

Structural Rural Transformation:

A conceptual position to underpin implementation and decision-support.

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## Purpose of document

The purpose of this document is to provide a conceptual reference point that would guide and inform the Eastern Cape Rural Development Agency's (ECRDA) approach towards realising its rural development mandate.

Accordingly, this document presents a collection of axioms<sup>1</sup> related to structural rural transformation; which is considered as being of fundamental importance to the ECRDA's efforts to advance rural development in the Eastern Cape Province.

The document therefore serves as a reference point which underpins and informs thinking, planning, implementation, reflection, and assessment of ECRDA operations.

It is important to note that the purpose of this document is not to establish a dogmatic position but rather to articulate a shared understanding in the continuous evolving "thinking process which underpins" the ECRDA's approach to rural development.

## Scope and limitation of study

The scope of this study is to serve as a conceptual reference point, and accordingly excludes from its scope issues of an operational and technical nature.

The scope of the document is further restricted in that it does not focus on legislative and policy imperatives, but rather on the conceptual nature of what structural rural transformation entails within the context of rural development.

## Problem statement

The approved Eastern Cape Rural Development Agency (ECRDA) Research Agenda, dated 25 May 2020, identified one (1) research item pertaining to the need to define the ECRDA's approach towards Rural Development.

Accordingly, item 60 of the ECRDA Research Agenda summarised in the table below.<sup>2</sup>

Ref	Problem Statement	Research Item	Output	Strategic Outcome	Strategic Output	User	Focus Area
60	Need to increase effectiveness and efficiency of rural development	Develop a policy/concept document defining the ECRDA's approach to rural Development	Concept document	Increase socio-economic impact	Effective and efficient programme and project management services	CEO	Rural Development

It is important to contextualise this research agenda item (and this research report) as the result of a convergence of several research projects completed by the ECRDA since 2020.

In this regard the ECRDA produced a research report in July 2020, which presented a framework for measuring the shift from agricultural projects towards non-agricultural projects. The report concluded that additional research was required to develop a "statistical and/or evaluation framework which

<sup>1</sup> "An axiom is defined as a statement accepted as true as the basis for argument or inference; an established principle or self-evident truth; widely accepted on its intrinsic merit. (<https://www.merriam-webster.com/dictionary/axiom>)

<sup>2</sup> ECRDA. 2020. Research Agenda. 25 May 2020, Draft 3.

could enable the ECRDA to quantify its impact within the broader definitions of rural development and agricultural development, respectively”.<sup>3</sup>

In response to the above-mentioned recommendation, a research report entitled “Measuring Rural Development: Defining a Measurement Framework for the Eastern Cape Rural Development Agency (ECRDA) was issued on 31 December 2020.<sup>4</sup> This report high-lighted the fact that a diverse range of indices and interpretations of how to measure rural development exist and recommended an approach towards the measurement of rural development.

However, upon reflection of these two above-mentioned reports, it was felt that a need exists to articulate the ECRDA’s “conceptual” understanding of what rural development entails. This understanding in turn would guide the organisation’s articulation and contextualising of its operations and how to measure its impact.

Accordingly, a research problem was formulated which states that:

*“The ECRDA, is currently not able to articulate a consolidated conceptual position of its approach towards rural development, which can underpin and inform its implementation and decision-support posture”.*

## Research objectives

The purpose of this document is therefore to articulate a position relevant to the full spectrum process of what rural development entails, from the perspective of the ECRDA; and to guide the organisation’s implementation and decision-support posture accordingly.

To realise this purpose several research objectives, must be achieved, which include:

- articulation of the ECRDA’s understanding of rural development;
- stating axioms which underpin the ECRDA’s position;
- articulating the implication of the ECRDA’s position; and
- defining a way-forward.

## Methodology and structure

This study employed a qualitative research methodology which made use of a literature review.

The literature review covered the following aspects:

- conceptual and process explanations of the nature of structural rural transformation; and
- the various components of a structural rural transformation process.

The results of the literature review were then used to articulate a range of axioms which underpin the ECRDA’s conceptualisation of the rural development process.

Accordingly, and in support of the stated objectives and methodology, this research paper has been structured to consist of the following sections:

- defining the process of structural rural transformation;
- statement of axioms underpinning structural rural transformation;
- determining the implications of stated axioms; and

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<sup>3</sup> Nienaber, S, Liebenberg, F, Ningi A. and dladla, n. 2020. Framework for Measuring the Shift from Agricultural project towards non-agricultural project across the ECRDA portfolio. Eastern Cape Rural Development Agency: Research Report.

<sup>4</sup> Office of the CEO: ECRDA. 2020. Measuring Rural Development: Defining a Measurement Framework for the Eastern Cape Rural Development Agency (ECRDA). Eastern Cape Rural Development Agency.

- mapping a way forward.

## Defining the process of structural rural transformation

This section provides an overview of the genesis and content of structural rural transformation within the broader ambit of rural and economic development.

### Genesis of the concept of structural rural transformation

The concept of rural structural transformation rose to prominence in 2016 when the International Fund for Agricultural Development (IFAD) launched its annual Rural Development Report entitled “*Fostering Inclusive Rural Transformation*”. At the core of the report was the notion that agricultural and therefor rural development should intrinsically be part of a larger structural transformation process.

Central to this transformation process is the establishment and expansion of linkages between agriculture, the rural non-farm economy, manufacturing, and related services. This process requires deliberate interventions which leverages agriculture, high-priority policy reforms, institutional innovations, and investments into an inclusive rural transformation pathway.<sup>5</sup>

What made this approach significant was its systemic and integrated approach which positioned agricultural development as a catalyst for rural development within the broader context of a structural transformation of the economy; that would positively alter the human condition of rural communities.

