



Sustainable
Livelihoods
in
Southern
Africa

The rural poor, the private sector and markets:
Changing interactions in southern Africa

Rural development box



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The rural poor,
the private sector
and markets:
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southern Africa

The rural poor, the private sector and markets: Changing interactions in southern Africa

SLSA team

This report draws on research conducted between 2000 and 2003 as part of the Sustainable Livelihoods in Southern Africa (SLSA) programme conducted by the Institute of Development Studies (University of Sussex), the Overseas Development Institute, the Programme for Land and Agrarian Studies (University of the Western Cape), the União Mundial para a Natureza (IUCN, Mozambique) and the University of Zimbabwe. It was funded by the UK Department for International Development. The views expressed in these publications are the responsibility of the authors and do not necessarily reflect those of the funder or collaborating partners. The SLSA team comprises: Caroline Ashley, Joseph Chaumba, Ben Cousins, Edward Lahiff, Zefanias Matsimbe, Lyla Mehta, Kgopotso Mokgope, Solomon Mombeshora, Sobona Mtisi, Isilda Nhantumbo, Alan Nicol, Simon Norfolk, Zolile Ntshona, João Pereira, Ian Scoones, Shaila Seshia and William Wolmer.

Cite this paper as: SLSA team. 2003. *The rural poor, the private sector and markets: changing interactions in southern Africa*. Cape Town: Programme for Land and Agrarian Studies, University of the Western Cape.

There are over 20 research papers from the SLSA programme available at:

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Published for SLSA by the Programme for Land and Agrarian Studies,
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ISBN: 1-86808-578-3

First published: August 2003

Layout: Designs for Development; Copy-editing: Stephen Heyns;
Cover photograph: Robert J. Ross/Cape Photo Library – Morrungolo, Inhambane
Province, Mozambique.

Reproduction: Castle Graphics; Printing: Hansa Reprint

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I. Introduction

One of the central tenets of much current development thinking in southern Africa is that market-oriented strategies and private sector involvement must be the basis for future economic growth. This has underpinned structural adjustment and economic policy reform policies in the region over the last decade or more. It also underlies the argument for encouraging external foreign direct investment (FDI) as a motor for growth. However growing evidence suggests that such a strategy has not paid off. Economic growth rates have been disappointing, private, and particularly foreign, investment has been limited, and employment in the formal sector has fallen dramatically.¹ Structural adjustment and market liberalisation have clearly not delivered the developmental benefits claimed of them, and people's livelihood opportunities have, it seems, declined over the same period and their levels of vulnerability have increased.

The increasing recognition that the standard neo-liberal prescriptions were not having the expected benefits, especially for poor people, has resulted in some rethinking about how best to redirect the benefits of globalisation and economic reform towards the poor, and how to offset some of the losses. Thus 'pro-poor growth strategies', 'making markets work for the poor' and 'growth for redistribution' have become well-worn slogans. However, the practical and policy measures required, whereby the benefits of an engagement with a globalised economy, investment by the private sector and liberalisation privatisation measures can result in poverty reduction, remain vague.

A number of issues arise. For the sceptics, questions are raised about the degree to which the turn to a 'pro-poor' markets approach is simply rhetorical gloss, added to the discredited neo-liberal paradigm, or actually a genuinely new policy perspective in its own right. It is important to differentiate between broad economic policy reform objectives (which, with some nuances, remain largely in the standard neo-liberal form) and sectoral policies which contain explicitly pro-poor elements. While retaining the argument that market liberalisation and external investment are key, such policies may include some strategic elements of state-directed intervention which boost the access of the poor to new markets and investment opportunities. It is this stance, where the state intervenes to improve access and opportunity



for particular groups of people, redressing to some extent the imbalances caused by the lack of level playing fields of existing markets, which potentially sets a pro-poor perspective apart.

While there is much rhetoric along such lines – from the World Bank and International Monetary Fund (IMF), from bilateral donors such as the UK Department for International Development (DFID) and from new groupings such as the New Partnership for Africa's Development (Nepad), with South African President Thabo Mbeki as a major player – there has not been much assessment of what is happening on the ground. The Sustainable Livelihoods in Southern Africa (SLSA) focus in South Africa, Mozambique and Zimbabwe has been on how poor people are engaging in new markets and with the private sector, and how the pro-poor elements of policy are translating into practice.

Our work has investigated the status and dynamics of rural livelihoods in three marginal rural areas in this context. Market interactions have of course been central to people's livelihoods for a long time. Agricultural commodities are traded, local entrepreneurs provide services, and interactions with the wider labour economy are essential to the migration of people and the flow of remittances. But over recent decades the dynamics of markets have changed. In all three countries economic reform and adjustment policies have been implemented with varying effects.

The SLSA work has focused on the possibilities of new arrangements between the private sector, the state and local communities in encouraging investment, fostering local economic growth and employment and improving livelihoods. For rural areas in southern Africa, new business opportunities have been identified in the wildlife and tourism sectors, along with commercial forestry and handicrafts. The privatisation of state assets – such as forests, water provision or irrigation schemes – has changed patterns of ownership with the aim of encouraging more investment, often in partnership with local groups or entrepreneurs. Tourism – including hunting and safari operations – is an important (global) industry in the study areas, and is seen by some as a potential engine of growth and rural development. But what have been impacts on livelihoods? How have poor people engaged with these new market opportunities? Who has been included and excluded? What forms of private-public-community initiatives have emerged, and with what results?



