CHAPTER 2

The Model of Rural Development Underpinning FFC Recommendations

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2.1 Introduction

This chapter discusses the model underlying the Commission's recommendations contained in this Submission. Broadly, the Submission is about the IGFR system that governs rural development and understanding the basic theoretical links between IGFR and rural development. IGFR refers to the structure of public finances in a country with multiple levels and spheres of government. Consequently, IGFR instruments refer to how taxing, spending and regulatory functions are allocated among the various spheres and levels, as well as the nature of transfers between and among those spheres (Gramlich, 2003; Oates, 1972; 1994)[7]. The institutional arrangements form important pillars of the IGFR, which has many dimensions.

A vexing question confronting practitioners in rural development is whether these IGFR instruments for rural policies work. Despite growing interest among policy-makers, very little research has documented the results of place-based rural development policies,[8] and what determines success or failure. This is because it is difficult to isolate the impact of cross-sectoral policies, especially in quantitative terms.

Two pillars dominate the conceptual framework underpinning the Commission's recommendations.

1. Weak and ineffective IGFR instruments, which are a major constraint for planning, implementing, operating and maintaining rural development interventions.

2. Institutional failures and deficiencies, which account for a large part of this state of affairs, in particular weak governance and technical and administrative capabilities.

Before examining in more detail the conceptual framework, it is important to clarify what is meant by the concept of rural development.

2.2 Rurality and Rural Development

Rural development is distinct from rural growth. Growth usually means "more of everything": more population, more resource use and more total income without a significant change in industry mix, technology, productivity or income per capita. Traditionally, the economic definition of development referred to the ability of a country to generate and sustain GDP growth. However, since World War II, the definition has increasingly become concerned with reducing/eliminating poverty, inequality and unemployment, and growing the economy. Development is perceived as a multi-dimensional process that involves reorganising and reorienting entire economic and social systems. The aims of development must include (a) increasing living standards, and having a positive impact on quality of life, (b) expanding the economic and social choices available to individuals, and (c) reducing inequality and exclusion.

Observation #1: Rural development is distinct from rural growth.

"Rural development"[9] is essentially about revitalising and strengthening the rural, and thus includes non-farm rural industries and land uses, and new rural occupations that result in higher per capita income. This involves repositioning the rural, making it more attractive, more accessible, more valuable and more useful for society as a whole (including rural dwellers). The World Bank (1975: 3) defined rural development as:

> *A strategy designed to improve the economic and social life of a specific group of people – the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in the rural areas. The group includes small-scale farmers, tenants and the landless.*

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[7] In this respect, IGFR instruments are synonymous with fiscal frameworks, which refer to all of a sphere's available revenues and expenditure responsibilities.

[8] Place-based policies refer to government efforts to enhance the economic performance of an area within its jurisdiction, in this case a rural area, typically in the form of transfers to facilitate more job opportunities, higher wages or basic consumption. Best known, perhaps, are place-based policies that target underperforming areas, such as deteriorating rural areas or relatively disadvantaged areas eligible for regional development aid such as former Bantustans.

[9] The concept of rural development is both ambiguous and contested. This ambiguity is not intrinsic to the concept, but due to the many social struggles (including classification struggles) at the many interfaces within the agricultural sector, between agriculture and wider society, within society, and within policy.

Yet this definition does not mention the most disadvantaged groups of rural people – women and children. Therefore, a complementary definition of rural development could be (Chambers, 1983: 147):

> *A strategy to enable a specific group of people, poor rural women and men, to gain for themselves and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of development. The group includes small-scale farmers, tenants, and the landless.*

Sustainable rural development can make a powerful contribution to three critical goals of poverty reduction: (i) wider shared growth; (ii) global, national and household food security; and (iii) sustainable natural resource management (World Bank, 2006). Agriculture and rural development, and their interaction with industry and regional development, have long received special attention from scholars and analysts who are of the view that land and agrarian reforms have an important role to play in resolving rural poverty and under-development.