### The broader economic development context

According to the process proposed by IFAD rural structural transformation takes place within the broader context of economic development. Within this context economic development deals with increased economic growth and the changes in interactions and relationships between various structural components of the economy. These components of the economy include:

- production;
- employment;
- demand and trade;
- structure of society; and
- the application and access to technology to achieve greater competitive advantage.<sup>6</sup>

The changes in the relationships between these elements is termed “structural change”. In turn structural change should ideally lead to increased economic development which produces a state of structural transformation which is characterised by increased levels of human and “physical capital, positive changes in the composition of demand, production, employment and trade”.<sup>7</sup>

Structural change takes place at difference levels which include:

- accumulation rates;
- sector composition of economic activities;
- location of economic activities, and

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<sup>5</sup> Rural Development Report 2016: Fostering Inclusive Rural Transformation, [https://www.ifad.org/documents/30600024/30604583/RDR\\_WEB.pdf/c734d0c4-fbb1-4507-9b4b-6c432c6f38c3](https://www.ifad.org/documents/30600024/30604583/RDR_WEB.pdf/c734d0c4-fbb1-4507-9b4b-6c432c6f38c3)

<sup>6</sup> Marjanović, V. 2015. Structural Changes and Structural Transformation in A Modern Development Economy. *Economic Themes*, 53(1): 63-82.

<sup>7</sup> Marjanović, V. 2015. Structural Changes and Structural Transformation in A Modern Development Economy. *Economic Themes*, 53(1): 63-82.

- changes of economic structure (including demographic and distribution of income).<sup>8</sup>

Within the context of structural change, reciprocal interactions between elements such as industrialisation, agricultural transformation, migration, urbanization<sup>9</sup>, and innovation, produces changes in supply and demand configurations. These changes in turn create a state of balance between the various elements and produces and sustains growth.<sup>10</sup>

A key driver of economic growth is stimulating increased demand and supply. This is illustrated in the case of agricultural development; where an increase in agricultural surplus allows for the flow of capital and labour to non-agricultural activities.<sup>11</sup> Increased flows effectively creates a demand for non-agricultural products and services; a demand which is satisfied through increased industrialisation and commercialisation.<sup>12</sup>

Therefore, as labour markets become more concentrated due to industrialisation and commercialisation it accelerates urbanisation, which produces higher incomes and better socio-economic conditions through a process termed “demographic transition”.<sup>13</sup>

It is within this broadly defined transformation process that rural structural transformation takes place.

It is important to note that the notion of rural structural transformation has found clear expression in the policy imperatives contained in the National Development Plan (NDP) and Eastern Cape Provincial Development Plan (PDP) which states that the overarching development goals of the PDP is informed by a “rural development bias” that aims to address “structural imbalances” until a state of “spatial equity is established”.<sup>14</sup>

### The process of structural rural transformation

At its core, the process of rural structural transformation fuses rural and urban systems and networks into an integrated, symbiotic, and sustainable socio-economic eco-system which positively alters the human condition of the rural communities.<sup>15</sup>

This notion of fused integration also finds expression in the National Spatial Development Framework (NSDF), which recognises the importance of multi-dimension linkages and integrated value chains between urban and rural spaces.<sup>16</sup>

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<sup>8</sup> Marjanović, V. 2015. Structural Changes and Structural Transformation in A Modern Development Economy. *Economic Themes*, 53(1): 63-82.

<sup>9</sup> Marjanović, V. 2015. Structural Changes and Structural Transformation in A Modern Development Economy. *Economic Themes*, 53(1): 63-82.

<sup>10</sup> Chenery, H. (1988) “Introduction”, *Handbook of Development Economics I*: 205-210.

<sup>11</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. *Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change*. World Bank Washington DC.

<sup>12</sup> Marjanović, V. 2015. Structural Changes and Structural Transformation in A Modern Development Economy. *Economic Themes*, 53(1): 63-82.

<sup>13</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. *Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change*. World Bank Washington DC.

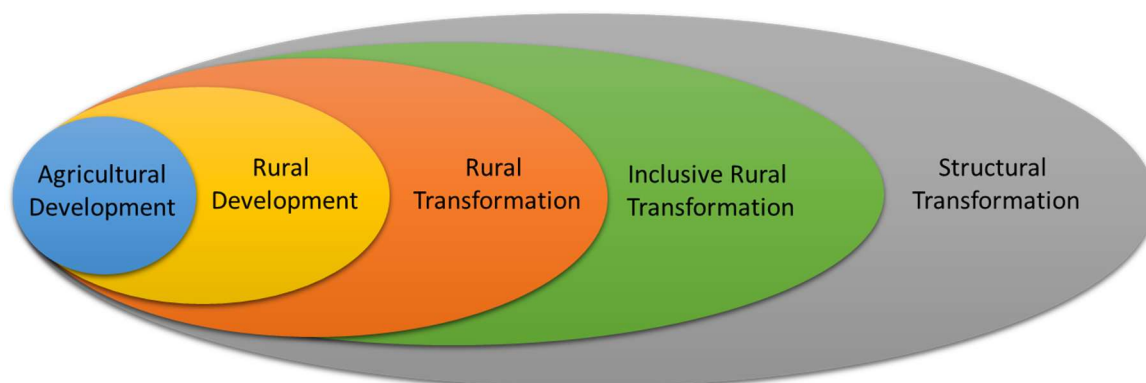
<sup>14</sup> Eastern Cape Planning Commission, 2014. *Eastern Cape Vision 2030: Provincial Development Plan*. Provincial Government of the Eastern Cape. Pages 17-18.

<sup>15</sup> International Fund for Agricultural Development, 2016. *Rural Development Report 2016: Fostering Inclusive Rural Transformation*. Rome.

<sup>16</sup> Department of Rural Development and Land Reform and the Department Planning, Monitoring and Evaluation, 2018. *Draft National Spatial Development Framework*.

As will be illustrated below, the process of structural rural transformation is an integrated and evolutionary process which leverages of the catalytic nature of agricultural development.

## THE INTEGRATED NATURE OF RURAL TRANSFORMATION



International Fund for Agricultural Development, 2016. Rural Development Report 2016: Fostering Inclusive Rural Transformation. Rome. Page 19.

