

# INEQUALITY AND ECONOMIC MARGINALISATION

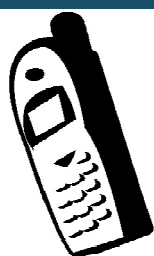


**Linking small marginalised producers to modern markets: Are we trying to fit a square peg in a round hole?**

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**TIPS**  
TRADE & INDUSTRIAL POLICY STRATEGIES



## ABOUT THIS RESEARCH

The 2007 Annual Report of the Accelerated Shared Growth Initiative of South Africa (AsgiSA) identified a need to focus on what was then called ‘the second economy’, and on mechanisms to ensure shared growth reaches the margins of the economy. The Second Economy Strategy Project was initiated in this context. It reported to the AsgiSA High Level Task Team in the Presidency, but was located outside government in TIPS.

A review of the performance of government programmes targeting the second economy was completed in early 2008. The project then commissioned research and engaged with practitioners and policymakers inside and outside government. A strategic framework and headline strategies arising from this process were approved by Cabinet in January 2009, and form part of the AsgiSA Annual Report tabled on 16 April 2009.

In South Africa, people with access to wealth experience the country as a developed modern economy, while the poorest still struggle to access even the most basic services. In this context of high inequality, the idea that South Africa has ‘two economies’ can seem intuitively correct, and has informed approaches that assume there is a structural disconnection between the two economies. The research and analysis conducted as part of the Second Economy Strategy Project highlighted instead the extent to which this high inequality is an outcome of common processes, with wealth and poverty in South Africa connected and interdependent in a range of complex ways. The different emphasis in this analysis leads to different strategic outcomes.

Instead of using the analytical prism of ‘two economies’, the strategy process placed the emphasis on the role of structural inequality in the South African economy, focused on three crucial legacies of history:

- The structure of the economy: its impacts on unemployment and local economic development, including competition issues, small enterprise, the informal sector, value chains and labour markets.
- Spatial inequality: the legacy of the 1913 Land Act, bantustans and apartheid cities, and the impacts of recent policies, looking at rural development, skewed agriculture patterns, and the scope for payment for environmental services to create rural employment.
- Inequality in the development of human capital: including education and health.

TIPS’s work around inequality and economic marginalisation is built on the outcomes of this strategy process.

The research undertaken under the auspices of the Second Economy Strategy Project continues to be relevant today as government explores policy options to reduce inequality and bring people out of the margins of the economy. This report forms part of that research.

A list of the research completed is available at the end of this report. Copies are available on the TIPS website: [www.tips.org.za](http://www.tips.org.za).

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## INTRODUCTION

Improving small, marginalised producers access to modern<sup>1</sup> markets has increasingly been accepted as an important element in South African policy debates on improving the employment, income and livelihood opportunities for such producers. The importance of market access arises because in the absence of such access, these producers are restricted to servicing proximate, local community markets which are traditionally thin and do not support: increased output volumes, product diversification and value addition, increased employment, increased income generation or increased returns. To date programming in this field has been characterised by two traits. First the majority of programmes have been project based, unsustainable, un-scalable, un-replicable and have impacted a limited number of direct beneficiaries. This project based approach has resulted in market based employment creating programming achieving substantially less penetration, coverage and success than social delivery programming. Second, the majority of programming has largely bought into the orthodox economic view that the “fault” for market exclusion lies largely with producers – their personal characteristics, production methods and location – resulting in a supply side dominated intervention approach. By this logic if small producers improve the quality and consistency of their production then they will almost certainly be included in modern markets. This chapter argues that even if supply constraints are fully relieved, the modus operandi of lead firms (which dominate the South African economy), create a sufficiently hostile and infertile environment, that even if market access can be achieved, the threat of adverse inclusion remains high – making the idea of improving livelihood and employment opportunities by linking small marginalised producers to modern markets an extremely difficult task. Despite these challenges, the chapter offers three system based policy options to address the issues of small producer exclusion, as well as, briefly touching on the idea that alternatives to linkage strategies need to be considered.

The research is based on value chain analysis as it is viewed as the most powerful and relevant tool in understanding the drivers behind the erection and administration of the barriers to entry which prevent small, marginalised producers from accessing modern markets. Understanding market power and governance and the exercise of this power allows economists to understand who the gatekeepers of value chains are, why and how they erect barriers to entry, how they influence the distribution of incomes and rents along a chain and how supply criteria are endogenised into chains via product and process upgrading and critical success factors. As such understanding lead firm behaviour in modern markets not only frames the opportunities and risks facing linkage programme initiatives, but it assists in designing interventions which are realistic and deal with the realities of how lead firms behave and organise their productive networks.

