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## **The Effectiveness of Agricultural Support NPOs in Facilitating Local Economic Development**

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### **Abstract**

Non-profit organisations (NPOs) are prominent in stimulating local economies – more particularly in rural areas – thus this paper documents the role of non-profit organisations that support agriculture in fostering local economic development and utilises a case study of the Siyavuna Abalimi Development Centre. The theoretical framework of this paper employed hypotheses that include: economic theories of the NPO; the co-management or co-production theory; and the stakeholder theory of the NPO. This paper employed a qualitative research design. Twelve semi-structured interviews were conducted with Siyavuna representatives and the LED officer from the Hibiscus Coast Local Municipality. The findings of this paper reveal that Siyavuna is an organisation that is highly active in LED activities. Its representatives regard the organisation as a LED project. The findings further demonstrate that Siyavuna has been striving to establish relationships and partnerships with local government since the time that

it had been operating as a project and had not yet been registered as an NPO. The results reveal that within this relationship is a lack of trust and further issues such as conflict, in terms of respective community development approaches: Siyavuna uses the “bottom-up” approach, while local government uses a “top-down” tactic.

**Keywords:** *Non-profit Organisations, Local Economic Development, Agricultural Support, Cooperative*

## **Introduction**

South Africa has experienced massive transformation economically, socially and politically as a result of democracy (Turok, 2010). Over the past 20 years, changes in the hierarchy of the South African agricultural sector and in free trade compliance have had some essential effects on this sector. Effects on the former include the issue of incompetence, compared to the global market (Cousins & Aliber, 2012). The changes also include agricultural reforms and a decrease in protectionism within the sector. These issues affect innovation and accentuate other aspects, such as shortage of skills and technology. Small-scale farms in South Africa are currently the most affected by these changes (Cousins & Aliber, 2012).

The South African Government has undertaken a wide range of policy reforms since the democratic transition and change of power from 1994 (Turok, 2010). The major reforms include land, labour, and liberalisation of trade and exchange rate policies. Within the agricultural sector, the Marketing of Agricultural Products Act, promulgated in 1996, promoted the deregulation of agricultural markets and the removal of control boards and price controls on agricultural products (Kydd, Dorward, Morrison & Cadisch, 2004). These government policies, more particularly in agriculture, were designed with the intent to reduce poverty and inequality by increasing incomes and employment opportunities. Furthermore, these reforms were undertaken in order to construct an efficient and globally competitive agricultural sector that promotes economic growth in South Africa. This was mandated in order to address economic issues in the country (Vink & Sandrey, 2008).

The outcomes out of these reforms have resulted in some progress in South Africa’s agricultural sector. It currently contributes 2.2% to the GDP of the country and, while the number of farmers has decreased since 1994, farm productivity has increased in this period (Statistics South Africa [StatsSA], 2013). However, the Minister of Local Economic

Development, Michael Mabuyakhulu, indicated at the LED Summit in 2014 that countries such as Brazil were outshining South Africa in terms of agriculture. This led to a great deal of doubt over whether agricultural reforms had, in fact, been positively impacting upon the country's economy.

While these reforms may not have had the most effective consequences for South Africa's economy, a further disadvantage is their negative impact on the country's small-scale agriculture (Whiteside, 1998). Small-scale farming normally serves a dual purpose in the community – food security sustainability and the establishment of micro-businesses that generate income. Small-scale farming has been negatively affected by agricultural reforms since 1994, more particularly, international free trade liberalisation. For example, agricultural consumers, both locally and internationally, prefer to purchase products from South American countries, due to their competence and lower pricing (Cousins & Aliber, 2012). The small local agricultural sector does not have a great stake in either local or international markets (Whiteside, 1998).

The South African agricultural sector strives to create an environment in which relationships between small-scale farms and commercial farms are established (Valentine, 2009). South Africa's large-scale farms are known to be technologically advanced, however, most of these technologies are imported (Kydd, Dorward, Morrison & Cadisch, 2004). In contrast, the availability of technology for small-scale farms is limited. International trade policies that emphasise deregulation and free trade practices have become imprinted on the South African agricultural sector. This is more apparent in the commercial farming sector, which has been a major role player in improving the export situation within the agricultural sector (Vink & Sandrey, 2008).

