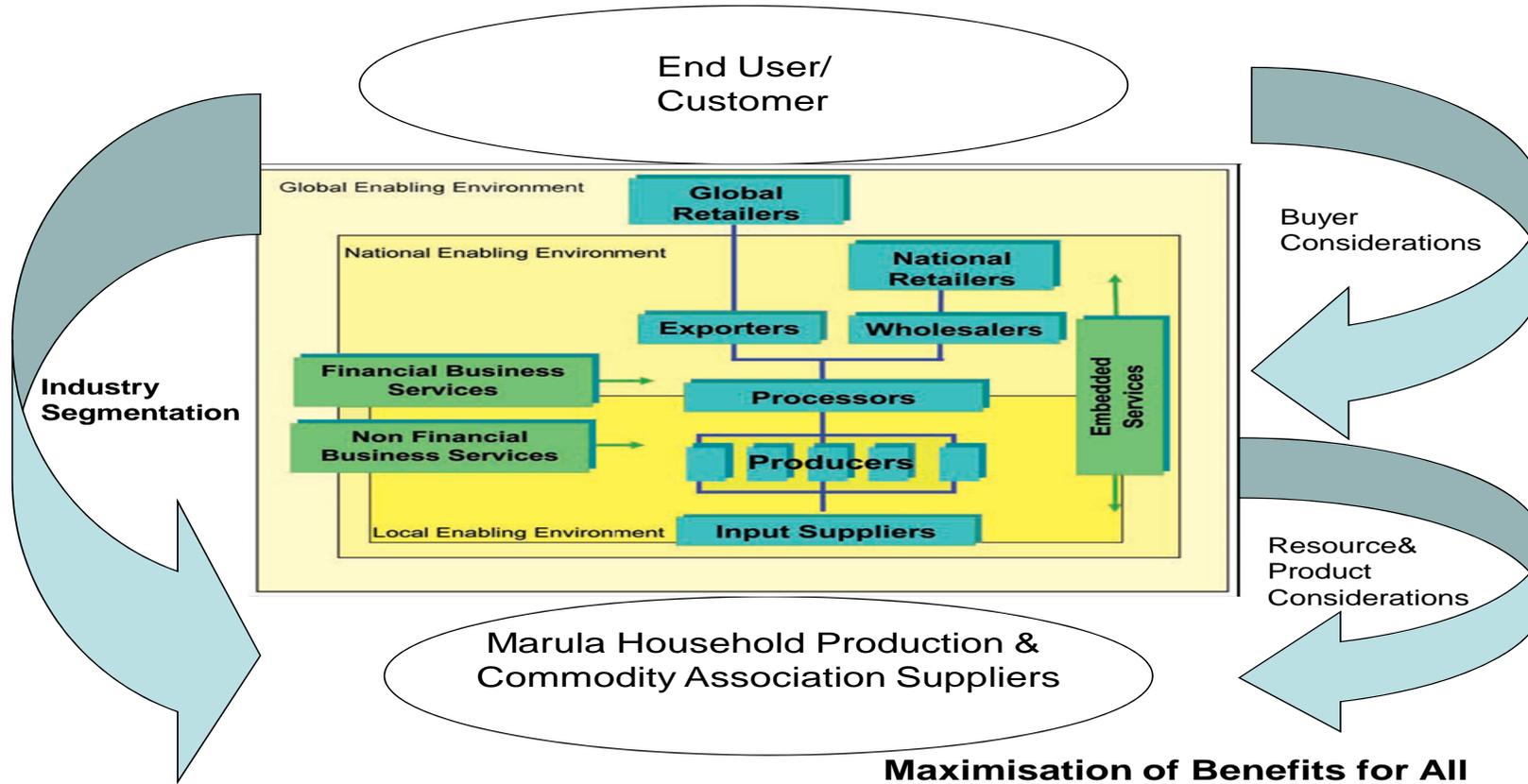


Figure 37: Demand-driven and Inclusive Marula Industry Framework

Source: Adapted from Roduner (2007)

## 7.2.2 Definition of Terms and Theoretical Background

The case study analysis and strategy formulation in this chapter touches on three distinct but interrelated areas: the **industry**, **market channel** and the **business system**. Reference to and definition of the industry was covered in Chapters 2 and 5. The sections below concentrate on market channel and business system definitions. Central to these are vertical linkages. Porter (2004b:76) views vertical linkages as reflecting interdependencies between a firm's activities and the value chains of suppliers and channels. The introduction and popularisation of value chains was preceded by the recognition of the importance of forward and backward linkages in a market economy. These linkages are the key drivers of rural-urban linkages. Crestanello and Vicenza (2006) use Hirschman's (1968) definition of linkages, which he describes as the result of a series of investment decisions, each dependent upon the other, taking place in the course of an economic development process. According to the authors, backward and forward linkages develop where there are prospects of profit for local entrepreneurs, and where there are abilities to make products that can be sold on the market. They criticise Hirschman for neglecting domestic competences, as they are deemed crucial for developing efficient production of machinery and of raw material required by the growing industry. Competences are also seen as assisting in translating opportunities generated by the growth of demand into entrepreneurial actions (2006:9-11).

The emphasis on competencies spotlights function rather than just activities. The function domain is rooted in the **business system concept** developed by the McKinsey company. The concept emphasises the power of redefining the business system to gain competitive advantage (Bower 1973; Buaron 1981). The approach is based on the principle that a firm is a series of functions (e.g. research and development, manufacturing, marketing) and that analysing how each is performed relative to competitors can provide useful insights. Porter (2004b:36) highlights that the business system concept addresses broad functions rather than activities, and does not distinguish among types of activities or show how they are related. It also is not linked specifically to competitive advantage or to competitive scope.

The most relevant and theoretically developed value chains for this thesis are found in the agricultural sector, particularly food markets as discussed in Chapters 2 and 6. They include the set of activities for supplying agricultural inputs to farmers, farm production, and collecting output from farmers, handling, storage, processing, distribution, and sale to final consumers. Participants in the food system include agricultural input producers, input suppliers, agricultural producers, domestic traders, importers and exporters, processors, retail firms, institutional buyers, and consumers (Rusike 2004). However, the analysis here is not limited to vertical linkages. It stretches to horizontal relations at the same market stage. This is to assist with the projection of the future economic configuration and significant variables

of the subsector. It is also about predicting the consequences of modifications of the institutional or technical structure of the system. This results in prescription of changes in institutions, practices or behaviours, which leads to improved performance of the subsector.

### 7.3 THE DISTELL CASE STUDY

This section provides a background to the detailed analysis of the Amarula Cream liqueur value chain. Chapter 5 dealt with the historical background and structural features of Marula Natural Products (MNP) and Amarula Cream (Distell/Mirma). Amarula Cream description below provides insights into the factors that promote viability, sustainability and the competitive advantage. The researcher argues that these factors stretch beyond access to finance and markets. Du Plessis (2004) argues that

[t]he market success of Amarula is based on a good product backed up by many years of high-budget promotion and advertising which made full use of the uniquely African marketing features of marula fruit – without such ad-spend (and the distribution capacity to access widespread markets) the economic viability of the current processing facility would have been completely different (2004:6).

While one cannot underplay the critical role played by finance and market access, the attention should also focus on the roots of the problem (in terms of poorly performing marula enterprises). The roots here are viewed to be the economic system, industrial structure and the institutional framework that is not conducive to rural-based commercialisation. The success of Amarula Cream is primarily attributed to focused strategies at industry structure, market channel and business system levels. The first two refer to the strategic positioning through mainstreaming or integration of the Mirma Phalaborwa operation into the wine industry structure. The latter (business system) concentrates on operational efficiency (function following strategy), with the competency of the local entrepreneur(s) (in this case Thys Slabbert and his team). Thus throwing money into the problem or investing in “markets for the poor” outside of the mainstream does not offer a sustainable solution. It only prolongs the enterprise life cycle, with failure still certain. Roumasset (2004:69) highlights that, “[w]hen donors and politicians alike are in denial about their failures and throw more money at the very problems they have exacerbated, band aid and blackhole cycles of ever-greater public spending and worsening distortions are promulgated”.

### 7.4 THE STORY OF AMARULA CREAM

Figure 38 is a visual of the Amarula Cream business from Phalaborwa, Limpopo Province to Stellenbosch, Western Cape. The introduction of Amarula Cream draws from interviews with Thys Slabbert at the Phalaborwa factory, Amarula Lapa representatives and marketing material (video) and

the Distell/Amarula websites. Other sources include Distell's annual reports (2006, 2008 and 2009), and the South African Wine Industry Directory (2003). According to the website advertising narrative

Amarula Cream dates back to 1989 when it first appeared on the South African market. Since then it has grown into a world leader and today its great taste is enjoyed in more than 160 countries on all continents. Amarula Cream comes from the heart of Africa. Made from the fruit of the indigenous Marula tree (Amarula 2009).

**Africa's most sought after cream liqueur, Amarula Cream**

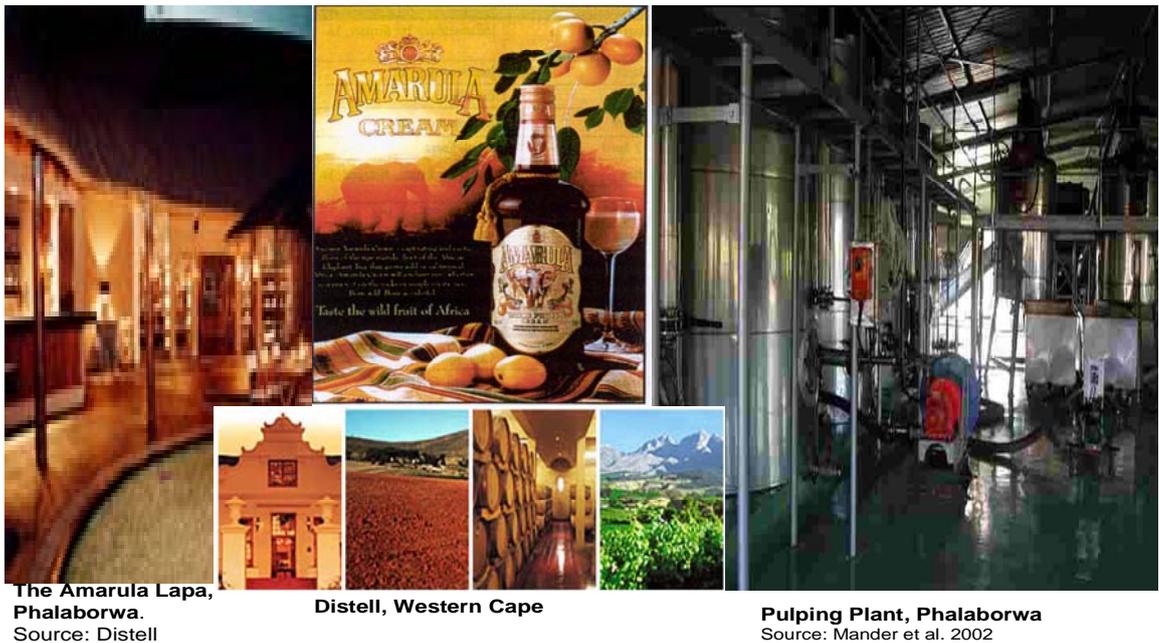


Figure 38: Amarula Cream Business

The primary production of Amarula Cream is managed by the Phalaborwa Processing Plant (responsible for marula fruit procurement and pulp production). The Amarula Lapa facility at Phalaborwa forms part of the marketing drive with tasting and catering services open to the public and also serving as a tourist attraction. The secondary processing, marketing and distribution is handled by the Distell Stellenbosch Winery, as well as support functions.

**7.4.1 Competitive Positioning of Amarula Cream and the Critical Role of Distell as a Strategic Partner**

Porter highlights that “[t]o diagnose competitive advantage, it is necessary to define a firm's value chain for competing in a particular industry” (2004:45). The Amarula Cream value chain begins with the rural

women as marula fruit gatherers. In February and March each year, the marula trees bear the fruit from which the vitamin-rich juice is collected for processing. Pulp processing occurs in the Mirma/Distell Phalaborwa factory. The factory works for only two to three months of the year during the peak season. Once the fruit is gathered, the kernel is removed and the flesh crushed from the skin. Du Plessis (2004:5) provides details of the value chain at the Mirma/Distell Plant:

- Fruit is purchased on a regular schedule directly from primary harvesters at pre-designated points within 200 km of the factory by Mirma trucks fitted with wooden fruit harvesting crates;
- Additional fruit is purchased at the factory gate, at the same price paid at collection points;
- Ripe fruit enters the production line through a chlorinated bath (situated outside the main processing area and with easy access from the driveway);
- It then moves along a mechanised sorting lane where bad fruits are sorted out by hand and excess water drains off;
- Selected, washed fruits then move into the main factory along an auger and into high holding bins;
- From these holding bins, the fruit moves into two large custom-built machines where it is chopped up and the pulp stripped from the pips by fast-moving blades (the pips are left almost completely stripped);
- From the blenders the pulp is pumped through a rapid chilling radiator to chilled storage tanks;
- The pulp is transported 30 tons at a time in chilled tankers to the Western Cape for further processing (fermentation, distillation, aging and formulation into Amarula).

