

## **GAPS AND CHALLENGES TO MOBILIZING THE PRIVATE SECTOR TO FIGHT RURAL POVERTY**

### **INTRODUCTION**

Rural development generally involves getting people whose families have lived in a deprivation trap for generations and who consequently have adverse mental dispositions to obtain finance for fencing and provision of drinking water for stock, plant the correct populations at the right time and spray chemicals at the right time, year after year.

This highlights numerous challenges and it is clear that the State cannot handle all the planning, finance, guidance and training required on all the projects over an extended period and that the participation of the private sector is essential. Buccus (2017) has observed that “We have passed the point at which we can look to the government and the ruling party to find a way out of the swamp into which we have sunk. We now have to look to society itself for a way out”.

Lingani and Mashunje (2016) found that more than 70% of the households of Kwa Gcina and Sixolosini villages were not able to eat balanced meals and about 68% expressed worries about running out of food. These statistics probably represent many rural villages and stress the urgency of resolving rural poverty.

Some rural areas are very remote and these areas will have to draw on the skills and participation of all members of the community to develop. It is more true of rural areas than anywhere else that unity is strength.

South Africa is in a transition period in which big changes will occur in farming. Looking ahead I predict that agricultural suppliers in South Africa will have to plan to supply commercial farmers and numerous smaller scale farmers from local sale points or plan deliveries to them. This easy access will certainly be necessary for rural development to succeed and provides a climate for “agripreneurs” (Stevens, 2016).

This paper is not reporting on what has happened and it’s shortfalls but what challenges will be faced in order for all the sectors of the rural community to work together for everyone’s benefit. This would have a huge knock-on effect on the entire economy.

### **DISCUSSION**

In order to attract the private sector to participate the discussion needs to be split in to commercial farmers, agricultural services and investors. Each of these sections will be attracted by different factors.

#### **1) Commercial farmers**

There are many commercial farmers who are assisting in rural development by contracting the operations that resource poor emerging farmers are unable to carry out themselves. However this is limited a) by the State departments involved in rural development not

utilising farmers' skills and experience b) and by ignorance of farmers who imagine rural development to be doing the work without compensation. Farmers are too keen to point fingers at the State failures in land reform. This highlights the importance of high level programmes to approach State departments and farmers associations.

What would be ideal is that these two parties cooperate on projects, each doing the portions which they are best at. This requires a business plan to bring the parties together and decide who will be responsible for what.

However it is also important to canvas the support of commercial farmers and to educate them on methods of assisting but earning revenue. Similarly the State departments need to be encouraged to take a different approach to the use of the money they spend and encourage farmers to assist with financing, mentoring and guidance, making their finances go further.

Farmers assistance can be by contracting, leasing, mentoring but the best solution is what I call equity share where a farming company is formed with commercial farmers and emerging farmers both making inputs. Profits are then shared in proportion to the equity which each has put in.

A farmer in Dundee sold two beef and irrigated crop farms to the State and now mentors these farms. The State paid for the inputs of the first crop and the farmer persuaded the recipients to invest some of the profits at the bank for the following crop. In this way they got a good perspective of what earnings would be in a normal year and they were able to borrow money against the investment and get a good credit rating when they paid it back.

The farmer then trained the recipients to complete their field operations on time by getting their agreement to him giving them a date for completion of each operation and, if it was not completed by that date, he would do the job for them and charge contract prices.

Farmers associations should have an approachable representative to help emerging farmers. Resource poor farmers can then contact him and organise help. If they require inputs the farmer can put in equity and charge the emerging farmer or earn his equity share of the profits. If it is an operation like land preparation or hauling a harvested crop the farmer can contract the job.

These people could also be tasked with improving socio-economic conditions in their area. This may only involve identifying leaders, interacting with them, finding what the community is struggling with and providing advice and contacts to assist them.

Some farmers only want to help for a short period in which case the emerging farmer can use some of his profits to buy equity so reducing the commercial farmer's proportion and eventually the emerging farmer can end up owning the enterprise. In this way he gets the best mentoring and training because the mentor has a financial interest in the outcome.

In a farming enterprise the land owner can use the land as equity or, in the case of a commercial farmer helping with inputs, his equity would be in the crop only.

There is a serious problem with equity share that has to be solved at establishment of the farming company and that is trust between the parties. It is essential that there is a trusted bookkeeper who gives regular feedback to the parties. It may even be advisable for both parties to have bookkeepers even if one only checks the books intermittently.

The State no longer pays mentors but mentors can recover their costs by agreeing with the mentee to put cattle on the mentee's farm or put equity into a crop.