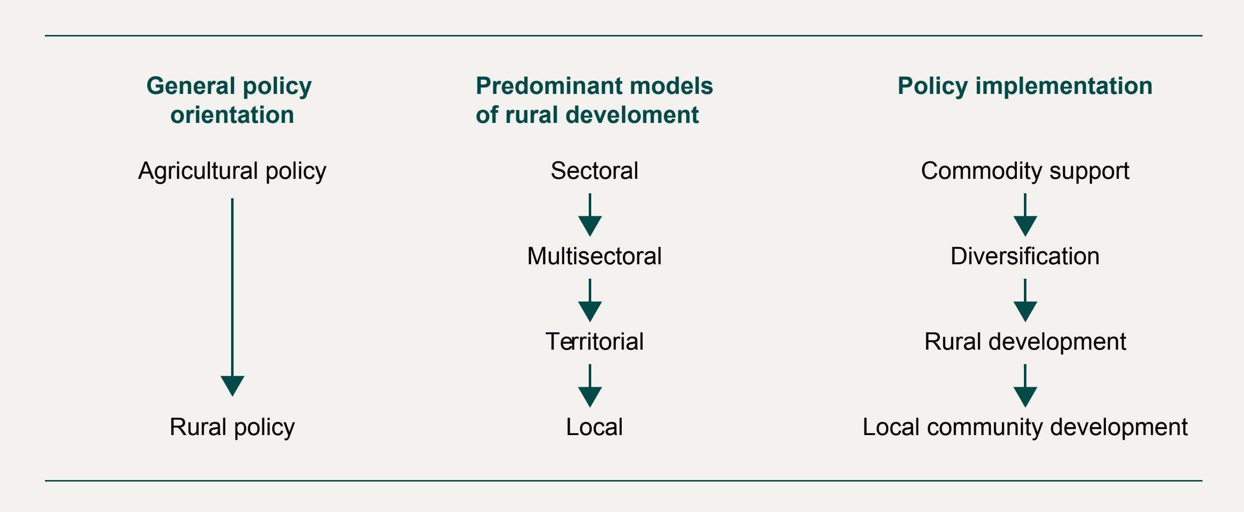
Observation #2: The rural economy is no longer just a farm economy.

If the rural economy is no longer just a farm economy, the concern is the effectiveness of agricultural policy as the main component of public policy for rural regions. Agricultural development focuses on a small segment of the rural population – farmers and others involved in agricultural enterprises – rather than on rural places or areas. Challenges facing the rural poor go beyond agriculture and agrarian reforms to include education, health care, social and economic infrastructure, the creation of employment opportunities, as well as changing the economic structure of rural areas. Therefore, rural development is a complex process requiring proper coordination among the institutions and departments involved. The performance of non-agricultural sectors affects rural households, and so any analysis of rural development must include urban-rural links (through the relationship between agricultural and non-agricultural sectors) and mobility among sectors.

The concept of rural development has evolved over time, responding to changes in the nature of rural economies and in rural policy approaches. The main change has been from focusing on the agricultural sector to focusing on rural territories and more diversified economic activity (Van der Ploeg et al., 2000; Léon, 2005; OECD, 2006). Until the 1970s, rural development was synonymous with agricultural development, as industrial development was seen as the focus of development efforts, with agriculture playing the (secondary) role of providing capital, food and labour for industrial development.

Figure 19 illustrates the four predominant models of rural development. Immediately after World War II, the priority was increasing food production, and so the focus was on the agricultural sector, with rural employment and services seen as following directly from the production support given to the agricultural sector. Since then, the approach has shifted to multi-sectoral, territorial and local approaches. The multi-sectoral policy recognises agriculture as one of several economic sectors through which development objectives can be attained. While the focus is still on farming, agricultural diversification is encouraged. The territorial approach recognises the importance of social, environmental and economic issues within the rural areas. Lastly, the local approach differentiates among rural areas and seeks solutions that are specific to individual circumstances. These changes in approach have major implications for the methodologies used to analyse rural problems and evaluate policies.

Figure 19. Evolution of rural development policies



Source: Hodge (1997)

The fundamental logic of rural development is beginning to be questioned at two levels: (i) policies or central intervention, and (ii) local aspirations aimed at improving everyday rural life (Nemes, 2005). Land and agrarian reforms on their own have had limited success in reducing poverty, underdevelopment and inequalities in rural areas (Hemson et al., 2004). Therefore, perhaps constructing a comprehensive and generally accepted policy guideline or strategy of rural development is not possible (Van der Ploeg et al., 2000).

Conceptual definitions, policies and strategies of rural development remain contested. Shifts in rural employment and population reflect larger shifts in the national economy, including the expansion of employment in the services sector and a decline in the relative size of the manufacturing sector. In fact, many rural areas benefited from technological change and the relocation of manufacturing into rural areas, while other areas benefited from reduced transportation and communication costs. These shifts have made rural places with high-valued natural amenities more accessible and desirable destinations for retirees, tourism-related businesses, and services sector firms. Rural areas are also home to people attracted by a rural lifestyle and lower land and housing prices, and willing to commute to cities for employment and for cultural reasons. Rural economies are becoming more diverse, while rural places are increasingly accessible, adjacent to expanding urban areas, and have rising incomes and preferred amenities.