In this regard **agricultural development** serves as a catalyst to improve the socio-economic conditions of farmers through innovation, effectiveness, and efficiency which exponentially increases agricultural production and productivity.

Increased agricultural production in turn lays the foundation for **rural development**, which improves the socio-economic well-being of rural communities through the provision of infrastructure, health, education and other related socio-economic services which advances the diversification and expansion of rural economic activities.<sup>17</sup>

Once the forces of agricultural and rural development merge, it forms the basis for **rural transformation**, which is the diversification of rural products and production capacity towards new off-farm commercial and entrepreneurial enterprises. The result is the generation of multi-sectoral sustainable socio-economic growth.<sup>18</sup>

The socio-economic growth trajectory of rural areas, in turn accelerate and sustain a process of **inclusive rural transformation**, which provides access to vulnerable and exploited groups to both resources and opportunities. The result is a state of socio-economic inclusivity which exponentially increases economic growth and improves the human condition of rural people and communities.<sup>19</sup>

Finally, the combination of agricultural development, rural development and inclusive rural transformation collectively drives the **structural transformation** of the rural economy towards an

<sup>17</sup> International Fund for Agricultural Development, 2016. Rural Development Report 2016: Fostering Inclusive Rural Transformation. Rome.

<sup>18</sup> International Fund for Agricultural Development, 2016. Rural Development Report 2016: Fostering Inclusive Rural Transformation. Rome.

<sup>19</sup> International Fund for Agricultural Development, 2016. Rural Development Report 2016: Fostering Inclusive Rural Transformation. Rome.

integrated industrial services economy with complex value-chains expanding into the domains of local and international trade and investment.<sup>20</sup>

### The outcome of structural transformation

The outcome of structural transformation is the establishment of an economy that is characterised by an “equalisation” of capital and labour productivity between agricultural and “non-farm industrial, services and other sectors, leading to inclusive economic growth”.<sup>21</sup>

This implies an evolutionary progression from low levels of economic growth, low-income levels, and fragmentation of economic activities towards a state where structural inequality and poverty are addressed through a focus on “race, class, and power and ... triple bottom line economies” aimed at eliminating inequities.

Eliminating such inequalities requires a fundamental change to existing socio-economic hegemony and belief systems which sustain barriers of entry to access asset-based economy opportunities based on exclusion by race, gender, and class.<sup>22</sup> This implies that structural transformation entails altering not only the structure of the economy, but also core belief systems, values, and societal dynamics.<sup>23</sup>

At the heart of this change process is the ability of rural societies to diversify its economies by reducing their reliance on agriculture as a sole source of economic production. It requires socio-economic and cultural assimilation like that of “large urban agglomerations”.<sup>25</sup>

As a change process rural structural transformation implicitly aims to improve the human condition from a:

*“ ... highly fragmented, risk and crisis-laden production system, rain-dependent, relying on traditional tools, with substandard conditions of life; to: one which is vibrant, wealth-creating, modern, system devoted to the improved wellbeing of the population, capable of producing for markets and supplying surplus for national demands for consumption, manufacturing and export earnings, by fully employing modern agricultural inputs, environmentally sustainable practices, and adopting ... technological and digital innovations.”<sup>26</sup>*

This implies the implementation of a process that strives to increase productivity and marketable surpluses by simultaneously expanding off-farm employment opportunities, providing better access to services and infrastructure; that would lead to an improvement in the state of rural livelihoods and thus ensure sustainable inclusive growth.<sup>27</sup>

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<sup>20</sup> International Fund for Agricultural Development, 2016. Rural Development Report 2016: Fostering Inclusive Rural Transformation. Rome.

<sup>21</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>22</sup> Richardson, JA. Jonathan K., London, JK. 2007. Strategies and Lessons for Reducing Persistent Rural Poverty: A Social-Justice Approach to Funding Rural Community Transformation. Community Development: Journal of the Community Development Society, Vol. 38, No. 1, Spring 2007

<sup>23</sup> Theo Rauch et al. (2016): Ländlicher Strukturwandel in Subsahara Afrika, SLE Discussion Paper 01/2016.

<sup>24</sup> Kruseman, G. 2017. Rural Transformation: its drivers and effects on poverty alleviation, health and nutrition in maize and wheat based agro-food systems. Workshop on rural development: occupational health and safety, food security and biodiversity-based livelihood strategies, Merida, Yucatan, Mexico, November 6-9 2017. CIMMYT.

<sup>25</sup> Berdegue, J. A., Bebbington, A.; Rosada, T. 2014. The rural transformation. In: B Currie-Alder, R. Kanbur, D. M. Malone, and R. Medhora, International Development. Ideas, Experience, and Prospects. Oxford University Press.

<sup>26</sup> Diriba, G. 2020. Agricultural and Rural Transformation in Ethiopia. Obstacles, Triggers and Reform Considerations Policy Working Paper 01/2020. January 2020. Addis Ababa, Ethiopia

<sup>27</sup> IFAD (2016): Rural Development Report 2016- Fostering Inclusive Rural Transformation

## Axioms underpinning structural rural transformation and their implications

Based on the broad definition of structural transformation it is important to identify key statements or positions accepted as true and which can serve as principles underpinning and guiding a corporate understanding and implementation of structural rural transformation.

In the following section eight (8) axioms will be discussed which could underpin the ECRDA's understanding, definition and approach towards structural rural transformation.