Policy commentators across the region – whether in government, in the NGO sector or in the donor community – increasingly talk about 'pro-poor growth', but seem to be struggling with how to put such concepts into practice. They remain uncertain about what can be done and what works for whom and where. To respond to these issues, the research has looked at a range of different case studies. We have aimed to understand 'real' markets and the politics of market engagement. We have tried to unpack the dynamics of private sector interactions at the local level, looking at the interactions of the actors involved, power relations and patterns of benefit distribution. And, in so doing, we have attempted to look at the gap between free market/liberalisation rhetoric and the realities on the ground. Are poor people gaining returns from private sector initiatives or are they losing control over resources with little benefit in return? Are they entering the private sector themselves, or seeing assets removed before they can establish themselves? Are they seeing popular demands ignored or deflected by being wrapped up in the cosy language of win-win partnerships and joint ventures, or are they genuinely influencing market-driven approaches for the better?

Our conclusions are necessarily tentative, but nevertheless striking. Many initiatives with a 'pro-poor' labelling have been witnessed in the field, but, of these, only a few are delivering results that benefit poor people's livelihoods in any substantive way so far. Any generalised assumptions that pro-poor growth approaches are easy or effective are invalid. The default to be wary of is a continuation of the pattern of jobless growth/casualisation of employment, elite capture of benefits, and limited real local investment, resulting in further undermining of livelihoods. However, all is not doom and gloom. Through the case studies, we also identify the potentials of different approaches, as well as their weaknesses, and so are able to offer some insights for improving policy and practice in this area.

If markets are to work for the poor, we argue that it is imperative to engage constructively with the politics of 'real' markets and the distribution of benefits. This requires a more interventionist approach that does not assume an idealised level playing field of the market and recognises the social and political dynamics of real market interactions. The implications include the need to address asset/ ownership inequalities – and in rural areas this often means land – through redistributive mechanisms, alongside intervention in markets by the state. Examples of such interventions in support of the poor include including start-up subsidies,



institutional intervention to reduce the transaction costs of market engagement in rural areas, together with various 'infant business' type protection measures. Current thinking on pro-poor growth strategies, we would argue, has not gone far enough in thinking through the necessary implications for a more interventionist stance. This stance, of course, runs counter to the mainstream thinking (and conditionalities) of virtually all major donors and governments (with Zimbabwe being the obvious exception). Yet our empirical case study results – as well as historical experience – suggest some new thinking is needed.

2. Contexts: Markets and private sector investment in southern Africa

South Africa, Mozambique and Zimbabwe all share the legacy of gross structural racial inequality. They have also all historically had a strongly centralised government-led approach to development, whether under apartheid in South Africa, socialism in Mozambique, or the one-party technocratic state in Zimbabwe. The current approach to markets differs in several ways between the three countries. The most obvious difference is the explicit commitment of South Africa and Mozambique to private-sector led growth on the one hand, and Zimbabwe's prioritisation of redistributive measures through radical land reform on the other. More subtle differences and divergences from these stereotypes are outlined below.

Mozambique

In Mozambique, Frelimo did a *volte-face* from socialism to economic liberalism and hence from centralised to liberalised markets in 1987. Free market approaches and the Structural Adjustment Programme (SAP) were introduced with support from the international financial institutions and donors in an attempt to create a market-based economy virtually from scratch. In contemporary political debate there is little advocacy on an alternative to a market approach, despite concern about the impacts on livelihoods of such policies expressed by NGOs and other civil society groups.

Several policy measures aim to facilitate private sector investment and reduce direct state intervention (with the state seen only as a regulator). For example, the Mozambican PRSP-PARPA (Action Plan for the Reduction of Absolute Poverty 2001–2005) includes important



components to facilitate the functioning of the market such as the rehabilitation and creation of market infrastructure, roads and bridges, and the improvement of transportation and communication conditions in order to ensure efficient and timely circulation of information, goods and services. The Centre for Promotion of Investment, tax breaks, *zona franca*, and other measures are aimed at facilitating new external investment. The new Land Law and current revision of the Civil Code are also seen as measures that will provide a more secure operating environment for market transactions. Sector-based programmes, such as the major PROAGRI initiative in agriculture, foresee significant investment to create a vibrant private commercial sector. Tourism along the coast in particular is also viewed as a sector with much growth potential and one in which external investment, particularly from South Africa, has been evident. Some state assets, such as plantations, formerly state farms, are being privatised. Sustaining private initiatives is pitched as a way to establish equity, empowerment and entrepreneurship within communities. The private sector is seen as an important route to job creation – a source of opportunity to absorb more than 50% unemployment in the country – and as a way of stimulating development.

Yet Mozambique is not a typical free market economy. An important decision was taken during the land reform process, for example, to keep all land under state ownership and not to create a private land market. Opportunities for private investment are still heavily dependent on state allocations of rights (such as concessions, licences and regulations), and the distinction between public and private activity is blurred as major investors and their affiliates are often those who hold public office or party positions. There is therefore much inequity between different actors in the market, especially between the private sector (small and medium enterprises operating in the rural areas), often with strong political and commercial backing, and local communities, who may or may not have NGOs operating as intermediaries in negotiation with new private sector players. The state lacks the capacity or commitment to regulate the private sector in a context where there is limited competition for investment, and an occasional blurring of the line between public and private sectors. Of greater impact has been the ability of many traders in remote rural areas to recreate the colonial practice of dividing areas into monopolistic zones and markets that have developed in these areas are not 'free' but rather controlled by the powerful and by those with vested interests.



