



Making the invisible visible

Ameliorating poverty in South Africa through natural resource commercialisation

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THE PROBLEM: RURAL POVERTY IN SOUTH AFRICA

- ◆ The majority of households in South Africa, especially those in the rural communal areas, live in abject poverty. Some 70% of rural households can be classified as poor, while 18-24% fall into the chronically poor category.
- ◆ Unlike many other developing nations, South Africa's rural communal areas are characterised by relatively poor availability of agricultural land, with only about 40% of rural households involved in field cropping. This results in high levels of integration and dependence on the cash economy.
- ◆ Unemployment levels are amongst the highest in the world at about 30%. Unemployment amongst women tends to be greater than amongst men resulting in a poverty rate amongst rural female-headed households of over 60%; double that of male-headed households.
- ◆ The scourge of HIV/AIDS is devastating already poor households' ability to cope. More than half of HIV/AIDS affected households have insufficient food (UNDP 2003). Impacts of the pandemic include not only the loss of income, but also increased expenditure particularly on medical care and funerals. The need to care for ill household members or orphaned children also limits the choices of occupation that other household members can pursue, and may restrict labour availability for food production. Household assets are often sold for cash eroding the few safety nets people have. HIV/AIDS is expected to contribute to a chronic impoverishment of 26-33% more households than would be the case in its absence (Aliber 2003).

Alleviating poverty is thus one of the biggest challenges facing South Africa today, and is high on the agenda of all government departments. Efforts to address rural poverty need to move away from the traditional focus on agriculture to consider options of non-agricultural activity and self-employment, including work that can be undertaken from home. This is in line with the President's drive to build the 'second economy'. Natural resource commercialisation provides an ideal opportunity for this. Wood and woven craft, medicines, fresh and processed wild foods, alcoholic beverages, building materials, fuelwood, cultural artefacts and brooms are just some examples of the array of products sold in local markets.

THE 'INVISIBILITY' OF LOCAL NATURAL RESOURCE COMMERCIALISATION

- ◆ The contribution and value of low key income generating activities such as those based on natural resource products are rarely captured and reported in large, formal household surveys, and hence are usually underestimated and underappreciated.
- ◆ The local trade in natural resources is relatively invisible, neglected and misunderstood. In particular, little acknowledgement has been given to its significance for livelihood diversification, in reducing risk and vulnerability, and



as a means for some of the most impoverished members of society to supplement their incomes.

- ◆ A mindset exists that dismisses informal, part-time, seasonal livelihood strategies as being unworthy of support and investment. These activities are often extremely localised, take place outside of visible markets, and generate modest incomes and, consequently, are considered to be of minimal interest to mainstream, market-based development and growth. Yet, they have their own unique role in livelihood security.

In a recent essay on poverty and conservation published in the prestigious journal “World Development”, Steven Sanderson (2005) wrote: “Rural lives are lived in small places not in sectoral strategies. Poverty alleviation needs to be individuated not globalised ... This raises the intriguing question: *how to sell poverty alleviation work that will not make the aggregate numbers move*”. The local sale of natural resources has few noticeable impacts on the national economy - in fact these types of informal activities are seldom recorded in the national accounts - *but they do make a real and, often indispensable, difference to the economies of the households involved.*

- ◆ Producers themselves lament their neglect - “the government does not see us and yet we are helping ourselves”.

WHY NATURAL RESOURCE COMMERCIALISATION DESERVES ATTENTION AND SUPPORT: CONTRIBUTIONS TO POVERTY ALLEVIATION

- ◆ Mirroring trends elsewhere, it is becoming increasingly common to find the integration of numerous forms of self-employment into the livelihood portfolio of South African households, with the expansion in natural resource trading being a key strategy in many rural areas. Thousands of people across the country sell natural resources; some 8% of the rural population in the wooded areas of the country sell at least one natural resource product on an ad hoc or more regular basis.
- ◆ The trade in natural resource products is taken up by poorer and more vulnerable individuals and households, especially those who lack skills and education. Women in particular are benefitting, with more female-headed households found amongst participants than in the population as a whole. It also provides an important option for grandmothers caring for children orphaned by HIV/AIDS. Supporting the natural resource trade 'automatically' helps secure the livelihoods of the poorest segment of the rural population. For these groups, social security, self-employment and better support for income generating activities are considered the best ways to assist them.
- ◆ Natural resource trading may represent different 'forms' of livelihood strategy for different categories of poor households - all are important. For a few it is a specialised activity (e.g. woodcrafters, some broom makers). For others it is a way to proactively diversify the income base (e.g. weavers). In many cases it provides a safety net in times of hardship and may represent a coping or 'necessity' strategy (e.g. broom producers), or, in extreme situations, a survival strategy (e.g. marula beer sellers).
- ◆ Natural resource trading increases the limited choices that rural people have. For large numbers of participants, the opportunity to produce and sell natural resource products with 'low barriers to entry' has meant the difference between destitution or relying on already 'stretched' informal social safety nets, and independence and the cash to meet a variety of basic needs. As one broom producer observed, “I asked a neighbour for food and she said you will find food if you go and cut brooms. The brooms give me food when I can't do anything else”.
- ◆ The returns from local natural resource trading, while often low and irregular, can raise the income profile of households nearer to that of the average local population and reduce the proportion in the poorest class. For most products, mean income rarely exceeds a few thousand Rand (R1000 - R7000) per annum. But for a few households, earnings can be significant, matching or exceeding the minimum wage.