### Axiom 1: Agricultural development is the catalytic driver of rural development and structural transformation.

Agricultural development is the key catalytic driver of rural transformation as it provides the main source of income for rural communities. The catalytic nature of agricultural development emanates from its ability to secure rural livelihoods, whilst at the same time providing a platform for economic diversification through increased productivity.<sup>28</sup>

Agricultural development contributes towards economic development and diversification by increasing:

- food supply for domestic consumption;
- domestic demand for manufacturing;
- demand for industrialisation;
- domestic savings; and
- foreign revenue earned through exports.<sup>29</sup>

A key demand driver for agricultural production is increased global demand for food linked to increased population growth. Demand for agricultural produce is further increased due to the need for biofuels and non-food uses of agricultural products.<sup>30</sup>

Along with the global increase in demand, there has been a shift in global consumer requirements towards producing food which advances good health, and which is being sustainably produced. As a result, customers are more sensitive as to how, where and under what socio-economic conditions foods is being produced. This creates a demand for transparent value-chains characterised by higher resource efficiency and compliance with food safety standards whilst reducing the impact of global warming and socio-economic exploitation.<sup>31</sup>

Optimal, transparent, and fair use of resources require the enforcement of protocols to ensure security of resource tenure, as the demand to integrate uncultivated arable land into production increases, due to increased demand. It is therefore essential that poor rural communities are not

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<sup>28</sup> Udemezue, JC. Osegbue, EG. 2018. Theories and Model of Agricultural Development. Juniper. 1(5). April 2018.

<sup>29</sup> Udemezue, JC. Osegbue, EG. 2018. Theories and Model of Agricultural Development. Juniper. 1(5). April 2018.

<sup>30</sup> Trivelli.C and Berdegue. J.A, 2019. Rural transformation. Looking towards the future of Latin America and the Caribbean. 2030 - Food, agriculture and rural development in Latin America and the Caribbean, No. 1. Santiago. FAO. 76 p.

<sup>31</sup> European Commission. Undated. An Africa-Europe Agenda for Rural Transformation: Report by the Task Force Rural Africa. European Commission.

dispossessed and deprived of access to natural resources in attempts to meet increased demand and productivity requirements.<sup>32</sup>

Similarly, it is essential that post-harvest value chains and the rural non-farm economies exponentially increases its efficiency through vertical integration, out-grower schemes, an/or contract farming arrangements, whilst establishing more direct linkages between farmers and consumers.<sup>33</sup>

Combined with increased consumer demand, the need to increase productivity remains a key driver of both agricultural development and rural structural transformation. As such productivity can be enhanced through the adoption of innovations and renewable technologies, which in turn provides additional opportunities for economic diversification and investment.<sup>34</sup>

Agricultural productivity may also be enhanced through the responsible application of genetically modified (GM) crops regulated by rigorous biosafety controls;<sup>35</sup> and substantial investments into agricultural research and veterinary services and training.<sup>36</sup>

The key to ethical agricultural development is thus ensuring that small-scale farmers are not excluded from the transformation process. Due to size and limited production capacity of small-scale farmers they generally tend to be unable to benefit from the economy of scale. It is therefore essential that cooperatives and farmer organisations be used as instruments to leverage support, improve integration into value chains and negotiate better value for small-scale farmers.<sup>37</sup>

As most small-scale farmers are involved in staple crop production the promotion of staple crops presents an important basis for the launch of catalytic rural transformation processes. Increasing staple production can in this regard serve as a basis to fast-track the adoption of new innovations whilst accelerating on-farm diversification, and the expansion of value chains.<sup>38</sup>

#### Axiom 2: Expanding the rural non-farm economy drives rural development.

The rural non-farm economy (RNFE) is predominantly a services industry with strong linkages to the agricultural sector; emanating from high levels of integration between upstream and downstream value-chains.

The integration of these value-chains binds the Rural Non-Farm Economy and the agricultural sector through the provision of products, inputs, technical services, storage, processing, and transport. The

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<sup>32</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>33</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>34</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>35</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>36</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>37</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change. World Bank Washington DC.

<sup>38</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change. World Bank Washington DC.

interdependency of these value-chains is demonstrated by the impact of growth. In this regard as agricultural enterprises grow and increase their profitability, it produces surplus which in turn increases the ability to purchase non-agricultural consumer goods and services; reinforcing the interdependencies between agriculture and the rural non-farming economy.<sup>39</sup>

Value-chains also include employment. Traditionally the rural non-farm economy is under-capitalised and displays low employment levels and incomes. However, as reciprocal growth levels increase between the agricultural sector and the non-rural farm economy so does productivity and income levels, which could see higher levels of capital investment, higher returns, and a corresponding increase in income and economic development opportunities within the Rural Non-Farm Economy.<sup>40</sup>

This mutually reinforcing growth within both the agricultural sector and the Rural Non-Farm Economy depends on the ability to secure investment for the establishment of enabling infrastructure and basic services. Increased investment and enabling infrastructure in turn increases access to new socio-economic development opportunities as increased access levels to urban development nodes serves as a catalyst for sustained growth.<sup>41</sup>

### Axiom 3: The establishment of rural-urban linkages advances rural development and structural transformation.

The nature of rural areas in the Eastern Cape contradicts the notion that rural areas are characterised by low population density levels. Due to the legacy of apartheid era spatial planning<sup>42</sup> which saw the creation of so-called homelands rural areas in the Eastern Cape are relatively densely populated and display some elements of an urban character.”<sup>43</sup>

It is important in this regard to note that conceptually the National Spatial Development Framework (NSDF) makes a clear distinction between cities and towns, by stating that the scope of population size, level of economic output and development density differentiates between urban and rural. In terms of this classification, it differentiates what it terms “rural service towns” which “... serves the surrounding rural areas through the provision of schools, basic healthcare, basic retail and similar services” and thus constitutes part of the rural space.<sup>44</sup>

This differentiation by the NSDF very aptly describes the nature of the linkages between urban and rural and illustrates how urban nodes constitute a key part of the rural space. This position is further enhanced through the application of the NSDF’s spatial logical framework which state that:

*“... at least one ‘Urban-Rural Anchor’ ... to act as regional development anchor with the specific purpose of playing an active role in regional context-specific research and innovation; productive knowledge enterprise development; and ensuring strong connections to local rural hinterlands through a carefully selected set of prioritised rural service settlements.”<sup>45</sup>*

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39 Wiggins, S. Sabates-Wheeler, R. Yaro, J. 2018. Rural Transitions, Economies and Rural-Urban Links. Agricultural Policy Research in Africa.

