



Annexure A: Summary of the Services SETA Rural Development Strategy & Framework

1) Purpose and scope

The framework guides how Services SETA defines, funds and reports on rural development in South Africa. It aligns SETA interventions with national policy and clarifies what counts as a rural area and a rural project for planning, funding and audit.

2) Core definition

Rural development is the planned improvement of quality of life and economic well-being of people living in rural areas, through interventions in land use, infrastructure and social services, and the nature and intensity of economic activity.

3) Policy anchors

The framework is rooted in national instruments including the NSDP 2030, NDP 2030 and the Comprehensive Rural Development Programme, which emphasise enterprise development, skills development and good governance in rural areas.

4) Delivery locations (practical accommodation)

Because many rural areas lack suitable facilities, interventions aimed at rural residents may be delivered in nearby towns or urban centres where venues and connectivity exist. Such projects remain classified as rural development initiatives because the beneficiaries are rural residents.

6) How “rural areas” are determined

The framework uses recognised settlement typologies (Integrated Urban Development Framework (IUDF), Council for Scientific and Industrial Research (CSIR)/ South African Cities Network (SACN), Municipal Infrastructure Investment Framework (MIIF) and municipal classes to distinguish urban and rural contexts. For funding and reporting, **rural municipalities are those classified B3 (small towns) and B4 (mostly rural)** in the MIIF/COGTA typology.

7) Geographic alignment

Rural areas for Services SETA purposes are those within B3/B4 municipalities as per MIIF (DBSA/COGTA/National Treasury). The framework lists these municipalities by province to support planning, targeting and audit. Applicants must identify targeted districts/locals against this classification.

8) Measurement and reporting implications

Projects claiming a rural focus should:

- Specify the rural municipalities/settlements served (B3/B4)

- Show how rural beneficiaries will be reached and supported (including where delivery occurs off-site)
- Report results disaggregated for rural residents (e.g., numbers reached, employment/enterprise outcomes, access improvements)
These requirements enable consistent evaluation, monitoring and audit across windows and years.

Municipal Classes and Characteristics

The Rural Development Strategy and Framework uses the national municipal typology to distinguish between different settlement types and to identify which local municipalities are considered rural.

Table 2: Municipal Classes and Characteristics (summary)

- **Metros (Category A)**
Metropolitan municipalities that are predominantly urban, with high-density built-up areas, significant infrastructure and services, and some rural elements on the periphery. They generally have populations above one million.
- **Secondary cities (B1)**
Local municipalities referred to as secondary or intermediate cities. They have substantial built-up areas, significant infrastructure and services, and a mix of urban and rural areas at the edge of the city.
- **Large towns (B2)**
Local municipalities with a clear urban core and a large urban-dwelling population, with population sizes that vary widely but are generally above 100 000 residents.
- **Small towns (B3)**
Local municipalities without a large town as a dominant core settlement. They typically have smaller populations, with a significant proportion of residents located in one or more small towns. The rural areas in these municipalities are characterised by commercial farms and agriculturally based local economies, which is why B3 is included in the analysis of rural municipalities.
- **Mostly rural municipalities (B4)**
Local municipalities with at most one or two small towns, extensive rural areas, communal land tenure and villages or scattered dwellings, often located in former homeland areas. These municipalities are predominantly rural in character.
- **District municipalities (C1 and C2)**
Category C1 districts are those that are **not** water services providers, while Category C2 districts are water services providers.



For the purposes of the Services SETA Special Projects Call, **rural municipalities are those classified as B3 (small towns) and B4 (mostly rural)** in this typology. These municipalities are concentrated in KwaZulu-Natal, Eastern Cape, Northern Cape and Limpopo, with additional rural municipalities in the Free State, North West, Mpumalanga and Western Cape.

Geographic areas within the jurisdiction of B3 and B4 municipalities are therefore recognised as rural for this call, and rural development interventions implemented in these municipalities are treated as **Rural Development Interventions Initiated** in line with the framework.