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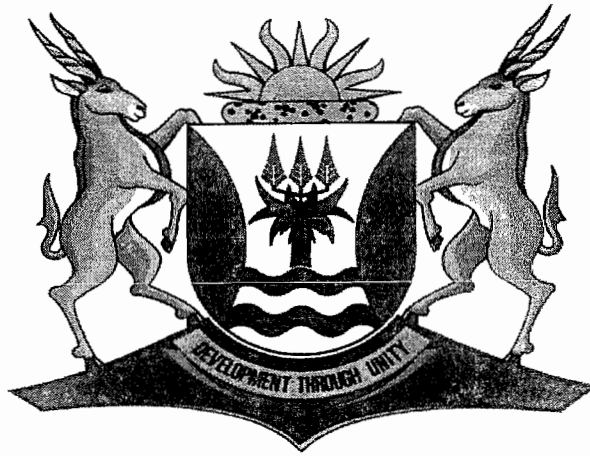
PROVINCIAL NOTICE

No. 25**1 July 2010****AGRICULTURE AND RURAL DEVELOPMENT****PUBLICATION OF WHITE PAPER ON AN INSTITUTIONAL
FRAMEWORK FOR RURAL DEVELOPMENT IN THE EASTERN
CAPE**

It is hereby made known that the Member of the Executive Council for Agriculture and Rural Development has made a policy on the Institutional Framework for Rural Development in the Eastern Cape, which is hereby published for general information.

PROVINCE OF THE EASTERN CAPE

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT



WHITE PAPER ON

**AN INSTITUTIONAL FRAMEWORK FOR RURAL DEVELOPMENT IN THE
EASTERN CAPE**

Foreword

On the 25-26 January 2010, leadership representing a wide range of rural development stakeholders from across the length and breadth of the Province, supported by national leadership, gathered in Mthatha, deliberated upon, and endorsed the Eastern Cape Rural Development Strategy (popularly known as **ILIMA LABANTU**). The Strategy owes its overwhelming support not only to the extensive process of consultation, but also its content that provides a platform to launch a thorough-going programme of fundamental social change in the Province's rural development arena.

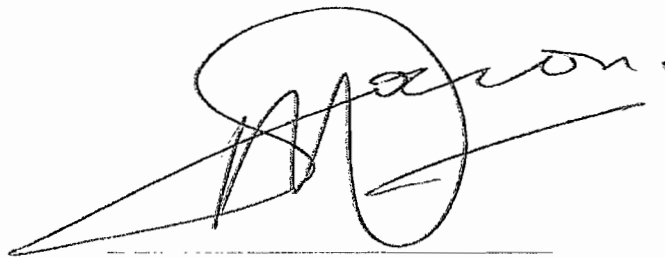
The Strategy seeks to unleash the potential of and empower rural communities to liberate themselves, with the support of government and other partners, from the bondage of poverty, unemployment, underdevelopment and inequality; it propagates improved co-ordination and integration in the planning and implementation of government's service delivery programmes, as well as fostering partnerships with non-governmental bodies; and it promotes the emergence of sustainable and lively rural communities with universal access to services, infrastructure and development opportunities. In short, the Strategy envisions *sustainable growth and development for improved quality of life*.

ILIMA LABANTU also envisages the development of policy on the desirable institutional arrangements and founding legislation for the Rural Development Agency. This document, *White Paper: An Institutional Framework for Rural Development in the Eastern Cape* represents Provincial Government's policy on co-ordination, implementation and oversight model for rural development in the Province. It seeks to give effect to the resolutions of the 52nd National Conference of the African National Congress, the intentions of the ruling party Manifesto, as well as the Government's Medium Term Strategic Framework on the elevation of rural development as a key priority for the term. This White Paper also forms the policy basis for the founding and enabling legislation for the Eastern Cape Rural Development Agency which in turn will be mandated to manage the Province's Rural Development Fund.

The Eastern Cape Department of Agriculture and Rural Development is inspired by the principled commitment and enthusiastic participation demonstrated by the leadership of the Province as a whole, and across the political spectrum. Of particular note were contributions

received from the Executive Council, led by the Premier, the Eastern Cape Provincial Legislature, the African National Congress-led Alliance, Government Departments – nationally and provincially, Local Government, institutions of Traditional Leadership, Faith-based Organizations, Non-Government Organizations, Business, Farmer and Land-based Organizations, Higher Education Sector, State-owned Enterprises and Public Entities. The Department remains indebted to you all!

Through this policy statement, Provincial Government makes a call for strategic partnership, particularly with the private and NGO sectors, to work together with and in support of government and rural communities of our Province for sustainable and prosperous livelihoods. It is collaboration and co-operation, and not competition, amongst actors that will guarantee a better life for all.

A handwritten signature in black ink, appearing to read 'Mbulelo Sogoni', written over a horizontal line. The signature is stylized and cursive.

HONOURABLE MBULELO SOGONI
MEMBER OF THE EXECUTIVE COUNCIL
AGRICULTURE AND RURAL DEVELOPMENT

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1. Introduction

Guided by national political and policy developments regarding the formulation of appropriate and sustainable strategies for socio-economic improvement and growth in the rural areas, the Eastern Cape Provincial Government initiated a constructive process to establish a clear approach towards rural development in the Province.

Following an extensively and elaborately consultative process, stakeholders in rural development endorsed the Eastern Cape Rural Development Strategy, paving the way for adoption by the Executive Council on 24 February 2010.

The Strategy or **ILIMA LABANTU** is informed by the resolutions of the 52nd National Conference of the African National Congress, Manifesto of the ruling party and the Government's Medium Term Strategic Framework. It seeks to progressively narrow the rural and urban divide, as well as to facilitate the emergence of sustainable rural communities with universal access to services, infrastructure and development opportunities.

ILIMA LABANTU also identifies key principles that should underpin rural development, and these relate to the understanding that:

- Rural development is everybody's business;
- Rural development is premised on the mobilisation, organisation and empowerment of rural people;
- Rural development promotes the sustainable utilisation of available natural resources;
- Rural development will be facilitated through long term planning and effective coordination; and
- Rural development is about integration, collaboration and partnerships.

The afore-mentioned principles emphasize that successful rural development implementation will require effective Public Private Partnerships intended for capacity building of rural communities.