40 Wiggins, S. Sabates-Wheeler, R. Yaro, J. 2018. Rural Transitions, Economies and Rural-Urban Links. Agricultural Policy Research in Africa.

41 Wiggins, S. Sabates-Wheeler, R. Yaro, J. 2018. Rural Transitions, Economies and Rural-Urban Links. Agricultural Policy Research in Africa.

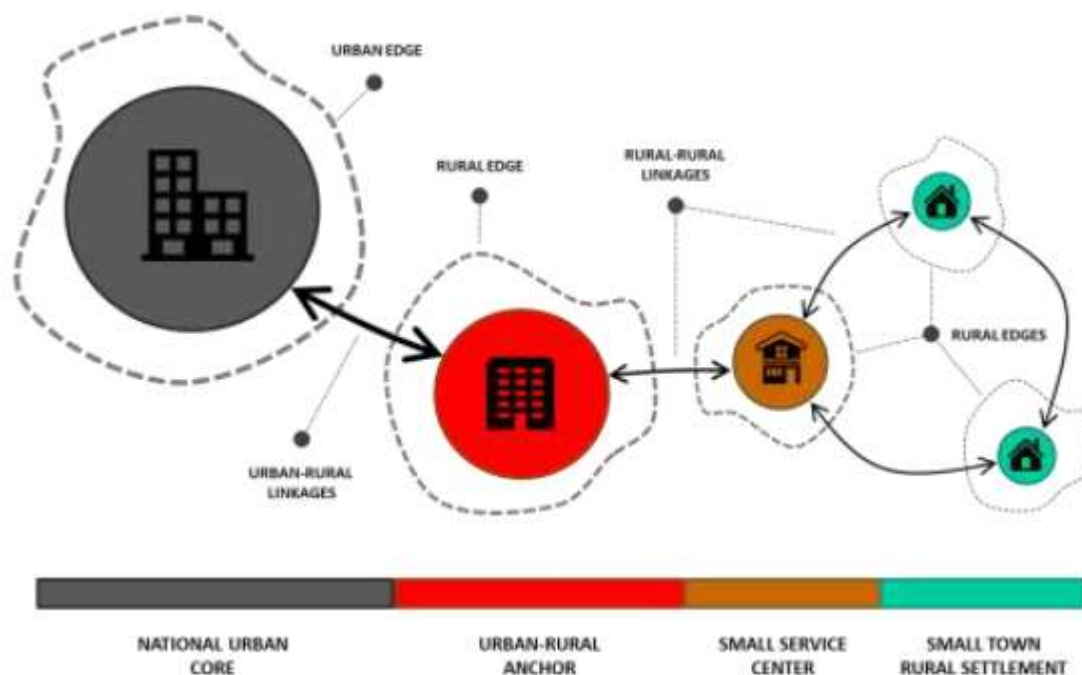
42 Department of Rural Development and Land Reform and the Department Planning, Monitoring and Evaluation, 2018. Draft National Spatial Development Framework.

43 Laldaparsad, S. undated. Urban and rural trends in South Africa, Statistics South Africa, Pretoria.

44 Department of Rural Development and Land Reform and the Department Planning, Monitoring and Evaluation, 2018. Draft National Spatial Development Framework.

45 Department of Rural Development and Land Reform and the Department Planning, Monitoring and Evaluation, 2018. Draft National Spatial Development Framework.

The role of the urban-rural anchor is illustrated in the diagram<sup>46</sup> below and both illustrates and supports the argument that urban nodes constitute a part of the rural space.



Although it might sound counter-intuitive the creation of urban growth nodes is a critical element in driving integrated rural development; a reciprocal process which informs sustainable rural transformation. The implication being that investment and implementation interventions should focus on establishing rural-urban linkages in both rural areas and towns.

This also implies that urban development initiatives should approach development from an integrated open-systems perspective and factor rural linkages into all interventions.<sup>47</sup> Urban and rural planners can therefore no longer plan in isolation and would have to integrate the rural-urban dimension into their systems and processes. This would fundamentally alter the way in which integrated development planning should be approached.

To attain high levels of rural transformation it is essential to elevate the provision of basic services in urban nodes within the broader context of rural spaces; to increase the capacity of rural communities to own and participate in the transformation process.<sup>48</sup> Essentially this boils down to the “urbanisation of rural areas”; which refers to leveraging urbanisation as part of a national transformation effort.

The process of establishing stronger urban-rural linkages has been accelerated by the phenomenon that many households have become multi-locational due to advances in technology and socio-economic integration. This implies that these households are effectively spanning the

<sup>46</sup> Department of Rural Development and Land Reform and the Department Planning, Monitoring and Evaluation, 2018. Draft National Spatial Development Framework.

<sup>47</sup> Sari, D, Asyifa, I, Derman, I, Jayanti, D and Hanatya, F. 2018. A Rural Transformation Model: The facts of rural development in the Surakarta Metropolitan Region. The 4th PlanoCosmo International Conference. IOP Publishing.

<sup>48</sup> European Commission. Undated. An Africa-Europe Agenda for Rural Transformation: Report by the Task Force Rural Africa. European Commission.

urban-rural divide and thus blurring the lines between traditional notions of what constitutes urban and rural. As a result, a substantial portion of the population will find themselves in “rural-urban territories, that is, socio-spatial arrangements involving several rural villages, a few towns, and ... small cities whose size varies”. Rural transformation must therefore consider the blurring of the distinction between what was traditionally considered as urban and rural from a policy, planning, and implementation perspective.<sup>49</sup>

The blurring of the traditional notions of urban and rural however leads to governance challenges, as multi-location communities and their interests span many different administrative boundaries and jurisdictions.<sup>50</sup> The spanning of multiple jurisdictions therefore increases the complexity as well as the demand for systems-based integrated planning and implementation protocols, systems, and processes.