#### 7.4.2 Distell Business Strategy

The Distell Stellenbosch factory is the next destination from the Phalaborwa pulping plant. Here, the marula pulp is fermented, similar to the wine-making process. After fermentation, the marula wine is distilled in copper stills to prepare for maturation. After maturation in small oak casks for about two years, the distillate is enriched with pure marula extract and then blended with cream to form the smooth, exotic taste of Amarula Cream.

The Distell/Mirma partnership is a significant demonstration of the backward linkages defined earlier. As indicated in Chapter 5, Distell bought a 50 per cent stake in Mirma, resulting in the expansion and capitalisation of the Phalaborwa marula pulp plant. This acquisition strategy is one of the contributing factors that distinguish Amarula Cream producers from MNP. According to Hirschman, backward linkages take place when the final demand stimulates the production of inputs (semi-finished products, raw materials and machinery) that are essential to the productive process. Forward linkages develop

from the production of an input to include other downstream products (1968:48). The critical issue here is not just the absence of a strategic partner at MNP but the significance of selecting the most suitable partner.

According to the Distell corporate profile (Distell 2009), Distell was formed in 2001 by the merger of Stellenbosch Farmers' Winery and Distillers Corporation, bringing together over 125 years' experience in the wine and spirits industry. It has a shareholding base that includes the powerful Rembrandt Group (Remgro) and SABMiller. South African Distilleries and Wines Limited (SADW) hold all Distell's operations. Distell is listed on the Johannesburg Stock Exchange (JSE) Limited and employs 42 000 people with an annual turnover of R7,9 billion. Distell's vision is to be "[a] great company rooted in South Africa crafting leading liquor brands for people to enjoy at every occasion the world over". Amarula Cream forms the core of the business strategy with the company aiming to "entrench the position of Amarula as one of the world's leading cream liqueurs".

Distell is Africa's leading producer and marketer of fine wines, spirits, cider and ready-to-drinks (RTDs). Amarula forms part of the spirits portfolio as the biggest and South Africa's most widely distributed alcoholic beverage. It has also claimed its space as one of the well-known award-winning labels. In 2006 Amarula recorded growth of 12.1 per cent with company headline earning growing at 9 per cent. The growth was attributed to a robust performance in Germany, "where Amarula is the fastest-growing cream liqueur, as well as excellent sales in Canada, the US and Brazil, where it is the market leader" (Distell 2006).

In September 2005 Distell announced a Black Economic Empowerment (BEE) transaction with the BEE Consortium led by Women Investment Portfolio Holdings (WIPHOLD) through an entity registered as WIP Beverages. The BEE consortium acquired 15% of SADW. The transaction breakdown is as follows: 45% of equity by the Employee Share Ownership Plan (ESOP); 40% by WIPHOLD; 15% for a corporate social investment (CSI) Trust. Mr. Jan Scannell, Managing Director, referred to the transaction as a key sustainability imperative and advancement in their transformation strategy. It is significant to note that the Amarula supplier communities are amongst the beneficiaries of the CSI Trust that is designed to assist communities in areas where Distell conducts most of its activities. Past beneficiaries include the Khensani Damfreeze Project for fence production and brick making, which helps with income generation for managing seasonality as the marula season is limited to January/February to March/April.

The distribution and marketing capability of Distell is at the centre of the company's success as highlighted by Mr. Scannell in a press statement on 1 March 2007 marking the signing of a deal with Baarsma Wine Group Holding to market their brands in Holland: "We have created a sound infrastructure from which to profitably market and distribute our brands." This was an expansion of the

strong distribution network in sub-Saharan Africa building on the 20 depots in all regions of South Africa with presence in Namibia, Accra, Kenya, Zimbabwe and Mauritius. International offices in London, New York, Sao Paulo and Singapore act as a support base to 78 countries. In December 2006, Distell became the exclusive South African wine supplier to Altiya Corporation, an international multi-beverage company and market leader that operates in the Nordica states. On 6 March 2008, Distell announced their rating as the 10th biggest wine marketer in the world by Impact Databank US (producing 20 million cases of wine per year).

The aggressive marketing is supported by good quality management and research with a close relationship between the research division and the marketing and production functions. The investment in the highly sophisticated 100 m<sup>2</sup> Sensory Laboratory, a recent flagship project, is regarded as a milestone in aggressive marketing. This laboratory is designed and equipped to provide a qualitative sensory map of products in the market. Its capability extends to the analysis of market gaps, and chemical analysis to guide on aroma, flavour, taste and mouth feel. Distell has also ventured into new initiatives that are viewed to contribute to sustainability and eco-friendly production processes. This includes the efforts to reduce their carbon footprint with the involvement of key stakeholders (suppliers, wine bodies, academic institutions). Central to this strategy designed to curtail greenhouse emissions is the capacity for measuring output. Distell participates at industry level in an international project to establish the International Wine Industry Greenhouse Gas Accounting Protocol and Calculator globally. This system identifies and provides the basis for quantifying carbon dioxide emissions that occur throughout the value chain (growing, production, packaging and transportation of wine). The company is also working with the University of Stellenbosch to ensure efficient treatment across all production sites (including brandies, spirits and RTDs).

The intention here is not to praise Distell but to demonstrate the significance of introducing a strategic partner who can add value in terms of its industry network (supply-side) and markets (demand-side). MNP (in Chapter 5) had to carry the cost (raise donor funds with government agency support – CSIR) to conduct product research and create new markets. MNP personnel with their limited capacity had to convince established wholesalers and retailers of the marula commercial opportunity while struggling to survive. The next section progresses into the industry structure (from the discussion of the firm) to demonstrate possibilities for economic mainstreaming through industry restructuring. The wine industry is described in terms of the activities, actors, and rules involved. A critical aspect is how the sub-sector works as a system and understanding the supply-demand dynamics and relational issues.

## 7.5 THE WINE INDUSTRY IN SOUTH AFRICA: LINKING AMARULA ENTERPRISE WITH PARENT INDUSTRY

The linkage of the Amarula Cream production business with the wine industry is designed to highlight the strategic advantages and potential change levers for industry reform. The evolution of the South African wine industry mirrors Chapter 4's historical discussion on the country's political economy. According to the South African Wine Industry Directory (2003), the first wine was pressed at the Cape on 2 February 1659, seven years after the founding of a Dutch settlement by Jan van Riebeeck. As indicated in Chapter 3, initial agrarian commercialisation depended almost entirely on introduced species, hence the production of wine from vine cuttings imported from western France. It is significant that following global politics, drop in prices and overproduction in 1918, the Ko-operatiewe Wijnbouwers Vereeniging van Zuid-Afrika (KWV) was founded. KWV was a cooperative involving all wine producers. Its formation brought stability and direction to the industry placing it on a road to growth and prosperity. "For producers it meant a secure income and financial growth" (2003:15). This was followed by advancement in scientific and technological expertise, from developing new cultivars to cold fermentation processes. This contributed to the production of a truly South African variety pinotage in 1925 by Professor Al Perold – a historic event. KWV transformed from a cooperative to a company in December 1997. The establishment of the South African Wine Industry Trust (SAWIT) followed, to fund and manage generic promotion and research for the South African wine industry, as well as assist with development of new farmers and disadvantaged groups. In 2002 the South African Wine and Brandy Company (SAWB) was formed to bring stakeholders together and make the industry globally competitive.

The industry has other bodies for science, technology, industry information, systems, etc. According to Porter (2007a), until 1997, the South African wine industry had been strictly controlled through KWV's regulating prices, quotas and planting, with evidence of oversupply and inefficiencies. After 1997, full deregulation occurred. In 2003, the Ministry of Agriculture announced the Wine Industry Strategic Plan (WIP), a new wine policy which focused on competitiveness, Black Economic Empowerment (BEE), resource management, and enhanced responsibility devolved to institutions for collaboration, especially the South African Wine and Brandy Company (SAWB 2003). Change levers for industry reform exist within WIP. They commence with their problem definition

Some of the major challenges in this context is related to changing the South African historical dualism with its legacy of exclusion and discrimination along racial and gender lines and to redress an industry characterised by skewed levels of ownership, managerial and technical skills and a lack of access to economic opportunities in the wine industry (SAWB 2003:i).

WIP committed itself to the development of a Wine Industry Scorecard (WIS) intended to create synergies with the Strategic Plan of Agriculture. Its strategic thrust includes the capacitating of the various stakeholders in the industry supply chain to participate in industry-based decision-making; the facilitation of economically sound BEE in the industry; and the rationalisation of the application of scarce resources in various industry endeavours (SAWB 2003:47).

The wine industry has demonstrated relevant lessons in terms of not only grower-processor relations, but also collaborative cluster approaches for higher-level value addition (packaging, marketing) accommodating niche players as well as bigger players. This industry demonstrates that an enabling framework with an organised and efficient support structure is crucial for a firm's survival, viability and sustainability. Isolated state and/or donor-driven commercial initiatives with supply-driven approaches will therefore struggle to compete and only result in devastating disappointments for the rural poor. The proposal for strengthening linkages with parent industries, however, does not undermine or destroy the value of developing an overarching and diverse marula industry strategy and framework. This draws attention to the value of sub-sector or commodity strategies. Such strategies will retain the focus on sustainable resource use and ecological implications beyond specific product and/or parent industry needs. Marula, like the wine industry, has to change from the current highly fragmented supply-driven agribusiness to a competitive professional brand-driven industry, which values and mainstreams all value actors. The Amarula Cream story presents a picture of a reasonably performing channel/value chain. The question remains as to why the benefits of such performance do not trickle down to the poor suppliers. The next sections explore this in more detail.

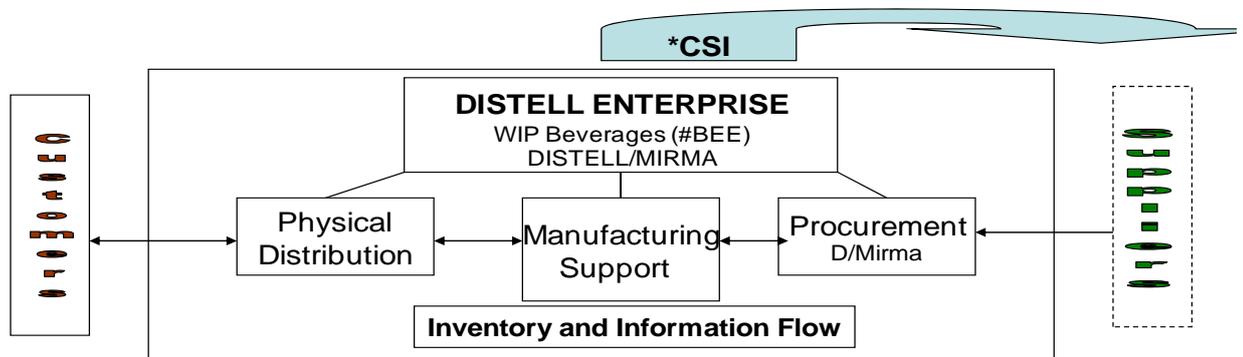
## 7.6 REVIEW OF THE MARULA SUPPLY CHAIN INSTITUTIONAL ARRANGEMENTS

The review of agricultural commercialisation in this thesis, especially agro-food systems, was deemed crucial for generating theory for marula case study analysis. The thesis also draws from Morales-Nieto's (2009) perspective of sector market and value chain analysis as it relates to the interconnection of the formal and informal economies. This interconnectedness is viewed to rest on the convergence and complementarity of what he calls the "two sister approaches: *sector market analysis* and *value chain analysis*". However, Roumasset (2004:59) cautions against the use of the "old Structure-Conduct-Performance paradigm whereby a market structure was taken to be exogenous, its conduct diagnosed, and its resulting performance judged... while now defunct in Industrial Organization, is alive and well in Development Economics". To address this concern, this thesis introduced transdisciplinary context-specific case study methodology with PRA for mapping current behaviours. Porter's and Morales-Nieto's approaches were used to understand structural disconnections between large-scale and small-scale enterprises within the same sector, industry and location. This highlighted the crux of the problematic marula supply-chain institutional arrangements. The glaring inequalities affirmed Porter's

contention that industry structure determines the bargaining relationship with buyers and suppliers. This, according to him, is reflected in both the configuration of a firm's value chain and how margins are divided between buyers, suppliers, and coalition partners.

Figure 39 presents a simplified illustration by the researcher of the institutional arrangements of the Amarula Cream initiative. It is derived from Bowersox & Closs (1996:34). According to them, physical distribution concerns movement of a finished product to customers; manufacturing support concentrates on managing work-in-process inventories which flow between stages of manufacturing; procurement is concerned with purchasing and arranging inbound movement of materials, parts, and/or completed inventories from suppliers to manufacturing and assembly plants, warehouses, or retail stores. Information flow identifies specific locations within a logistical system that have specific requirements. Information is from and about customers, flows through the enterprise in the form of sales activity, forecasts and others; inventory is concerned with movement and storage of materials and finished products. The illustration highlights the empowerment models adopted.