The new approach to rural development in the Eastern Cape, as espoused in this White Paper, is informed by the need to:

- Integrate and consolidate existing anti-poverty initiatives;
- Develop appropriate structures and business model for rural development; and
- Build strategic and operational capacity (including resources) for rural development.

In order to address the difficulties associated with existing fragmented approaches to rural development in the Province and the consequent duplication, overlapping and inefficient allocation of scarce resources, the Strategy also proposes the integration, consolidation and alignment of existing institutions into a single, more agile rural development agency. This White Paper flows from (and should be read together with) the Rural Development Strategy, as it only serves to provide the policy framework for the amalgamation of the Province's agencies mandated to do rural development work into the **Eastern Cape Rural Development Agency (ECRDA)** to support the implementation of the Strategy.

2. Situational Analysis

2.1 Historical Context

Many years of colonial and apartheid policies have left an enduring legacy of poverty, unemployment, poverty and inequality in South Africa, particularly in rural Provinces such as the Eastern Cape. This historically-induced structural crisis has been deepened by the current global capitalist crisis and advance of neo-liberal globalisation which has served to limit the range of options for a more radical restructuring of the South African political economy. This situation has presented a number of key development challenges for a provincial integrated rural development strategy, including among others: continued high levels of poverty, especially in our rural hinterland; huge disparities with regards to access to services and provision of infrastructure; sub-optimal levels of private and public sector investment in rural areas; the continued economic decline in key sectors; rising unemployment; insufficient integration and co-ordination in rural service delivery;

and below threshold levels of institutional and technical capacity, especially in the rural areas of the former Transkei and Ciskei.

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

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

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

2.2 Socio-Economic Context

Estimates from the 2001 Census and the 2007 Community Survey indicate that the South African population increased from approximately 44.8 million in 2001 to 48.5 million in 2007. Over the same period, the Eastern Cape population is estimated to have increased by 200 000 from 6.3 million to 6.5 million. However the provincial share of the national population has shrunk from 14 percent in 2001 to 13.5 per cent in 2007. This makes the Eastern Cape the third most populous Province in the country after Gauteng (21.5%) and KwaZulu-Natal (21.2%). The Province still has a relatively large total population living in the rural areas. With an urbanisation rate of 39%, the remaining 61% of the total population in the Province reside in rural localities.

Some 43 percent of the Eastern Cape population can be categorised as being poor. Analysis of poverty data collected in 2006 indicate that a minimum of R881.5 million would be required per annum to eliminate poverty in the Eastern Cape through an income transfer.

Experiences of the District Municipalities vary considerably. While the Nelson Mandela Municipality and Cacadu District Municipality have comparatively low incidence, depth and severity measures of poverty, OR Tambo and Alfred Nzo both have a high percentage of their population below the poverty line, and have high depth and severity measures. Thus not only do these areas have the greatest percentages of their population living in poverty, the extent to which they are poor is most severe in these Municipalities' areas. The OR Tambo District Municipality is of particular concern given its population size and because this municipality accounts for 32% of the poverty gap in the Eastern Cape. This is followed by the Amatole District Municipality which accounts for 26 percent of the poverty gap.

In terms of access to basic services, between the 2001 Census 2001 and the 2007 Community Survey the top five areas of service improvement were:

- 17,5% more people used electricity for lighting;
- 16% more used electricity for cooking;
- 16,4% more had access to water inside a dwelling;
- 9,3% energy using candle for lighting; and

- 9, 2% energy using electricity for heating.

The Eastern Cape Province generated 7.8% of the total Gross Domestic Product (GDP) of South Africa in 2007, making it the fourth largest contributor to the national GDP after Gauteng, Western Cape and KwaZulu-Natal. Nevertheless the Province is far below the leading province, Gauteng, which accounts for 36 percent of South Africa's GDP. In terms of real Gross Geographic Product (GGP) per capita the Eastern Cape is the poorest province in the country, with an annual income of R13, 511 per person living in the Province in 2007. This is just over half of the national average of R23, 203.

In sectors contributing to the economy, the primary sector grew by an annual average of just over 1% whereas the secondary and tertiary industry averaged 4% and 3.2% respectively. Growth in the secondary sector was mainly driven by the construction and manufacturing sub sectors with annual average growth rates of 9.3% and 3.6% respectively. While the tertiary sector recorded an inferior annual average growth rate to the manufacturing sector between 1998 and 2007, it generates more than 75% of the provincial output making it the major growth driver in the Province. The tertiary sector recorded the highest growth rate in transport and communication, and financed and business services. The annual average growth rates of these two sectors were 4.3% and 4.2% exceeding the provincial annual average of 3.3%. Higher volumes of trade as a consequence of trade liberalization during the past 10 years seem to have underpinned the growth of these two sub sectors. The other steady performer was wholesale and retail which recorded an annual average growth rate of 3.3%. The public sector dominates the Eastern Cape economy. In 2007, one-quarter of the provincial output in 2007 was accounted for by the primary sector (2.3%) and the secondary sector (22.1%). Within the secondary sector the single largest sub-sector is manufacturing accounting for more than 20% to the provincial output.

More than 70% of the provincial labour force in 2007 was employed in the tertiary sector. Employment in the tertiary sector is distributed as follows: public sector (38.2%), wholesale and retail (16%) finance and business (14.9%) and transport and communication (3%). The secondary sector accounted for more than 20% of the formal employment in 2007. A large part of the employment in this sector was in the manufacturing sub-sector which accounted for close to 15% of the employment in the

Province. Agriculture, forestry and fishing employ less than 10% of the provincial labour reflecting the low contribution of this sector to the GGP (see Annexure 2 for complete socio-economic profile).

2.3 Past and Current Interventions

Since democratisation in 1994, the Government has put in place a number of key programmes which impact on rural development. These include programmes in the areas of infrastructure development, land reform, agriculture, industrial and economic development, spatial development initiatives, health, poverty alleviation, human resource development, as well as building institutional capacity in local government.

Specifically, since the Integrated Sustainable Rural Development Programme (ISRDP) and Urban Renewal Programme (URP) were announced, it is widely recognised that the implementation of these programmes yielded different levels of successes.