As illustrated above, one of the major pivot points in advancing rural transformation is the ability to develop rural-urban nodes which can function as regional development anchors. This should drive the establishment of inclusive socio-economic linkages, which will link poor households in the rural hinterland with economic opportunities.<sup>51</sup>

A key threat to this process is the emergence of “metropolisation”. “Metropolisation” refers to the concentration of economic development in urban areas, through a process that drives migration directly from rural areas to metropolitan areas, thus bypassing small service towns. “Metropolisation” essentially constrains rural transformation as it inhibits the ability to form effective and efficient urban-rural nodes required to sustain rural development anchors and networks for rural transformation.<sup>52</sup>

To counter “metropolisation” the development of small towns is essential, as these towns are critical in ensuring diversification and access to non-farming activities. This would however require, and exponentially increase the scale and quality of services being provided in small towns. The provision of infrastructure is however not enough. Governance system should also be enhanced to ensure sustainable levels of optimal service provision.<sup>53</sup>

#### Axiom 4: The production of public goods is a catalyst for rural structural transformation.

Physical and institutional infrastructure investment levels must be increased to address the distortion of investment towards urban areas. Combined with infrastructure, investment should be increased for the provision of basic service delivery and serve to attract private investment.

The provision of infrastructure and other related public goods should be augmented by the provision of training and capacity building to farmers.<sup>54</sup> This could for example include technical support

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<sup>49</sup> Berdegue J. A. and Proctor F. J., 2014. Cities in the Rural Transformation. Working Paper Series N° 122. Working Group: Development with Territorial Cohesion. Territorial Cohesion for Development Program. Rimisp, Santiago, Chile.

<sup>50</sup> Berdegue J. A. and Proctor F. J., 2014. Cities in the Rural Transformation. Working Paper Series N° 122. Working Group: Development with Territorial Cohesion. Territorial Cohesion for Development Program. Rimisp, Santiago, Chile.

<sup>51</sup> Berdegue J. A. and Proctor F. J., 2014. Cities in the Rural Transformation. Working Paper Series N° 122. Working Group: Development with Territorial Cohesion. Territorial Cohesion for Development Program. Rimisp, Santiago, Chile.

<sup>52</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change. World Bank Washington DC.

<sup>53</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change. World Bank Washington DC.

<sup>54</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change. World Bank Washington DC.

services such as contract management and intellectual property support services, that would enhance fair trade and reduce transactional costs and exploitation.<sup>55</sup>

From a holistic human security perspective it is important to formulate a policy agenda to build rural human capital through the provision of preventive and curative health care as well as primary and secondary education systems. The provision of these services is mission critical in ensuring a healthy and able workforce<sup>56</sup> which can advance ecologically sustainable and socially inclusive rural transformation<sup>57</sup>

The provision of catalytic infrastructure supported by a capacitated workforce thus provides a platform from which to attract and support private investment into the rural economy.<sup>58</sup>

**Axiom 5: Reducing socio-economic vulnerabilities accelerates the transition from subsistence towards sustainable commercial activities.**

Traditionally the Rural Non-Farm Economy tends to be under-capitalised and display low employment levels and income. This situation exponentially increases socio-economic vulnerability. Addressing social vulnerability through the creation and implementation of social protection platform is therefore essential to ensure that rural households can migrate from subsistence farming towards commercial agricultural and/or non-farming commercial activities.

Due to the relatively low resource base of vulnerable rural households, they require financial assistance packages which should include “asset transfers ... microcredit and training”.<sup>59</sup> Strongly associated to the above-mentioned is the provision of customised rural financial products. These products are essential for empowering rural communities to manage risk more efficiently. In this regard special attention must be paid to mitigate the delay between investment and payoff particularly for small-scale farmers.<sup>60</sup>

The provision of social protection services and platforms also contributes towards reducing the risk profile of vulnerable households and provides support required to make the transition out of subsistence towards commercial agriculture or non-farm commercial enterprises and ventures by stimulating multiplier effects and local food demand in the rural economy.<sup>61</sup>

High levels of poverty and unemployment reduces the ability of households to mitigate risk, which reduces their ability to make investments and innovate. This situation is exacerbated by high levels

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<sup>55</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>56</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>57</sup> Global Donor Platform, 2016. Agenda 2030 – New Momentum for Rural Transformation: The Future of Donor Programmes in Rural Development. Background Paper for the Round Table of Platform's Strategic Initiative Agenda 2030– New Momentum for Rural Transformation. 13 & 14 October 2016, Botanical Garden, Rome/Italy

<sup>58</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>59</sup> Wiggins, S. Sabates-Wheeler, R. Yaro, J. 2018. Rural Transitions, Economies and Rural-Urban Links. Agricultural Policy Research in Africa.

<sup>60</sup> Barretta, CB., Christiaensen, L., Sheahana M. and Shimelesc, A. 2015. The Structural Transformation of Rural Africa: On the Current State of African Food Systems and Rural Non-Farm Economies. Prepared for the African Economic Research Consortium's Biannual Research Workshop, held in Addis Ababa, Ethiopia in November 2015.

<sup>61</sup> Wiggins, S. Sabates-Wheeler, R. Yaro, J. 2018. Rural Transitions, Economies and Rural-Urban Links. Agricultural Policy Research in Africa.

of food insecurity which forces rural households into subsistence farming. Due to high levels subsistence output the ability of farmers to increase their wealth is thus exponentially reduced.<sup>62</sup>

Therefore, it is essential to increase income levels of households engaged in subsistence farming, so that they can develop the ability to diversify their scope of economic activities and thus mitigate risk. This process of diversification should continue until households develop enough wealth and an appropriate asset base so that they can engage in both on-farm and off-farm activities and investments.<sup>63</sup>

#### Axion 6: Integrating cultural and creative industries into the rural transformation process advances the diversification of the rural economy

Until recently the full potential of the cultural and creative economy has not found expression in mainstream economic planning and policy development. However, the work of the South African Cultural Observatory (SACO) and UNESCO has brought this much neglected component of the economy and per extension the rural economy to the forefront. In this regard, it was found that the cultural and creative industry contributes 1,7% to GDP and was able to sustain a growth rate of 2,4% between 2016 and 2018 which exceeded the national growth rate.<sup>64</sup>