Inclusion of income from trading reduces the proportion of households in the lowest income class, so that income profiles more closely resemble the random population

- ◆ Several non-financial, or quality of life, benefits result from trading in natural resources, including independence, the opportunity to work from home and to fit income earning with other activities, the ability to set one's own pace and levels of productivity, an identity, cultural benefits and the building of human and social capital. These should not be undervalued.
- ◆ An important benefit of the trade is the common use of income to pay school fees. This is an investment in the future and may represent intergenerational poverty alleviation.

KEY POLICY MESSAGES: ENHANCING THE POVERTY ALLEVIATION POTENTIAL OF NATURAL RESOURCE TRADE

While thriving local trades exist, few producers and traders have the technology, resources, access to credit, levels of organisation, contacts or skills required to grow their trading activities much beyond what they currently are today. The points below are, accordingly, made to advocate for recognition of the local natural resource trade and to influence the direction of future support to this sector.

Recognise the sector and broaden the rural development base

Whilst poorly recognised, the trade in natural resources is as significant as many other rural development activities. Most of the local trade is viable and competitive with other similar small-scale activities, is self-driven, and has little drain on the economy. But, it does not receive the same support or subsidisation as other sectors (notably agriculture, livestock production and formal SMMEs). Work in Botswana has shown that investment in marketing and training can substantially increase producers' incomes, providing a livelihood for people who would have otherwise been supported by more costly state welfare grants (Terry 1999).

Build on what exists

Considerable local initiative and energy exists with regard to the harvesting and sale of natural resource products. Support needs to be directed at promoting this already vibrant sector. Too often rural development initiatives focus on cooperative type projects, often with new entrants, that tend to be exclusive, and that involve new products that are often high-risk. Local markets are viable. Intervention should focus on improving conditions and removing obstacles to the current trade. Already thriving trades should not be over-manipulated, and dependency should not replace previous self-sufficiency. The Mineworkers Development Agency's (MDA) new, inclusive 'service centre' approach to supporting individuals and self-initiative as well as recognising small enterprises and part-time livelihood activities may provide a good model (Philip 2002).

Support livelihoods not just enterprises

Natural resource commercialisation needs to be seen from the perspective of its role in supporting livelihoods rather than just as a means to enterprise development. The orthodox position in South Africa is that only full-time, sector-based activities are worth considering as objects of supporting policies. But diversification has numerous benefits, particularly for households living below the poverty line and should not be seen as 'second best'. There is a need for a pro-poor emphasis and policies aimed at supporting income generating activities need to be better targeted at the most vulnerable segments of the informal sector. The focus should be on: *a) livelihoods and maintaining the safety net rather than solely on enterprise development, and b) on supporting diversification and choice rather than just specialisation.*

Integrate with other sectors

The emphasis on a holistic livelihood approach means that support for natural resource commercialisation should, in turn, be part of an integrated strategy for poverty reduction and rural development. *It needs to be seen as one component of a multi-sectoral approach that expands the options that poor rural people have to cope with risk and to diversify their livelihood base.* This means working across sectors and ensuring that the trade is recognised in local and regional development planning initiatives. While the value of natural resources for poverty alleviation is recognised, to some extent, in environmental and forestry policy and legislation, this rarely extends to departments and agencies concerned with economic and rural development.

Recognise the complexity & heterogeneity of the sector

The diversity of products, markets and livelihood outcomes of natural resource product commercialisation needs to be recognised and appreciated. While it is possible to emphasise broad patterns of policy

relevance, the complex reality means that practice and intervention will need to be designed on a more case or 'client' specific basis. For example, different products have varying potentials, diverse constraints and represent different types of livelihood strategies and, therefore, require targeted support. Similarly, different producers (e.g. women versus men, specialised versus diversified) may require directed assistance to address their own specific set of problems and needs.

Diversify products and markets

To reduce the risks associated with natural resource product commercialisation and to extend earnings throughout the year it is important to diversify species used, products produced, markets traded and players involved. This again suggests the need for a holistic, livelihoods approach that considers the benefits derived from a variety of products and activities rather than focusing on a single, high value product and market.

Minimise regulatory barriers

The barriers to entry for natural resource trading are, on the whole, minimal, allowing some of the poorest people to participate. However, a range of obstacles related to regulation constrains productivity; for example, informal trading laws often discriminate against seasonal and poor producers and traders in the market place. National legislation may present unintended barriers; for example, marula beer producers encounter legal difficulties selling alcohol and are frequently harassed by formal, licensed dealers. Unnecessary bureaucracy and unhelpful officials can make both marketing and raw material access difficult. Proper recognition of these trades by municipalities and inclusion of these activities in their development plans would help to overcome many of these barriers.