According to the National Department of Agriculture (2005), the agricultural sector contributed four percent to South Africa's gross domestic product, from 1999 to 2004. In 2012, the contribution of the agricultural sector was estimated at 2.2%, including the first quarter of 2013 (StatsSA, 2013). The agricultural contribution to GDP has been declining since 1955, due to the country's economic transformation from an agricultural society to an industrialised nation (Vink & Sandrey, 2008). Currently, the entire world is moving towards what is termed "the information society" (Cousins *et al.*, 35) and is therefore becoming more dependent on advanced technology. This creates intense competition for developing countries, due to their limited technological resources. This

issue has affected the South African agricultural sector because – although the country is known for playing an essential role in agriculture – it cannot remain globally competitive without technological advancement, particularly with regard to the small-scale segment.

The following section provides an overview of the theories that relate to NPOs that are relevant to this paper.

### **Theorisation of Agricultural Support NPOs**

The NPO sector can be divided into categories or groups – some are educational, charitable or religious organisations. The focus of this paper is on agricultural support NPOs. Prominent and well-known agricultural support NPOs in South Africa includes Abalimi Bezekhaya, Bio-Watch and Scientific Roets. Such NPOs also aim to address socio-economic issues in the community, but the difference is that they use agriculture as their main tool. A variety of NPO theories – which include two that focus on change and leadership and management – explore and examine the NPO sector through an extensive model. However, this paper employed the market or government failure theory. This utilises classical economic theory to outline the effectiveness of NPOs in local economic development. The proceeding section discusses the relevance of this theory to the study.

### **Market or Government Failure Theory**

Government failure theory falls within the ambit of classical economic theory. It argues that the existence of non-profit organisations is due to the ultimate failure of both government and the marketplace (Nissan *et al.*, 2010). Since government provision of both public goods and services does not satisfy the whole of society, those who are dissatisfied tend to demand that non-profit organisations fulfil their needs (Young, 2000). The phenomenon of government failure is greater if there is huge population, yet the scenario of such failure also applies to a smaller population in the context of low provision of public goods. NPOs are classified according to their purpose, but they largely tend to serve less profitable consumers (Nissan *et al.*, 2010). Both the market failure and government failure theories argue that non-profit organisations are able to effectively provide public goods and services with private financing in economies in which the market and public sector already play distinctive roles (Shaffer, Deller &

Marcouiller, 2004). The significant responsibilities of non-profit organisations come to the fore when both market and government failures occur, and a partnership already exists between the government and NPOs. Government failure theory refers to the NPO sector as the “third sector”. Classical economic theory states that when the market fails, the government intervenes (Balser & McClusky, 2005). The government failure theory of NPOs argues that when it fails, the “third sector” intervenes.

The above discussion indicates that, according to government or market failure theory, NPOs are understood to play a significant role in providing goods and services. The discussion of government or market failure theory is aimed at revealing the crucial role of NPOs in fostering LED. What follows is a continued exploration of economic theories. The next sub-section addresses the trust theory.

## **Methodology**

This paper employed a qualitative research approach. Saunders *et al.* (2003) clarify that qualitative studies are subjective. Qualitative methods can be considered to be “examining methods”, as they focus on the significations of a particular subject. The qualitative approach also identifies and describes any implications and articulates these through words. No centralised procedure exists when it comes to analysing and interpreting qualitative data, and the type of analysis and interpretative methods utilised ultimately depend upon the type of paper being written (Neuman, 2000). In order to obtain in-depth knowledge on a particular subject, the employment of a case study approach is appropriate (Marshall & Rossman, 1989). This logic influenced the reasoning behind the researchers choosing the case study approach for this paper. It is mostly employed to deal with a wide-ranging subject matter, as it targets the most relevant and researchable example in that particular field. A case study approach is also useful in terms of understudied concepts (Yin, 2009). This is a further motivating factor as to why the researchers selected a case study approach for their paper. As previously discussed, the topic of civil society organisations and their role in promoting local economic development has not been widely researched, making a case study approach appropriate to broaden understanding of this understudied area.