The linkages between the cultural and creative economy and the tourism sectors, makes this sector of the economy attractive as a means of diversifying the economy. In this regard the nexus between cultural tourism and rural development presents substantial opportunities for economic diversification and sustained agricultural and Rural Non-Farm Economic growth. Accordingly UNIDO argues that cultural, creativity and heritage have significant potential for wealth creation and can serve “as important instruments of growth especially for small and medium-size enterprises” within the rural economy.<sup>65</sup>

Cultural linkage also facilitates both social and physical linkages and interactions between communities, and as such serves as a determinant of how rural and urban communities interact in terms of achieving optimal levels of rural transformation. This implies that a substantial focus and allocation of resources should be devoted towards social facilitation to enhance integration between urban and rural communities of interest.<sup>66</sup>

This implies that both rural and urban settlements are not mere physical locations, in fact they are socially constructed systems or places which displays a particular cultural identity. The basis of socially constructing such an identity is based on the “flows of people, goods, services, and financial resource that are frequent, repeated, and reciprocal”. The result is the creation of a shared understanding and “social, political and economic history” which lays the foundation for establishing and maintaining

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<sup>62</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change. World Bank Washington DC.

<sup>63</sup> Losch, B. Freguin-Gresh, S and White, E. 2011. Rural Transformation and Late Developing Countries in a Globalizing World: A Comparative Analysis of Rural Change. World Bank Washington DC.

<sup>64</sup> South African Cultural Observatory. 2020. The Economic Mapping of the Cultural and Creative Industries in South Africa 2020: Capstone Report – Results and Policy Implications. Department of Sports, Art and Culture and the Nelson Mandela University.

<sup>65</sup> United Nations Industrial Development Organisation (UNIDO), 2013. Rural Transformation: Promoting livelihood security by adding value to local resources. Vienna, Austria.

<sup>66</sup> Pudianti, A. Syahbana, A and Suprpti, A. 2015. Role of culture in rural transformation in Manding Village, Bantul Yogyakarta, Indonesia. Social and Behavioural Sciences 227: 458 – 464

“deeply-rooted formal and informal institutions” which sustain and regulate socio-economic interaction.<sup>67</sup>

At the heart of these flows between communities is a community asset base which draws on various sources of “capital”. These sources of community capital include natural, cultural, human, social, political, and financial capital. Rural transformation can only be fully realised when communities are able to access these sources of capital and leverage them to respond to emerging opportunities and trends.<sup>68</sup> It is therefore essential that marginalised groups have access and control over these sources of capital to ensure participatory, empowered, and sustainable development.

#### Axiom 7: Adopting innovation and technology accelerates rural transformation

Closely aligned to the Fourth Industrial Revolution (4IR) is the notion of Agriculture 4.0. which focusses on the integration of technologies such as “robotics, nanotechnology, synthetic protein, cellular agriculture, gene editing technology, artificial intelligence, blockchain, and machine learning.”<sup>69</sup> These technological platforms underpin innovations such as “vertical farming and food systems, digital agriculture, bioeconomy, circular agriculture, and aquaponics” which provides alternative pathways towards sustainable agriculture and food systems.<sup>70</sup>

A key element of Agriculture 4.0 is the use of integrated information systems and the Internet of Things, which makes it possible to apply data science and simulation platforms for data collection, processing, visualization, simulation, and analysis.<sup>71</sup> Incorporating innovations and increasing technology transfer and absorption of such innovations into the rural transformation process is essential to maintain the competitive and comparative advantage of the sector and comply with the emerging demands across integrated food systems.

Of equal significance is the impact of these technologies and innovations on traditional notions and classifications of “rural” in terms of time and space. These technologies have resulted in a “drastic reduction in the diversity of costs associated with distance and the complexities of geography, causing a much more fluid interaction between rural and urban areas, thus effectively blurring the borders between them”.<sup>72</sup>

The combination of innovation and technology combined with globalisation appears to be a major driver of the integration of rural and urban spaces. Of special significant in this regard is the interdependence and high levels of integration between global and local markets. Whilst market integration on the one hand can lead to “cross-border exchange of goods, services, capital and technology” which “creates dependence on global market prices for commodities and vulnerability to price shocks; it also advances rural transformation through “technology transfer, introduction of new

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<sup>67</sup> Berdegúe J. A. and Proctor F. J., 2014. Cities in the Rural Transformation. Working Paper Series N° 122. Working Group: Development with Territorial Cohesion. Territorial Cohesion for Development Program. Rimisp, Santiago, Chile.

<sup>68</sup> Richardson, J and Jonathan K. London, JK. 2007. Strategies and Lessons for Reducing Persistent Rural Poverty: A Social-Justice Approach to Funding Rural Community Transformation. Community Development: Journal of the Community Development Society, Vol. 38, No. 1, Spring 2007.

<sup>69</sup> Klerkx, L, and Rose, D. 2020. Dealing with the game-changing technologies of Agriculture 4.0: How do we manage diversity and responsibility in food system transition pathways? Global Food Security, Volume 24, March 2020.

<sup>70</sup> Klerkx, L, and Rose, D. 2020. Dealing with the game-changing technologies of Agriculture 4.0: How do we manage diversity and responsibility in food system transition pathways? Global Food Security, Volume 24, March 2020.

<sup>71</sup> Da Fonseca E., Caldeira, E. Filho, H., Oliveira, L., Pereira, A., Vilela, P. 2020. Agro 4.0: A data science-based information system for sustainable agroecosystem management. Simulation Modelling Practice and Theory. Volume 102, July 2020.