South Africa

In South Africa market-led growth has become the dominant policy narrative of recent years. The state is trying to reconcile two imperatives – growth and social justice – by encouraging private investment *and* economic participation by the poor and historically marginalised. Prior to the 1994 transition, the economy was capitalist but highly regulated. Liberalisation started in the late 1980s and was hastened in the early 1990s by the prospect of the African National Congress (ANC) coming to power. Within the ANC there was a big shift in the first half of the 1990s from talk of nationalisation and Keynesian-style economics to an essentially neo-liberal model of market-led growth from 1996 under the Growth, Employment and Redistribution macro-economic policy (Gear). Government policies which aim to encourage private sector investment and encourage market activity include:

- Spatial Development Initiatives (SDIs) and other spatial approaches to clustering investment opportunities. The aim is to use limited public investment to leverage in private investment in areas of under-used market potential.
- Privatisation and commercialisation of government assets, such as forestry, tourism resorts, state farms, telecommunications and power industries.
- Investment incentives (for example, incentives for tourism).
- Enterprise development packages and enterprise training schemes.

There have been vocal critiques of Gear, in particular the unions, worried about job losses and casualisation, are concerned to protect employment, and there has also been concern about the impacts of price liberalisation on consumers (particularly water and food prices). The ANC has been accused by its critics of abandoning the 1994 Reconstruction and Development Programme (RDP) which was meant to address the enormous social backlog inherited from apartheid. President Mbeki has continually defended Gear by saying that the country could have been in ruins if it adopted the 'live now and pay later' strategy of the other partners in the tripartite Alliance – the Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP). He argues this was the strategy adopted by Zimbabwe and it failed to yield the expected results. The president has stressed that Gear is a response to the widely-supported need to address the issue of macro-economic balances



and budget deficit, and to finance social and economic development using the country's own resources rather than borrowed money. However, Cosatu and the SACP, along with others on the left, accuse the ANC of deviating from its social agenda under pressure from the World Bank and the IMF. Gear has thus been the source of much tension among the tripartite Alliance partners and is seen by many as a source of unemployment and poverty in the country.

Recently, criticism from the ANC Alliance partners has been focused on the accelerating programme of privatisation and the restructuring of state assets. They have expressed concerns that if the government loses control of some key strategic assets, this would be a blow to its development agenda and lead to loss of jobs. Others argue for priorities that contrast with the market focus of government. Civil society groups, for example, are arguing for BIG – a basic income grant – to be given every month to every adult South African.² The proposal, backed by unions, churches, the Black Sash and others and supported by the government-appointed Taylor Committee of Inquiry into a Comprehensive Social Security System for South Africa, has, to date, been resisted by government.

In the rural areas of the former homelands, the consequences of economic reform policies are felt in a number of ways. The contracting formal labour market has had an impact on remittance flows for many, and the prospect of jobs for younger people has declined in recent years. The private sector led initiatives supported by government in the former homelands have, as we discuss below, not got off the ground to any significant extent, with SDIs being a prime case. The level of FDI in South Africa has been less than was hoped for in the post-1994 era, and what has arrived rarely finds its way to the remoter parts of the countryside where infrastructure is poor, land rights unclear and local administrative capacity limited. Recent shifts in policy within the agriculture and land sectors have emphasised the creation of a grouping of medium and large-scale black commercial farmers. This narrowing of the objectives of land reform has meant that little, if any, support has been given to sub-commercial ('subsistence') producers, to the break-up of the large farming units that dominate the agricultural sector, or to restructuring of agricultural markets to meet the needs of small-scale producers.



Zimbabwe

As was the case in South Africa, during the colonial period in Zimbabwe, a plethora of policies sought to exclude (African) farmers in communal areas from engaging in private sector activity. This was compounded by colonial land legislation that displaced indigenous populations from agricultural productive areas to marginal and unproductive areas. But interactions between the commercial and communal sectors always existed, with livestock marketing, labour recruitment and contract growing occurring across land use boundaries. However, after independence in 1980, the economic policies of the 1980s involved a strong role for the state, and a strategy for growth with 'social equity', including an extensive resettlement programme, rural infrastructure, and subsidised prices. In the agricultural sector, the emphasis was on introducing modern technologies and public institutions such as co-operatives, marketing boards and parastatals. With regard to natural resources management, the reforms in wildlife management witnessed increasing involvement of communities in commercialised wildlife management, including joint ventures with private safari operators under the umbrella of the Communal Areas Management Programme for Indigenous Resources (Campfire).

In the early 1990s Zimbabwe entered the neo-liberal era of 'ESAP' (the Economic Structural Adjustment Programme) designed to liberalise an economy that was seen as inefficient and overprotected. ESAP brought export-orientated sectoral policies (for agriculture and tourism, for example); and macroeconomic policies geared towards trade liberalisation, domestic market deregulation, currency devaluation and privatisation.

In the agricultural sector, ESAP emphasised the increased involvement of the private sector in rural agricultural production. Food crop marketing and input supply were liberalised in 1993. This opened up access to rural areas to private capital in the production and marketing rural agricultural produce. For instance, in cotton production and marketing, there was a proliferation of private players who provided inputs and a market for cotton. In irrigation schemes, there were marketing agencies for different produce. In addition, small-scale farmers directly engaged with private companies as 'settler farmers' or 'outgrowers' (for example tea in the Eastern Highlands or sugar in the Lowveld).