Observation #3: "Rural" vs. "urban" is more than a simple dichotomy. There is a strong interdependence that produces a continuum from dense urban places to remote rural places.

The growing consensus is that rural development is more than just agriculture, land reform and food security. Therefore, agrarian reform is only a part of the rural development programme, which needs to address other aspects of societal development, including universal access to water, electricity, roads, schools and health in rural areas. These are constitutionally mandated services and essential for the livelihoods of rural communities. The relevance of multiple sectors and multiple factors, the interplay of demand and supply, and the need to understand household and producer responses to market signals and policies are obvious in this setting.

Observation #4: Rural development requires general equilibrium tools, as these and other quantitative tools provide a necessary foundation for community economic analysis.

Rural development policy has evolved, from the social and political goals implicit in the RDP era, to the spatial concepts of nodes, corridors and infrastructure strategies contained in the Integrated Sustainable Rural Development Strategy (ISRDS) of 2000, to the extension of quality government services to rural areas in the Comprehensive Rural Development Programme (CRDP) of 2009. Rural development has consistently been among the priority areas identified in the MTSF of 2009–2014 and 2014–2019. Between 1996 and 2012, government's strategies and growth plans supporting rural development included GEAR, AsgiSA, the NGP and both the NDP and the Strategic Infrastructure Projects (SIP) in 2012. Rural development is Outcome 7 ("Vibrant, equitable and sustainable rural communities and food security for all") of the 12 delivery outcomes (The Presidency, 2010), and the service delivery agreement is between the President and the Minister of Rural Development and Land Reform.

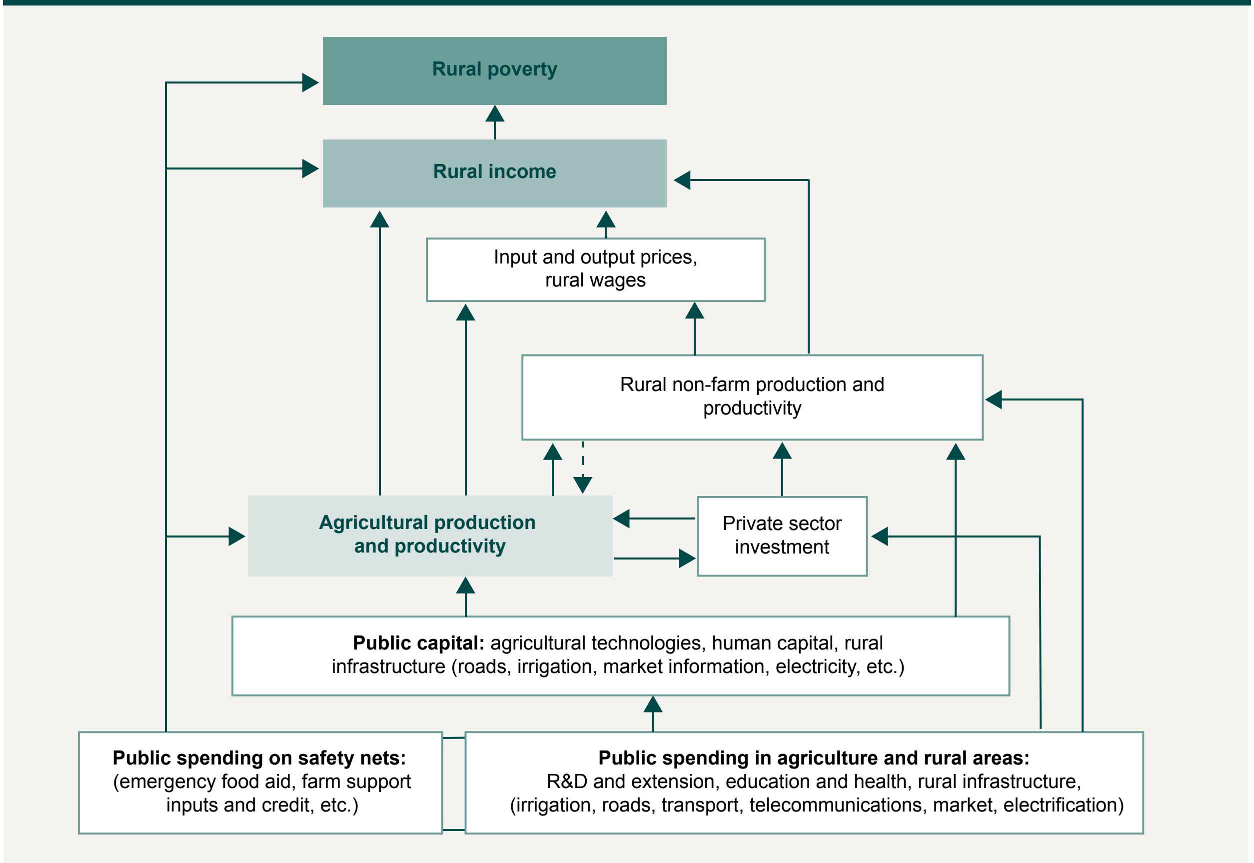
The RDP emphasised people-centred development, democratic participation, social goals, investment strategies and infrastructural objectives. It was comprehensive, covering areas such as agriculture, education, health, public works and social welfare. The ISRDS focused on poverty eradication by ensuring effective implementation (of rural development programmes) through better coordination and cooperation among the different spheres of government. It emphasised greater effectiveness in service delivery without additional funding (resources). The ISRDS, which was later launched as the Integrated Sustainable Rural Development Programme (ISRDP), has been criticised for relying too much on integrated development plans (IDPs) and for "not setting out clear priorities and sequences that would make change possible" (Hemson et al., 2004: 13). An assessment of the ISRDP found that, although poverty steadily declined in the rural nodes and literacy rates showed signs of improvement, unemployment remained critically high (Everatt et al. 2006). The programme was found to be fraught with coordination problems and mixed results, with low levels of community awareness of associated projects, suggesting a lack of community participation (ibid). Therefore, in 2009, the Department of Rural Development and Land Reform (DRDLR) was established to bring "comprehensive" rural development to the forefront, through the CRDP, which identifies 27 rural district municipalities with significant infrastructure backlogs and low levels of human development indicators. The intention is to address rural development through a cross-sectoral and multi-occupational diversity of programmes, and to build "vibrant and sustainable communities", through a coordinated and integrated broad-based agrarian transformation, rural development infrastructure, and an improved land reform programme.