There is also evidence suggesting that not all provincial and national departments regard the Integrated Development Planning (IDP) process as the foremost strategic plan guiding investment and development intervention in an area. At the same time, existing legislation which mandates municipalities to undertake IDP does not bind other spheres of government to participate in the development of or recognize these plans. Neither is there an obligation on other spheres of government to align their plans and budgets to those of local government.

Hence, there is a need for tightening the legislative and policy framework for integrated planning between the three spheres of government such that it becomes mandatory to strengthen the relations with sector departments responsible for non-municipal powers and functions as this would help close the gaps in sustainable development and enabling local development environment.

Lately, the War on Poverty Campaign was launched with the aim to migrate communities from poverty traps towards sustainable livelihoods. Similarly, this programme lacked the meaningful and participation by sector departments and development partners.

Some of the lessons from the afore-mentioned interventions are important for the development of policy on rural development, and these relate to capacity and co-ordination, functionality of local government, engagement with traditional authorities, correlation in the government planning cycles, and spatial referencing and resourcing of programmes.

3. Problem Statement

For many years, rural development initiatives in the Eastern Cape have been erratic and inconsistent, and largely failed to provide a basis for sound and sustainable socio-economic development. Programmes of government have widely been criticised for urban bias, lack of integrated planning and co-ordination across government departments and between different spheres tiers of government, and weak institutional capacity to implement such programmes. As a result, the socio-economic impact of service delivery has not been optimised.

Rural areas, particularly of the previous Transkei and Ciskei Bantustans, are steeped in under-development and poverty. The effects of decades of neglect of these areas are all too evident – productivity is generally low; farming infrastructure has deteriorated where it exists or even existed at all; food insecurity; markets are seldom efficient or well-formed; and transport infrastructure is inadequate or dysfunctional.

Rural communities also do not have easy access to any information network; hence, they are secluded and marginalized from the mainstream of the socio-economic environment thus rendering them helpless and vulnerable.

In order to adequately address the characteristics of underdevelopment in the Province, particularly in the former Transkei and Ciskei, it is essential to adopt a broader perspective that is not confined to *agricultural circumstances*, as such, and to consider the broader imperatives for comprehensive *agrarian transformation and rural development*. However, it is important to note that, for some rural communities rural development should not translate to urbanization of rural areas; hence, whatever the nature of planning for agrarian transformation for sustainable rural development is, it should be strategically aligned to the rural environment.

In addition, over the past period, there has been a proliferation of agencies mandated to do rural development related work in the Province. This led to the overlap and duplication of programmes, gross inefficient and ineffective use of resources, and inter-agency competition. No doubt, the present system of state-owned enterprises and agencies in the Province are not sufficiently enabled and aligned to attend to the challenges posed by the broader perspective referred to above.

Arising from these circumstances, it is evident that the realisation of *sustainable rural development* is faced with deeply entrenched challenges, most of which arise from previous policies which achieved very little in terms of sustainability and were designed to pursue objectives based on social reengineering, discrimination and exclusion.

These challenges are not adequately addressed in existing statutes, policy and planning documents and operational guidelines in the Province. It is therefore imperative to develop and articulate new policy to facilitate institutional re-engineering for effective service delivery.

4. Rationale for a Rural Development Policy

The clear political mandate provided by the 52nd National Conference of the African National Congress (ANC) resulted in the adoption of a number of resolutions that constitute the basis for a coherent *policy on rural development*, including the following:

- Installation of satisfactory social and economic infrastructure and the extension of quality government services to rural areas, particularly in health and education;
- Ensuring fundamental changes in land ownership patterns through the redistribution of 30% of agricultural land by 2014, including comprehensive agrarian support services;
- Promoting agrarian change to support subsistence food production through expanding the role and productivity of modern smallholder farming and maintaining a vibrant and competitive agricultural sector- thus ensuring food security for all; and

- Strengthening the rights and economic circumstances of farm workers and farm-dwellers, especially through improved organisation and the enforcement of existing laws.

It remains vital that the role and purpose of the rural development imperative be carefully built into significant national and provincial policy procedures that guide comprehensive economic development; including the following:

(a) Macro-Economic Policy

Policy perspectives regarding export orientation and trade promotion with Southern Africa Development Community and African partners promoted by the Department of Trade and Industry (DTI) and the Eastern Cape Development Cooperation (ECDC) should be arranged and planned in the context of a sound rural development policy framework that takes cognisance of the wider context of regional socio-economic development.

(b) Industrial and Manufacturing Policy

The DTI Micro-Economic Reform Strategy (MERS) and Regional Industrial Development Strategy (RIDS) seek to establish a restructured and adaptive economy characterised by growth, employment and equity, built on the full potential of all persons, communities and geographic areas. Such policy approaches have a critical relevance to primary product beneficiation and value-addition related to processing and manufacturing crop and livestock products.

The Industrial Policy Action Plan (IPAP), launched by the DTI in February 2010, advances the work of the Economic Sectors and Employment Cluster and builds on the National Industrial Policy Framework (NIPF) and the 2007/8 IPAP.

It is designed to scale-up and promote long-term industrialisation and industrial diversification beyond current reliance on traditional commodities and non-tradable services. The purpose of the revised policy is to expand production in value-added sectors that have high employment and growth multipliers and compete in export markets as well as in the domestic market against imports. Hence, the Action Plan emphasises labour-absorbing production and increased participation by historically

disadvantaged people in the economy. Towards these ends, the Policy Action Plan focuses on specific *industrial clusters* in order to strengthen production efficiency and to promote investment in productive output for export and to build the domestic economy.

The Industrial Policy Action Plan focus sectors include *Rural Development* through interventions in a range of sector components such as agro-processing, bio-fuels, forestry, pulp and paper, furniture, cultural industries, aquaculture and tourism. In particular, it seeks to develop, strengthen and extend industrial value-chain production based on backward-linkages into rural hinterlands and on forward-linkages into urban industrial areas. Thus, the Action Plan represents a thoroughly integrated and comprehensive approach to industrial development in association with the National Economic Development Department and sector Departments that participate in the Economic Sectors and Employment Cluster.

