

## Creating Resilient Livelihoods with SCIP

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Why hasn't "development" worked in our country?

I'm here to celebrate the work of a good friend who addressed this question, and went on to show that his answers worked. Dr Norman Reynolds developed an approach he called the **Sustainable Community Investment Program (SCIP)**, and refined it in many communities in India and Zimbabwe, and then in South Africa. Norman died a few years ago. I'll do my best to share his model with you.

Dr Reynolds identified four basic shortcomings in our present model of social development:

1. **It focuses on delivery, not enablement.** Just about everyone admits we lack the capacity to implement the delivery system we have legislated. There are all sorts of very understandable reasons for this. Bottom line is, the majority of our social services and grants do not empower or develop communities; they just manage to keep them alive.
2. **It kills local demand.** Norman Reynolds said that the poor (over half of all SA families) will only be rescued when they can enjoy the right to live in **working local economies**. No amount of 'supplied' skills training, small business loans, and so-called poverty alleviation funds will solve the problem. The central problem is the lack of demand. This means simply that you might be able to produce, but you cannot sell. So why bother to produce?
3. **It promotes addiction not learning.** Violent service-delivery protests tell us how much dependency we have created. Poor people know the queues are getting longer and the schools poorer and they feel victimised. Take away the promised fix of more delivery and all they can do is vent their anger. They have to rely on the promises of distant politicians, and are not given the opportunity to design and manage their own resources and destinies. So there's nowhere they can experience the thrill, and difficulties, of growing their own income and assets – and communities. No place to take responsibility for the outcomes of their own plans. No place to learn from their own mistakes.
4. **It fails to build trust.** Apartheid systematically eroded the trust of citizens for each other and their representatives. The delivery model further weakens it. Services and grants are fed through a mechanism fraught with injustice and malpractice. Without trust communities wither. The current delivery system nourishes a Mafia of corrupt officialdom and patronage – the delivery model focuses ever-increasing power in the hands of the deliverers. Power corrupts.

Dr Reynolds offered three core measures to address these shortcomings:

**1. Grow the multiplier.** This concept often escapes attention in the delivery model.

R1 million invested in Sandton will circulate some seven times within that suburb, each time around providing R1 million-worth of enhanced livelihood in the form of goods or services. Economists call this the multiplier effect. Sandton boasts a multiplier of 7. Effectively R1 million-worth of investment results in R7 million-worth of wealth.

Take the same original R1 million and invest it in Alexander, and it will encounter a multiplier of only 1,6. Just R1,6 million-worth of transaction are generated, while the majority of the investment leaves Alex and returns to the First economy<sup>j</sup> via its super-markets. The poorer the community, the lower the multiplier, so that government's billions in social support grants are spent where they have the least return in effectively enhancing livelihoods. They benefit primarily the deliverers and the First economy, and produce ever more dependency in poor recipients.

The way to increase the multiplier in a community is to increase the effective demand (willing and able to buy) for goods and services. You can supply all you like but if there's no demand there's no trade. So the SCIP leverages **local markets** to encourage local trade in locally-produced goods and services, so that money in the pockets of local people flows back into other local pockets.

In the early '60's the National Party government closed over 650 local markets all over the country (to be replaced by just thirteen national wholesale fruit and vegetable markets). The purpose was to destroy the outlets for productive farms and communities. The strategy succeeded – rural productivity crashed, leaving a huge pool of unemployed to feed the mines with cheap labour.

We now need to re-establish markets that will attract and absorb locally produced goods and services and grow the local multipliers. In smaller communities these can be periodic markets – weekly or monthly. They are made more attractive to buyers and sellers by inviting regional services to attend – a bank, a clinic, a vet, government social services – and, yes, musicians and artists: market day is not to be missed!

Throughout history, periodic markets have helped to circulate cash, raise local multipliers, build local economies and make them competitive with other regions. Markets exactly fit the twin aims of growing the local economy and making it more competitive.

Poor people in this country are not lazy; they have been systematically corralled into incompetence – in the sense of “being unable to look after oneself, one's family and to contribute to society”. As the proliferation of street vendors in our cities demonstrates, given half a chance people don't just sit around.

**2. Make employee/citizen ownership meaningful.** Of course markets of themselves don't create goods and services – they make it worthwhile to produce them. To produce them locally, to move up from just buying and re-selling at a margin, people have to come to recognise that they are **not without assets**. In the SCIP model, local assets (land, water, houses, labour, work-places...) are ascribed a value in Rands. Then people

recognise they already own resources, and can engage in the marketplace (home for the multiplier) with substance.