2.3 The Conceptual Framework Underpinning Recommendations

The model underpinning the Commission's recommendations is multi-layered and multi-levelled, covering local, regional and provincial and encompassing many actors, institutions, enterprises, state enterprises and social movements. While these various dimensions are modelled here as distinguishable from one another, in reality they cannot be separated, as they are intertwined in various ways. For example, public investment in agriculture and rural areas can affect rural poverty directly or indirectly and at different levels (i.e. household, municipal, provincial or national), and the magnitude and direction of impacts will depend on the type of investment. Therefore, the impacts of investments must be assessed holistically (Figure 20).

The framework's premise is that when governments invest in agriculture and rural areas, government owned-assets (i.e. public capital) are created or increased, which are then used as a vehicle for increased agricultural production and productivity. Improvements in agricultural production and productivity then affect rural incomes either directly or through its impacts on input and output prices, rural wages, rural non-farm production and productivity. As rural incomes improve, rural poverty is expected to decline. The framework in Figure 20 highlights the complementarities between the two interventions proxied by public capital (IGFR instruments) and productivity (institutions): public capital stock affects the productivity of private capital (along with other factors of production) and its contribution to farm wages and incomes and poverty reduction (Anderson et al., 2006).

Figure 20. Growth and poverty-reduction pathways of rural policies



Source: Benin et al. (2008)

Figure 20 also captures the direct and indirect[10] (via agricultural production and productivity, and rural incomes) impacts on rural poverty of public spending on safety nets. Safety nets increase the productivity of target groups by, for example, investing in their human capital through education, skills, health, and nutrition (Schultz, 1982), thereby contributing to poverty reduction. However, safety nets might also induce recipients to no longer work on farms, which could reduce agriculture production.

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[10] Also referred to as 'general equilibrium' effects when combined.

The essence of a general equilibrium is that the inter-relations, interactions, exchanges and positive externalities are expressed *simultaneously* across all dimensions. Similarly, the general equilibrium concept is not limited to the agricultural sector but captures all possible elements that share the same geographical space on both the consumption and production side. The notion of general equilibrium only becomes meaningful when this wider set of interdependencies, interactions and the implied synergies and externalities are taken into account.