The case study employed in this paper concerns the Siyavuna Abalimi Development Centre. This organisation was selected for the case study as it is a private entity that is working independently towards improving the

agricultural sector in Ugu District Municipality, through provision of support to rural community farmers. It offers a variety of support initiatives to rural farmers in the district, including financial support and skills enhancement.

This paper also employed the exploratory approach, using the purposive sampling technique.

### **The Nature of Siyavuna in Relevance to LED**

The Siyavuna Abalimi Development Centre (SDC) is a non-profit organisation that strives to reduce poverty in the rural areas of the Ugu District of KwaZulu-Natal, where 72% of the people live in rural areas. It is estimated that 5.3 million people in the province are living in poverty and 1.2 million are living on less than US\$1 a day (SDC, 2014). The Siyavuna Abalimi Development Centre was registered as a not-for-profit company in 2010. It was indicated in the literature chapter that the third sector, i.e. the NPO sector, can play an important role in providing technical support and services to impoverished households and community-based organisations. These households are often not reached by conventional service providers from either the private or public sectors (Anheier & Salamon, 2014). The spectrum of services offered by civil society organisations encompass a diverse mix, including information, technical and organisational skills training, strategic planning, facilitation of access to resources, support for lobbying and networking activities (Gordon & Dreman, 2007). Civil society organisations represent an important reservoir of knowledge on how best to forge development partnerships with the limited resources they possess. In order to understand Siyavuna's nature, this paper examines various facets of the organisation, including its purpose and how it operates. The following section presents insightful information that sheds light on Siyavuna's nature as an NPO. It further illustrates how the organization acts as a substitute to the conventional service providers in the community.

### **The Purpose of Siyavuna as an Agricultural Support NPO**

Siyavuna uses the agricultural platform to foster local economic development in the Ugu District's rural areas as a "third sector", among other conventional sectors, such as commercial farmers (private sector) and government departments and organisations (SDC, 2014). Siyavuna's

director (3 September, 2014) indicated that the mission of the organisation was to empower rural organic farmers. Siyavuna can be regarded as a “third sector”, because NPOs in general are regarded as such (Anheier & Salamon, 2014). The existence of this sector is due to market and government failure, as the public seeks alternative sources for the provision of these public services. The government or market failure theory, with regard to the NPO sector, is based on the context that NPOs act as “failure correcting devices” (Nissan *et al.*, 2010). Some government departments and organisations possess a fiduciary duty to empower rural farmers. However, due to government failure, the public sector does not sufficiently satisfy communities. There are different causes of government failure, including the issue of the high population in South Africa (Nissan *et al.*, 2010).

The co-founder of the Siyavuna Abalimi Development Centre (4 September, 2014) expanded on the purpose of the NPO:

... I was involved with Siyavuna in the early stage of conceptualisation. The purpose was really at that time, things may evolve and change but originally our purpose was primarily around economic development, how we can drive market access, rather than just agricultural production ... A number of organisations are looking at production with regards to agriculture, but we were looking at market access. So the purpose of the NPO, essentially, was to create market access. It was assuming that the farmers already knew how to grow and what to plant but did not have access to the market.

Conventionally, the most widely recognised sectors in LED are the local government and private sector. However, the literature reviewed in this paper argues that the NPO sector acts as a third sector in LED. The main purpose of Siyavuna is based on two notions – local economic development and creating access to the economy for rural residents in the Ugu District. These both emphasise the role of Siyavuna as an agricultural support NPO in fostering local economic development. The importance of Siyavuna in local economic development will be discussed in detail below. The above discourse aimed to provide an overview of the nature of the NPO sector, more particularly for this paper, that of the Siyavuna Abalimi Development Centre. It is evident, as will be shown in the rest of the chapter, that Siyavuna plays a large role in promoting LED as it is indicated that their main purpose is based entirely upon fostering local economic development in the Ugu District.