The free-market ideology also held that land transfers should be based on acquisition through market mechanisms (rather than compulsory land acquisition by the state). Together these had the effect of further entrenching the inequitable land ownership structure, restraining the land redistribution agenda and encouraging land use conversions towards wildlife management, horticulture and livestock exports. Most observers conclude that ESAP exacerbated inequality, unemployment and poverty. The increasing lack of alternatives to land and natural resource-based livelihood strategies also exacerbated land hunger and contributed to mounting frustration at the slow pace of land reform – keeping the land question high on the political agenda.

Concerns over the impacts of structural adjustment on the poor grew in the latter half of the 1990s as the economy began a turbulent ride into de-industrialisation, soaring debt and interest rates, and inflation. Economic deterioration accelerated in 1997. A currency crash was triggered in part by the government's decisions to award unbudgeted-for payouts to liberation war veterans and breathe new life into the land redistribution issue. By 2000 the government had officially dumped ESAP in favour of a stated policy emphasis on indigenisation and redistribution – particularly in relation to land. However hyperinflation, severe shortages of foreign currency, fuel and even basic commodities, together with the ongoing political violence, land occupations and the reawakened socialist rhetoric of the ruling Zimbabwe African National Union-Patriotic Front (Zanu-PF), including threats to appropriate private businesses, did not make for an environment conducive to private sector investor confidence. This – and the consequential international political isolation and donor withdrawal – has distanced the government from the neo-liberal market orthodoxy followed elsewhere in the region and beyond. Zimbabwe has been condemned internationally, as much for its economic self-sabotage, seen as inimical to the wider agenda of economic renaissance for Africa, as for its political repression.

Nevertheless, many in the Zimbabwean private sector have continued operations in ways that defend their interests in the short-term, while positioning themselves for the long-term. Recently, the government seems to be taking steps to reassure the private sector. For example, the government has produced a 10-point plan for growth, is now emphasising that violence



is over, and is attempting to woo back international investors and clients (for safari operations, for example).

3. Pro-poor growth? Market and private sector opportunities for the poor

Given this context, how have more explicitly 'pro-poor' initiatives fared in the region. This section looks at experiences across the three countries.

In **South Africa** there are various strategies in place that encourage interaction between the private sector investors and the rural poor, and are supposed to assist poor producers – or 'historically disadvantaged individuals' (HDIs) – in the market. These include:

- Black economic empowerment (BEE) measures: such as positively discriminating in favour of black bidders in the allocation of tenders, concessions, and privatisation packages; provision of a 'community stake' in newly privatised ventures, commitment to employment of local people, favouring local service providers, and providing local business training.
- Supporting small, medium and microenterprises (SMMEs): for example with 'rural enterprise centres' (for retrenched mine workers), small loans from the Land Bank, and training schemes for small entrepreneurs.
- Land reform measures: including schemes encouraging blacks to venture into commercial farming; providing land reform grants for purchase of equity shares in existing enterprises; a variety of out-grower or contract farming schemes aimed at emerging black farmers, most notably in the sugar industry; and linking restitution settlements to the commercial use of the land.

Policy documents and programmes which discuss these strategies invariably highlight some form of benefit that will accrue to the poor, although, as the term implies, the main emphasis of BEE schemes is redistribution along racial lines rather than wealth. In parallel, policy instruments geared towards encouraging market liberalisation are being given a pro-poor angle and redistributive measures are becoming increasingly market-orientated. Thus forest privatisation and national park commercialisation measures now incorporate black empowerment criteria, and the Land Bank (which formerly only supported white commercial



farms) now extends credit to poor smallholders. Land reform measures are being used to promote commercialisation among medium and large-scale black farmers. There are thus multiple overlaps between enterprise development and poverty reduction policies.

In **Mozambique** there has been less emphasis on the measures to encourage access for the poor to markets. The assumption is that any investment, particularly in rural areas, leads to development. But some important measures exist in relation to land rights and forest resources (particularly given virtually all rural growth is based on land/ resource rights).

- A requirement to consult communities regarding private sector land applications was introduced under the 1997 Land Law. This includes procedures for communities to delimit their land rights, providing greater security and the possibility of containing private sector investment.
- A requirement was introduced to listen to communities regarding forest concessions (not licences) under the 1997 Forestry Law.
- Investment is funded under sector programmes and integrated rural development strategies, including the construction of feeder roads in rural areas.
- Tax breaks and other incentives for investing in poorer regions are in place.

In **Zimbabwe**, at first glance, there is very little evident policy in place that fits the emergent pro-poor growth model. The land reform policy, in particular, is much more targeted at redistributing land – and hence economic power – than promoting markets *per se*, although the 'A2' model is aimed at creating a group of new, black commercial farmers. More broadly there has been an indigenisation programme since the 1980s (akin to South African BEE), which created a range of organisations, credit and banking opportunities for black business.

However, through the 1990s a new black elite, with good political connections to the ruling party, did emerge and took advantage of the new opportunities provided by the state, either through the indigenisation programme or through informal patronage arrangements, including land deals.

However, the degree to which such shifts have made inroads into the mainstream economy is limited, particularly in rural sectors such as safari hunting, tourism, forestry and agriculture.



The Campfire schemes initiated from the 1980s were aimed at redressing some of this imbalance, with rural communities encouraged to engage in commercial activity around wildlife use in alliance with private sector players. However the benefits of these schemes were uneven and often disappointing, and many ventures failed to create much impact on rural livelihoods. That said, connections between commercial farmers/ safari operators and others (usually white) and rural communities has increased, if sporadically, over the past decade, both within communal areas and across land use boundaries. Perhaps surprisingly this may yet accelerate in the current situation, as the political context and land reform process both pushes the previously isolated private sector players to engage more comprehensively, and access to land and other resources (including political ones) gives rural people more bargaining power.