In assessing the impact of public investments in agriculture and rural areas, the importance of *institutional arrangements* needs to be highlighted. Institutional arrangements are structures and mechanisms of social configuration and cooperation and can be formal and/or informal. The starting point for this model is the Constitution. South Africa is a unitary decentralised country with a three-sphere government structure, divided into 278[11] municipalities, nine provinces and one national government. Schedule 4 Part A of the Constitution assigns rural development as a concurrent area of responsibility among provinces, municipalities and national government. This makes rural development policy complex and traversal, involving different state institutions and agencies that are assigned different aspects of rural development. National and provincial governments, rural municipalities, state-owned enterprises (SOEs) and the private sector are all involved in rural development initiatives. Others involved include the professional interests and communities which are to some extent dominated by the agricultural profession and its representatives, and an expanding civil society represented by local non-governmental organisations (NGOs) and national NGOs, particularly in the environmental domain. Non-agricultural professional interests constitute a third component of the non-state, non-local government actors in rural development.

Table 8. Mandate and funding of three government spheres

Government sphere	Constitutional mandate for rural growth and development	Funding
National	• Overall coordination of rural development, land and agrarian reforms. • Agricultural development.	Taxes and duties
Provincial	• Economic: rural development, regional planning and development, agriculture, industrial promotion, etc. • Social: education, health, social welfare. • Oversight over sub-provincial governance structures: municipalities, traditional authorities.	Own revenue Provincial equitable share Grants (conditional, indirect and other) No borrowing
Local	• Economic: local planning, infrastructure and services for economic activities: electricity, water, roads, markets, abattoirs, etc. • Social: early childhood development (ECD).	Own revenue Local government equitable share Grants (conditional, indirect and other) Borrowing

Source: Commission's compilations

At national government level, rural development programmes are mostly located within the DRDLR and DAFF, which each have a dedicated programme for delivering services to rural people. As rural development is multi-faceted, government has adopted a joint implementation approach, which among other things addresses coordination failures. This joint approach is outlined in the MTSF implementation plan. Table 9 shows the various outputs, policy targets and responsible government ministries for each NDP rural development outcome. The government departments responsible for the different activities cut across the various spectrum of provincial mandates. It can thus be concluded that national policy acknowledges the role of provinces in implementing various aspects of rural development. The main provincial responsibilities of expenditure for local governments are: administrative costs; provision of the basic services electricity, water, sanitation and refuse removal; building and maintaining of municipal roads; local social and economic development; community services, such as parks, sports, recreation etc.; and disaster management and fire services.

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[11] The 2015 boundary redeterminations will result in a reduction of local government structures by 21 municipalities, from 278 to 257.

Table 9. Selected rural development outputs and departmental responsibilities

Outcomes	Activity/output	Responsible Minister	Target
1	Develop and implement spatial development plans	DRDLR, Department of Cooperative Governance and Traditional Affairs (COGTA), Department of Human Settlements (DHS), Department of Public Works (DPW)	March 2016
2	Acquire and allocate strategically located land	DRDLR	2 million hectares (ha) by March 2019
3	Implement the comprehensive food security and nutrition programme	DRDLR, Department of Agriculture, Forestry and Fisheries (DAFF), Department of Social Development (DSD), Department of Basic Education (DBE), Department of Health (DOH)	1.6 million households benefiting by March 2019
4	Expand land under irrigation	DAFF, DRDLR, Department of Water & Sanitation (DWS), Department of Energy (DOE)	Additional 1250 ha under irrigation by 2019
5	Eradicate infrastructure backlogs in rural schools	DBE, DRDLR, DPW	100% by March 2019
6	Promote rural enterprises and industries	Department of Small Business Development (DSBD), Department of Trade and Industry (dti), Economic Development Department (EDD), Department of Tourism, DRDLR and DAFF	Additional 60 formal enterprises per district municipality

Source: Adapted from Presidency (2014).

Provinces and national government have similar rural development approaches and sub-programmes. The provincial departments of agriculture and rural development carry out much of the programmes, which are overwhelmingly dominated by agrarian activities, project oriented and supply driven, unsystematic and spread thinly across rural villages. These departments are involved in delivering agriculture-related programmes, such as revitalisation of irrigation schemes, livestock improvement, milling plants and silos in CRDP sites, food nutrition and provision of boreholes and agriculture inputs to communities. Unlike their national counterparts, some of the provincial agriculture and rural development departments include the services delivered by other departments within the rural spaces. For instance, the Mpumalanga annual report for 2014 shows the contribution made by the departments of social development, education and economic development in providing youth centres, training ECD professionals and establishing a bakery among other things.