It should be noted, too, that the Industrial Policy Action Plan initiative includes proposals to enhance *access to concessional industrial financing* for investment in identified priorities and other productive sectors on terms comparable to those of the country's major trading partners. This will encourage increased investment in specific sectors to generate a mix of import-replacement and exports and to contribute to the medium- to long-term objective of diversifying the structure of the economy.

Eastern Cape provincial economic development initiatives emanating from the PGDP and a re-vitalised rural development focus will benefit from the innovative developments associated with the Industrial Policy Action Plan.

(c) *Spatial Development Planning*

The Eastern Cape Provincial Spatial Development Plan (EC-PSDP) was formulated and is currently in the process of being updated. It must include a substantial reference to the imperative for rural development, currently led and supported by the Eastern Cape chapter of the Accelerated Shared Growth Initiative of South Africa (*AsgiSA-EC*) initiative. Arising from policy provisions outlined in the National Green Paper on Development and Planning (1999), the White Paper on Spatial Planning and Land Use Management and the National Spatial Development Perspective (NSDP, 2003) the

Eastern Cape Department of Local Government, Housing and Traditional Affairs undertook the formulation of the EC-PSDP in 2003 which included measures to influence and structure spatial planning and development in rural areas. A comprehensive review of the EC-PSDP was commenced in 2008/09 in order to accommodate the current national policy environment, the implementation of the PGDP and the requirements of the NSDP. The spatial plan also has relevance for the operations and performance of Metro, District and Local Municipalities with respect to their Integrated Development Plans (IDPs) and Spatial Development Frameworks (SDFs).

(d) Transportation Development Logistics

The Provincial Land Transport Framework (PLTF), together with extensive infrastructure and logistical planning associated with ports, airports and the IDZ Programme are critical aspects of the economic development process. It is imperative that these considerations should include direct references to the process of rural development in the context of broader socio-economic development in the Eastern Cape.

(e) Environmental Management Policy

Any programme which reduces poverty, diversifies income and allows people more control over their lives and their environment, should serve to reduce the risk of environmental degradation. It is in conditions of informal settlements and overcrowding where people have few assets and minimum control over their surroundings, that environmental degradation is likely to happen.

The objectives of rural development should ameliorate the current levels of environmental destruction associated with overcrowding of marginal, erodible and often dangerous land. However, rural development is not without environmental risks. Therefore, projects must be properly planned and the necessary measures put in place to govern zoning, planning and land use.

(f) Rural-Urban Migration Dynamics

The impact of migration from rural and non-urban areas on urban infrastructure and service capacity must be taken into account as an integral facet of rural development; as well as the effects of such migration on the structure and composition of rural/non-

urban households. In terms of the overall national *Vision 2014* perspective for the transformation of the South African economy, the state will continue to focus on micro-economic reform strategies because most of the remedies to the factors limiting accelerated growth and development lie within the micro-economy.

5. Policy Perspectives on Rural Development

5.1 The Electoral Mandate

After the 52nd National Conference of the ANC, a clear policy focus shifted towards rural development with agrarian reform as a primary driver. Rural development now carries more substance, following a period during which the emphasis was on general economic development with little state intervention and no direct support to farmers. Land reform previously followed a market-led reform model, which on its own, was not sufficient, and would possibly never succeed, to achieve rural development objectives.

The Conference further affirmed a determination to strengthen state capacity and to devote more resources to the challenges of rural development, land reform and agrarian change. In particular, this requirement included the founding of an *over-arching agency* equipped with the resources and authority to drive and coordinate integrated programmes of rural development, land reform and agrarian change.

The Conference further emphasised the importance of the agricultural sector in economic development, based on the following key characteristics:

- The sector has a significant potential to generate work, both as a direct employer and through forward- and backward-linkages to other sectors;
- The sector can provide a sound basis for sustainable livelihoods and small business development in rural communities;
- The sector can stimulate Local Economic Development (LED) strategies to raise rural incomes and build local economies; and
- The sector can establish and maintain procedures to ensure efficient production towards food security.

Rural development is one of the five key priorities of the 2009 Manifesto of the ruling party. Hence, the policy context provides a clear mandate for Provincial Government to pursue comprehensive strategic initiatives and programmes on rural development in the Province.

5.2 National Policy Perspective

In 2009, the President of the Republic of South Africa in the State of the Nation Address announced that a comprehensive rural development programme would be developed. A new Department of Rural Development and Land Reform (DRDLR) was established to ensure that the imperative for sustainable rural development and agrarian transformation was accorded the level of priority that is required. The Department has since introduced the Comprehensive Rural Development Programme (CRDP) as a response to poverty and food insecurity through maximising the use and management of natural resources to create vibrant, equitable and sustainable rural communities. The strategic objective of the CRDP is to facilitate integrated development and social cohesion through participatory approaches in partnership with all sectors of society.

It seeks to achieve social cohesion and development among rural communities on the basis of co-ordinated agrarian transformation, an improved land reform programme and strategic investments in economic and social infrastructure.

5.3 Provincial Policy Perspective

The Eastern Cape Provincial Growth and Development Plan (PGDP) represents a comprehensive overarching framework for socio-economic and development planning in the province for the period up to 2014. The PGDP identified six core objectives around which the province should provide a stimulus for transformation: agricultural transformation, poverty eradication, manufacturing diversification, infrastructure development, transforming the public sector and developing human resources.

Key targets in the PGDP include an economic growth rate of 5% to 8% per annum and a reduction in unemployment and poverty by 50% by 2014. Also included in the PGDP provisions are food self-sufficiency in the province by 2014, clean water and the elimination of sanitation backlogs by 2010 and halt the spread of HIV and AIDS.

A review of the PGDP in 2007 confirmed the existence of entrenched uneven development and spatial imbalances, pervasive poverty, high levels of dependency in poor households, critical skills shortages, sub-optimal growth in the eastern part of the Province (characterised by a dominance of public sector employment), unequal terms of trade (characterised by a high external trading account and sub-optimal local beneficiation), high unemployment, complex regulatory impediments (particularly relating to land), sub-optimal impact of existing agrarian and rural development initiatives, significant infrastructure backlogs (especially enabling infrastructure and essential logistics for economic development), sub-optimal resources at provincial and local level for investment requirements, inadequate state capacity (especially in terms of planning, implementation, project development, partnership facilitation and monitoring; and an absence of viable growth coalitions.