Although traditional value chain analysis is empirically driven and highly specific in terms of product or sector, this chapter discusses generic value chain characteristics and attributes, as a survey of hundreds of case studies across countries, sectors and products revealed that the same constraints arise consistently in the interaction between small producers and lead firm value chains (Lowitt, 2009)

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<sup>1</sup> The concept of modern markets refers to mainstream markets which typically exist in areas of high urban concentration and are associated with high and stable levels of effective demand; but specifically relate to markets where new trends of convenience purchasing, private label consumerism and contract based production networks are dominant. The concept is explained in more detail in the next section.

## VALUE CHAINS AND MARKET ACCESS

Markets in the current era operate differently to the way markets operated in the past – giving rise to the notion of modern markets. Thirty years ago consumer wishing to purchase their weekly supply of fruit, vegetables and meat used to visit their local greengrocer and butcher to buy unbranded products. Today consumers demand the convenience of one stop shopping and visit large retailers such as Pick ‘n Pay and Woolworths to buy their weekly groceries. Consumers are now purchasing branded products and have expectations of quality and availability associated with these products and retailers. The rise of private labels means that commercial retailers can no longer procure produce in the spot market at venues such as the fresh produce market or local abattoir because they may not be able to meet their volume requirements and quality standards to meet final consumer expectations. Instead large lead firms, such as the supermarkets, motor vehicle manufacturers, sports equipment, home furnishing and clothing companies need to develop relationships with specific suppliers who provide quality assurance and reliable delivery. This global trend of large lead buyers and branded goods which is identifiable in all sectors of the economy has fundamentally changed the nature of markets. Arms length, anonymous, open market activities are in decline and with them the relevance of traditional neo classical analytical tools. In their place, networks which capture suppliers are created, and anonymity and transactions based purely on price are replaced with strong relationships, negotiated contracts and embedded services. Value chain analysis’s ability to identify, understand and explain the nature, drivers and implications of these relationships and the power relations that shape these interactions fills the gap of traditional neo classical analysis’s anonymous, price signal co-ordination mechanisms and provides economists with a basket of more relevant tools to understand why and how small producer exclusion is perpetuated.

“Value chains denote a particular product based thread of activity, that at a given moment in time runs through a constellations of activities and dynamic configurations embodied in a production network. It is the nature of the network linkage itself – it’s information load, connection mechanism, governance style, power dynamic, geographic reach and distributional implications ” that are important in understanding the context and challenges of small producer insertion into modern markets. (Sturgeon 2001, p.3) Power relations and governance are core concepts in value chain analysis. In South Africa’s highly concentrated market, many firms have market power where an individual firm is able to exert significant influence over the goods or services traded and the price at which they are sold. Governance is a related concept and covers how a firm’s commercial competence, market development, branding, organisational and technical capabilities assist in the exercise and entrenchment of market power. High levels of market power and strong governance correlate to strong bargaining positions and high levels of freedom in decision making. The sectors in which most small, marginalised producers in South Africa operate ( retail, agriculture, agro processing, textiles, clothing and construction) are characterised by large lead firms with high levels of market power and very strong governance competencies. These strengths are used to shape market access, influence production capabilities and influence the distribution of rents and incomes along a given chain.

More specifically the following trends are identified in lead firm behaviour in South Africa: (1) lead firms are increasingly demanding ever larger volumes from suppliers, (2) lead firms are increasingly shifting away from being resellers of other enterprises products and producing their own brands and private labels as a means of market differentiations, (3) concentration at lead firm level has been cascading down value chains so that all points along a chain are visibly more concentrated than previously, in addition, the number of hand

over points in chains are decreasing and lead firms are delegating additional activities to main suppliers, (4) standards are becoming increasingly important along value chains and lead firms are relying on codification and certification to decrease governance costs, and finally, (5) profits and returns along chains are increasingly gravitating towards logistics, branding, marketing and design activities and away from production activities. These five key observed behaviours create an infertile and hostile environment for small producers seeking access to modern market value chains. However, it must be appreciated, that this behaviour on the part of lead firms is economically rational and is undertaken to increase the effectiveness and decrease the costs of operating a value chain.