4. Interacting with the private sector: Case studies

Southern Africa's historically rigid boundaries separating land uses, racial groups, and types of economic activity are becoming increasingly blurred. Private investment is moving across the boundaries in ways that bring capital, markets and communities into new configurations. A decade ago, potential investors in a rural area offering some kind of community involvement or 'partnership' were relatively unusual. Today there are a myriad of offers and interactions. Neat phrases such as private-community partnership, or black economic empowerment, though, disguise a range of different arrangements that are entered into by different actors ranging from formal to *ad hoc* and illicit. There is no single or simple model – rather a multiplicity of arrangements, with substantial differences in the foundations on which such partnerships are built. In particular, differences arise in terms of who owns the land, what type of role local residents have in the business, and who or what brings the private sector and community together.

In this section we draw out six different ways in which the private and community sectors are articulating in practice in South Africa, Mozambique and Zimbabwe with a particular focus on wildlife-based tourism and forestry, the dominant source of private sector activity in our study areas. The following sections depict a range of configurations – some emerging out of explicit 'pro-poor growth' policy initiatives, some simply responses to the changing economic



situation. These broad types of community-private sector interaction differ in terms of the type of land on which they occur, and hence, critically, in the strength of local land rights. An examination of such a range of diverse practices and experiences, in turn, helps us to reflect on the key challenges for encouraging more effective pro-poor initiatives.

Private investors operating on communal land with some form of local liaison

Campfire in Zimbabwe is one of the most famous examples of this model. District councils gained authority over hunting quotas and leased them to professional hunting operators. Essentially this was an attempt to disburse wildlife revenue (from safari hunting and ecotourism) and devolve authority to local level. Recently the occupation and settlement of private game ranches in Zimbabwe has meant safari companies have had to operate more in communal areas, as many former private hunting areas – and the wildlife within them – simply no longer exist. There are now several other examples which involve a community, rather than a council, using different business models – such as ‘conservancies’ in Namibia. In South Africa it is more common for the community to hold an equity share in safari or tourism company – generally derived from its land contribution. The potentials and pitfalls of private sector developments on community land are vividly depicted in the case of Vilanculos Coastal Wildlife Sanctuary in Mozambique which has been the subject of much controversy. This case is seen by some as the new way forward for responsible investment and rural growth, and by others as a politicised business-deal that has over-ridden nascent community land rights.

Generally the driving partners in these ventures are the private sector, with the capacity of local communities (and, in some cases, government) to hold them to account severely circumscribed. This is a particular problem where the state is weak, or heavily bound up with private sector interests. In Mozambique, for instance the state appears to invest more effort in taxing and licensing bicycles in rural areas than timber chain saw operators. This selective approach to state regulation of private sector activity has potentially real livelihood costs, with rural people provided limited protection against unscrupulous players. Yet they are themselves taxed and regulated for activities and assets which are central to livelihood survival.



The state brings the private sector into operations on state land (forest lease, hotel commercialisation), with an emphasis on socio-economic measures

In ventures of this sort the state plays a more proactive role – with the commercialisation of plantation forests and tourist facilities in national parks being good examples. Bids to run tourism concessions in Kruger National Park in South Africa, for example, have had to incorporate black economic empowerment components. However this does not guarantee pro-poor commercialisation – it may be more effective at benefiting a black elite. The South African forestry commercialisation policy had to juggle a large number of policy objectives, and took several years to implement. During this process – for example the way the Singisi Plantation in the Eastern Cape was taken over by the Hans Merensky company – trade-offs were made between the objective of benefiting rural communities and other policy goals (see Box 1). In particular, commercialisation preceded the resolution of land claims. Nevertheless a number of important pro-poor measures were incorporated to encourage community shareholdings and to ensure an annual income stream for future land holders – including sourcing goods and services from local suppliers, enterprise development in surrounding communities and maintenance of the workforce and access rights (for subsistence use).

One major challenge in such private sector initiatives is the balancing of the range of ‘community’ interests. Box 2 on page 16 highlights the array of interests that had to be accommodated in the deal made when the Hans Merensky consortium took over the Singisi forest plantation.

In South Africa, then, the state does have some leverage in the commercialisation process in the forest sector, and some ‘pro-poor’ benefits have been realised. By contrast in Mozambique, the state has much less influence and could be seen to be encouraging uncontrolled privatisation of assets, resulting in the displacement of residents. Land delimitation processes and consultation requirements offset this to some degree, but there is no enforceable commitment to assuring the rights and entitlements of rural communities. Such a pattern of voluntary engagement and responsibility, based on consultation in a highly unlevel playing field, is characteristic of many of the examples in our next category.