The assessment of the PGDP conducted by the Office of the Premier in 2009 concluded that:

- While poverty was reduced marginally, nearly seven out of ten people are still living in poverty;
- Poverty in the Eastern Cape emanates from structural factors that confine the Province's residents to a life of perpetual deprivation;
- The accelerated development of productive and human capability in the former Bantustans, in particular, requires national support to accelerate rural industrialisation and investments in infrastructure that can support increased economic activity;
- There is insufficient co-ordination and collaboration among departments and spheres of government; and
- The objectives of systematic poverty eradication and social protection, agrarian transformation and food security and manufacturing diversification should remain core pillars of the PGDP underpinned by human resource development and education and social and economic infrastructure.

The review and assessment of the PGDP recommended that more attention should be accorded to *Agrarian Transformation and Rural Development*, advocating, among other considerations, more detailed attention to agrarian research, developing innovative rural capacity-building models and programmes, concentrated attention on integrated agricultural infrastructure, and initiatives to encourage the growth of agro-industry and agro-processing.

It is important to note that, apart from its own inherent development implications, the Agrarian Transformation and Rural Development Pillar cannot exist in a vacuum. Sustainable agrarian transformation and rural development *must be closely integrated* with Infrastructure and Manufacturing Diversification, in particular; and also has important linkages with Social Protection/Basic Service Delivery and Human Resource Development and Education. Also important is the cross-cutting Public Sector and Institutional Transformation which emphasises the integrated nature of the development intentions of the PGDP. In particular, the importance of a clearly-stated imperative for institutional arrangements regarding PGDP implementation is a crucial provision that will assist the establishment of a new rural development public entity based on rationalisation and consolidation of existing institutions.

Therefore, it is the perspective and belief of Provincial Government that the rural development fabric and thought should permeate through all government planning and service delivery implementation. This is what will give meaning to the philosophy of working together to bring about more, and at a faster pace.

To facilitate this, in 2009 the Premier of the Eastern Cape announced the establishment of the **Department of Agriculture and Rural Development (ECDARD)** to ensure a strategic focus on the championship and effective coordination of rural development in the Province.

6. Vision for Rural Development

Our vision for rural development in the Eastern Cape is that of *Sustainable Growth and Development for Improved Quality of Life*

In practice, this means rural communities having access to quality physical, social and economic infrastructure; that land and other natural resources becoming viable assets in the hands of the rural poor; that indigenous knowledge and cultural value systems being harnessed for human and social development; a vibrant arts and cultural life; and rural communities having access to information, communication and technology.

It is also about rural communities being involved in a process of regeneration and that there are no obstacles to the full development of human potential.

This vision serves to inspire us to work tirelessly towards transformed rural areas that are socially and economically developed, as well as establishing an institutional environment conducive to rural development.

7. Policy Objectives for Rural Development

In order to meaningfully pursue the vision as articulated above, it is imperative for Government to develop and declare rural development policy that seeks to ensure that:

- All government departments and agencies recognise the Rural Development Strategy, particularly in the planning, resourcing and implementation of rural development programmes; and
- Institutional capacity is established for coordination, effective implementation, and monitoring of and reporting on rural development programmes.

8. Policy Proposals for Rural Development

In order to realize the afore-mentioned objectives in pursuance of the overall vision of the Rural Development Strategy, it is henceforth declared as policy of Provincial Government that:

- (i) As informed by the Rural Development Strategy, integrated development planning will be the point of departure for all rural development plans;
- (ii) Current and future Strategic Plans of the Province, including municipal IDPs, will be designed such that they reflect the essence and substance of the Rural

Development Strategy. In this regard, provincial fiscus will only be deployed to fund plans that are adequately spatially referenced, and whose rural development content is aligned to **ILIMA LABANTU** and IDPs;

- (iii) The coordinating department will be empowered and authorized to develop tools for assessing the credibility of the strategic and annual performance plans, to test and confirm their alignment to the goals of rural development;
- (iv) A Provincial Rural Development Agency will be established on the basis of appropriate legislation, and it will be mandated with the implementation of assigned rural development programmes; and
- (v) A Provincial Rural Development Fund will be established, and managed by the Agency, initially supported through fiscal allocations with the aim of long term sustainability.

9. Roles and Responsibilities of Rural Development Implementing Institutions

9.1 The Executive Council (EXCO)

The main drivers of socio-economic development in the Eastern Cape are the Rural Development and Industrial Development Strategies. However, currently there is no mechanism of co-ordination although there are huge potential synergies for greater impact in the programmes offered by these strategies.

The success of **ILIMA LABANTU** depends to a great extent on the ability of government departments to work together and in a co-ordinated manner through clusters. Therefore, a new co-ordinating mechanism, chaired by the Premier, and responsible for co-ordinating government work *across clusters* should be established. The committee should provide guidelines to enforce coordination and integration of government work.

9.2 Office of the Premier (OTP)

Coordination, integration, and collaboration with social partners and an enabling institutional environment are the cornerstones for the successful implementation of

ILIMA LABANTU, and are imperative for maximising impact. Thus, government plans must be well-coordinated to ensure that they resonate with **ILIMA LABANTU**, that budgets are used to achieve maximum impact, and that there is no overlap and/or duplication between programmes of government departments and entities.

The OTP must ensure integrated planning between government departments, local government and other state institutions. Central to this will be the need for greater emphasis on area or community-based planning approaches linked to the current IDP framework. The IDPs should form the basis for planning in rural areas and should be used as instruments for integration and priority setting for local areas. Therefore OTP should mobilise government departments and entities to commit to the implementation of the strategy, thus inculcating a culture of public service that is aligned to the rural development paradigm.