**Amarula Distell/Mirma**



\*Corporate Social Investment  
#Black Economic Empowerment

**Figure 39: Amarula Cream Relations**

Source Derived from Bowersox & Closs (1996)

The illustration shows a strong, formal and structured institutional arrangement within the box (between the Phalaborwa Mirma pulping plant and Distell Stellenbosch factory on one hand, and Distell to

retailers/customers on the other). Distell has thus established efficient supply chains that deliver quality products and services to customers. The Amarula Cream story also demonstrates a series of connected activities concerned with planning, managing, coordinating and controlling harvesting, production, processing and marketing of marula. The business approach and system shows strong cost-efficiency with customer-orientation for profit maximisation and improved shareholder value. The approach in the box utilises modern business principles. However, the relationship with the rural marula fruit suppliers is different and informal. The dotted line emphasises the involved-but-not-part-of approach. There is no formal contract, even though the customers are owners (of homesteads, fields and communal areas on which the trees grow), seedling nurturers, and contributors to the management of the resource. The suppliers are price-takers with limited or no bargaining space. The marula suppliers' supply chain as demonstrated in Chapter 5 involves harvesting, storage, transporting and primary production (sorting and nut cracking). The growth of the Amarula Cream business does not necessarily imply growth for the suppliers in terms of increase in price<sup>44</sup>. *Business Report* 2005 (in Distell 2006) published Distell's interim headline earnings with a picture of Amarula Cream titled, "High Spirits: Sales of Amarula Cream help boost Distell's profit". Distell had increased its interim headline earnings per share by 32,5% to R1,495. On the empowerment front, the company prides itself for the community assistance through its CSI. This raises questions about the complexity and meaning of empowerment and transformation. Distell at holding level can claim that they have complied in terms of transformation requirements and are good corporate citizens who take care of communities at local operational level through CSI, with the CSI trust a shareholder at holding level. Their "pioneering empowerment structure" was also commended by the Department of Trade and Industry (Distell 2009).

This thesis argues that such structural arrangements are characteristic of the misconceptions about the rural poor discussed in Chapter 3. The informal arrangements and low prices to marula suppliers and the fact that they have been reduced to CSI beneficiaries, bear testimony. The study asserts that the suppliers have to be viewed as value actors who deserve the same formal appreciation as the players in the box. Empowerment models should factor in support measures to rural women suppliers as value actors. This should be viewed separately from CSI for community empowerment (with its unrelated or related marula community projects support). CSI has its rightful place in the socio-economic system but cannot replace what is due to the marula suppliers. Distell's empowerment credentials as defined by the BB-BEE Act here are not the main focus, but the institutional and transactional arrangements informed by the business and industry strategy. More examples can be found in other Distell empowerment experiences. This includes the empowerment project of the premier wine farm near Darling on the west coast. It was "designed to give black taverners and wine farm workers and their community ownership

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<sup>44</sup> Price comparison between Mander *et al.* (2002) and the researcher's interviews in January 2008 show that the range has revolved within the R20-R25 range per 80-kg bag since the 2002 study.

of Papkuilsfontein". The project included the transfer of viticultural, winemaking, farm management, business and management skills (Distell 2009).

One can argue that the performance and competitiveness of the Amarula Cream is at the expense of the rural poor. Thus, rural communities' culture and their conception of social network and loyalty have been exploited for capital accumulation by the rich. The argument questions the current arrangement of relations with suppliers that take the form of voluntary arrangements (VAs) in a situation of long-term dependency on the resource and supply by the company. The contention is based on the relational implications that tend to treat the rural-poor suppliers as "beneficiaries" rather than business associates emphasising mutual-benefit strategic alliances. The relations are viewed as entrenching the inequality dynamics of South Africa – racial, rich-poor, urban-rural, men-women. Bowersox and Closs (1996) point out the distinct features of voluntary arrangements. They indicate that VAs create space for participating firms to acknowledge dependency and develop joint benefits by cooperating. Yet, they highlight that

the overall relationship of a VA is typically orchestrated by a firm that is acknowledged as a leader. The leader is most often the dominant firm in the channel in terms of market share, size, or technical skills. The firm that provides leadership typically has the greatest relative power in the channel system (1996:120).

This feeds the growing concern that benefits of the natural resource-based industries that are rural-based and world-leading suppliers, have not trickled down for uplifting surrounding communities and the rural poor in general. The study partly attributes this to problems with the structure of the economy locally, and perpetuation of imbalances by globalisation. Biepkie (2007) argues that dual economies exist mainly because of the often "selfish" role economic agents play in the real economy

The rich will always want more wealth and considering that they have more balance of power in the wealth creation/generation equation, the poor will always be at the mercy of the rich. Wealth always flows from poor to rich people .... The only way to optimally minimize the duality problem is for governments to support economic policies which will ensure that money flows from the rich to the poor (2007:4).

Dualism is evident in the marula industry as discussed previously. The Amarula Cream product is manufactured by medium (Mirma) to large (Distell) businesses/enterprises with strong systems and controls. MNP is largely a small business with the rest of the marula community initiatives operating at a micro-enterprise/survival level. Small, micro, and medium enterprise (SMME) policies and programmes are thus relevant for the marula enterprises. The economic policy gap here extends from macroeconomic to microeconomic policy.

## 7.7 INDUSTRY STRUCTURE REFORM STRATEGIES

Reform strategies for the industry structure are discussed under five topics: institutional framework; role of value chains; marketing channel mainstreaming; integrated supply chains; and the creation of an enabling environment.

### 7.7.1 Institutional Framework

The institutional framework discussion is focused on the industry structure reform as guided by the Inclusive and Sustainable Development Conceptual Framework (in Chapter 6) and based on the marula industry framework presented in the sections above. It fits within the new institution economics (NIE) conception. NIE analyses the economic effects (e.g. transaction costs, governance) in supply chains with consideration of causes of such occurrences (Williamson 1999; Karaan 2002; Ortmann 2001). Roumasset (2004) points to a source of confusion regarding NIE. This concerns the plethora of definitions of transaction costs

Transaction costs have been defined most broadly by Nobel Laureate Kenneth Arrow as the costs of running the economic system and are the economic equivalent of friction in physical systems (Williamson 1985). Sublevels of transaction-like costs can also be distinguished. The first is unit transaction costs, e.g. the cost of one man-hour of supervision. Another is agency cost, e.g. the unit cost of supervision times the man-hours of supervision plus the residual shirking cost (2004:69-70).

The institutional framework is critical in industry reform as it determines the governance structure. D'Haese *et al.* (2003:7-8) define the new institutional theory as "a theory of property rights that describes individual and group incentives in a system". The relevance of institutional reform for inclusive and sustainable development is found in Evans (2005:90) who argues that economic analysis of development has taken an "institutional turn". He asserts that the "institutional turn" threatens the entrenched congruence of control of capital by the rich. "It draws attention to ways in which the interests of the powerful may conflict with those of ordinary citizens, particularly in poor countries (2005:97)".

Evans emphasises the need for factoring in culture and norms. He refers to North (1990:107), who considers institutional frameworks as "the underlying determinant of the long-run performance of economies" as they explicitly include informal norms and customs as well as formal rules and procedures. He highlights that the scope of a "normative order" goes far beyond guaranteeing property rights by punishing force and fraud. "Even if we limit ourselves to the aspects of 'institutional frameworks' most central to economic growth, for example, providing predictable guarantees of property

rights, the necessary framework involves a complex combination of legitimation, social learning, and coercive power (1990:95)". Chapters 5 and 6 highlighted the value of social networks in marula supply. The inclusion of social theory has been a key feature in the economics institution debate. This emphasises social capital that produces a mutually beneficial collective action, contributing to the cohesiveness of people in their societies. Williamson's (1999) perspective of economics of institutions introduced the inclusion of social theory. The perspective had potential of providing solutions towards re-determining the basics of transactions for transforming assets of the rural poor into capital, but is constrained by the disabling economic and industry structure. The latter refers to the marginalisation of the rural producers with assets whose economic and social aspects are not fixed in a formal property system making it extremely hard to move in the market (De Soto 2000).

### 7.7.2 The Role of Value Chains in Industry Restructuring

Value chains (VCs) have already been discussed in different chapters of this thesis. Their greatest advantage lies in their versatility as an analytical as well as an operational mechanism. VCs offer the freedom to move from analysis to intervention. Critical for rural producers and entrepreneurs is the role of donors and not-for-profit development agencies in rural-based value chain development. Roduner (2007:10) and from VCRD online debates highlights the key roles.

- Development agencies conduct extensive research and stakeholder consultations, leading to diagnosis of key constraints, and possible solutions; facilitators are hired to intervene, mobilise stakeholders etc.;
- The donor-funded agency acts as an impartial broker, bringing stakeholders together to articulate their needs through local economic development programs, cluster development, etc.;
- Provision of matching grants, to encourage lead firms to take risks.

According to Roduner (2007), the key issue of donor intervention is "leverage". However, he cautions against publicly funded agencies assuming roles that can be commercially operated, sabotaging the emergence of truly sustainable and viable enterprises. "Before intervening in any value chain, development agencies must have a minimum understanding of markets, actors, informal rules and laws, etc." (2007:10-19).

The critical relevance of VCs resides in their potential to nurture competitive inter-linkages between emerging and established industry structures through integration of clusters of highly specialised firms with semi-formal and small initiatives. This arrangement provides space for both collaboration and competition and is enhanced by cluster methodologies and local economic development. It also creates

opportunities for rural household participation in cross-border and international trade as discussed below.

#### **i. Rural Value Chains and Clusters**

The theory of clusters is complex and diverse as their application transcends sectors and spatial boundaries. UNESCAP (2007:57) refers to the various types of clusters: industry-focused clusters that evolve with the industry life cycle; technology-based clusters where new technologies enable products or even develop industries; logistics and port clusters. Industry Clusters include:

- Regional industry cluster – a cluster whose elements share a common regional location, where a region as defined as a metropolitan area, labour market, or other functional economic unit;
- Value Chain Cluster – a cluster consisting of an extended input-output or buyer-supplier chain.

Porter (2007:57) defines cluster initiatives as the “collaborative activities by a group of companies, public sector entities, and other related institutions with the objective to improve the competitiveness of a group of interlinked economic activities in a specific geographic region”. Of significance here is the evidence on the applicability of cluster methodology in rural areas. Munnich Jr. (2002) provides evidence from rural clusters suggesting that localised knowledge embedded in the people and institutions – about technologies, processes, markets, etc. – may be an instrumental factor behind their innovation and success in overcoming disadvantages of rural location. Munnich Jr. points to empirical evidence that demonstrates that rural industry clusters contribute positively to regional economic growth. However, he also cautions that cluster development should be considered in the context of creating competitive advantage and not be looked at as a “sure” option for economic growth. He emphasises that cluster strategies hold much more promise where assets, market opportunities, or innovative activities are present that can be built upon. The cluster methodology is one of the strengths of the wine industry, affording it global competitiveness through improvement in cluster trade performance (Porter 2007).

#### **ii. Rural Value Chains and Cross-border/International Trade**

The marula case study findings point to an increase in international and cross-border trade since the 2002 DFID studies. This refers to both cross-border supply and international demand. The IUCN report indicates that the value of informal trade in natural products within Southern Africa could exceed US\$1 billion a year (2004:13). A specific example to which the researcher was exposed (field visits and

interviews), was cross-border trade between Bulilimamangwe<sup>45</sup> in Zimbabwe and Kgetsi ya Tsie in Botswana, and South Africa (Limpopo). The increase in the marula trade is in line with the increasing demand for natural products globally. Le Breton (2004) estimates that the global market for natural products (NP) vary between US\$40 and US\$60 billion. "It is estimated that 440 000 tonnes of raw plant material are traded annually on export markets at a value of US\$1,3 billion a year" (2004:6). The findings, however, point to the current international and cross-border trade being fragmented, enterprise-specific and product-specific with no standard or comprehensive industry regulations and strategies.

The facilitatory role played by donors and development agencies in regional co-operation and cross-border trade is critical. While the continent-wide international trade for Amarula Cream has benefited more from the Distell global distribution network and the wine industry initiatives, the development agencies and government played the facilitatory role for the community-based initiatives. The main players in southern African cross-border trade are IUCN and Phytotrade. They provided a significant contribution to the appreciation of the trade regime for natural products (IUCN 2004). Phytotrade also provided valuable support in shaping industry practices in *Maruline* (marula oil-based product). This is a community-private partnership based on fair trade principles and environmental sustainability. It is characterised by patent co-ownership by both parties, the Eudafano Women's Cooperative in North Central Namibia and Aldivida SA, with benefit-sharing provisions as contained in Article 8 (j) of the Convention on Biological Diversity (Welford 2005:9).

A major challenge to cross-border and international trade is the certification of organically produced products (UNEP-UNCTAD 2008). IUCN (2004:17) defines certification "as the procedure by which a third party gives written assurance that a clearly identified process has [been] methodically assessed, such that adequate confidence is provided that specified products conform to specified requirements". The IUCN report identifies three types of certification – organic, forest and fair trade. However, it highlights that small-scale farmers or primary producers experience difficulties accessing certification because of a lack of information and knowledge, the high cost of certification and lack of capacity to implement required systems such as record-keeping. Other challenges include:

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<sup>45</sup> The Bulilimamangwe initiative is a donor-supported community-based initiative based in the southern Matebeleland Zimbabwe District. It is women-driven and produces marula wine, fresh snacks from nuts, as well as butter for local consumption. Kgetsi ya Tsie (KyT) is a community-based commercialisation initiative that operates as a Community Trust with 20 villages involved in the production of cold press oil. The initiative aims to socially and economically empower the women of the Tswapong Hills in Eastern Botswana.