## **The Operating Methods of Siyavuna**

It is understood that NPOs operate differently from the for-profit and public sectors. The following paragraphs provide an analysis of how Siyavuna operates. The main purpose of this discussion is to understand whether the structure of the organisation is aligned with and favourable to the community it serves and also to understand the notion of commitment between Siyavuna and the community. This analysis aims to offer an understanding of the nature of Siyavuna with regard to the NPO's role in fostering LED. Regarding the operating methods of the organisation, Siyavuna's director (3 September, 2014) said:

We have a board and the board consists of the executive committee and they appoint staff. We have three areas that we work in, which are, namely: training, mentoring and supporting the co-operative. So we entrench to the programme, the M1; we have a trainer to do that. Once people have been trained, they are encouraged to join the Farmers' Association and sign up for the Participatory Guaranteed System (PGS). It is not a must. We have two goals – one is food security and the second is economic or livelihood development. So, some are happy just to have gardens, producing food for themselves and be food secure. Others want to earn an income from their gardens; they sign up for (PGS) and in doing that, they are joining the Farmers' Association and the co-operative. The FA meets twice a month and it is platform of sharing knowledge. We have representatives from each farmer's association that attends co-operative board meetings and it is the co-operative that buys and sells the produce, not Siyavuna. That is why we focus on supporting and ensuring that the co-operative runs successfully. At the end of the day, the co-operative should be profitable and be independent.

The above quotation indicates a commitment between Siyavuna and the community, as there is membership of the initiatives provided by Siyavuna for the community, as well as compliance. Lack of commitment is one of the elements that results in the failure of most organisations to be effective in providing public services. According to Clark (2006), moral systems obligate and motivate participants and stakeholders to attach themselves to commitment. Clark (2006) argues that commitment can be strengthened by signing commitment paperwork, such as contracts, but can also be encouraged by appealing to a community's sense of morality. The most important part of this commitment between Siyavuna and the community (farmers) is that, although it is strict and structured, it is also flexible in that

farmers are not forced to sell their produce. This reveals two goals – one is to sustain food security and the other is to enhance economic participation by the community.

One of the advantages of the NPO sector is that comprises people from the community and thus allows the NPO to effectively understand the group. The co-founder of Siyavuna (4 September, 2014) said:

Primarily, Siyavuna sets up co-operatives, which become local market entities and Siyavuna supports those co-operatives financially and with capacity. Those co-operatives are largely made of farmers the NPO trains on organic agricultural skills. So, on one side they are working with the co-operatives and on the other they are working directly with farmers. They have a team of guys that works with the farmers who develop agricultural skills, and shares methods, and sets up farmers' support groups. On the other side, they are trying to mentor small business, which is a co-operative that is run by the farmers themselves. Yes, it is run in a business-oriented way to get maximum return back to the farmers.

According to Levi (2005), co-operatives are part of non-profit institutions and therefore also of the social economy. Levi (2005) argues that because cooperatives form part of the social economy, they are then restricted to redistributing surplus income to their members. However, some co-operatives are excluded from the non-profits. Siyavuna sets up co-operatives to create local markets for farmers, where they can sell their produce. It is demonstrated that Siyavuna understands the phenomenon of social economy, as the organisation's main aim is to create a business spectrum for farmers, so as to ensure that they reap maximum profit.

According to the co-founder (4 September, 2014), Siyavuna provides training and mentoring, as these are very significant aspects in the agricultural sector in light of the fact that farming is highly complex. This knowledge is relevant when it comes to planting more effectively. Skills development is central to the community, as it is regarded as a long-term investment (Coetzee, 2013). Siyavuna's project manager (5 September, 2014) stated that Siyavuna's specific role is to create superior livelihoods for farmers by using a model based on agricultural sustainable community investment. It was highlighted in the responses that government does give material to the community, but the latter cannot utilise it effectively, because they lack knowledge and skills. The development of these qualities

will be discussed further in the following section, under the concept of human capital development.

## **The Importance of Siyavuna in LED**

This section aims to provide a precise discussion about the impact that Siyavuna has in local economic development, as it is argued by Nissan *et al.* (2010) that NPOs act as a “correcting device” and play a central role in local economic development. In order to provide a clear understanding, this section begins by discussing the definition of LED, as employed by Siyavuna, which is an important aspect of this paper. To further explore the importance of Siyavuna in local economic development, this section draws on the dimensions of LED, as mentioned and discussed in Chapter Three, section 3.4. These dimensions are investigated in relation to the primary data collected from participants at Siyavuna.