9.3 Department of Agriculture and Rural Development

The ECDARD is the champion and lead department for rural development in the Province of the Eastern Cape. In this context the ECDARD will be responsible for leading the following transversal co-ordinating functions related to the strategy for rural development in the Eastern Cape:

- Providing the policy and legislative framework for the effective implementation and realization of the objectives of rural development in the Eastern Cape;
- Promoting and facilitating integrated planning for rural development, within the framework prescribed by and process driven from the OTP;
- Ensuring implementation of the Rural Development Strategy;
- Resource mobilisation for the successful implementation of the Rural Development Strategy;
- Social mobilisation and organisation of rural communities and stakeholders in support of the work aimed at implementing the Rural Development Strategy;

- Establishment and capacitation of, as well as oversight over the ECRDA; and
- Reporting on, and monitoring and evaluation of rural development programmes

9.4 Local Government

Local Government will be the most critical partner in the implementation of **ILIMA LABANTU**, and the success of the Strategy rests on the functionality of rural local government. Local Municipal Mayors supported by District Executive Mayors, Provincial and National Government are to drive rural development.

Through initiatives such as the five-year strategic local government agenda, municipalities should be well capacitated to ensure that the functionality of local institutions and quality and credibility the IDP are improved.

The governance and public / stakeholder participation structures for rural development have to be anchored at the local level, hence the need to improve the effectiveness of the Inter-Governmental Relations Structures. Perhaps most importantly, this is where a concerted effort will have to be made to establish partnerships with and common purpose amongst the key role players, notably traditional leaders and ward councillors / committees.

9.5 Government Departments and Public Entities

The new approach to rural development in the Eastern Cape should not be perceived as an add-on to the work that departments and entities have been doing, or come into their plans as an after-thought, but it defines a new way of conducting their business. This relates, *firstly*, to the need for improved coordination and integration to ensure an increased impact from public expenditure which all players should pursue as a primary objective to achieve the long-term vision of **ILIMA LABANTU**. *Secondly*, the need for equitable allocation of resources, taking into account the historical neglect and resultant service and infrastructure backlogs in the rural Eastern Cape.

Furthermore, the implementation of **ILIMA LABANTU** is the responsibility of all spheres of government, departments and public entities. It is expected that Departments

and entities will identify from within their competencies and areas of responsibilities the implementation functions to be assigned to the ECRDA, provided such mandates are properly funded and the devolution procedures are in compliance with the relevant provisions of the PFMA.

9.6 Civil Society and Non-governmental Organisations (NGO)

In keeping with the principles of active participation, empowerment and sustainability, civil society and Non-governmental Organisations will form a critical component of the implementation mechanisms of the Rural Development Strategy, in particular the planning, implementation, monitoring and evaluation aspects of the strategy.

Due to this sector's proximity to beneficiaries at grassroots level, it is critical that these institutions be involved from the outset of all planning initiatives, as they would be able to provide critical qualitative and quantitative inputs regarding the needs and expectations of beneficiaries.

Active mechanisms will be established to formalise the interaction between government and this sector. Of specific importance will be the ability to leverage of the institutional capacity and donor resources that are at the disposal of this sector.

In this regard, mechanisms and processes will be established to allow all spheres of government to leverage of the capacity and systems that are located within this sector, notably the effective and efficient implementation of programmes and projects. Of special importance is the ability of this sector to mobilise both communities and donors to commit resources, skills and expertise.

However, due regard will be given to the independence of this sector whilst at the same time benefiting from their oversight experience when determining the impact of rural development interventions as part of a robust monitoring and evaluation framework.

10. The Provincial Rural Development Agency (ECRDA)

Amongst the rural development tasks identified in the 2009 State of the Province Address is “the rationalization of rural development entities into a single Eastern Cape rural development entity...” The Executive Council further determined that the process of rationalisation of existing entities should be based on a comprehensive Business Case to inform the optimal structure and functions of a single rural development agency.

Subsequently, as informed by the Business Case study, consultation was conducted with relevant public entities, resulting in three such, namely, the Eastern Cape Rural Finance Corporation (**ECRFC**), Eastern Cape Appropriate Technology Unit (**ECATU**) and **AsgiSA-EC** being identified as mostly relevant for amalgamation into a single rural development agency, **the ECRDA**.

The primary role of the RDA will be catalytic, with an emphasis on planning, research and project packaging, facilitation, project management, and implementation of priority programmes.

Hence, the **main functions of the RDA** shall be to:-

- Facilitate integrated rural development planning and implementation;
- Coordinate research and technology development initiatives in the rural economy;
- Mobilise and avail resources and capacity for rural development;
- Support and provide capacity to existing institutions and initiatives of rural communities; and
- Develop new approaches and alternatives to current modes of service delivery.

The ECRDA will be established within the policy parameters as articulated in this White Paper to advance the objectives of the PGDP and the Rural Development Strategy, and it will be founded on legislation specifying powers and functions mandated / assigned to the agency. The ECRDA legislation will essentially form the basis and necessary legal framework for the amalgamation of the **ECRFC, ECATU and AgsiSA-EC** as alluded to earlier.

10.1 Legislative Framework

The Business Case identified two options for developing an enabling legislation for the ECRDA, namely, either drafting and promulgating a completely new legislation or motivating the Eastern Cape Rural Finance Corporation Act [Act No. 9 of 1999 (EC)] as the enabling legislation. The benefits and disadvantages of the two options are considered in the Business Case.

Subsequent analysis of these scenarios led to a determination, with amendments, the current ECRFC Act will constitute a sound legislative basis for establishing the ECRDA as a new rural development agency. This is informed by the observation and understanding that the ECRFC Act generally provides for rural finance and rural development, and that the mandate of the ECRFC is broad enough to allow the effective and sustainable implementation of rural development initiatives.

Moreover, the ECRFC Act establishes a *rural development corporation* “to promote, support and facilitate rural development in the Province” which could effectively operate as the Rural Development Agency.

The immediate benefit / advantage of this scenario is that the existing entity established in terms of the ECRFC Act (the ECRFC) is already listed in compliance with the PFMA. The understanding is that when the entities referred to above are amalgamated, on the basis of this amended legislation, into a single entity, the current ECRFC in its current form will cease to exist, but the PFMA listing will remain. Additionally, fashioning amendments to the ECRFC Act will also save substantial time compared to the time it would require to develop completely new legislation.

It has further been noted that the legislative mandate and objectives of the ECRFC Act and the Transkei Development Reserve Fund (TDRF) are not mutually exclusive, and as such the powers and mandate of the TDRF Act may be incorporated as additional amendment to the ECRDA legislation.

