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South Africa: Rural Areas Need New Economic Engines to Create Jobs

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Cape Town — The Financial and Fiscal Commission acting CEO, Bongani Khumalo, says rural areas need new economic engines that will contribute to alleviating poverty and creating jobs.

Khumalo said this when he briefed journalists ahead of tabling the Commission's annual submission for the Division of Revenue 2017/2018 in Parliament.

"Rural areas require new economic engines and initiatives that seek to expand industrial activities, enhance agricultural productivity, and foster greater production linkages within agro-processing industries.

"Given this complexity, rural development requires proper coordination among the institutions and departments involved," he said.

Khumalo said rural areas currently cover 80% of South Africa's land and are home to almost 40% of the population.

He said that although poverty and economic deprivation have gone down significantly since 1994, rural areas lag behind the country as a whole.

He said despite the fact that there has been increased funding, rural regions are not performing as well as urban areas and the unemployment rate - particularly among the youth - in rural areas is much higher than the national unemployment rate.

Poverty is a manifestation of underdevelopment emanating from a range of factors including historical legacies, underinvestment and structural issues, Khumalo said.

"Rural development is a complex process and is not just about agricultural development, as agriculture contributes less than 3% to South Africa's economy. Farm families increasingly rely on off-farm employment and social grants.

"Therefore, land reform needs to go beyond agriculture and farm-based activities," said Khumalo.

Khumalo said the Commission's recommendations for the 2016/17 Division of Revenue would cover a few areas including:

Conditions for creating prosperity in rural areas through agriculture-led growth; The role of agriculture and non-agricultural linkages in enabling economically, socially and environmentally balanced regional development; Measures to improve land reform impacts on rural development; The development of new sources of municipal income; Ensuring that public entities like Transnet and Eskom play their role as drivers of infrastructure-led growth in rural areas; and Call for fiscal arrangements for funding rural development mandates of provinces.

Khumalo said there was a need to improve coordination at a local level and between national and subnational governments in order to integrate sectorial approaches, to involve private partners and to achieve the appropriate geographic scale.

"Public entities such as state-owned companies like Eskom, Telkom and development finance institutions like the Land Bank, Industrial Development Corporation also have a responsibility to support rural development," he said.

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