Box 1: Juggling objectives in forestry commercialisation in South Africa

Competing policy objectives for the state in forest commercialisation were: to dispose of loss-making state assets, to generate revenue, to catalyse investment and forestry sector growth, to protect workers' rights, to encourage BEE in the industry, and to protect the access of local residents to forestry resources. Thus, the commercialisation process was driven, contested and shaped by the interests of a number of players, including the Forestry Directorate in the Department of Water Affairs and Forestry (DWAF), the Treasury, the Department of Public Enterprises (the privatisation agency), Water Affairs in DWAF, labour unions, and the commercial forestry companies. One major trade-off emerged early on: the commercialisation process would not wait for resolution of land-claims on the Category A forests (of which there are 152 in the country). Thus, during the process, land claimants had no formal decision-making power over the use of their claimed land. Other measures, however, did emerge in the final policy which involved some trade-off with government's financial or commercial objectives. These included:

- the use of socio-economic criteria in adjudicating the bids, in order to encourage companies to develop plans for BEE and community shares, that go beyond economic performance
- the decision that companies should pay an annual lease fee, not a single up-front payment. The lease fee will automatically go to successful land claimants, or possibly other land-right holders, and would be held in trust by the state
- measures to protect the rights of workers for the first few years
- recognition of existing rights of local residents to forest resources.

Perspectives on how well the poor fared in this vary. Some claim that the trade-offs agreed ensured effective long-term protection of forests as a national resource, satisfaction of BEE and community share criteria, as well as encouraging private sector investment in rural areas. However others argue that this emphasis did not sufficiently protect land restitution claimants who might be expected to reap all the benefits from the land once their claim is approved.

Private operators on private land develops links with neighbours/ poor stakeholders

These include community outreach schemes by wildlife conservancies in Zimbabwe and corporate social responsibility initiatives by South African game lodges. These are ostensibly



Box 2: Distinguishing between stakeholders within 'the community': The case of Singisi Plantation (South Africa)

Within the 'community' there are very different interests including:

- immediate neighbours who access forest products (and possibly grazing) inside the plantation
- residents of the two large community areas who have each formed a trust which sits on the company board and receives and manages revenue from the company
- leaders of the trust (trust members) who have frequent contact with the company, and the majority of the community who have to rely on trust mechanisms for sharing information and benefits
- workers at the sawmill and plantation, who come from a wider area, and for whom protection of labour rights is key
- small local entrepreneurs who have contracts with the plantation (for example, a security firm) or who depend on the plantation as a source of raw materials or revenue (for example furniture makers and the local supermarket).

philanthropic donations and schemes which are also attempts at gaining market advantage or a degree of social and political legitimacy – or, in the Zimbabwean case, a last ditch attempt to stave off designation of land for resettlement. Again partnership is on the terms of the private sector partners.

The changes in the bargaining power of rural communities around the Save Valley conservancy has resulted in a change in the political scenario in Zimbabwe. Such bargaining power is further increased with secure access to land. This is the key aspect which characterises our next set of cases.

Land transferred/seized/restituted from state or private hands to communities/farmers as the basis for a community-private investment

Land transfer may occur through resettlement or self-provisioning, as in Zimbabwe, or through the resolution of land claims, as in South Africa, in the now well-known case of Makuleke, adjacent to the Kruger National Park. In Chiredzi District, Zimbabwe most, of the land transferred to communities under the land reform of the last few years has come from



commercial game ranches and conservancies although, even more controversially, there has also been resettlement in Gonarezhou National Park. The ranch operators are being forced into new relations with their once-distant, now-close, neighbours. In South Africa, restitution claims on land under wildlife have mainly been in national or provincial game reserves. Once settled, these lay the basis for a new form of commercial joint venture. The community-private sector interactions on restituted and resettled land have the potential to be much stronger, from the community's perspective, than other types of partnership arrangements. The community is likely to have more legal power (unless they are squatting), market power, access to resources and useful contacts. The 'community' is a land-owner, lessor, contractual partner, and not just a group of employees or recipients of charity. Thus they are better able to influence the form of development in line with their own interests.

Box 3: The Save Valley Conservancy wildlife endowment scheme

As well as performing acts of goodwill such as borehole drilling, school fee handouts and permitting occasional access to sacred areas, the private enterprises that together constitute the Save Valley Conservancy in south eastern Zimbabwe established a scheme to use donor funding to purchase wildlife which would be released in the conservancy. The conservancy would then be obliged to buy their progeny each year at the prevailing market rate. This money could then be used to finance community projects. However commentators have critiqued the initiative for proffering cosmetic changes that largely maintained the status quo, seen by many as exercises in strategic tokenism. But in recent years there has been a need for the private enterprises in the conservancy to enter into more substantial partnerships with communities in order to survive. The private sector is now being forced into closer articulation with communities not explicitly because of any government policy, but out of fear that not to do so would make their land more likely to be designated for resettlement. The farm occupations have prompted the conservancy to go beyond the much derided wildlife endowment offer to surrounding communities and consider the obvious alternative: formally offering communities land inside the conservancy fence on the condition that much of the land remains under wildlife utilisation. This would mean the creation of a concession area where safari hunting and tourism revenues accrue to the local community as the concession holder. The Ministry of Environment and Tourism is encouraging such private-community partnerships through its emerging policy on 'wildlife-based land reform'.



However, this is a new trend, and it remains to be seen how most of these partnerships develop in practice. As this new form of land reform and business partnership develops, there are three concerns which require close attention. The first is the opportunity cost to communities of accepting this model: despite the attraction of commercial investment, the livelihood costs of non-agricultural use need to be understood. Second, the nature, scale, timing and distribution of the gains to communities should be assessed. Financial benefits may be long in coming, highly vulnerable to risk, variable in amount, and captured by elites. The community needs to know what it is opting for, with realistic expectations. Non-financial benefits, such as access to the land for natural resources, or human development investment, need to be well-negotiated. Third, there is a tendency, at least in South Africa, to assume this model for new land claims in wildlife areas, but it may not suit all situations. Given differences in the commercial context, the opportunity cost, and the resources available, the net benefits to communities from tourism development on restituted land will vary enormously.