10.2 Mandate and Strategic Framework

The mandate of the ECRDA should reflect a dedicated focus on facilitating, promoting and implementing a comprehensive and sustainable rural development programme

through ensuring integrated planning and implementation; increasing sustainable public and private investment in rural areas; increasing income in rural households; unleashing the resource potential of rural areas; and empowering rural communities to meaningfully participate the process of change.

In order to realize this mandate, it is critical to identify relevant priority / focus areas for achieving sustainable rural development, and to review the structures as well as the strategic and operational capacity of existing rural development entities to ensure alignment with the proposed new structure and business model.

The schedule below is a distillation of the ECRDA mandate into clear a clear set of priority areas and objectives.

Strategic Priority Areas	Objective dimensions
Facilitating and supporting innovation through research and development	<ul style="list-style-type: none"> ▪ Facilitate evidence-based planning for integrated rural development through research and innovation ▪ Benchmark provincial, national and global trends ▪ Undertake sector studies and analyses ▪ Review current and comparative operating models
Leveraging rural financing to support rural development	<ul style="list-style-type: none"> ▪ Facilitate loan and grant funding ▪ Fund management, mobilisation and syndication ▪ Facilitate venture capital and investment ▪ Manage Rural Development Fund
Skilfully addressing programme design, project management and marketing	<ul style="list-style-type: none"> ▪ Planning, spatial development, financial modelling ▪ Logistics and value chain management ▪ Feasibility and bankability studies to support rural development initiatives ▪ Identify, develop, assess and strengthen funding options; institutional arrangements; public/private investment in rural areas; economic opportunities in rural areas; production processes and linkage to markets

Strategic Areas	Priority	Objective dimensions
		<ul style="list-style-type: none"> ▪ Facilitate an increase in rural household incomes ▪ Sustainability and development ▪ Governance, accountability, performance and replication prospects through monitoring and evaluation ▪ Standard Operating Procedures
Developing, strengthening and coordinating Establishing and managing stakeholder relations		<ul style="list-style-type: none"> ▪ Inter-Governmental/Inter-Sphere co-operation ▪ Strategic and Operational alignment ▪ Inter-Governmental fiscal relations (Budgetary and funding alignment) ▪ Strengthening effective civil society partnerships in rural development
Ensuring excellence in business and resource management within the ECRDA		<ul style="list-style-type: none"> ▪ Strategic and Business performance management (strategic and operational planning) ▪ Human resources, talent management, skills transfer, training and development ▪ Financial management and corporate governance ▪ Information and Communication Technology (ICT) Management ▪ Knowledge Management (KM) ▪ Risk and asset management

10.3 Oversight and Governance Model

The Business Case outlines important aspects of governance issues that must be considered in relation to the ECRDA. These are indicated below.

10.3.1 Strategic Planning and Reporting Framework

In the determination of Strategic Plans and Annual Performance Plans (APPs), the ECRDA, as the Accounting Authority, should comply with the prescribed requirements

in the PFMA and relevant Treasury Regulations. The Agency should ensure that these plans and their accompanying budget and MTEF projections are developed and aligned to the policy targets set by the ECDARD.

In terms of the PFMA and Treasury Regulations regarding the monitoring and reporting of financial and non-financial information, the ECRDA will be required to provide quarterly performance reports to the Executing Authority, and the reports should cover, but not necessarily be limited to:

- The state of governance within the Agency;
- Strategic plans, programmes and operations of the Agency; and
- The financial position of the Agency, in terms of its in year monitoring and evaluation procedures.

In line with the above, the reports should give a reflection of:

- ⇒ The extent to which the ECRDA is meeting the policy objectives, as determined by the ECDARD as part of its medium-term and annual strategic planning processes;
- ⇒ The financial liquidity of the ECRDA as well as a demonstration of the efficient and effective utilisation of its resources; and
- ⇒ Possibilities and opportunities for institutional growth and development.

Annual reports of the ECRDA should comply with, and be as prescribed in the PFMA and Treasury Regulations, including the submission of audited financial statements for the year under review.

All strategic planning and reporting should be in full compliance with the process governing the necessary review and approval of public entity reports by the Executing Authority prior to tabling in the Provincial Legislature. However, the critical governance relationships and requirements must be formalised in a Shareholder Compact concluded between the Executing Authority and the Board of the ECRDA.

10.3.2 Composition and size of the Board

The members of the ECRDA Board and Chairperson should be appointed by the Executing Authority, and the Board may be delegated powers to appoint the Deputy Chairperson. The Board should be composed of no less than seven and no more than eleven members, appointed for a three-year renewable term of office, who would be required to bring the necessary and relevant expertise to this governance structure. In appointing the Board, the Executing Authority should consider the inclusion of individuals with the relevant and necessary financial, fund management, agriculture and agro-processing, rural development, business and commercial acumen.

Additionally, the Executing Authority will further delegate a senior official as the departmental representative, as well as appoint nominees of the Office of the Premier and Provincial Treasury, to the Board of the ECRDA. This will ensure that the executive leadership in the ECDARD and government as a whole provide the necessary strategic guidance and support to the Agency.

Also, ECRDA Board in consultation with Executing Authority will appoint the Chief Executive Officer (CEO) who will be responsible for the management of the Agency, and serve as the Ex-officio member of the board.

The Executing Authority will retain the right to terminate the membership of individuals appointed to the ECRDA board.

10.4 Transitional Arrangements

The proper management of and smooth transition from the existing institutions (ECRFC, ECATU and AsgiSA-EC) to the new agency (ECRDA) will be critical in laying a solid foundation for rural development in the Province. The Business Case identifies, in some detail, various aspects of merger risks and associated mitigating actions that should be considered for the successful management of the transition.