Looking at modern market exclusion from the small producers' perspective, the case studies considered also reveal some interesting characteristics of linkage problems that have occurred across countries, sectors and products over time. The following trends are identified in small producer behaviour: (1) contract based linkages provide greater returns and better opportunities for upgrading for small producers than spot market transactions, but risk exposure is increased, (2) contractual linkages have proven difficult for small producers because continuous supply is often incompatible with rural and cultural lifestyles, small producers often do not have the resources to survive worst case scenario's under the terms of the contracts<sup>2</sup>, and small producers are predisposed to indulge in extra contractual marketing, (3) horizontal aggregation activities are necessary for small producers to overcome high transaction costs but group formations fail more often than they succeed and finally (4) small producers are unlikely to be able to negotiate contracts on favourable terms by themselves.

Finally turning from players to products, the value chain case studies reviewed show three important generic trends. First it is evident that most small producers produce traditional commodities. Traditional commodities face decreasing terms of trade which potentially leads to immiserising growth<sup>3</sup>. Second, lead firms determine the critical success factors necessary to win contracts. The lower the level of critical success factors the lower the share of income distributed to producers. The production of traditional commodities with low contractual critical success factors will thus lead to low income generating opportunities for small producers resulting in the third important issue – namely the need for small producers to understand and undertake strategic product segmentation.

The above three lists of issues briefly outline the magnitude of the challenge at hand in linking small, marginalised producers to modern markets. Essentially the demand structure and organisational behaviour of lead firms has increased the size of the chasm between large suppliers and small suppliers and the entry requirements for winning modern market contracts are higher than at any previous time in history and getting higher on a continual basis. Overlaying this with the behavioural characteristics of small producers and the likelihood that small producers are producing traditional commodities and the notion of round pegs and square holes becomes vividly apparent. Even if small producers can be linked to modern markets, unless this linkage is characterised by the production of non traditional goods, decommo-ditised goods and goods with high critical success factors, the likelihood exists (given existing power relations) that such inclusion may be adverse to small producers not only in terms of squeezed margins and limited production rents and incomes, but also increased risks as a captive supplier and the possibilities of rejected consignments. As such

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<sup>2</sup> Under most lead firm supply contracts, consignments may be rejected for poor quality and prices may fluctuate. While larger firms are able to survive such changes the lack of flexibility inherent in small producer operations may see a small business fail if even one consignment is rejected.

<sup>3</sup> Also known as the race to the bottom where small producers supplying undifferentiated commodities compete on price such that ever decreasing prices result in unsustainable businesses.

even if small marginalised producers can be linked to modern markets via lead firm value chains there is no guarantee that such a linkage will improve the welfare of the small producer.

## **LINKAGE OPTIONS**

The crux of the problem in trying to link small, marginalised producers to modern market value chains is that large lead firms increasingly only wish to do business with large, competent suppliers. In looking for programming remedies, possible solutions need to be based upon changing the procurement habits of lead firms while understanding that these habits and behaviours are economically rational and play an important role in ensuring that consumers have access to goods at a reasonable price. Two of the three proposals presented are based upon inducing changes in lead firm procurement behaviour and are seen as first prize options. The third proposal assumes that lead firm behaviour continues unchanged and suggests mechanisms by which small producer output can be offered to these buyers as if it were from a large, competent supplier. The proposals are all systems based in an attempt to move beyond project based programming.

## **PREFERENTIAL PROCUREMENT AND PRIVATE SECTOR VALUE CHAINS**

The idea of preferential procurement is well established in South Africa and a strong framework for such behaviour is well articulated in the BBBEE Act of 2003 and the BBBEE scorecard. An analysis of the recent performance of BBBEE scorecards shows that some sectors in the economy have performed better than others in terms of preferential procurement. For example the average BBBEE preferential procurement score for a retail grocery store in South Africa is less than 1 out of 20, whereas in the ICT industry the average score is 12 out of 20 ( van der Heijden, 2007) This divergence is attributable to differing incentive structures. Firms in South Africa undertake preferential procurement as a means of increasing their own business opportunities. Because the ICT sector's biggest single client is government, and because government insists on awarding contracts where BBBEE scorecard ratings figure highly, ICT firms wishing to succeed need to score highly on preferential procurement in order to win government business. The winning of government tenders is thus an incentive for these firms to source inputs and services from small, marginalised producers. Conversely in sectors such as the retail or textile sector, large firms do not interact with government tenders and given that their consumer base is generally apathetic about BBBEE, no incentive exists for such firms to improve their preferential procurement scores.