Overall, the rural areas are receiving considerable attention from provincial governments, especially agriculture, but it is unclear whether the programmes are delivering the full complement of services required for rural development. Although the CRDP provides government with an opportunity to coordinate interventions towards areas with the greatest needs, the programme is likely to be undermined by isolated departmental planning processes – sector departments plan separately from municipalities (the custodians of rural spaces), which leads to duplication.

Municipalities have two core responsibilities with respect to rural development: the effective provision of basic services, and associated support to local economic development (LED). The purpose of LED is to build up the economic capacity of a local area to improve residents' quality of life. It is a process whereby the public, business and social sectors work collectively to create better conditions for economic growth and employment generation. Since 1995, considerable energy and resources have gone into enabling municipalities to play a meaningful role in LED. However, the resources are not sufficient for implementing large-scale projects outside of strong partnerships with other public and private agencies. Expenditure is also very limited compared to other service delivery priorities of local government, with on average less than 1% of municipal operating budgets going towards LED initiatives, either directly or through municipal entities (development agencies). Initiatives include the tourism and agricultural sector, and depend on the geographical location and comparative advantages of each municipality. For instance, in most coastal municipalities, LED initiatives are focused on tourism development and urban regeneration initiatives that will further attract investment and tourism.

In addition to national, provincial and local government, a range of public entities and SOEs are responsible for various rural development initiatives. In certain instances, these initiatives are part of the entities' corporate responsibility programme; in others, specific programmes have been established to offer technical support to municipalities and to provide financial support for the implementation of projects. The three main initiatives in this regard are:

- The Agency Development and Support Programme, which is an initiative of the Industrial Development Corporation (IDC) and supports the establishment of municipal LED agencies. Currently, 32 such agencies are being established or are operational. However, the concern is that using the agency route creates another level of governance and bureaucracy, which is costly to manage and dilutes the developmental impact.

- Electricity reticulation by Eskom and district municipalities. Most rural municipalities have very limited functions because of the asymmetric division of functions between municipalities and historical legacies of poor capacity. As a result, Eskom and district municipalities play a crucial role in the reticulation of electricity and water respectively in rural areas.

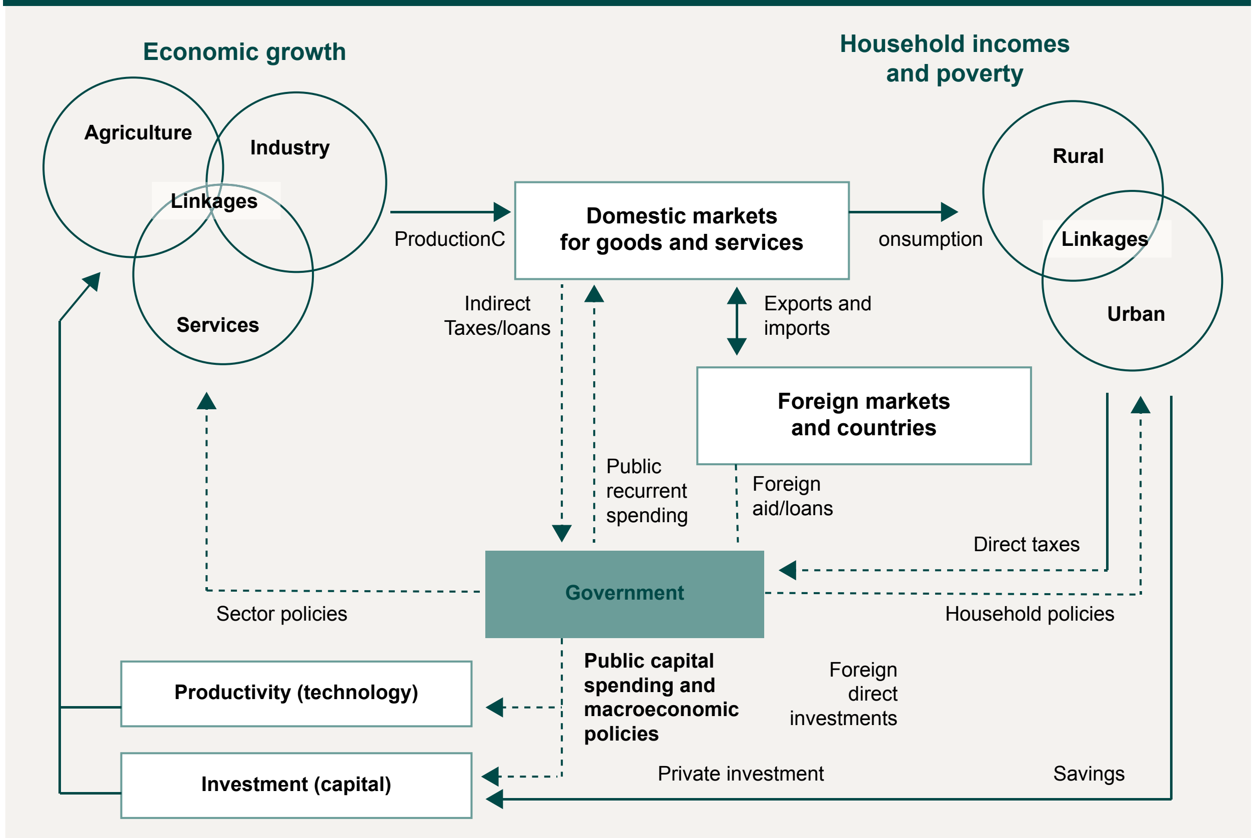
- The Rural Economic Development Initiative, which is a DBSA project that is currently being piloted in three municipalities. Its aim is to explore ways of implementing seven common development principles for effective LED: plotting the path; shifting stakeholder focus from the consumption economy to the productive economy; acknowledging the importance of a large, diversified economic development portfolio; identifying bold projects; promoting and facilitating partnerships; improving municipal performance; and developing strategic policies to promote sound economic development.