Further considerations regarding transitional arrangements should include the following:

- a) Proper conceptualization of the merger, and the development of a merger process plan;
- b) The appointment of a suitable merger facilitation team to 'project manage' the merger process;
- c) The establishment of consultative, participatory and functional interim structures led by the ECDARD and in which ECRFC, ECATU, AsgiSA-EC and organised labour are represented;
- d) Ensuring that staff, particularly those below the management levels, are not negatively affected by the merger;
- e) Ensuring that an accurate account of assets and contractual obligations of the existing entities is done, and that the same accrue to the ECRDA, once institutionalised;
- f) Ensuring that businesses of existing entities are properly and professionally wound up, including the annual auditing process;
- g) The appointment of the ECRDA Board and CEO (and possibly other executive managers); and
- h) The development and agreement on protocols to guide the conduct of the existing entities during the merger period

The consolidation of these entities into the ECRDA will require substantial planning and organisational development, which should include the following areas:

- Developing a 5-year Strategic Plan, 3-year Annual Performance Plan and 1-Year Operational Plan for the ECRDA, aligned to the Rural Development Strategy;
- Designing an optimal organisational structure for the ECRDA;
- Developing a plan to manage the migration of personnel from the existing entities to the ECRDA;
- Determining the framework and procedures for the transfer of assets and liabilities of the existing entities to the RD; and

- Designing, adapting and implementing a range of necessary operational and strategic policies and procedures.

11. Financing Mechanisms for Rural Development

11.1 The Rural Development Fund (RDF)

The 2009 State of the Province Address also announced the intention to establish a provincial Rural Development Fund in order to support and sustain the implementation of rural development programmes. The RDF will be established with authorisation and applicable conditions set by Provincial Treasury, and it will be managed to the ECRDA. Although currently managed by Provincial Treasury, it is envisaged that the TDRF (and associated assets) will constitute seed funding for the RDF, and the ECRDA legislation should make provision for this, possibly by incorporating a section on the RDF whilst simultaneously repealing the TDRF Act.

The main purpose of the RDF is to respond to the observable market failure related to the funding of major projects in rural areas because such projects often require significant investments that generally tend to be avoided by private sector interests. Hence, the concept of an RDF creates opportunities for the Eastern Cape Provincial Government to co-finance major projects in rural areas on a risk sharing basis with other financiers. Towards this end, the Provincial Government could leverage its own contribution substantially by partnering with other financial interests to accelerate the pace of rural development. Moreover, such a proposed Provincial Government – Private Sector financing venture will lead to increased capacity for service delivery.

The RDF is also an attempt to create a self-sustaining development fund that will re-invest surplus funds on a continuous basis in order to accelerate rural development in the Eastern Cape, and hopefully, it will provide meaningful support to the financial markets in the Eastern Cape in order to eliminate the perceived market failures and risks.

In order to provide a credible mandate for the RDF, it is evident that the activities of the Fund should be closely aligned with **ILIMA LABANTU**, and should focus

attention on building a quality portfolio of investments in the rural areas so as to enhance economic growth; accelerate socio-economic development; create sustainable jobs and wealth; and establish and support sustainable industries while optimising returns to private and public investors as well as operating within acceptable risk parameters.

Ideally, and within the context of the Eastern Cape Rural Development Strategy, the RDF should largely be deployed to support economic sectors such as Agriculture, Agro-Processing, Construction, Tourism and Forestry, but should also demonstrate a strong focus on BBBEE.

11.2 Other Funding Options

Rural development will be implemented in the programmes of government departments through allocated annual budgets. It will be expected though that these budgets are spatially referenced to account for expenditure specifically on rural development initiatives.

Preferably, and as the Business Case indicates, the funding model for the ECRDA should be guided by the following revenue streams:

- Government grant funding through the transfer of payments from ECDARD, as the mandating department, in line with the existing resourcing arrangements in terms of the PFMA. For starters this transfer payment will represent the consolidation of transfer payments to the ECRFC, ECATU and AsgiSA-EC, provided the current underfunding of these entities is addressed.
- Own generated revenue through sustainable and commercially viable projects implemented through the ECRDA.
- Interest generated by investments in the new Rural Development Fund.
- Possibly, revenue from the assets currently housed within the Transkei Development Reserve Fund (TDRF).
- Additional own revenue will also be derived from commercially viable subsidiaries to be transferred to the ECRDA from existing public entities in the province such as those located within the ECDC and ECRFC.

- Additional funding generated through collaborative efforts in partnership with other government and non-government entities (such as donors and the private sector). Effectively, the ECRDA will be expected to mobilize and co-ordinate donor funding for the benefit of the rural communities.

The ECRDA will develop an own revenue strategy and investment policy, which will facilitate the move towards less reliance on the existing government grant. This will further assist the Agency in the delivery of its mandate.

In the final analysis, the overarching and ultimate goal of a functional Rural Development Strategy is to establish, implement and propagate the concept of self-sustaining and independent rural communities that will be centres of rural development excellence through the creation, mainstreaming and development of viable rural enterprises that will provide equity and sustainable employment opportunities to the rural population.

In this regard, one of the most important Critical Success Factors of the Rural Development Strategy will be to ensure the integration and a well-balanced interdependence of the rural economic development initiatives and the Provincial and National mainstream economies.

12. Monitoring and Evaluation

Provincial Government has to deliver its mandate through a process which ensures that the rural development mandate is translated into meaningful outcomes and output guidelines for effective and efficient service delivery. The service delivery environment is complicated by large numbers of actors occupying the space. This necessitates the introduction and institutionalisation of performance assessment and monitoring measures and systems.

Evidence of performance and service delivery will be tested through performance management, monitoring and evaluation based on outcome and outputs measures. Monitoring and evaluation of this policy will be based on the implementation plan for Rural Development Strategy. This implementation plan will serve as the Provincial Performance Monitoring and Evaluation guide, and will apply not only to government, ECDARD or ECRDA, but to all rural development initiatives in the

Province. Effective monitoring and evaluation is a function of accurate performance information recording and reporting, and it is imperative that this principle be upheld by all rural development practitioners.

13. Conclusion

This White Paper came as the result of consultation and inputs on a Green paper that was circulated by ECDARD, aimed at promoting public discussion on proposed policy on rural development and strategic planning considerations, the Rural Development Strategy, policy analyses and the compilation of a formal Business Case to consider the viability of an ECRDA.

Based on the policy framework provided through this White Paper, the Eastern Cape Rural Development Agency legislation will be developed to provide for the legal framework for the ECRDA. However, these instruments only serve to create the necessary conditions and an enabling environment for rural development. The crux of the matter is in the effective utilisation and implementation of these policy instruments and measures.

Once more, ECDARD conveys a word of gratitude for the invaluable inputs received in the development of this *White Paper: An Institutional Framework for Rural Development in the Eastern Cape*.