The idea behind the first policy proposal is therefore to create an incentive mechanism for large lead firms in, for example, the retail sector, to want to change their procurement behaviour because it will be beneficial to the company to increase its preferential procurement scores. Because of the pyramid system underlying the current scorecard design, incentivising lead firms will in principle create a cascade effect down a chain whereby an entire value chain becomes more open to sourcing inputs from small marginalised producers even if only the lead firm is incentivised. This cascade effect is supported by code 500 of the Act, which recognizes different level suppliers and varying enhancement factors, and, code 600 which affords lead firms points for undertaking enterprise development and upgrading of small marginalised producers. As such it is argued that the architecture already exists to support preferential procurement by lead firms from small marginalised producers, but what is missing is the catalysing incentive.

The most effective incentive for lead firms will be financial and the most obvious candidate tool will be a substantial tax break. Briefly, the proposal suggests that this tax break should



be based on preferential procurement scores and kick in only once a minimum level of preferential procurement has been achieved, and thereafter work on a sliding scale whereby the tax benefits increase in line with increased preferential procurement. Second it is suggested that the tax break offered be substantial. The significance of the tax break needs to be sufficiently substantial not only to induce a behavioural change, but it needs to be sufficiently large that an enterprise development tax break is not necessary as a separate accompanying tool. Lead firms seeking to increase procurement from small marginalised producers will need to spend considerable time, effort and resources on upgrading these producers outputs and production processes. In addition such a scheme would make lead firms need to operate in areas outside of their core competency and traditional business focus. Rather than separating out the supply side conditions from the demand behaviour a single large incentive would not only ensure upgrading but ensure that such upgrading was completed in the most effective and cost efficient manner thereby supporting an outcome of cost effective increased preferential procurement rather than just increased preferential procurement. The importance of this cannot be underestimated, as a failure to provide a substantial enough incentive and the failure to place cost controlling upgrading mechanisms in the package will result in higher prices of final goods being passed onto consumers. Finally, and importantly it is suggested that this incentive need not remain in effect in perpetuity but can have a limited life span of 15 to 20 years. The idea here is that once small producer upgrading has taken place and once working relationships have been established, this modified procurement behaviour can be perpetuated even once incentives are removed.

Crucial to this proposal is the idea that supply side issues become the domain of lead firms and not government. The rationale for this is that lead firms have greater market intelligence, understand product segmentation, production processes and quality issues better than government and are hence ideally placed to support small producers up the ladder to a level where their outputs and processes meet demand criteria. The downside of this argument is that one is asking retailers and lead firms to become agents of development. While the size of the incentive must be sufficiently large to allow firms to willingly accept this role based on commercial grounds, it will also be necessary for government to supply some support services to the private sector lead firms in the fulfilment of this upgrading task, especially in areas where lead firms have no core competency. Companion projects and specific services can be designed which will decrease the amount of aggregation and upgrading services which a lead firm will need to undertake. A second downside of this approach is that while it may relieve the constraints of market access it fails to address the risk of adverse inclusion although the risk is somewhat ameliorated given that it will be in a lead firms best interests to ensure the ongoing viability of its small suppliers.

There is no doubt that such a scheme will have a substantial impact on the fiscus, but three considerations need to be taken into account. First the absolute number of small, marginalised producers and the volume of output they are able to produce is a small percentage of overall final goods sold through these chains hence the fact that these producers are by definition small makes the cost of the incentive essentially self limiting. Second, if Treasury were to back such a scheme it could realistically claw back much of the cost of the scheme by decreasing spend on existing small producer support programmes that are not very effective, as well as saving on grants as producers move from being dependant on social grants towards financial independence. Finally in terms of bang for the buck this option potentially offers greater value for money than other existing initiatives as it only rewards success and not the activities underlying potential success. Lead firms only gain the



tax incentives once upgrading and purchasing from small producers has been completed, therefore only final success is rewarded.

## **LEADER Projects**

The second policy proposal assumes that lead firm behaviour remains largely unchanged and that preferences for negotiating supply contracts with large, competent suppliers remains as a defining feature of modern market behaviour in South Africa. Against this background of continued high barriers to entry, the second policy option accepts that linkages will occur only on a project by project basis. The focus of the proposal is to suggest an alternative *system* to identify and implement such projects which is superior to the current project determination and implementation strategies used in all three spheres of government. The ideas contained in this new system proposal draw heavily on the success of the EU's 'Links between Actions for the Development of the Rural Economy' (LEADER) programme and is a geographic based approach aimed at rural and peri urban communities.