In these cases, then, secure access to land rights is the key, making effective land and tenure reform an essential prerequisite to such initiatives. With new land, people can extend their livelihood activities into new areas, perhaps complementing their existing agriculture with new game farming, safari hunting and tourism opportunities. This contrasts with those options where intensification or substitution of livelihood activities is expected within an existing land area. These by contrast are more risky and with high potential opportunity costs.

An integrated, spatial approach with multiple players across land uses

A further way in which the private, public and community sectors are articulating around wildlife-based tourism in southern Africa is in the amalgamation of different land types into single extensive, spatially defined areas for managing wildlife and attracting tourism investment. Examples include SDIs and the Pondopark proposal in South Africa, and the Great Limpopo Transfrontier Park and other TBNRM (transboundary natural resource management) proposals across the region. The development case for these initiatives rests on the idea that they will spur growth, become a magnet for investment and economic activity, stimulate valuable by-products such as malaria control, road improvements, and market development and, all in all, create a step change in economic activity in poor areas suffering chronic underemployment. They are not premised on the idea of communities taking economic control *per se*, but on



Box 4: The Wild Coast SDI

In South Africa the Spatial Development Initiative strategy was intended to kick-start economic activity along the Wild Coast. The SDI seeks to increase employment, particularly of women, through the creation of small businesses in agriculture and tourism. The SDI plan was top-down in its implementation and faced serious challenges because of key issues it ignored, such as the hotly contested question of land ownership. It was risky for investors to invest in an area where such a critical issue remained unresolved. A common criticism of the plan was that it sought to fast-track a large scale approach to investment which is not suitable for the Wild Coast, given the very underdeveloped nature of the local economy. People questioned whether the number of jobs it promised would make much difference in the face of such massive impoverishment. A number of players have been driving the plan. Initially, it was the national Department of Transport, then the national Department of Trade and Industry and, recently, a provincial government unit – Eastern Cape Development Co-operation. These frequent changes in responsibilities are among the factors contributing to the failure of the Wild Coast SDI.

creation of jobs and businesses. There is, in addition, some discussion of black economic empowerment measures, particularly support to SMMEs and community-private partnerships. However these have tended to gravitate towards initiatives which are highly top-down and driven by business and political interests with very little to say about community involvement beyond employment opportunities.

Initiatives such as the Wild Coast SDI require strong state support (or in the case of TBNRM initiatives cross-country co-operation) to lever private investment. Investors, as the Wild Coast case showed, are reluctant to invest in remote rural areas. High levels of up-front infrastructure investment, and a range of subsidies and incentives are required. Whether this is a good use of limited public resources is an open question. Also, if such efforts succeed commercially, whether the benefits will trickle down to poor rural communities is uncertain.

Rural residents moving into the private sector

Engagement in private sector activity by people living in rural areas is, of course, not new. However, there are a variety of new initiatives emerging where local entrepreneurs or



groups are taking advantage of new business opportunities, often with the support of NGOs. The Amadiba hiking trail on South Africa's Wild Coast is an example of the evolution – and inevitable tensions – from a small community venture to a competitive enterprise in the tourism market (Box 5).

For local initiatives of this sort a number of questions arise. How to reconcile communal ownership, benefits and strategic decision making with individualised entrepreneurialism and reward? Who benefits from such initiatives? Are benefits unevenly distributed between men, women, the relatively rich and poor? And, in turn, what measures need to be taken to build the capacity of groups and individuals to engage in private sector activity? How, with very little in the way of start-up assets, can the really poor and marginalised participate? These questions remain unanswered, and the limited number of cases of successful initiatives of this type is witness to the many challenges they face.

5. Lesson learned: Issues and challenges

What lessons have been learned from the SLSA cases? What are the prospects for pro-poor engagement with the private sector? What practical and policy measures are needed in order to make such initiatives work for the benefit rural livelihoods? A number of issues and challenges emerge.

Political commitments

There are often major political constraints on the implementation of pro-poor market interventions and a lack of willingness to see such policies through. Forestry regulations in Mozambique, for example, were long delayed before their final approval in June 2002. Meanwhile a number of concessions were given out without consultation. Tenure reform is still unresolved in South Africa, and there has been a gradual return to prioritising conservation interests at the expense of development after the initial land restitution deals in some instances. In some cases, the personal and commercial interests of the elite – often politicians – mitigate against full implementation of the spirit of progressive policies (such as with the bypassing of concession regulations in forestry deals). Pro-poor measures are also easily offset by greater priorities and countervailing policies, with greater political salience. Examples of this in South



Box 5: Community-based tourism on the Wild Coast

The Amadiba Trail is a community-based tourism initiative in the Eastern Cape, which was initiated by a local NGO, in collaboration with the local community. The trail is currently owned and managed by Amadiba Coastal Community Development Association (ACCODA), on behalf of the broader community. All profits from the trail accrue to the association.

More than 30 people from the community work on the trail and get paid for their services. People see the trail as an additional source of livelihood which complements their older livelihood strategies. Additional benefits accrue to the community through co-operation with a fly fishing operation (Ufudu) which rents campsites from the community for three months of the year.

Over the past two years, the Amadiba Trail has been adopted as a pilot project for the Wild Coast Community Tourism Initiative, which is a programme that fosters participation of local communities in all aspects of tourism in the north-eastern region of the Eastern Cape. The programme aims to improve the livelihoods of one of the 'cash-poor' regions in South Africa through tourism. The programme is funded by the European Union (EU) and it is based on the development of partnerships between local communities, the private sector and government agencies in the Eastern Cape.