A mentor should not do the work but do a weekly and or a monthly plan and assign, encourage, give constructive feedback, set up goals and help the mentee grow.

There are large tracts of land in Ngonyama Trust which is the communally owned land. Much of this is very overgrazed and eroded but it is available for farmers or investors to contribute to rural development.

## 2) Agricultural services

A method for services to expand operations into remote rural areas is with franchises. A franchise involves the use of a company name, equipment and advertising. A monthly fee is paid for the use of the name and equipment can be paid out of profits gradually over years. This will provide opportunities for "agripreneurs" to start up businesses (Stevens, 2016).

The agricultural scenery in South Africa will be changing dramatically over the next decade and service providers are going to have to adapt to supplying large numbers of small scale farmers as well as the large scale farmers. However it is unlikely that much rural development help will be offered by agricultural services.

Emerging farmers can borrow to get equity in the crop or farming company. An equity share partner would reassure banks that the loan is secure but a business plan would be required. In so doing the emerging farmer would earn a good credit rating after repayment which is essential for new farming enterprises. Banks could contribute substantially by making more lax rules for rural development projects.

It should be noted that with emerging farmers' loans for purchase of land the first two or three years are critical and banks should recognise this and calculate amortisation to exclude two years premiums.

Rural development is best achieved by piggy-backing on existing schemes that are already profitable.

## 3) Investors

There are large portions of potentially good land which can be utilised if fencing and cattle drinking water systems can be renewed. Some of this land is State owned but has been abandoned because of community conflict. A conflict resolution group is needed to resolve the conflict possibly by splitting the land so each party will end up with a portion.

Ideally investors could be informed what land is available but they are unlikely to be prepared to put in fencing and drinking water systems on land they do not own. In this case the State could do the capital expenditure making it suitable for investors.

There are large portions of State land which were purchased and leased to emerging farmers but lack of support and their inability to get loans as lessees caused them to fail. Investors would consequently need to reach a working agreement with the lessees.

However investors will need to know what land is available so the State needs to do a detailed survey of available land and the communities that occupy them and notify investors. Perhaps this could be done on a whats app or investors could register with the State and receive adverts.

There is a new business called Cattle Wealth which provides care of cattle bought by wealthy business people and charges the the business men for the care of the animals.

#### 4) Challenges for investors

It is important that investors are briefed on some of the hazards of rural development.

"Ubuntu is the organising principle of the African mind, defining the pre-eminence of the interests of the community over the individual, the duties and responsibilities the individual owes the community, the obligation of the individual to share what he has with the community" (McGeary & Michaels, 1998). This gets the community through hard times but has led to the failure of small scale rural development like vegetable gardens which start off well but fall flat because the entire community uses the produce. It may help in these instances if the gardeners earned a wage and were paid a dividend when the crop was sold. They could then say they do not own the crop.

An anecdote which tells a lot about ubuntu is of an emerging farmer who became a successful sugarcane farmer. However people kept putting fires in his cane. He solved the problem by planting cane around community houses. He gave back to the community.

In community development it is always the case that some people are prepared to work the farm and some merely want a place to live. In these cases the workers can earn a wage which assists until the crop is harvested. These people earn the wages and their share of the profits (less the wages). The remaining people earn only their share of the profits but it is important for them to receive income from the land. The alternative is for the workers to lease the land. They then earn their share of the lease and the profits.

Similarly mental disposition of people who have lived for generations in the deprivation trap must be planned for. Eger (2017) calls this phenomenon “learned helplessness’. She tried to understand why in May 1945 prisoners who had been freed walked out of the prison “only to return to the muddy, festering barracks. “

An anecdote which illustrates the problem was one project was successful in the first year but was not planted the second year. When asked why the farmer said he was OK and didn’t need to plant that year. It can help substantially to involve young people in rural development projects as their disposition is better for progress.

Young people who grow up in rural areas associate farming with poverty and this perception needs to change in order to keep them on the farms. This situation is aggravated by the fact that rural schools use weeding of school gardens to punish pupils. It may be a help if a young person who has succeeded publicises what can be achieved.

Somebody needs to be accountable for the success of a rural development project. At present a team is involved and when it fails the buck is passed. Diale (2016) found that agricultural enterprises were more successful when driven by farmers rather than extension officers as they (the farmers) accepted responsibility, ownership and self reliance. It should be made quite clear to the responsible person that they are accountable, even offering a bonus and they must have a contact to report problems so they can react before it is too late.