- Country-based regulatory requirements. For example, in Zimbabwe Moyo (2005) highlighted that the Statutory Instruments 112 of 2001 of the Forestry Act prohibit the exporting of unprocessed or semi-processed forestry produce. There is also a requirement for a Phytosanitary Certificate from the exporting country. This requirement extends to the receiving country;
- Payment of export and import tariffs in an environment of loose transactional arrangements where payment for consignment is very often greatly delayed, with marula suppliers undervalued;
- Marula oil and raw products have a short shelf life;
- Indiscriminate imposition of non-tariff barriers, e.g. plant and disease regulations, and adherence to ISO 2000 standards to protect local industry.
- Insufficient knowledge by customs officials about the marula product, complicated further by the absence of a harmonised system for certification of South African natural products;
- At a higher level, the problem could be non-alignment between multilateral environmental agreements (MEAs) and international trade agreements.

### 7.7.3 Marketing Channel Mainstreaming

Chapter 6 discussed the market economic system introducing Prahalad's (2005) market-oriented ecosystem (MOE). To unpack value chains from a productive process and systems perspective, the terminology of marketing channels is used. Bowersox and Cooper (1992:4) define marketing channels as systems of relationships among businesses that participate in the process of buying and selling products and services. Bowersox and Closs (1996) further differentiate between primary channel and specialised channel participants

*A primary channel participant* is a business that is willing to participate in the inventory ownership responsibility or assume other significant aspects of financial risk. *A specialised channel participant* is a business that participates in channel relationships by performing essential services for primary participants for a fee (1996:93).

In other words, Distell is a primary channel whilst MNP and other community-based initiatives operate as specialised channel participants. The transformative industry strategy proposed by this thesis pushes for a spatial balance with deracialised and engendered primary and specialised channel participants. The proposed strategy thus recognises the distinct role of suppliers and recommends a governance arrangement that rewards them for value created as identifiable legal personas (specialised channel

participants). It also creates space for ownership and joint investment (joint ventures) when the rural entrepreneurs choose to be primary channel participants (Bowersox & Closs 1996).

The mainstreaming of the rural suppliers should therefore be driven by an effective capacity-building programme as indicated by Bordewijk (2006). To ensure appropriate alignment and adequate targeting, pre-assessment must occur prior to supporting rural commercial initiatives. This commences with assessing the entrepreneurial level (subsistence to entrepreneurial as defined in Chapter 5). It also includes identifying whether the entity capability level is that of a primary or specialised channel participant followed by an analysis of the role as value-chain actor. This preparatory work will ensure competency for efficient and effective mainstreaming of the rural poor into the dynamic and systemic business activities. This feeds into the thesis proposed strategy of the value chain- based integrated supply chains aligned to relevant industry structures discussed in the next section.

#### **7.7.4 Using Competitive Integrated Supply Chains for Industrial Mainstreaming**

The value chain-based mainstreaming of the rural household suppliers is based on the use of integrated supply chains (ISCs). ISCs are concerned with multiple interconnected structures (supplier-processor-marketer) and other supply-side support services; i.e. research, funding, training and capacity building. The alternative approach mooted here utilises ISCs within an industry context. The emphasis is more on value chain-based industry structure reconfiguration with supply chains used as a mechanism for improvements in institutional arrangements and productivity. The researcher highlights this point to clarify the limited focus on the theory of supply chains. The other reason is that a recent and expanding focus on agri-based supply chains tends to emphasise, and be limited to, competitiveness (cost and efficiency). The shortcoming is the failure to address the fundamental issues pertaining to continuous marginalisation of the rural producers and suppliers (Ortmann 2001, Masuku, Kirsten, van Rooyen & Perret 2002).

The configuration of an integrated supply chain is therefore designed to mainstream rural suppliers and create opportunities for rural entrepreneurs across the value chain and within different sub-sectors of the industries. Figure 40 uses an example of agro-foods (food and drinks) with the suppliers integrated in clearly defined channel relationships that recognise interdependency and promote competitiveness.

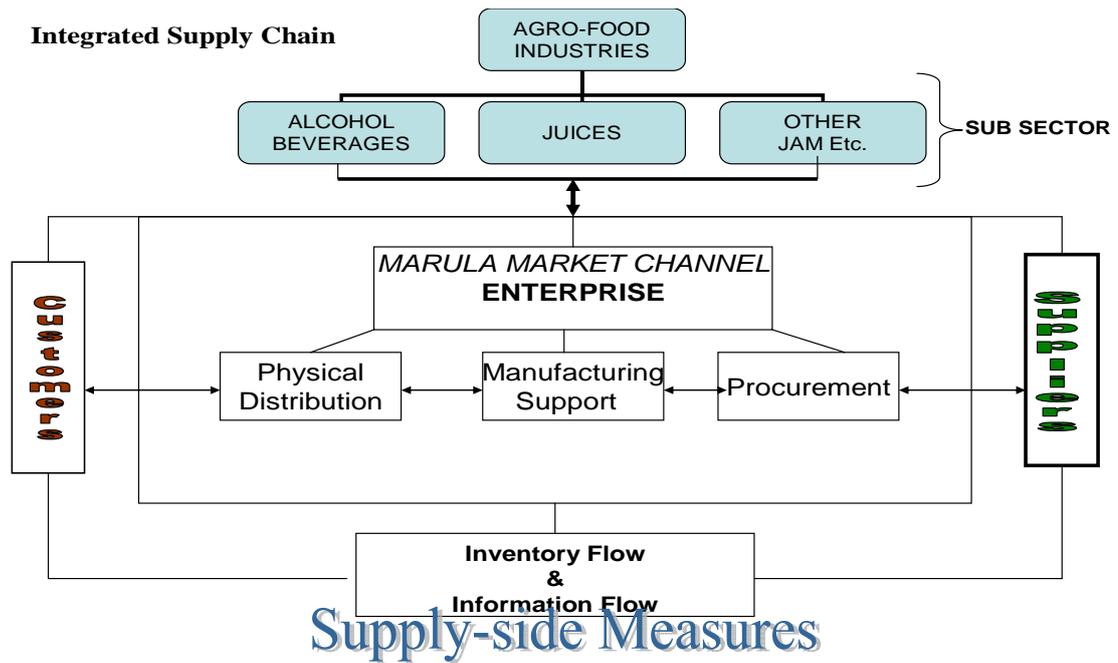


Figure 40: Integrated Supply Chain

Source: Adapted from Bowersox & Closs (1996)

The strategy creates space for rural players based on their capabilities and recognition of inherent knowledge and prior learning. The “enterprise” is the primary channel participant, with other functions/activities primarily for specialised participants. Whatever the size of the enterprise, the key is the alignment with industry value chains with access to relevant supply-side support services for competency. Roduner (2007:12) highlights the advantages of large leading firm linkages. He indicates that they tend to think ahead and have longer-term perspectives while smaller businesses are unable to have a long-term view.

For this reason it is often easier to work with the lead[ing] companies to achieve positive outcomes for small (poor) producers. On the other hand, this kind of intervention may lead to poor small enterprises dropping out of business. Development agencies have to carefully explore whether this trade-off applies and design interventions accordingly (2007:12).

The critical area requiring immediate attention within the marula initiatives is the relationship (transactional arrangements) between the rural suppliers and the enterprises. According to Bowersox and Closs (1996:122-124), the VAs can take different forms of relationship structures. These are:

- *Administered System*: The least formal VA, where the dominant firm assumes leadership responsibility and seeks cooperation of trading partners and service suppliers. "Administered system seems to be guided by a mutual understanding that all independent companies will be better off if they work together and "follow the leader" (1996:122);
- *Partnerships and Alliance*: The intention is to seek to formalise the relationship. "The typical extension of the dependency is to form a partnership and over time extend the relationship toward an alliance";
- *Contractual System*: This is a formal contract that establishes a set of legal obligations;
- *Joint Venture*: This is when two or more firms select to jointly invest in an arrangement. It could take the form of creating a new business entity (1996:122-124).

The rural marula suppliers currently operate more or less within the informal administered system. This urgently calls for a new governance model with the facilitation of value-chain actors to co-determine a suitable arrangement for benefit sharing and sustainability.

#### 7.7.5 Creating an Enabling Environment

At the core of the marula commercialisation problem is the inadequacy of government intervention in supporting new industries and aligning with national and local development frameworks and programmes highlighted earlier. Lessons are drawn from global experiences that demonstrate mainstreaming of small growers in the value chain utilising supply-side levers. This includes Pritchard (1999), whose study of Australia's Murrumbidgee Irrigation Area (MIA) recommends an ideological shift of the interpretation of the agro-food industry. This refers to the legislative framework shifting focus from just an economic process that could be understood and measured relative to market equilibria. His view is that the perspective of recent agro-food studies constructs a framework different from the neoliberal model (1999:190). Pritchard's paper with its proposals and recommendations is viewed relevant to the marula case study. It calls for:

- an analysis of the relationship between State action and capital accumulation within rural regions;
- MIA statutory marketing legislation covering relations between growers and wineries;
- the relations to be an outcome of social processes operating through two interconnected axes: social relations of grower-winery supply-chain links, and b) global geography of wine production and consumption;
- key outcome to focus on the emergence of tighter commodity-chain structures based on upstream winery vineyard investment, and long-term individual grower contracts;

- ideological shift by the state away from market intervention and toward demand and consumption-oriented regulation;
- review of supply chain implications for competition and power (1999:190-191).

Pritchard highlights the spatial fixity of the industry and proposes context-specific interventions. This approach has value for marula commercialisation, as it offers guidance on an integrated and comprehensive approach that addresses the resource and its spatial aspects.

## 7.8 CONCLUSION

This chapter expanded on alternative strategies for economic mainstreaming of productive rural households. Focus was on value chain-based strategies that necessitate industry transformation towards an inclusive, competitive and sustainable benefit-maximising economic system. It builds on the social enterprise commercial strategy discussed in Chapter 6. The industry restructuring is intended to accommodate different forms of production (connecting conventional factory-based production with flexible household or outsourced production). Chapter 3 discussed the exclusion of household production from the macroeconomic framework. The alternative rural economic development strategies proposed here accommodate the use of various entities such as co-operatives, not-for-profit companies, and private propriety (small, micro, medium and large scale). They also appreciate the role of the lead organisations but emphasise transparent and fair transactional arrangements that recognise rural suppliers as value actors.

The study has attempted to create the theoretical grounding and strategic guidance for addressing the crucial gaps in the emerging marula industry in particular, and rural economic development in general. The researcher concludes that the sustainability of the Distell model is threatened even though it is financially profitable and viable, as it is premised on an unjust exploitation of the poor rural suppliers with an unregulated natural resource supply. This resource is owned largely by the suppliers, in terms of culture, practice, tradition, labour and ecological rights. There is no legal protection for the poor pricetakers. There are also no guaranteed future contracts in an industry with relative ease of entry for the resourced, and a growing cross-border trade with countries offering less stringent trading rules. Thus, the monopoly advantage is not sustainable under current conditions.

The problem extends to the Distell empowerment model. The transaction structuring did not adequately accommodate the rightfully deserving marula household producers and suppliers. The BB-BEE deal treats them more as faceless and nameless CSI beneficiaries, only visible in promotional material. Du Toit, Kruger, and Ponte (2007) provide useful insights citing a relevant example of grape pickers. They argue that instead of creating a decisive break with an inequitable past, BEE allows the South African

wine industry to avoid potentially more uncomfortable options to redress current and past race-based imbalances – such as land redistribution, import boycotts and better working conditions. They assert that the industry has displaced the transformation agenda away from addressing the conditions faced by workers, to an ameliorism that allows a small cohort of black entrepreneurs to become the preferred beneficiaries of 'transformation' in the wine industry. Significant is their reference to the new terrain that is characterised by branding, advertising and image building on the one side: and by codes of conduct, a sectoral BEE charter, scorecards and auditing on the other. According to them these allow the standardisation, legitimisation and ostensible deracialisation of exploitative labour and social relations in the South African wine industry (Du Toit *et al.* 2007). Gerrits and Roduner (2007) however warn that large lead firms or market intermediaries should not be considered enemies of the poor, but rather as interesting entry points for value chain development.

The MNP model is not perfect either. While its theoretical grounding is tilted more towards sustainable livelihoods with use of fair trade principles, the undercapitalisation and poor business management have deemed it non-viable and unsustainable. This poor management and operational competency is partly attributed to the transformation of a social justice entity (the Mhala initiative by Mineworkers Development Agency, the majority shareholder) into an economic development concern with limited expertise in business management, product development, business processes and linkages, and new market creation. Central to this is the donor-dependent commercialisation path.

In conclusion, there is no doubt that the structural and systemic exclusion that has for centuries marginalised the rural poor requires state facilitation in the conceptualisation and implementation of change strategies. State intervention through regulation and development programmes is thus required to ensure that the rural poor share in the value they create. Critical as well are enforcement mechanisms for sustainable resource use.