Improve access to micro-finance: 'credit for livelihoods'

Households with multiple sources of income are likely to earn higher incomes from trading as this allows greater investment in the activity. For many all that is needed is "a small amount of the single missing ingredient, working capital", to sustain the activity, overcome obstacles and improve outcomes (Mead and Liedholm 1998). Presently government facilitated micro-finance for the informal sector in South Africa is targeted at manufacturing enterprises, facilitating economic growth rather than addressing poverty. Serious restructuring is required if the most vulnerable people engaging in self-employment are to be assisted (Baumann 2001). This means developing new strategies for providing credit for informal, part-time activities. Certainly, South Africa lacks the poverty-orientated micro-finance institutions common in Asia, Latin America and elsewhere in Africa. In these countries, micro-finance services do not assume that the borrower is an entrepreneur running a business, but are rather designed to support poor households' livelihood strategies.

Provide flexible support to build the capacity of producers, traders and organisations

Institutional support by government and other agencies is required. This could include subsidised transport, assistance with marketing, and the development of new markets. Training is another area of intervention, but needs to be carefully packaged. For example, the training offered to woodcarvers in Limpopo changed little. Teaching complex business principles to people who live on a hand-to-mouth basis does not work, nor are the skills to make new products likely to be taken up unless there is a guaranteed market for these and raw material is cheap and available. Strengthening organisational and institutional capacity so producers have an identity, and can lobby and negotiate with different stakeholders regarding their needs, undertake group activities such as sharing transport, and cooperate in terms of price fixing, etc. is a critical area of intervention. Training in resource harvesting practices and awareness of the importance of adhering to access conditions, particularly where producers depend on state and private land for raw material, is crucial. Another support role would be to link local producers with private production and marketing organisations. A service/advisory orientated approach may provide the way forward and would be most effective at a local government level, supported by national policies and programmes.

Stimulate expanded domestic markets for 'traditional' products

"Domestic markets usually provide larger and more stable outlets than some of the industrial and niche export markets that have tended to attract the attention of intervention programmes recently" (Arnold and Townson 1998). Work by Cocks and Dold (2004) has shown how urban markets are important in the Eastern Cape for traditional products such as brooms and medicines, and that many of these products are purchased for their cultural significance. The potential exists to promote these markets further. There is a need to stimulate the use of indigenous products and encourage urban Africans to retain their ties to their rural and cultural roots.

Contemporary variations on traditional items could also be developed. If such markets are promoted, then support would be required to assist rural producers access these.

Recognise locally produced crafts for the tourism market

Local crafts that are produced for the tourism market (sometimes in conjunction with local, traditional markets) need to be appreciated, pro-moted and provided with a special niche by the formal, tourist-linked sector. Too often these goods are thought of as inferior to imported or factory produced items. This issue needs attention by local tourism boards, conservation agencies and district and local municipal authorities. Perhaps a more specific and local version of the 'Proudly South African' campaign is required. Another possibility would be for government to offer an incentive to buyers of local products, such as some form of tax relief. Attempts to stimulate this market would need to be accompanied by appropriate support to local producers.

Recognise the importance of private land and private landowners

For some products (e.g craft, brooms and wild spinaches) raw material is harvested primarily from privately owned farm and forestry land. More farmers and landowners need to be encouraged to provide the rural poor with access to 'secondary' products on their lands. This requires awareness raising and, perhaps, some sort of incentive scheme. Local conservation agencies could provide technical expertise for the sustainable management of these resources and the broader landscape within which they occur, and could link into the conservancy approach that is becoming popular amongst groups of private landowners.

Improve resource access, management and sustainability

There is a need to improve access to resources on state land and, in some instances, communal land. Despite policy and rhetoric to the contrary, resources on state land are still often difficult for producers to access. Some species (e.g. reeds, broom grasses and twigs) show good potential for sustainable use, providing an ideal opportunity for conservation managers to demonstrate their commitment to rural neighbours and involve them in resource management efforts. In communal areas, institutional weaknesses are resulting in some local contestation over who has access rights to particular resources (e.g. reeds), while also contributing to the poor management of these resources, threatening their long-term sustainability.

Major government commitment is required to rebuild and support local institutions for natural resource management in communal areas. In some cases, such as carving wood, innovative approaches are needed to find alternative supplies. *The need to manage the resource base is one of the central features differentiating the natural resource trade from other spheres of local production and income generation; it implies that supporting and promoting the trade must go hand in hand with effective management of the resource.* This means control and regulation of access and off-take, but through local involvement rather than top-down enforcement. More effort is needed in terms of research on sustainable off-take and alternative supplies (e.g. cultivation), and in testing and adapting appropriate local level management approaches.

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Endnote

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