<sup>72</sup> Trivelli.C and Berdegúe. J.A, 2019. Rural transformation. Looking towards the future of Latin America and the Caribbean. 2030 - Food, agriculture and rural development in Latin America and the Caribbean, No. 1. Santiago. FAO. 76 p.

products and services”.<sup>73</sup> Globalisation and its associated transfer of innovations and technologies therefore plays a key role in creating new economic opportunities in rural areas in accordance with the broader rural transformation agenda.<sup>74</sup>

#### Axiom 8: Reducing the impact of climate change enhances the sustainability of rural structural transformation.

Climate change is viewed as one of the most significant impact events on the development trajectory of rural areas, food systems and agriculture. The exponential impact of climate change is due to its ability to altering the conditions of primary agricultural production, whilst agricultural production activities can also exacerbate the impact of climate change. In this regard agricultural activities contribute significantly to the emission of gases that produce global warming and climate change. This places climate change front and centre when considering rural transformation and mitigating the impact of climate change on agricultural production and sustainable socio-economic growth.<sup>75</sup>

Rural transformation must accordingly be rooted in a systemic drive to reduce the impact of climate change though “simultaneous targeting of economic, environmental and social sustainability” to increase resilience and adaptation across the full food system spectrum. This will ensure sustainable supply in line with sustainable socio-economic and environmentally friendly production and consumption practices that would preserve ecological resources for use by future generations.<sup>76</sup>

#### Recommendations and way forward

The processes of structural rural transformation as discussed in this document presents several implications for the Eastern Cape Rural Development Agency (ECRDA) to consider. These include:

1. If the ECRDA adopts the structural transformation approach, it must create and internalise a shared understanding of how structural transformation should guide the design and implementation of operations. This would require a clear definition and assignment of roles, functions, and responsibilities in terms of advancing agricultural development, rural development, inclusive transformation, and ultimately structural rural transformation.
2. The concept and evolutionary process of structural transformation needs to be integrated into the strategic, performance and operational planning of the ECRDA. This would include developing a framework to evaluate and assess interventions according to their respective abilities to advance structural rural transformation. Emphasis should be placed on establishing an implementation portfolio and development trajectory which advances the evolutionary attainment of all the stages of structural transformation.
3. Due to the integrated nature of the rural structural transformation process, the ECRDA would have to create a hegemony around the concept and thus facilitate the integration of the concept into the planning and operations of all relevant provincial and local government entities operating in the rural space. By integrating the rural transformation process in a transversal manner across the public sector in the Eastern Cape, the ECRDA would, as a thought-leader be able to create a shared focus and understanding, which would guide

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<sup>73</sup> Global Donor Platform, 2016. Agenda 2030 – New Momentum for Rural Transformation: The Future of Donor Programmes in Rural Development. Background Paper for the Round Table of Platform’s Strategic Initiative Agenda 2030– New Momentum for Rural Transformation. 13 & 14 October 2016, Botanical Garden, Rome/Italy

<sup>74</sup> Trivelli.C and Berdegue. J.A, 2019. Rural transformation. Looking towards the future of Latin America and the Caribbean. 2030 - Food, agriculture and rural development in Latin America and the Caribbean, No. 1. Santiago. FAO. 76 p.

<sup>75</sup> Trivelli.C and Berdegue. J.A, 2019. Rural transformation. Looking towards the future of Latin America and the Caribbean. 2030 - Food, agriculture and rural development in Latin America and the Caribbean, No. 1. Santiago. FAO. 76 p.

<sup>76</sup> European Commission. Undated. An Africa-Europe Agenda for Rural Transformation: Report by the Task Force Rural Africa. European Commission.

integrated planning and coordination beyond the current constraints of the urban-rural divide.

4. Currently most projects being implemented by the ECRDA tend to focus on the agricultural dimension. To implement the full spectrum of the rural transformation process, the ECRDA would have to adapt and realign its implementation capacity, systems, and processes beyond the scope of agricultural development to include rural development, integrated transformation, and structural transformation. It is mission critical that the provision of these services is augmented by the provision of customised financial, investment attraction, and funding products that will drive the required transition towards structural rural transformation.
5. Despite the need to diversify beyond the scope of agriculture; agriculture remains a catalytic element of the broader transformation process. However agricultural interventions should be realigned to support or serve as catalysts for non-farming diversification and expansion.
6. The ECRDA as part of its diversification drive, should focus on expanding the provision of public goods within the rural economy. This includes advancing research and innovation as well as the provision of catalytic infrastructure and services that would leverage additional private sector investment. As stated above, this would require a reorientation of the ECRDA's implementation capacity beyond the limitations of only providing agricultural support services.
7. The successful implementation of the broader rural structural transformation process requires a conceptual and planning breakdown of the "artificial" distinction and compartmentalisation that currently exists between rural and urban development. Accordingly, the ECRDA, must position it-self as a thought-leader in the rural development domain, to advance the transversal and integrated notion of structural transformation, whilst providing systemic planning and operational platforms to guide implementation.
8. As indicated in this report the need to mitigate climate change and meet consumer demand for environmentally friendly products produced in accordance with fair trade principles would have to be integrated into all operations to prevent the exploitation of rural communities and the degradation of their natural resource base.
9. Increasing the comparative and competitive advances of the agricultural and non-farming economy depends on the ability to innovate. Accordingly, substantial resources and effort should be invested in developing research capacity and innovative solutions that would accelerate rural transformation. As such the ECRDA should position itself as an incubator and driver of both research and innovation.
10. The levels of economic diversification required to drive rural transformation beyond the confines of agricultural development emphasises the need for integration with the emerging cultural and creative economy. Of particular importance for the ECRDA in this regard is the integration of cultural tourism into diversification and transformation efforts.
11. Finally, structural rural transformation is ethically bound to the advancement of efforts to create platforms conducive to the full participation by marginalised and vulnerable groups. It is therefore a non-negotiable design principle that addressing marginalisation and producing benefits and ensuring the inclusion of vulnerable and marginalised groups must be integrated into all aspects of structural rural transformation planning and implementation. Mitigation of socio-economic vulnerability is key.

## Conclusion

It is envisaged that the adoption of the rural structural transformation process as documented in this report will serve as a "conceptual reference" point to underpin and inform thinking, planning,

implementation, reflection, and assessment of ECRDA operations geared at fundamentally altering the broader economic landscape of the Eastern Cape Province.



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30 March 2021