## CHAPTER 8

### SUMMARY AND RECOMMENDATIONS

#### 8.1 INTRODUCTION

The inquiry in this study focused on the thesis topic of “establishing viable and sustainable rural economic development programmes in a global economy”. The normative and theoretical basis for the dominant arguments was provided. The arguments centred on the problematic conceptualisation of the macroeconomic framework and rural development strategies viewed central to the marginalisation of the rural poor households with productive potential (trapped in a spiral of deprivation). The early chapters (Chapter 1 to 4) indicated the macro- and micro-determinants of the spiral of deprivation confining rural households to marginal activities as “dependent survivalists”. The discussion problematised the current rural development paradigm, setting the scene for alternative frameworks towards a new way of thinking about rural people and space. The intention was to bring attention to the complexity of realising the rural opportunity for the benefit of all. The opportunity in this case refers to the hidden treasure, the indigenous marula resource and the value created by voiceless rural women.

Qualitative methodology using the transdisciplinary case study approach was used to unpack the spiral of deprivation, with diverse methods used to understand the plight and potential of rural household producers as well as marula commercialization strategies (Chapter 2). The findings lead to the conclusion that inclusive, viable and sustainable rural economic development is possible only with economic restructuring and institutional reform premised on reality-based rural development policies and strategies. Central is the government capacity. To this end the study proposed alternative strategies with focus on access and performance improvement, as well as making the rural poor’s contribution to the economy visible, recognisable and fairly rewarded (Chapters 6 and 7). Central to the alternatives are proposals for enhancing capabilities towards a “productive perspective”. Significant as well is the proposal for the alternative rural development policy perspective with a spatial and household-centred approach premised on the maximisation of diverse sectors. This perspective is contextualised within an inclusive and sustainable development framework. This chapter summarises findings, highlights limitations of the methodology, and provides recommendations.

#### 8.2 SUMMARY OF FINDINGS AND ALTERNATIVE APPROACHES

The research strategy was driven by the study problem that the current macro-environment with its socio-economic institutions and systems does not enable the rural poor to effectively participate in and benefit from economic development programmes. As highlighted the research focused on the prevailing

conceptions of rural development, in particular the underlying assumptions about the nature of rural households, household production and the wider connections into the macroeconomic framework. The marula case study was used to validate the problem. The findings demonstrated that marula supplying households are value chain actors and have an objective function to maximise benefits and participate in the mainstream economy but are structurally constrained. These findings oppose the risk aversion theory, which states that the objective function of peasant households is to secure the survival of the household by avoiding risk (Mendola 2007:51). They challenge the notion that peasant farmers are poor because they are backward and inefficient (victim-blaming). The results also present a different perspective of the rural poor's needs beyond Chambers' perspectives (survivalism, vulnerability and insecurity) highlighted in Chapters 1 and 3.

The results in Chapter 5 confirm that the emerging marula industry follows a dualistic economic form that still resembles features of Lewis's dualism theory – that which is alternatively called “capitalist”, “formal”, “modern” and “industrial”, co-existing with what is alternatively called “subsistence”, “informal” and “traditional” (Field 2004). Of great concern are the institutional arrangements and systems that favour the established enterprises with new and small entrants forced to be price-takers with no formal contracts, operating under rules of engagement determined by the established firms. Included is the fact that the global growth of Amarula Cream has not translated to a drastic increase in the purchase price of marula fruit from the rural suppliers since 2002 (last DFID study). Also, the amount earned by their suppliers is approximately the same as MNP suppliers raising questions about the determination of value. The comparative analysis of commercialisation strategies also points to more demand-driven approaches by the private sector-driven Amarula Cream, and supply-driven approaches by the donor-dependent and donor-driven MNP, and the state-supported Swazi Secrets.

These findings also point to the exploitative business linkages where rural marula resource owners and suppliers (who invest heavily on undervalued property) are disadvantaged by their illiteracy, poor physical infrastructure and limited market knowledge. The lack of a fair transaction governance mechanism and supply-side support makes them totally vulnerable and dependent on rules and prices determined by the lead firms. Of greater importance is the indication that the value chain participation by rural women has a greater impact at household level. The results from focus groups and questionnaires show that they go beyond income generation to overall benefit maximisation (social and ecological). Critical is the centrality of collective household interests to choices and decisions made, as well as the consideration of future generations.

The study also highlights the centrality of households in survival, growth and sustainable development, and the need for interventions that support household productive efforts in the face of social grant dependency. This insight has contributed to the formulation of alternative rural economic development

frameworks with a household-centred “productive perspective” that moves beyond absolute poverty interventions. An analysis of poverty reduction strategies in Chile between 1975 and 2005 by Murray *et al.* (2009) indicate that while absolute poverty policies have been successful in addressing the physiological, social and basic rights deprivations, **“they remain insufficient to reduce risk and mitigate vulnerability and insecurity for the extremely poor, beyond raising their basic income above the poverty threshold”** [my emphasis] (2009:148). More important, Murray *et al.* (2009:127) suggest that “unresolved tensions between the market, social rights and democratic freedoms in the current Chilean model require resolution if the social achievements of the democratic transition are to be sustained”.

The analysis of the findings leads to the conclusion that State intervention post-apartheid, while demonstrating sensitivity to rural problems, took a welfarist approach towards rural development, thus failing to enhance productivity of rural households. The slow land reform programme’s narrow focus on the redistribution of commercial farms also falls short of enabling other economic sectors and livelihood opportunities. The marula suppliers who participated in the study alluded to these gaps highlighting inefficiencies in State intervention: “free taps with no water for us to use...need for better infrastructure, access to markets and land”. There is a need for a review of basic service delivery to achieve the desired outcomes. The 2010/11 budget speech by the Bushbuckridge executive mayor (Bushbuckridge Local Municipality 2010) indicates that it is the responsibility of the municipality to cater for indigents that cannot afford to have basic services at their disposal. To this end R22 500 000 was budgeted to render basic electricity, basic refuse, basic sanitation, and basic water services freely. The problem remains the quality of service and maintenance in an environment of grant beneficiaries with limited capacity to enhance productive potential for self-reliance. Other important but equally problematic interventions are the fragmented adhoc government-sponsored projects (e.g. Extended Public Works Programme, Working for Water, Land Care etc.). These offer short-term participation by rural households as labourers and/or grant beneficiaries. Critiques of these initiatives question their impact and sustainability in terms of fiscal feasibility, short duration of employment and contribution to poverty alleviation (McCord & Seventer 2004; Biyase & Bromberger 2005).

There is however no denying the value of linking the needed infrastructure, social and environmental service delivery with income-earning and capacity building opportunities for the impoverished and marginalised rural poor. What is required is an integrated and comprehensive approach that is more coordinated, aligning short-term opportunities with long-term plans to avoid “dependent survivalism”. This approach also extends to the alignment of the social grant as a social protection springboard, with targeted support interventions that allow for graduation to self-reliance. This therefore requires a separation of policies for absolute and relative poverty, with aligned implementation that is driven by an overarching inclusive and sustainable development framework to reduce inequalities.

The relevant message from this study is a need for a paradigm shift from State intervention that merely treats rural households as grant beneficiaries marginalising them from the mainstream economy, and the private firms that engage these producers as casual labourers and not value chain actors. Central is the reality that social grants, free electricity, water and sanitation while critical will not address the spiral of deprivation and the incapacitation of poor households as articulated by De Soto (2000).

[T]hey hold resources in defective forms: houses built on land whose rights are not adequately recorded, unincorporated businesses with undefined liability, industries located where financiers and investors cannot see them. Because the rights to these possessions are not adequately documented, these assets cannot be readily turned into capital, cannot be traded outside of narrow local circles where people know and trust each other, cannot be used as a share against an investment ... their assets are dead capital (De Soto 2000:6).

Significant as well is the demonstration of the value of social will (that is, reliance on social capital with purposeful collective action for sustaining livelihoods and social cohesion) by MNP supplying communities that is not matched by the political will. This highlighted that the participation by supplying households in marula commercialisation is not a hand-to-mouth, here-and-now arrangement. It is a planned investment with futuristic (generational) and sustainability undertones looking beyond the household producer/supplier. One MNP participant stated that "I plant the trees to leave something for the great-grandchildren. Maybe their time will be better, they will have the resources to set up their own factory and the know-how to access markets globally."

The findings also demonstrate that new industries, particularly those derived from rural-based natural resources offer opportunities for the reorganisation of production and market systems critical for the inclusion and maximisation of benefits to rural household producers. The conclusion is that better conceptualised commercialisation strategies can provide value for rural economic growth and sustainable development. The value is argued to be in different facets of commercialisation:

- As a catalyst for rural economic growth and development within an enabling economic system with inclusive industry structures and support mechanisms;
- As part of a broader transformational agenda;
- With innovation (value creation potential);
- With asset empowerment, protection of property rights and leverage of assets for exchangeability and improved benefits for rural households;
- As a contributor to sustainable human-environment systems.

Such commercialisation should be driven by an inclusive and sustainable development framework that enables the dynamic interplay between the contextual and transactional environments. The contextual environment covers the enabling macro-framework and causal factors critical for inclusive and sustainable development. The transactional environment covers performance and relational issues deemed necessary for improved productivity and benefit maximisation using value chain-based strategies (Figure 41 provides a summary). The figure points to productive space that enables the reorganisation of production to accommodate diverse production organisations and imperatives (e.g. household, social enterprise, cooperatives). This should also create space for flexible production, rural-urban integration and mainstreaming of the rural players as value actors. The framework emphasises asset empowerment for the enhancement of capabilities for self-reliance, expansion of freedoms, inclusive participation of rural households, particularly women, and improvement of their performance as value chain actors.

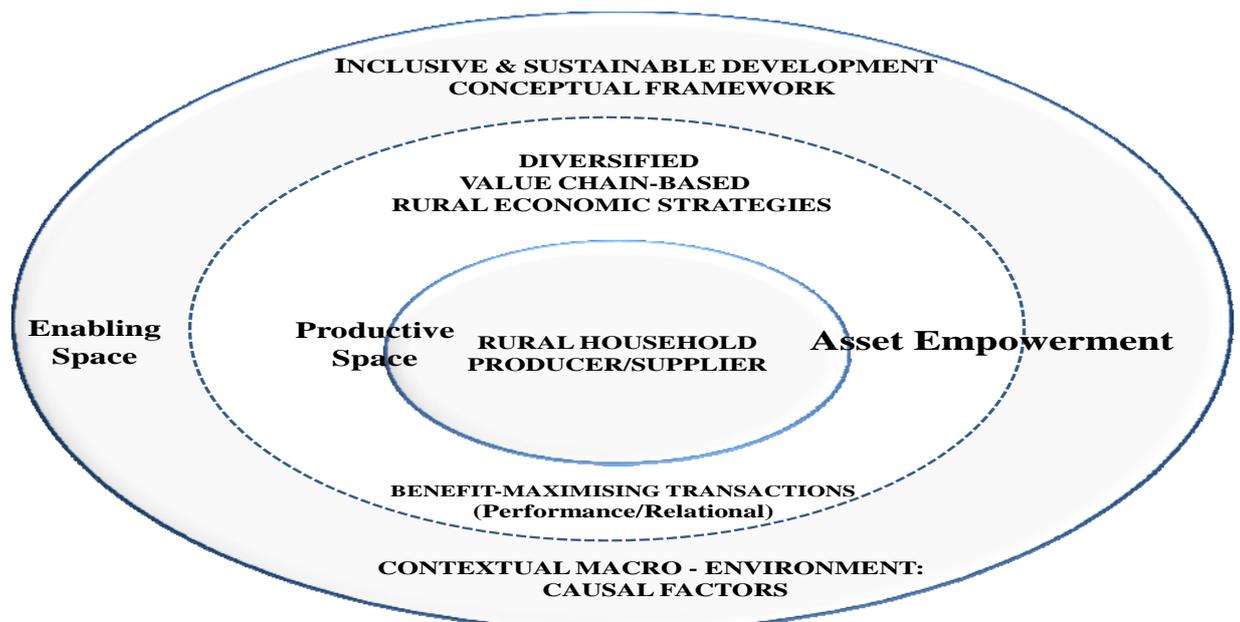


Figure 41: The Rural Household "Productive Perspective"

The following section highlights the limitations of the study.

### 8.3 LIMITATIONS OF METHODOLOGY

The sections above summarised the findings, proposed changes and alternative approaches. Central is the perspective of rural household producers as value chain actors in the global economy. Crestanello and Vicenza (2006) argue that the topic of the global economy is inherently interdisciplinary. "Scholars in this field thus have to master 'the art of trespassing'... and frequently cross the frontiers of

established academic disciplines" (2006:3). Recognising this, the researcher proposed the dismantling of problematic stereotypes and combating the fragmentation of knowledge using transdisciplinary methods discussed in Chapter 2 for mindset change. Zeleza (2006) points to the complexity of such an exercise as he highlights that

From the 1960s and 1970s, African(a) philosophers were preoccupied with dismantling the hegemony of European thought and defending the historicity of African thought, in affirming African humanity long denied by the European geopolitical self and metaphysics of white normativity. Like other scholars, they have been confronted by two challenges: (1) that of translation – articulating the tenets of African culture and ideas in Western academic terms, and (2) that of formulation – framing their own theories, interpretations and criticisms (2006:202).