## **Local Economic Development**

There are various definitions of the term local economic development, as it is not a fixed concept. According to the co-founder of Siyavuna (4 September, 2014) LED, as understood by members of Siyavuna, is slightly different from what the government mandates as LED. The co-founder defined LED as:

Yes, this is an interesting one. If you talk to the government about what LED is, they will bring everything into LED. For me and for some of the guys who started Siyavuna ... LED for us was about improving the lives of communities around Ugu District. Thus, it is about proper grassroots economic development and it is about sustaining local economies. So, if you are comparing it to the current legislation on LED and policy around LED for the government, I think Siyavuna is not even in that level of LED government; it is below. I mean, they are working with farmers, earning hundreds of rand. It is not even hitting any kind of level where they can access credit or anything from formal institutions. So I do not think it is on any kind of LED government sphere and in that way they struggle to get recognition from the government; there is research around this level of LED which is true economic development at the grassroots.

There are different definitions of LED as the term is contested by scholars, institutions and the public in general. However, according to the World

Bank (2007), LED is about local people working together to achieve sustainable economic growth and assist in improving living standards in their communities. This definition of LED from the World Bank accommodates what Siyavuna defines as LED. Siyavuna defines and practices LED with a focus on local Ugu residents improving their standards of living and promotes local economic growth by forming co-operatives at which rural farmers can sell their produce. It is involved with rural farmers at a very small scale of farming and that is why they regard their LED as not “LED government”. Practically, in South Africa, the “LED government” focuses on maximum outcomes in economic development and economic growth.

The director of Siyavuna (3 September, 2014) indicated that the role of Siyavuna in local economic development is also based on the ideal that the organisation intervenes as an alternative service provider, mostly for community members who have not been assisted by the government or the private sector. This indicates that Siyavuna does indeed act as a “correcting device”, as suggested by Nissan *et al.* (2010), about the NPO sector in general.

The purpose of defining LED and including the above discussion in this section is to justify the role of Siyavuna as an agricultural support NPO in fostering local economic development. It is illustrated in the above discussions that Siyavuna is aimed at improving standards of living and sustaining local economies in the Ugu District. It is further demonstrated that Siyavuna, as an agricultural support NPO, acts as an alternative service provider for the community. The following discussion focuses on rural development as an important aspect of this chapter. Rural development forms part of the dimensions of LED.

## **Conclusion**

It was established from the literature chapters that there are 6,862 NPOs in South Africa that focus on social services and 2,583 that support development and housing. This quantifies the significance of the NPO sector within the country, as other nations, such as China and Mexico, have also begun to realise the vital role of the NPO sector. In South Africa, the NPO sector still requires stakeholder attention, more particularly from the government, as the main driver to advance local economies. Regarding social services and development, there are a number of linkages between the government as a whole and the NPO sector. This

includes the ideal that both the NPO sector and the government are striving to reduce poverty and inequality in order to ensure fair income redistribution and economic stability. These are South African government objectives that are considered and analysed at the macroeconomic level.

The above discusses the commonalities between the NPO sector and the government by outlining the linkages between these stakeholders, thus highlighting the necessity of partnerships. The latter also helps to identify comparative advantages between stakeholders so as to comprehend the competence of one stakeholder when compared to the other. This has been useful in reducing resources' wastage and encouraging efficiency – for example, in some types of social service delivery and development, NPOs tend to have more competence than government and vice versa. However, it is very difficult to identify this co-existence, because there is no solid and formalised partnership between the NPO sector and the government as a whole. Lack of partnership between the local governments and the NPO sector tends to bring about dissention between these stakeholders, as is evident from the discussion chapter on conflict between Siyavuna and the local government at Ugu District leading to competition rather than competence in service delivery and development.

The aforementioned issues indicate the importance of the NPO sector in intervening as the third sector in growing and developing the local economies in the country. In some areas, it is remarkable that there is the existence of partnership between NPOs and local government, but these partnerships have constraints and limitations, as the government imposes mandates to the NPOs in terms of approaching service delivery or development in communities. The main challenge is that the government employs the “top down” approach, while NPOs are committed to local economic development at the grassroots level. However, partnerships are possible because both stakeholders' main aim is to serve the community and enhance local economic development, despite the difference in approaches.

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