The idea is relatively simple. Instead of linkage opportunities being identified by government officials, donors or research efforts of third parties based on sectoral studies, data and modern market transactions, the LEADER system places the responsibility for project origination at the local level thus supporting a bottom up system of project origination. Bringing project origination down to the local level allows the system to embrace the distinctive features of rural areas and activities, skills, know how, latent potential and history of the area. The system is also based on creating convergence between players, activities and local components and the creation of links between players, activities and areas. As such a project under this system cannot be initiated unless a local action group has been formed in which private sector operators, local communities and relevant public operators are represented. Once a project has been designed and once it meets the qualifying criteria, it then competes against other projects around the country for funding from a limited five year pool of LEADER project funds. Funding through this programme covers two aspects. First funding and substantive support is made available to facilitate the process of creating a local action group, ensuring the development of relationships between the project participants and completing initial feasibility and commercial studies. Second funding is available on a grant basis to help in small producer upgrading and the set up costs for new facilities by private sector investors. Funding for individual projects is not limited or capped to a specific amount and competition between projects should ensure high quality applications. It is important that the fund is operated at a national rather than provincial level to ensure that competition for funds remains high.

The European LEADER programme was designed specifically to assist small producers in rural areas to keep traditional production processes and good production alive in the face of large commercialised competition. Many of the EU projects focus on traditional food items such as region specific sausages, cheeses, wines and other processed foods, as well as, cottage industry skills such as stone masonry, bespoke carpentry, lace making and fabric production. This focus area could be retained in a South African context and include the development and commercialisation of bio diversity products, forest and indigenous food products, traditional weaving and basketry, crafts, beading, commercialisation of natural assets (water, areas of outstanding beauty) and the like. In reality, however, the scope of such programming is probably limited and the local version of such an approach would need to be expanded to cover non traditional activities. For example if one of the large food processing companies sought to build a new processing facility, if that facility was to be placed in a rural location, and if inputs to the facility were to be provided by the local small producer community then the project would be eligible for LEADER funding. Alternatively if a group of

hospitality providers in an area such as the Magaliesberg or Dullstroom decided to source inputs for their restaurants from small producers such a programme could also be covered by the programme.

This policy option will require substantial funding but a fixed ceiling for each round of funding will create financial certainty and predictability. Substantial high quality resources to administer the programme will be required by government but because the programme is system based: economies of scale, learning by doing, replication, institutional memory and experience should result in the marginal operating costs decreasing over time. This policy option will only result in incremental change, but the cumulative effects over time could be substantial depending on the qualifying criteria established. In the EU system for example one of the qualifying criteria is that at least 20 000 individuals will benefit directly or indirectly from a project.

## **CREATING AN INTERMEDIARY**

The final policy option presented suggests that the chasm between lead firm quality and quantity demands and small marginalised producer supply outputs can be closed by the creation of an intermediary vehicle. This intermediary vehicle would assist in upgrading small producer products in line with lead firm critical success factors and aggregate small producer output. The intermediary would then sell this aggregated output to large lead firms. In this policy option the intermediary acts as a large competent supplier and lead firms get to continue with their current behaviour and operation of their production networks while small producers are afforded access to modern markets.

The idea of national intermediaries which supply aggregation services to small producers as a means of accessing modern markets has recently regained popularity in the field of international trade. International trade theory is currently showing that being a low cost provider of a good is no longer a sufficient condition for being able to increase global exports. This is because global trade is also increasingly being dominated by large lead firms and value chains which require huge order quantities and total reliability. For example Wal-Mart ( the largest US retailer) have a minimum order size for socks of 1 million pairs and delivery must occur within a 15 minute window of the agreed date and time. Most developing countries would not be able to meet such criteria based on small and medium sized producers thus increasingly governments are intervening to aggregate the outputs of individual firms to meet lead firm orders in the global market. Such activities were undertaken in the 1960's and 1970's in Japan and South Korea as they sought to establish their manufacturing sectors in the global market.

Pack and Saggi (2006) suggest that such an approach is extremely expensive for the state and requires highly efficient government and institutional structures, but argue that it may be the only option for developing nations (especially those where small and medium firms dominate production structures) and that once the initial costs have been borne, the marginal cost of adding one more firm diminishes substantially and consistently. Could such a scheme work in South Africa, in for example the agricultural sector where an intermediary vehicle buys fruit and vegetables from small producers against a long term supply contract from a lead retailer?