The use of the transdisciplinary case study approach in this study was useful for highlighting contextual and transactional realities as well as transcending disciplines. It also assisted in addressing the complexity of comparing differing subjects and objects (e.g. formal and informal enterprises, as well as traditional and modern approaches). However, as a new approach, transdisciplinarity posed its own challenges. While the foundational thesis of transdisciplinarity has convinced critics, the area of nervousness for researchers is the construction of claims of truth to satisfy readers across disciplines. This reflects concerns in terms of the epistemological strength and the distinct nature of transdisciplinarity avoiding confusion with other "disciplinaritys" (Weinsten 1999; Berteau 2007; Songca 2006). In terms of the marula case study, the DFID and IUCN studies provided a back-up for verification and comparison. Other challenges highlighted in the literature and experienced by the researcher included appropriation, accommodation and integration of language and vocabulary (Songca 2006). Qualitative methods with the use of RRA techniques, narratives and stories assisted in this regard. However, the complexity as indicated by Burns and Weaver (2008) is that of transferring transdisciplinarity from the context of research to the context of sustainable development.

The main challenge linked to mindset change relates to weak and inappropriate State support and changing the oppressive and opportunistic behaviour by lead firms. This requires strategic interventions with restructuring of the economic system and the macroeconomic framework that perpetuates an unbalanced and discriminatory environment. The reality is that changing macro-frameworks is not a simple exercise. It involves complex global influences and country-specific political and economic interests. Transformation of industry structures also involves buy-in from the big players based on their perception of benefit. Therefore comprehensive support systems, incentives and monitoring mechanisms should be designed to support application. These should factor in risks, that is, the dynamism and competitiveness of industry structures and their vulnerability to local and global market

conditions. Other risks include the availability of raw material, regulatory issues, swings in financial and economic conditions, currency/market fluctuations, technological innovations, as well as growth of competition in an unregulated environment.

Drucker points out that market and industry structures are quite brittle. "One small scratch and they disintegrate, often fast" (1985: 73-75). He highlights that sometimes they last for many, many years and seem completely stable (e.g. the aluminum industry after one century which is still led by the Pittsburgh-based Aluminum Company of America, and the Rembrandt Group in South Africa). The structures can also alter, requiring ongoing strategy reviews and changes. Distell (with Rembrandt as shareholder) is one example of an industry that has lasted from the original cooperative (KWV) in 1918, benefiting from recent changes in terms of global competitiveness. The following section covers recommendations.

#### **8.4 RECOMMENDATIONS**

The findings in this study point to a major structural fault and system failure characterised by institutionalised inequalities and structural marginalisation of the rural poor households. The spiral of deprivation introduced in Chapter 1 was substantiated by the marula case study. The case study pointed to rural households with productive potential that are forced to depend on social grants for survival. They are pushed to operate as under-resourced passive participants in the market economic system while they carry the cost of production. However they have to ensure continuous supply and sustainability of the marula resource. They are obliged to sell at low prices, purchase the end products at high prices with no choice in the matter. They also have no or limited access to productive infrastructure, modern technology and contemporary human skills, forced to act as a source of raw material and cheap labour. The rich and resourced on the other hand are well placed to exploit the situation and become richer.

To address this complexity the study recommends transformational systemic change that necessitates a paradigm shift at macro and micro levels with emphasis on a sustainable benefit-maximising economic system (Chapter 6). Van Tonder (2004:234) defines transformational change as "[a] qualitative and metamorphic form of change, which entails a fundamental and material alteration of the structure, nature, and appearance or shape of an entity such as an organisation". Kuhn (in Terre Blanche & Durrheim 1999:4) on the other hand defines a paradigm shift as a dynamic process where "paradigms come to be discredited and supplanted by new ones not because they have been shown to be false, because they no longer speak to the concerns of the practicing scientists". Van Tonder (2004:19) further states that: "To deserve paradigm status, the cognitive schema should be shared by a community of practitioners or scientists from which a ruling perspective or mindset develops."

The reference to “a community of practitioners and scientists” is instructive as the analysis of rural development theories and policies in Chapter 3 indicates that since the Second World War rural development theories were blindly dictated to by economic policies with no consideration of rural reality. Also, recent interventions have not demonstrated any rigorous intention to alter the past and current reality of inequality and dualism. The critique of constraining frameworks by academics and activists has not offered tangible structural transformation proposals. The marula case study has shown that post-apartheid frameworks assimilated the existing settlement patterns, the exclusive modes and institutions of production, and large scale industrialisation approaches, turning a blind eye to the structural fault and system failures. To be effective the researcher proposes transformational change that prioritises the areas discussed below:

- i. **Structural transformation based on the reconceptualisation of the macro and microeconomic frameworks driven by a long-term vision premised on an inclusive and sustainable development framework.**

This goes deeper than the *New Growth Path* (NGP) of the Department of Economic Development (EDD 2010). The NGP is a government framework primarily designed to address unemployment through the restructuring of the South African economy “to improve its performance in terms of labour absorption as well as the composition and rate of growth” (EDD 2010:1). While the framework refers to macro and microeconomic interventions and systemic changes, its strategic interventions and targets are job focused (five million jobs by 2020). It could be argued to be an employment strategy. The recommendation here is about the transformation of the societal architecture and reconceptualisation of the economic structure and system with consideration of social equity. This should include a comprehensive and integrated national spatial plan (considering the rural-urban dynamics) informed by a national development agenda with emphasis on ecological sustainability. The latter is critical to address the gap identified by the UNDP 2003 report that; “unfortunately, this view of the environment as integral to socio-economic goals was not preserved in the Growth, Employment, and Redistribution (GEAR) strategy, which carries an underlying assumption of a contradiction between environmental integrity and economic progress” (UNDP 2003:9). Central to this is the need to strategically redress past imbalances while meeting current and future demands. The alternative approaches proposed in chapter 6 are relevant here.

- ii. **The review of the industrialisation agenda**

South Africa, struggling with unemployment and jobless growth, is faced with an added challenge of transforming and mainstreaming the vast majority of rural producers trapped in the pre-industrial era. Various initiatives have been introduced since the dawn of democracy with little impact in this area

(PCAS 2008a & b). Among these is the National Industrial Policy Framework (NIPF) and 2007/8 Industry Policy Action Plan (IPAP). IPAP has been replaced by the 2010/11–2012/13 Industry Policy Action Plan (referred to as IPAP2) (DTI 2010). When tabling IPAP2 before Parliament, the Minister of Trade and Industry indicated that IPAP2 builds on the NIPF and the 2007/8 IPAP (Davis 2010). The plan is regarded as a significant step for promoting long-term industrialisation and industrial diversification beyond current reliance on traditional commodities and non-tradable services. Davis (2010:2) asserts that

Its purpose is to expand production in value-added sectors with high employment and growth multipliers that compete in export markets as well as compete in the domestic market against imports. In so doing, the Action Plan also places emphasis on more labour absorbing production and services sectors, the increased participation of historically disadvantaged people and regions in our economy and will facilitate, in the medium term, SA's contribution to industrial development in the African region.

The renewed focus on industrial policy and planning creates space for the reorganisation of production. Of relevance here is that IPAP2 prioritises clusters that include green and energy-saving industries; agro-processing; biofuels; forestry, paper, pulp and furniture; cultural industries and tourism (DTI 2010). All that can be said at this launching stage is that the devil is in the detail. Of concern, however, is the introduction of IPAP2 before an intensive implementation and evaluation of NIPF and 2007/8 IPAP. When questioned in Parliament in 2009 about the implementation of NIPF, the former Minister of Trade and Industry cited financial constraints among the challenges that were faced (Mphahlwa 2009). His progress report also indicated problems with the alignment of the Broad-Based Black Economic Empowerment Act (BB-BEE Act) 2003 with other policy frameworks such as the Preferential Procurement Policy Framework Act, No. 5 of 2000.

The renewed focus on industrialisation should be aligned to an alternative rural development framework with inclusion of household production, sensitivity to the diversity of the rural economy, and rural-urban integration. This should also consider gender and spatial dimensions. The emphasis here underscores the concern that State interventions continue to perpetuate distorted agriculturalisation of rural development. Announcing the 2011 budget for rural development and agriculture, Minister Gordhan (2011:22-23) emphasised that

government's land reform and agricultural development programmes are focused on rural job creation and poverty reduction, while expanding agricultural production and improving food security. Additional allocations amounting to R2.2 billion go to these functions, including a further R400 million for comprehensive agricultural support programme and the land care

programme grant...Including provincial allocations for agricultural support, a total of R19 billion will be spent on rural development and agriculture in 2011/12, rising to R21 billion in 2013/14.

The review of the industrialisation agenda should extend to the analysis of investment plans and budgets.

**iii. Utilise strategic levers towards transformative change (e.g. Information and Communication Technologies - ICT)**

The advancement in mobile technology has demystified technology usage by the poor and illiterate. What has emerged is the value of technological innovations in leapfrogging the marginalised locked in resource-poor, traditional and pre-industrial environments. What is critical is to ensure that technology follows the "right" policy direction with enabling institutions (Gutés 1996). ICT, from infrastructure (bandwidth) to mobile phones offers hope not only for South African rural traditional economies, but for Africa's global positioning as well. Swilling (2008) cautions that the transition to a globalised ICT-based system of production that benefits the poor majority, "will depend on the dynamics of a much wider socioecological transition that is also simultaneously underway" (2008:9-10). Axford (1995) also raises concerns of the danger of merely focusing on the functional order of connectedness of the technologies, "since the connections constitute new sites for potential conflict and new opportunities for structuration, including the possibility of individual and systemic transformation" (1995:7). Lastly, the voice of Mahatma Gandhi lingers on "...should man lose his control over the machines and allow them to control him, then they will certainly engulf civilization and everything" (Chakrabarty 2007:8). In other words, every effort should ensure that technology is used as a strategic lever towards transformational change.

**iv. Deepening Academic Inquiry**

Reading this thesis one can be persuaded by Sachs's (1992) perspective that

The idea of development stands like a ruin in the intellectual landscape. Delusion and disappointment, failures and crime have been the steady companions of development and they tell a common story: it did not work. Moreover, the historical conditions which catapulted the idea into prominence have vanished: development has become outdated (Sachs, 1992: 1).

However, development as a concept, a narrative, and a project has progressed from monodisciplines to transdisciplinarity. It has found its way to the reality of sustainable existence. What has been disappointing is "us", the drivers of development - from policy makers, academics, funders, to practitioners and beneficiaries. We have lost direction in terms of fundamentals for sustainability. Hulme

and Turner (1990) indicate that development and poverty do not recognise disciplinary boundaries. They assert that

[t]he gloomy admissions of theoretical impasse in the mid-1980s have now been left behind, as the sociology of development shows a renewed dynamism and strives for modes of analysis that will take it "beyond impasse" ... sociology of development is a hybrid beast ... it draws from other disciplines such as politics, anthropology and economics in order to better analyse the realities of the Third World. A second element is the widespread abandonment of theoretical and conceptual strait-jackets .... This does not mean that some anarchic, a theoretical eclecticism reigns supreme (1990:216).

Deepening the academic inquiry beyond the conventional theoretical and conceptual strait-jackets is therefore necessary for us to succeed in solving the complex societal and environmental problems. In terms of this thesis follow-up, it is recommended that further research should include:

#### *Marula-specific aspects*

- Deepen subsector research on industry segments with product development for new market creation and specific mainstreaming models and targeted interventions;
- Appropriate natural resource management models and concrete plans for resource sustainability;
- Integrated approaches that complement seasonality.

#### *Rural industry*

- Deepening understanding on the viability of the social enterprise commercial strategy in a market economy, unpacking non-governmental organisations' role;
- Benefit-sharing models, with legal and governance approaches and instruments that can assist rural producers with communally owned and informally held asset;
- Further investigation on the association of growth with urbanisation (rural-urban migration), and the future sustainability of the rural economy.

#### *Macro-policy*

- Explore the notion of an inclusive macroeconomic framework in a society with entrenched inequalities and volatile global economic environment.

In conclusion South Africa has taken the lead and championed innovative changes locally and globally in various areas. The paradigm shift necessary for mainstreaming the rural poor requires visionary and bold leadership at all levels with commitment to structural transformation and appreciation of short-term risks. The shift should also help expand women's freedom (particularly in poor households) from the bondage of institutionalised patriarchy and inequality. Fenyés, van Rooyen, Ngqaweni and Njobe-Mbuli (in Van Rooyen *et al.* 1998) stress that the success of rural development will ultimately be seen in the improvement of quality of life of rural dwellers. They add that "a development programme must address the deliberate marginalisation of rural communities" (1998:23). The 2008/9 crises and their negative consequences have created space for changing the economic order, and thus immediate action is required.

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ANNEXURES

ANNEXURE 1

Comparative Study of the Socio-Economic Characteristics of Suppliers of Marula Tree Products for Commercial Processing in Bohlabela District, Limpopo Province (Now Ehlanzeni District, Mpumalanga), South Africa

*Research undertaken by V. Mahlati*

Date of interview: .....

Name of Municipality: .....

Name of Enumerator: .....

Enumerator's Comments after Interview:

.....  
.....  
.....

Name of Supervisor: .....

Signature of Supervisor: .....

Supervisor's Comments:

.....  
.....  
.....

NOTE

1. Responses should be kept in the strictest of confidence and be used for purposes of the study only.
2. Enumerators must interview the member of the household (focus of study is principally on the household) who is most involved in marula-based activities. In the event that the member is absent, a knowledgeable alternative member should answer the questions on behalf of the absentee member.
3. All questions must be completed, implying that no gaps should be left in the questionnaire.
4. Supervisors must ensure that all questionnaires are correctly completed and that there are no incomplete answers.