“What we need to encourage – what Africa needs to make for itself – is lives and systems that mesh modernisation with an African way of doing things” (McGeary & Michaels, 1998). For this reason it may be advisable to try and work with the entire community and form a stokvel (community savings plan) to develop the community area by buying pumps or erecting clinics or schools..

In order to get the support of rural people they need to learn how to work with outside people and groups. “A vital part of the development process is empowering local people (individuals and communities) to take charge of their own affairs, to establish their own priorities, to make choices and deal effectively with outsiders (Thabethe, 1996).

“Mali’s Producers Union is a rarity in Africa, negotiates with CMDT (State cotton gin) to set prices for the farmer, and the village association receives block earnings. Extra profits are pooled, and so far (the village of N’Tjinina has bought two water pumps, and built three primary schools, paying the three teachers’ salaries too” (McGeary and Michaels, 1998)

There are several causes of failure in community rural development projects:- The person who does all the planning ends up paying for airtime and taxis, community paying for fuel for pumps, serious breakdowns of pumps and tractors requiring the community to pay in and people selling produce and pocketing the money. It is therefore essential that the business plan incorporate funds for running the farm and for emergencies. It is also

important to have a bookkeeper who can set up systems to minimise dishonesty and provide information for decision making.

To date all rural developments have been top down and imposed on rural communities. Lonsdale, (2000) has stressed the importance of bottom up development with the people starting with tasks with which they are comfortable and, with support, to allow them to gain confidence and grow. Let success evolve.

I initiated a community bank through Finasol in Mfekayi that became very successful. The principle is that small scale sugar producers harvest one field of sugarcane per year. The money received can then be deposited in the community bank which loans these funds with interest to other growers and pays the depositor interest. The bank became a bigger success when the local schools stopped taking school fees themselves due to armed robberies and scholars deposited the money at the bank and were given receipts to show the teachers. It is an important milestone for a community to use its money for its own development.

A rural community is only as good as its leader so serious efforts are needed for his/her training and development.

## CONCLUSIONS

There should be a focus on high level programs to alter perceptions of how rural development can be improved. High level programmes are essential as activists have no impact. Perhaps if a high level mandate were given to an activist this could change:-

- 1) To encourage State departments involved in rural development to:-
  - a) make use of the private sector
  - b) combine forces with the private sector eg paying for capital expenditure required to make the land viable and leaving development to the private sector.
  - c) focus on business plans allowing emerging farmers to get loans. There will hopefully be many of these and provision should be made for this
  - d) to make special provision for lessees to get loans by ensuring repayment to banks
  - e) encourage State departments to research unused farm land and advertise with investors
  - f) to advertise for investors to use the available agricultural land and list them
  - g) to provide bookkeeping facilities to emerging farmers
- 2) To contact organised agriculture to:-
  - a) educate commercial farmers on how to assist rural development and earn revenue
  - b) encourage farmers' spouses to start businesses in their area
  - c) encourage farmers associations to have an approachable person to assist emerging farmers and to improve socio-economic situation locally.
  - d) employ educated young people for training. There is an organisation called

Future Farmers who organise this and pay half the wage for a two year contract

- e) make farmers aware of the benefits of selling equity to workers as this could reduce fears of losing a farm by expropriation without compensation and may result in increased productivity
- f) marginal farmers will require more farm land in future and can go into equity share with their community.
- g) encourage commercial farmers to mentor.

- 3) To engage with the service providers, perhaps through the Chamber of Business, to stress the possibility that they will have to supply large numbers of smaller scale farmers and to adapt now. The formation of a franchise may be helpful to provide local sale points and create a climate for “aggrpreneurs”.

One of the most important service gaps in rural development is bookkeeping. This is a service that could be franchised but is important for research of small scale growers, information for financial institutions but mainly for on farm decision making. It would be especially useful if the farmer has ambitions of growing.

- 4) To engage with banks to be more flexible with emerging farmers if they have an equity partner. Consideration should be given to no payment of premiums for purchase of land the first two years but emerging farmers should be encouraged to pay what they can or invest in fixed deposits those years.
- 5) It is important for recipients of rural development projects to put money into the enterprise even if they take a loan
- 6) Business plans should incorporate loans so making it possible for the emerging farmer to get a good credit rating.
- 7) In projects where there is conflict a conflict resolution group should be employed and probably the land should be split providing each entity with a portion. In fact the splitting of land into smaller units for individuals rather than communities could have big benefits. There will be some people who fail and they can sell to more successful neighbours and allow them to grow.
- 8) Rural development is best achieved by piggy-backing on a profitable enterprise.
- 9) Business plans should incorporate finance for day to day running of the farm and for emergency breakdowns.

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