In principle the answer is yes, such a scheme could succeed. The challenge would not be financing, but rather the colossal operational and organisational challenges which might exceed current government competency. However a public private partnership could see the government providing the finance and the private sector the operating and technical expertise. Surveying existing government funding schemes financed by the fiscus, as well as,

pension schemes of parastatals and organisations such as the PIC it is evident that most small producer empowerment funds are undersubscribed with fund managers finding it difficult to identify potential beneficiaries and distribute funds. These underutilised funds could be channelled to the intermediary vehicle with existing management fees being used to run the operating costs of the intermediary and investment funds being utilised to upgrade small producers to meet quality criteria and to establish cascade small business opportunities in transport and logistics to support the company's operations. The vehicle would need to be run on a commercially viable basis and as such small producers would not receive better prices for their output than they would if they contracted directly with lead firms; but they would benefit from embedded services and upgrading, stabilised income flows, steady demand and the ability to increase their supply volumes and decrease their production costs allowing them to improve income generation, employment and returns.

The government could vastly improve the viability of such a scheme and improve the pricing of small producer outputs if it launched such a scheme in conjunction with a tightening up of preferential procurement requirements for the private sector and its enforcement of state preferential procurement. Agreement through industry charters with the catering, hospitality and retail sectors, in conjunction with enforcement that state run school feeding schemes, hospitals, army and police barracks etc purchase food from small producers would create competition for the output of the intermediary vehicle. This competition for output would result in price increases and increased returns for small, marginalised producers. By this logic in time it is also possible that the intermediary could become so financially viable that it is bought out by the private sector freeing up government to focus on other social challenges.

## **CONCLUSION**

This chapter has argued that the existence of large lead firms in the South African economy and changing consumer behaviour in the 21<sup>st</sup> century present a hostile and infertile environment for linking small, marginalised producers to modern markets on terms which are beneficial to such producers. The chasm between the large competent suppliers which lead firms seek to contract with and the characteristics of small marginalised producers can be bridged to varying degrees by policy interventions such as those suggested above. In these proposals the reality of modern markets is accepted as given and interventions are designed either to attempt to change modern market behaviour by changing price signals (tax breaks for preferential procurement or grant funding for new investments) or by ameliorating the negative impacts of such behaviour on a specific group of producers (creating intermediary vehicles).

It is, however, possible to think about the problem in a fundamentally different manner. The above three policy suggestions are all creative options to try and reconcile the underlying fact that modern market operations do not support the social outcomes (poverty alleviation, increased inclusion etc) sought by government. Implicit in linkages theory and indeed, all economic policy in South Africa, is a blind faith in the link between growth and welfare i.e. if the economy grows at x% per annum via government support of the business sector and the creation of an enabling environment, then eventually and automatically positive welfare effects will accrue to individual South Africans. This orthodox, neo liberal view based on neo classical economics has growth as its target outcome with welfare outcomes being achieved as secondary and associated outcomes. Because policy interventions are designed around the idea of generating growth and improving profitability and competitiveness it should not be surprising when welfare outcomes are not achieved; since they were never the policy priority but an anticipated derived outcome.

The disjuncture between market based outcomes and desired social outcomes occurs fundamentally because of the value judgements economists and politicians make regarding economic viability. In South Africa, and most countries around the globe, economic viability is conceptualised solely in terms of financial profitability and not on welfare outcomes. Understanding the economy in these terms is not an inevitability, but a particular view of how one defines viability and hence efficiency and resource allocation. This financial, profit based view of viability is a view perpetuated and entrenched by decades by neo classical, orthodox, neo liberal thinking. The question that South Africans need to ask is whether the current definition of economic viability assists or retards the attainment of the country's social development goals. If this definition does not assist in achieving poverty reduction and improvements in livelihoods and welfare then alternative definitions need to be investigated and explored.

This suggestion is not as radical as it may at first appear and a growing body of academic literature, case studies and methodologies is emerging in what is being referred to as new institutional economics or people centred economics. Crucial to these approaches is the argument that these departures from neo classical orthodoxy are not revolutionary but a natural evolutionary process of developing economic tools and paradigms that assist in most accurately and relevantly dealing with the resource allocation problems faced by modern society.

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How tenure security can increase access to economic opportunities for poor people – Lauren Royston (for Urban LandMark)

Challenges of inclusive cities: Making urban spaces and places for all – Nisa Mammon, Kathryn Ewing and Jody Patterson (for Urban Landmark)

Governance and governability: What are the challenges for an inclusive city – Monty Narsoo (for Urban Landmark)

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