Private sector LED initiatives range from projects by individual firms, farmers and churches, to interventions by research institutions and non-profit organisations that focus on particular aspects of development, such as micro-finance, subsistence gardening, skills development etc. Examples of micro-finance assistance include the Women's Development Bank and the Old Mutual Group's Project Imbizo. International donors also play a valuable role in funding and facilitating LED. For example, the EU's LED programmes provide financial and technical support to municipalities in the Eastern Cape, KwaZulu-Natal and Limpopo.

2.4 Towards Empirical Analysis

To ensure robust analysis and findings, a mix of economet-ric and simulation/modelling methods and tools are used to assess the impacts of IGFR instruments in agriculture and rural areas (Byerlee et al., 2009). Figure 21 demonstrates how the effects of IGFR instruments (e.g. public invest-ments) filter through the entire economy in the proposed framework.

Figure 21. Economy-wide linkages of rural policy in a general equilibrium model



Source: Benin et al. (2008)

Quantification and modelling is required in order to attach numbers to these relationships. Identifying the types of socio-economic models that can be used to analyse rural policy issues is fraught with difficulty. The model types used in the Submission is specified through taking into account different policy measures corresponding to each generic policy issue and hence, the "compatibility" of each measure with types of socio-economic models that are able to carry out the analysis.

A rather complicated issue is related to defining the policy effects that models can capture. A policy-impact analysis can be directed towards more than one type of effects, and different "perspectives" can drive the definition of the effects to be measured (as relevant). These include policy-eligibility criteria (e.g. low agricultural incomes, high share of agricultural employment, etc.), micro-level direct variables (such as new economic activities generated or new quality products produced), economy-wide impacts of policy measures (e.g. on employment, income, structures) and "meta" issues such as regional economic growth and convergence or residual choice (to which rural development policies seem to contribute). The approach adopted here draws on the literature as well as the Commission's relevant research and policy analysis experience, and concentrates on modelling approaches judged to be suitable on the evaluation of "most important" effects.

Another important issue, which influences not the choice of model but the choice of scale, is related to the issue of spill-overs. Ideally (i.e. to serve a comprehensive policy-evaluation exercise), every model type could be used at the lowest possible sectoral level. However, spill-over effects and the rather wide scale of the socio-economic process do not allow such an approach.

Finally, another issue taken into account is the difficulty that several model types have in distinguishing the effects induced by the (specific) policy alone. This is a major traditional methodological problem, and its solution is included here. However, where appropriate, there is a hint that a model might be more useful for assessing the likely impacts in the absence of policy intervention.

It is difficult to isolate the impact of a particular external (exogenous) shock from underlying trends and from other internal and external factors that influence economic performance. For example, price movements of major imports and exports, changes in government economic policy, booms and slumps in the world economy, or the effects of civil or international conflict. Therefore, an eclectic approach is adopted, using a mixture of quantitative and qualitative analysis. The quantitative analysis combines regression analysis and an examination of movements around trends, "before-and-after" impacts of instrument changes, and forecasts versus actual performance of key economic indicators. Other relevant approaches are drawn upon, including those used in constructing computable general equilibrium (CGE) models, input-output tables and social accounting matrices (SAMs). Furthermore, a number of the drought impacts are qualitative and not easily captured within the framework of a formal model. Therefore, qualitative approaches included stakeholder interviews and perception surveys. In addition, desk-based statistical studies of the relationships between economic performance and IGFR instruments were undertaken. Finally, case studies of specific policy areas examined the interlinking issues of farm evictions and municipal finances in selected municipalities that had experienced actual farm expulsions.