The focus of attention on the Amadiba Trail as a pilot project may turn out to be a mixed blessing. While the supply of additional funds and expertise can certainly assist the Amadiba Trail in meeting its objectives, including provision of benefits for poor members of the community, it has also put pressure on the trail to conform to certain standards, drawn largely from the world of private business. Moreover, it requires the trail to integrate certain activities into a wider network of tourism projects planned for the entire Wild Coast. Whether this level of external attention ultimately works to the benefit of the trail – and particularly to the benefit of poor communities along its length – remains to be seen.

The involvement of a non-profit organisation, PondoCROP, in initiating the project, and the involvement of community representatives in operation and management, presented an alternative to large-scale investor driven development which could supplement, rather than replace, existing livelihood strategies. However, in the end, its survival will depend on its commercial viability in a competitive market place.



Africa's Eastern Cape include: the need to deliver results following the failure of the SDI; the decision to rush the establishment of the Pondopark through in the Wild Coast; and the desire to get forest privatisation going rather than delay the process over land claims. Thus, in considering the prospects for a pro-poor approach, a sanguine analysis of the political context for markets and private sector activity is required.

Differentiation and market engagement

Who is actually benefiting from new market opportunities, and who is losing out? In southern Africa, the poor have not been uniformly affected by the growth of private sector activity. There are big differences between workers, suppliers, individuals holding equity shares, community neighbours, leaders and the led. For example, in Zimbabwe, a new elite, with good political connections, have been able to use newly-acquired land to develop commercial ventures. In South Africa, the issue of who benefits *within* a group of 'poor' or 'community' has emerged as a key issue and potential obstacle, and there is debate over accommodation of different interests. In Mozambique, the unequal coverage of markets, the power inherent in a relationship of many producers to very few buyers and poor terms of trade have marginalised many people in rural areas. Not everyone will gain from new market or private sector opportunities, even ones supposedly with a 'pro-poor' emphasis. Real markets are uneven and influenced inevitably by patterns of social and economic differentiation, as well as political interests. Addressing such issues, including interventions to support market entry of the more marginalised, must be a key feature of any pro-poor policy.

Leveling the playing field

More generally, making the playing field more level is an important prerequisite for effective pro-poor policies. This is particularly the case in southern Africa where markets and private sector activity have been dominated by a narrow (often racially-defined) elite. Where private investments have been made before pro-poor interventions, such as land/ tenure reform or capacity building, then the market power of the poor suffers. By contrast where, for example, land rights are resolved in advance of investment, community partners have more leverage. There are obviously constraints on the degree to which new investments can be delayed, but



the trade-off in sequencing needs to be addressed. As the case studies demonstrate, for the poor to engage in markets in any beneficial way, access to assets, and in particular land, is crucial. In the southern African context, this often requires redistributive measures to redress past inequalities, and an active intervention by the state. Land rights create market power – not only because land itself is an asset of market value, but holding rights creates avenues of opportunity. These might include the ability to negotiate terms (for example, jobs from concessionaires); to leverage in more money (such as development funds from the South African government, or agricultural extension support in Zimbabwe); recognition from the private sector (leading, for example, to a willingness of on behalf of Zimbabwean farmers and wildlife operators to negotiate with settlers); and a greater likelihood of being consulted (for example, recognition of delimited communities in Mozambique).

Recognising multiple livelihoods

There is a risk that the current focus on markets and investment is failing to recognise the multiple livelihood strategies that poor people engage in. Supposedly pro-poor initiatives are consequently often promoting one sector (for example, tourism or wildlife use), without looking at the negative impact it has on other important livelihood strategies. Planners and policy makers therefore need to consider opportunity costs and risks, as well as anticipated benefits. A major benefit of the approach taken at Amadiba (Box 5) is that it supports rather than conflicts with ongoing livelihood strategies.

Improving capacities

It is important to look at how the poor get access to markets, and gain the capacity to engage with some strength in markets. Important contributing factors highlighted by the cases include: access to capital; gaining new skills (from marketing to business experience); building social and commercial networks; the existence of NGO 'facilitators'; and logistical support (from roads to mobile phones).

Thus, overall, adding a pro-poor component to market oriented policies is not an easy game. Markets are highly politicised, the playing field is uneven, and, without regulation and protection, poor communities are vulnerable to potential exploitation. Without concerted attention to



improving the capacity of poor people to engage in markets – through active state support and redistributive measures – the ideals of ‘pro-poor growth’ and ‘private sector partnership’ for development will remain more rhetorical gloss than reality.

Endnotes

¹ For the period 1990–99, Zimbabwe had 2.8% GDP growth average, South Africa 1.9% (although higher but not substantially so for the post-1994 period) and Mozambique 6.2% (although from a low base with 40% of GDP on average being foreign aid, resulting in a very high external debt to GDP ratio of 238% on average – compared with only 6% in Zimbabwe and 0.3% in South Africa). Foreign direct investment was only 1.3% of GDP in Zimbabwe (with the average increased by a large inflow in 1998), and 0.6% in South Africa (again higher, but not massively so, for the post-1994 period) and 2.7% in Mozambique (from World Bank *World development indicators* 2002).

² The amount of money would be small – at the time of writing, it was argued that the amount should be R100 per person per month. Proponents of BIG argued that the money would be ‘clawed back’ through the income tax system from those who did not need it.