**A. BACKGROUND INFORMATION ABOUT SUPPLIER HOUSEHOLD**

1. Name of marula-supplying household .....
2. Name of local municipality where the household is found. Please tick answer
  - a. Midlands
  - b. North
  - c. South
3. Complete the following table focusing on gender, age and education:

Whose?	Gender, i.e. M or F	Age	Highest formal education
Person most active in marula tree-based activities			
Head of household			

4. Marital status of:

Whose?	Single	Married	Widowed	Divorced
Most active person in marula business				
Head of household				

5. How many members of your household fall in the following age categories?

Age category	Number of males	Number of females
5 years old and below		
6-13 years old		
14-17 years old		
18-65 years		

6. Is the head of household formally employed?
  - a. Yes
  - b. No
7. Is the household member most actively involved in marula-based activities formally employed?
  - a. Yes
  - b. No
8. Does the head of household reside there full-time with the rest of household members?
  - a. Yes
  - b. No
9. If the answer to 8 is NO, why not? .....
10. How many household members are formally employed? .....

**B: RESOURCE BASE AND ECONOMIC ACTIVITIES**

11. List down the **four** main economic activities that members of your household engage in?
  - a. ....
  - b. ....
  - c. ....
  - d. ....
12. List down **three** main household cash income sources, starting with the major one
  - a. ....
  - b. ....
  - c. ....
13. List down **three** main household cash expenses, starting with the major one
  - a. ....
  - b. ....
  - c. ....
14. What is the size of your cropping land? (**state units of measure**) .....
15. Name **four** types of crops that you grow (starting with the one that occupies most of the cropping land)
  - a. ....
  - b. ....
  - c. ....
  - d. ....
16. Name **four** major livestock types that you keep on your farm, starting with the most important one
  - a. ....
  - b. ....
  - c. ....
  - d. ....
17. What building material do you use to construct most of your houses?
  - a. Walls .....
  - b. Roof .....
  - c. Floor .....
18. What is the source of your drinking water? .....
19. Does your household have any of the following? Tick the correct answer

What?	Yes	No
a. Electricity		
b. Television		

c. Radio		
d. Home telephone		
e. Cellphone		
f. Bicycle		
g. Vehicle		
h. Wheelbarrow		
i. Push cart		

**C. MEMBERSHIP OF LOCAL INSTITUTIONS, ORGANIZATIONS AND COALITIONS**

20. Please complete this table

Which?	Tick if member	Position held	Are you happy being a member?	Why are you happy or not happy?
a. Church				
b. School Board				
c. Stokvel				
d. Women's Club				
e. Youth Club				
f. Burial Society				
g. Sports Club				
h. Ward Committee				
i. Health Care				
j. Sewing				
Other(s)				
i.				
ii.				
iii.				

21. Are you satisfied with the level of trust among members in each of the institutions in 20? What evidence is there of this trust? How can trust levels be improved?

Which?	Satisfied with trust among members?	Evidence of trust among members	How trust among members can be improved?
a. Church			
b. School Board			

c. Stokvel			
d. Women's Club			
e. Youth Club			
f. Burial Society			
g. Sports Club			
h. Ward Committee			
i. Health Care			
j. Sewing			
k. Other(s)			
i.			
ii.			
iii.			

22. Are you a member of a marula committee in your area?

- a. Yes
- b. No

23. If answer to 22 is No, why are you not a member?

.....

24. If answer to 22 is Yes, name of committee which you are a member of

.....

25. If answer to 22 is Yes, what position do you hold in the committee?

.....

26. If answer to 22 is Yes, for how long (months or years) have you been a member of this committee?

.....

27. Give **one** main reason why you joined the committee?

.....

28. Are there other people interested in joining your committee?

- a. Yes
- b. No
- c. Not applicable

29. If your answer to 28 is Yes, why are they interested in joining?

.....

30. If your answer to 28 is No, why are they not interested in joining?

.....

31. Give **one** main factor that binds committee members together?

- .....
32. List down **two** key rules that govern the conduct of committee members
- a. ....
- b. ....
33. Single out **one** specific issue that threatens the survival of your committee
- .....
34. Are you satisfied with being a member of this committee?
- a. Yes
- b. No

**D. LOCAL USE OF MARULA PRODUCTS**

35. Please indicate if you use the marula products as indicated (Tick answer)

Use	Yes	No
i. Eat fruits		
ii. Make and drink wine or beer		
iii. Prepare and drink juice		
iv. Prepare porridge from fruits		
v. Make jam		
vi. Eat kernels		
vii. Extract cooking oil		
viii. Extract cosmetic oil		
ix. Use kernels in cooking recipes		
x. Eat as cake		
xi. Use cake as livestock feed		
xii. Make wood carvings		
xiii. Use wood to make utensils		
xiv. Use as firewood		
xv. Use poles as house construction or fencing material		
xvi. Use bark as medicine		
Use	Yes	No
xvii. Use roots as medicine		
xviii. Use leaves as medicine		
xix. Larvae are edible		
xx. Make hair relaxer		
xxi. Make soup from kernels		
xxii. Gifts to friends or relatives		

**E. DISAGGREGATION OF RESPONSIBILITIES IN MARULA BASED ACTIVITIES**

36. Please complete the following table, showing the distribution of responsibilities in marula-related activities (Use ranking of 1-4, with 1 being most actively involved and 4, least actively involved)

Activity	*Where?	Men	Women	Children	Hired workers
a) Harvesting					
b) Transporting fruit home					
c) Crushing the nut					
d) Pulp extraction					
e) Planting					
f) Beer or wine brewing					
g) Oil pressing					
Other(s)					
i.					
ii.					
iii.					

\*Use the following codes: 1-home 2-factory or workshop 3-village collection point

37. Please complete this table.

Activity	How is knowledge or skills shared?	What characteristics are required in a person to do this best?	What determines the quality of work done or product?
h) Harvesting			
i) Transporting fruit home			
j) Crushing the fruit			
k) Pulp extraction			
l) Planting			
m) Beer or wine brewing			
n) Oil pressing			
Other(s)			
i.			
ii.			

F. ACCESS, OWNERSHIP, RULES AND REGULATIONS GOVERNING USE OF MARULA TREES

38. Who owns the land where the marula trees you access are found? Please tick your answers

- a. Government/nature reserve
- b. Private owner
- c. Communal land under a chief
- d. Own field
- e. Local government or municipality
- f. Other (specify)

.....

39. List down **two** ways in which people access the marula trees for the purpose of harvesting fruits?

- a. ....
- b. ....

40. Are you satisfied with the access arrangements?

- a. Yes
- b. No

41. If answer to 40 is No, how can access to the trees be improved?

.....

42. Do you have marula trees that you manage or control?

- a. Yes
- b. No

43. Where are these trees found?

- a. Communal land
- b. Own fields
- c. Within homestead
- d. Other (specify)

.....

44. If answer to 43 is Yes, how did you secure control of the marula trees?

- a. ....
- b. ....

45. If the answer to 43 is Yes, how do you control access to the marula trees?

- a. ....
- b. ....

46. How do marula fruit harvesters compensate owners or managers of the trees?

- a. ....

- b. ....
47. In your opinion, are there enough marula trees to sustain incomes if more suppliers to commercial buyers become involved?
- a. Yes
- b. No
- c. Not sure
48. Do you think the number of marula trees in your area is:
- a. Increasing?
- b. Decreasing?
- c. Not changing
49. Give **one** reason for answer to question 48 .....
50. Describe **one** way people in your area ensure that marula trees do not become extinct?  
.....
51. Name **two** major traditional practices associated with the marula season in your area
- a. ....
- b. ....
52. List down **two** non-formal local community regulations that govern use of marula trees
- a. ....
- b. ....
53. List down **two** formal local community regulations that govern use of marula trees
- a. ....
- b. ....
54. List down **two** government regulations that govern use of marula trees
- a. ....
- b. ....
55. How are the marula tree-based rules and regulations enforced?
- a. ....
- b. ....
56. Do you think it is necessary to have rules, regulations and norms for using marula trees in your area?
- a. Yes
- b. No
- c. Not sure
57. Provide **one** major reason for the answer you give in question 55.  
.....
58. Do people comply with the community rules and regulations governing use of the marula trees?
- a. Yes

- b. No
- c. Not sure

59. If the answer to 58 is No, provide **two** reasons why they do not comply with the rules and regulations?

- a. ....
- b. ....

**G. SALE OF MARULA FRUITS AND KERNELS TO COMMERCIAL BUYERS**

60. List down **two** major buyers of the marula products and the respective prices they pay you.

Product	Name of buyer	Price (state in rands per ....)
Marula fruit	a.	
	b.	
Marula kernel	a.	
	b.	
Other (specify)		

61. How is entry of commercial marula fruit buyers into your area determined/ regulated?

.....

62. Are the regulations for the entry of commercial buyers effective?

- a. Yes
- b. No
- c. Not sure

63. If the answer to 62 is No, give **one** reason for your answer

.....

64. How long do you take after harvesting the fruit before selling it to buyers?

.....

65. Do you process the fruit before selling it to the buyers?

- a. Yes
- b. No

66. If the answer to 65 is Yes, how do you process the fruit before selling to the buyers?

.....

How do you store the fruit before selling it to the buyers?

.....

67. Why do you store the fruit in this way?

.....

68. Give **one** main reason why you sell marula tree products to commercial buyers

.....

69. Which of these buyers do you favour most? .....

70. Provide **one** main reason for your answer to question 70

.....

71. Are you satisfied with the price offered for the products you supply?

a. Yes

b. No

72. If the answer to 72 is No, provide **one** main reason for your dissatisfaction with the price

.....

73. Who decides the price paid for the products you supply to the commercial buyers?

a. Buyers

b. Sellers

c. Sellers and buyers

d. Don't know

e. Other (specify) .....

74. How is the price determined?

.....

75. What do you think determines the price of the products you supply to commercial buyers?

.....

76. How best do you think the price should be determined to satisfy suppliers?

.....

77. Please complete the table below that focuses on transport of products

	Means of transport used	Time it takes to transport	Costs incurred, both in Rand and non-monetary terms
a. Tree to collection point			
b. Collection point to buyer			

78. Are there any deadlines or rules governing delivery of products to commercial buyers?

a. Yes

b. No

c. Not sure

79. If your answer to 79 is Yes, what purpose do they serve?

.....

80. If your answer to 79 is Yes, who sets these rules?

.....

81. If your answer to 79 is Yes, list down **two** such rules

a. ....

b. ....

82. Do you think the rules are necessary at all?

a. Yes

b. No

c. No opinion

83. List down **three** main products the buyers make out of the marula fruit you sell to them and indicate where the products are then sold? Complete this table

Marula product	Where sold in South Africa	Where sold internationally
a)		
b)		
c)		

84. List down **two** effects of commercialising marula tree products on local traditions aligned with the trees

a. ....

b. ....

85. Write down **one** aspect of your life that would suffer most if you stopped selling marula tree products to commercial buyers

.....

86. Write down **one** aspect of your life that would improve significantly if you stopped selling marula tree products to commercial buyers

.....

87. List down **two** ways that show that there is competition among suppliers of marula tree products to commercial buyers?

a. ....

b. ....

88. List down **two** ways that show that there is collaboration among suppliers of marula tree products to commercial buyers?

a. ....

b. ....

**H. CONSTRAINTS TO SUSTAINABLE USE OF MARULA TREES**

89. Please complete this table, which focuses on the main constraints that limit sustainable use of marula trees in your area

Constraint	Coping strategy
a.	
b.	
c.	

**I. INSTITUTIONAL SUPPORT TO LOCAL USERS OF MARULA TREES**

90. Name **at most four** institutions or organisations that provide support to you relating to management and utilisation of marula trees? Please complete the table below

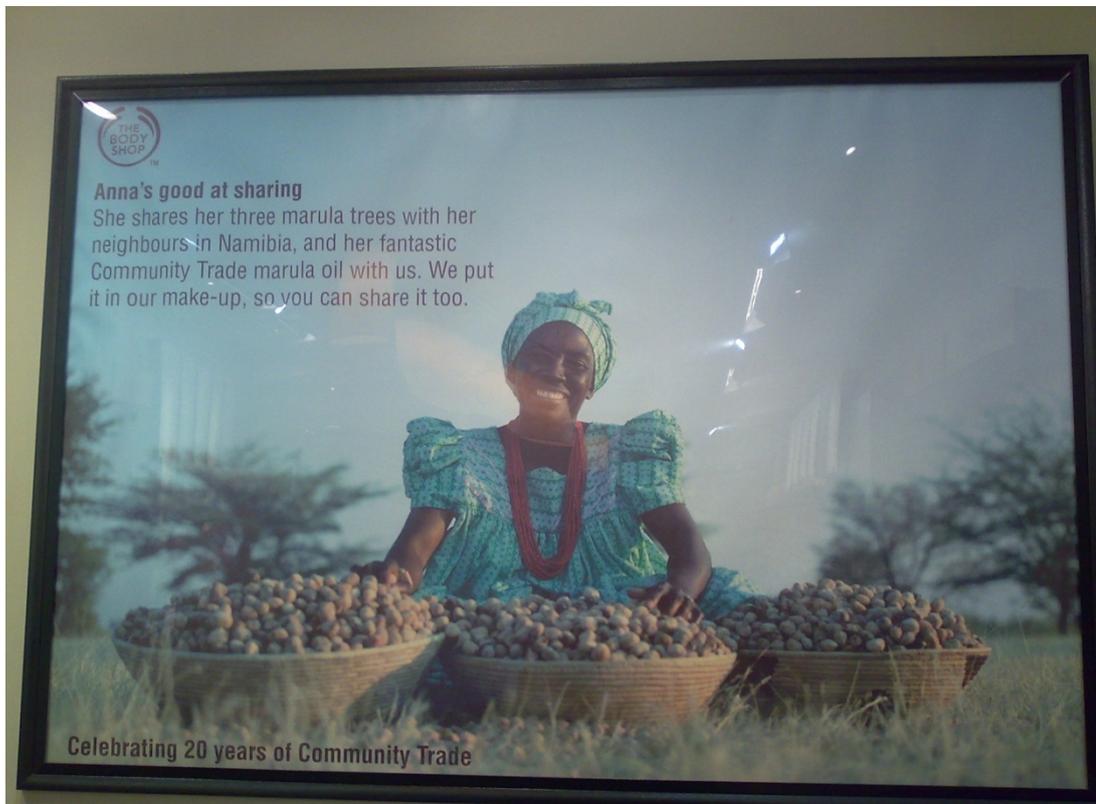
Name of institution or organisation	Is it community-based or external to community?	What support does it provide?	How can this support/service be improved?
a.			
b.			
c.			
d.			