The various methodological approaches used in this Submission are described below:

Econometric analysis

- A systems approach and, more specifically, a simultaneous-equations method that takes into account different rural poverty and investment decisions. Failure to take these decisions into account leads to biased estimates of the effects or net benefits of public investments (Greene, 1993). This is the approach in Chapter 3.
- A reduced-form, single equation of rural poverty in which instruments are used for the potentially endogenous explanatory variables or estimating a reduced-form model. The major shortcoming of this approach is that the different intermediate effects of public investments cannot be quantified. This is the approach in Chapters 4, 6, 8 and 9.

Estimations are also done at three levels: micro-, meso-, and national level.

- Micro-level analyses focus on the impacts of public investments on farms and/or households. Possible data sources include nationally representative household surveys, such as General Household Surveys (GHS). Since the level of public investments does not vary by household or farm, the effect of public investments will be captured by including variables that capture the household's access to particular public goods and services. This is the approach of Chapters 1 and 7.
- Meso-level analyses at municipal and/or provincial level make it possible to assess the effects of inter- and intra-sectoral public expenditure allocation. Further, this approach allows the spatial distribution of public investments and poverty-reduction to be analysed. This is the approach of Chapters 5, 6, 7, 8, 9 and 11.

- Macro-level analyses are common in literature, as different types of public investments and related data are often available at this level. However, estimation at this level requires a relatively long-time series data. This is the approach of Chapter 1.

Qualitative and case study approaches

- Chapters 4, 5, 7, 8, 10 and 11 have relied on case studies and desktop research to address the issues.

Simulation modelling approaches: CGE models

- CGE models that use SAMs to analyse economy-wide impacts of public investments (see e.g. Jung and Thorbecke, 2003; Lofgren and Robinson, 2008) are used in Chapter 1. They have also been combined with household surveys for micro-simulation where issues of poverty are discussed.

2.5 IGFR and Rural Development

As reported in the rest of the Submission, the Commission has carefully documented, described and analysed case studies in order to explore the wide variety of rural development and IGFR instruments and test the theoretical model outlined in Figure 20. The case studies cover nearly all the municipalities and provinces in South Africa and include some public entities. The analytical and case study contributions of this Submission are meant to inform governments, the public entities, the private sector, and households of the high returns from strengthening rural development.

The econometric and economic modelling provides the following that policy-makers can use for monitoring and evaluating rural development interventions:

- The level and distribution of impacts of IGFR instruments in agriculture, focusing on rural poverty.
- The effectiveness of different types of IGFR investments targeted at agriculture and rural areas.
- The spatial (mainly provincial) differences in the effectiveness of different types of IGFR instruments targeted at agriculture and rural areas.
- The projected impacts of possible scenarios of various government rural development policies or plans to increase investments in agriculture and rural areas.
- The factors that modify the impacts associated with increased public investments on rural poverty.

This modelling captures elegantly that rural is more than agriculture. It captures the impact of non-agriculture sector performances on rural households (disaggregated by urban/rural and by region) and the urban-rural links through the relationship and mobility between the agriculture and non-agricultural sectors.

2.6 Concluding Remarks

This chapter has established the necessary foundation for assessing the impact of IGFR instruments on rural development in the rest of the Submission. It established the scope of the subsequent discussion in terms of policy and considered the main kinds of modelling which have been (or may potentially be) used as part of the analysis of each of the chapters.

2.7 Recommendations

With respect to monitoring and evaluating IGFR instruments impact on rural development, the Commission recommends that:

1. The Department of Rural Development and Land Reform together with the Department of Planning, Monitoring and Evaluation convene a task team with other relevant government departments to develop a new rural development research agenda with three key objectives:
   - Develop a comprehensive analytical framework for rural development policy that includes appropriate qualitative and quantitative indicators to allow different policies to be evaluated and compared across municipalities and across regions within provinces.
   - Undertake a systematic review of rural development strategies and make the results made available to policy-makers across municipalities and provinces.
   - Encourage the various institutional and managerial systems charged with formulating and implementing rural policy to work together and to ensure that individual policies are consistent and converge in a coherent strategy. This can be achieved through special high-level joint inter-departmental coordination via working groups, formal contracts and policy proofing by, for example, benchmarking among peers.