What does this look like? Among the already employed, whether factory or farm, it takes the form of employees assuming some ownership of, and responsibility for, their own work-places. The rhetoric around this can be frightening to some (is it communism?), but many international examples demonstrate that well-conceived and real employee participation is a genuine win-win – for employers, employees and society. The over-quoted exemplars are Mondragón in Spain (over 100 companies and 50,000 employees) and Semco in Brazil. And there are several more modest but shining examples in this country – some initiated by Dr Reynolds.<sup>ii</sup>

Among the unemployed, the principle of citizen ownership is the same: what are the assets which “come with” an individual, or community? Can they meaningfully give these assets a value which can then be marketed – leveraged to the benefit of all? In rural communities, land and water can be such assets - we have long passed the point where these were in such abundance that they had no market value. They are now scarce resources, and as such can be offered to the market to assign a Rand value.

The SCIP has evolved a mechanism which ascribes “citizen’s rights” to every adult – male or female – in the community. Then they are no longer poor victims waiting for the next hand-out from the First economy, but resourced shareholders in their own community. They own rights to a tangible quantum of let’s say grazing land, water and labour (and that’s just for starters) which they can lease for income, or rent more of, depending on their occupation. This is not just window dressing – telling a man he suddenly now “owns” his own body. Working SCIP models in this and other countries demonstrate how this simple step of allowing people to own the key resources which affect their lives can mobilise individuals and communities right out of the poverty trap.<sup>iii</sup>

- 3. Community Trusts.** Once we have markets and “asseted” people, we need a way to nurture the trade that is now made possible. Productive activity, especially after all these years of dormancy, needs both a catalyst and a container. Community Trusts are a vehicle that can manage these assets, plus any grants that may be receivable from government or elsewhere. The Trusts are fully owned by the local people, so they ensure that these resources are used to respond to local needs. They generate understandable budgets and supervise and audit the way they are spent, learning and growing from their own experience. It is a fundamental economic right to know the resources that are available to impact on your own life.

In the SCIP model, government moves from being service provider to facilitator. This is where we can run into political hot water, because it can sound as if Community Trusts would take over the responsibilities of municipal councils, or of government. To the contrary, they can make these existing bodies more effective, by (a) bringing the budgeting and managing of local resources closer to the people, and (b) coordinating the inputs from well-intentioned but uncoordinated Government and NGO endeavours. At national level coordination has not, and will never, happen. It is the beneficiaries

who are most interested and most able to coordinate inputs, but only if they are allowed to know the resources that affect them – to be involved in their own budgets.<sup>iv</sup>

These are but the very bare bones of what Norman Reynolds and colleagues developed into a comprehensive model to empower local communities.<sup>v</sup> The few instances where it has been allowed to operate in South Africa show clearly that, properly applied and facilitated, the Sustainable Community Investment Program has the potential to revitalise poor communities – urban and rural – starting now. Let us not be put off by the spectre of failures. Let us be enthralled at the development of a Learning Society: the paradigm follows that of science - failure is the moment of knowledge creation. Local failure is hugely more rewarding than the cynical shenanigans of politicians and bureaucrats far from the community.

The most certain way to bring about local economic development is to adopt policies and programmes that directly engage residents by making them the responsible, and the financially enabled, party. Every resident has the right to live in a working local economy, and to understand and participate in the budgets that affect that economy.

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<sup>i</sup> Norman Reynolds was one of the first to emphasise the dual economies in South Africa - the First and Second - the global and the marginalised. But where some hoped that the Second would be rescued by trickle-down from the First, Norman showed that the reverse was generally the case: the trickle is up, not down. The poor cannot access the technology of the First economy so can never compete in the global market, but they spend nearly all their income in the First economy's shops. The First economy meanwhile is itself caught in global competitiveness, which limits its capacity to support the Second.

The situation is compounded by the fact that the Second economy cannot “pay its way” with regard to social services, so it raises the costs of the First (including the cost of crime and corruption).

<sup>ii</sup> They are “cooperatives” in the true sense of that word, and as such not too popular with the Trades Unions because they tend to blur the conflictual polarity between employer and employee on which the unions thrive.

<sup>iii</sup> The Siyavuna project on the South Coast is an independent and thriving rural community project, started in 2008, developed with SCIP-trained facilitators - [www.siyavuna.org.za](http://www.siyavuna.org.za)

<sup>iv</sup> This is particularly so when local communities are faced with externally-driven changes to their lives, like the Wild Coast mining bid. It is essential that the people have in place the right and awareness to demand time and support to first prepare themselves as business entities: to level the playing field, to deal with developers on their own terms, and not have a few “leaders” be bribed and bamboozled into signing away their rights.

<sup>v</sup> The National development Plan of the NPC says:

“There will be a paradigm shift from a delivery model to a capabilities approach. Development is about creating the conditions, opportunities and capabilities that enable people to lead the lives they desire. Communities take ownership and are active in their own development”. The SCIP fits perfectly into this new paradigm shift and should be rolled out nationwide.