---

THANK YOU

ANNEXURE 2

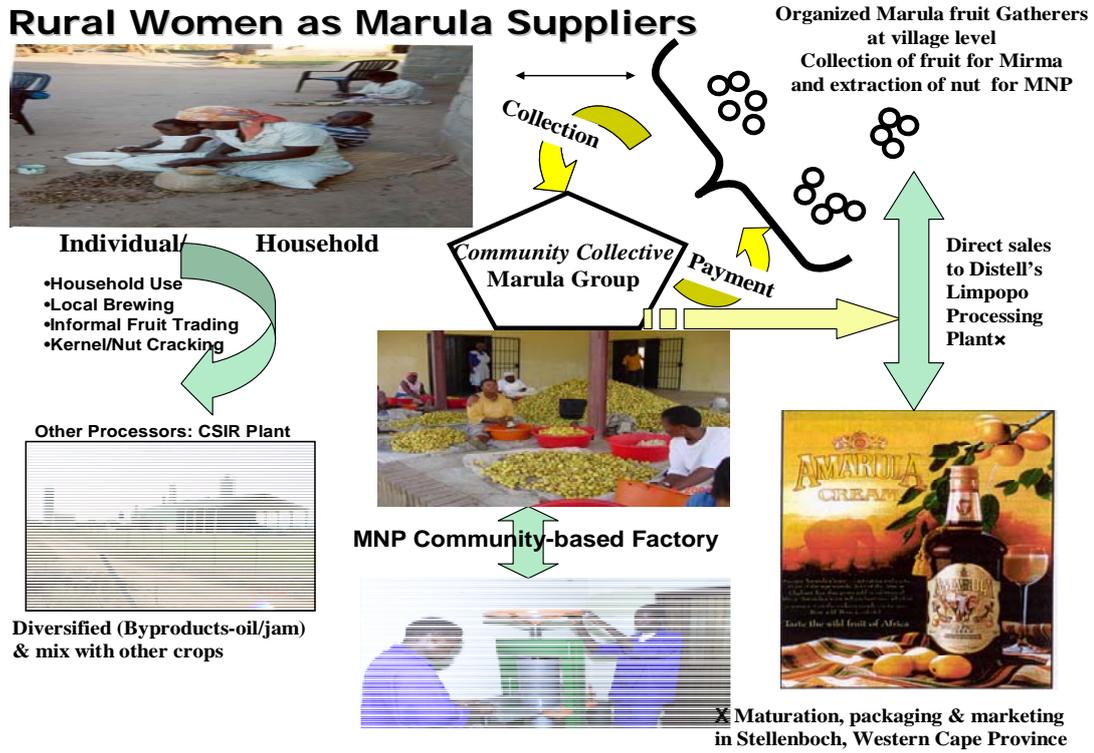
THE MARULA CASE STUDY – Using pictures to facilitate discussion in Reality Mapping



Source: The Body Shop



Marula Productive Process



**MARULA**  
NATURAL PRODUCTS

**Kernel/Oil-based Products**



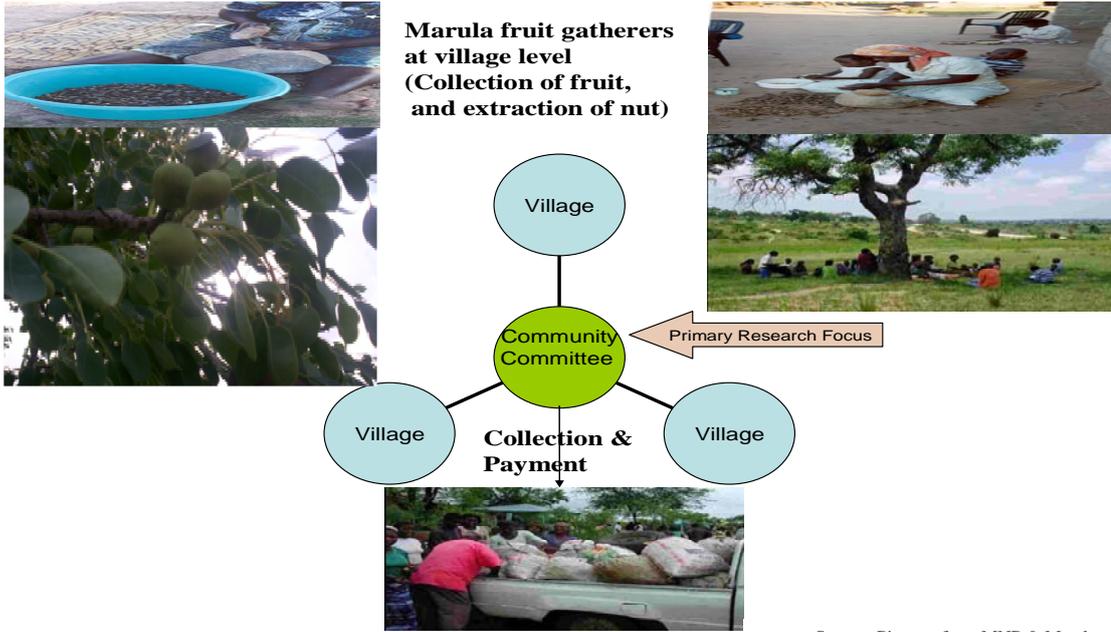
**Crushing nut at home with children**



027-40000077 06-5251-5251 027-40000077



Source MNP



Source: Pictures from MNP & Mander



MNP Vuka Beer

**Marula fruit sorting**



1



At MNP, Thulamahashe Source: MNP Picture 2



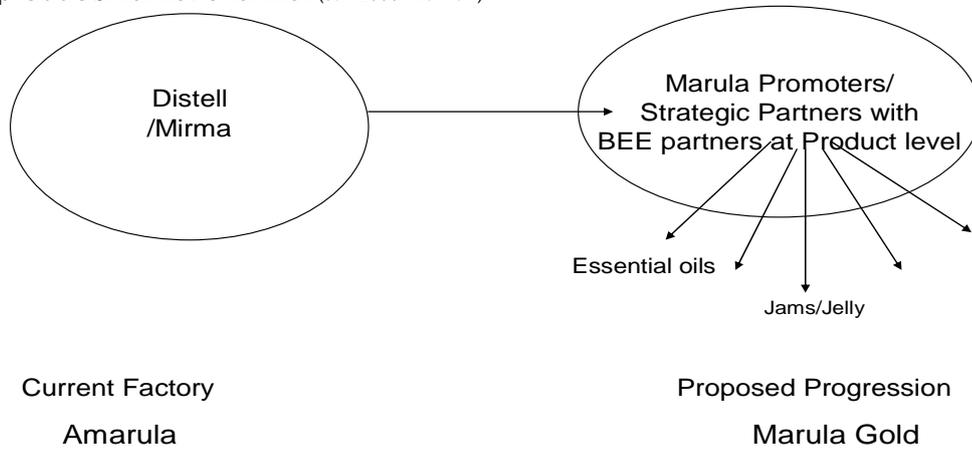
At Amarula Factory, Phalaborwa Source Mander et al (2002) Picture 1 & 3



Amarula within the Distell (Wine - Parent Industry). Source: Distell (2009)

**Illustration by Thys Slabbert of the Vision for Future Commercialization with different local/BEE Partners for each product/market channel** (Jan 2008 interview)

**Limpopo Marula Production**



### THREE MARULA SUPPLIERS' STORIES

**Mrs. Because Sibuyi** is a 79-year-old widowed pensioner from Midlands who was the oldest participant in the focus group of 23 January 2008. As she introduces herself in Xitsonga (Shangaan) she relates to the group with fond memories and pride, the traditional practices associated with marula.

Marula is a tree for kings, it is a symbol of strength, fertility and resilience. It was not just about people drinking it to be drunk – it was brewed to thank ancestors for our life celebrating with our families and neighbours (*kuphala* and *xirhwalo*), and thanking induna for taking care of us and the land (*xikhuha*).

She emphasised that the marula was an essential part of life as the whole tree is useful for food, cosmetics, and medicine. She shared with the group the role marula played in marriages “to encourage fertility and expand the family. When welcoming the son-in-law during the traditional wedding he would be given food and herbs prepared with marula ingredients and marula beer”. This was designed to keep him healthy and strong securing a family for their daughter. Mrs. Sibuyi’s main source of income is her government old-age pension (R870 per month) which she shares with her “many” grandchildren and great-grandchildren with whom she lives. Her highest formal education is Grade 6. She also sells snuff, compost, marula fruit and nuts. Her three main household cash expenses are listed as mealie meal, electricity and school-related (uniforms, etc.) items. She grows vegetables and maize and keeps cattle, pigs and goats.

Mrs Sibuyi is the Chairperson of the Onthol Marula Committee and has been a member for 9 years. When asked what binds the committee together she replies, “Because we are all working towards one goal, fighting poverty”. She shares the operations of the committee and indicates that rule number one is that “your products are only sold within your area”. When asked why, she explains that the value is in the volumes, and coordination helps with managing logistics and quality. She cites late payments as the biggest threat to the survival of the committee. Mrs Sibuyi has planted trees in her homestead and does not allow others to harvest although she herself also accesses marula in protected areas and communal areas. She believes that there are enough trees to sustain incomes and that the trees are increasing. Her main dissatisfaction is late payment and low price. “The sad part is that the buyers decide the price and we don’t know how. I hope my participation in this meeting will help sort out this problem”. Together with her family they use wheelbarrows for transporting marula fruit from

trees to collection points. She believes that the committees are useful as their work creates resource conservation awareness. “We need to organise campaigns to stop people from chopping trees”.

**Ms Helen Mnisi** from the southern region is a 50-year-old head of household who never married. Her highest formal education is Grade 8. As she is unemployed her main source of income is the child grant that she receives for her two children (R400 per month). Her son also sends R400-R500 per month. Her main household cash expenses are prioritised in terms of food (mealie-meal), school and burial society contribution. She grows vegetables but has no livestock. Ms Mnisi is the chairperson of MP Stream Marula Committee and has been a member for five years. She believes that what binds the committee together is “seeking income”. She also emphasises the committee rule of “selling within your area”. She sees the biggest threat to be the late payments. When asked about access to the trees she indicated that she partly harvests from the trees she ploughed in her own land, but also accesses communal land. She sees the committee as important as an entry to suppliers and lobbying for better price as commercial buyers come through the group. She is concerned about lack of formal regulation. “We need to fight tree chopping”. Her proposals include punctual payments, cash payments as opposed to bank payments because of bank charges that reduce<sup>46</sup> the income further. “The price does not consider the suppliers costs. For instance, I use a *bakkie* (small truck) to collect from tree to collection point.” When asked what she would do if commercial buyers stopped buying, she responded, “I would still sell locally marula is here forever”.

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<sup>46</sup> This is an important point as the interview with Mr Slabbert indicated that Amarula is considering changing from cash to bank payments.

**Ms Julia Zitha**, age 46, is from the northern region. Her highest formal education is Standard 5 (Grade 7). She is unemployed and has 4 dependents. Her source of income is the child grant for 2 children. Household expenses include food, school and cosmetics. She grows cabbage, spinach and mangoes and keeps chickens. Ms Zitha is an active church and stokvel member. She is the chairperson of the Hlavekisa Marula Committee of which she has been a member for 8 years. “We came together because we needed money and to minimise unproductive competition and conflict. We try to collaborate. However, problems with buyers can result in problems with commitment by committee members resulting in poor organisation and delays in collecting the products (fruit and kernels).” According to her committees help with managed commercial buyer entry through committee consultation and collective negotiation. “This can in future address issues of local storage, as my fruit is stored under trees before selling. Others keep their stock in their homes but the marula fruit is sensitive to temperature as it has a low shelf life”. She uses wheelbarrows to convey picked fruit from the trees to the collection point. She emphasised the need to plant more trees. “Our lives revolve around marula. We work hard from home to factory, sorting the fruit for better quality and pay”.