CHAPTER 4

SOUTH AFRICAN POVERTY INTERVENTION STRATEGIES

1. INTRODUCTION

The previous chapter dealt with poverty, inequality and sustainable development. The chapter revealed the multi-dimensional composites of the phenomenon of poverty, as well as the challenges that make poverty eradication a highly complex phenomenon. Notwithstanding, this chapter will discuss the South African initiatives in poverty eradication and sustainable development strategies. The chapter will introduce the context against which poverty eradication strategies are formulated. Three key State poverty intervention strategies would be outlined against the background of enabling legislation within which Ithuba Trust operated, as discussed in Chapter 2. Reference will also be made to the indigenous strategies and impact measurement. The chapter will conclude with examples of sustainable development models.

2. CONTEXT AGAINST WHICH POVERTY ERADICATION STRATEGIES ARE FORMULATED

Before democracy, South Africa was known for its repressive laws which were institutionalized by the minority white government whose target for repression were the majority black members of the society.

The then legislative framework meant no opportunities for blacks to advance to the competitive levels, locally and internationally, with whites. The following examples of such legislation were:

- The Land Act of 1913 that prohibited trade of land to blacks and therefore no black person owned land in South Africa, making the country belonging to whites only;

- The Urban Areas Act of 1945 that limited the number of blacks residing in urban areas and therefore forced the majority of blacks to live in impoverished rural areas;
- The Group Areas Act of 1950 that put a stop to mixed living of different ethnic and racial groupings;
- The Bantu Education Act of 1953 that prohibited blacks from superior education as there was no room for them to compete with whites. The then government believed that it would be frustrating for blacks to be highly educated, while there would be no opportunities for them to utilize the said education. Matube (1990:28) refers to the then Minister of Native Education, Dr H F Verwoerd, as saying: "By simply blindly producing scholars after the European pattern, the vain expectation is created that in spite of the policy of the country, they would be able to fill the positions in white society. That is what is meant by the unhealthy creation of white collar ideals and the forming of widespread frustration among the so-called educated Natives."
- The Job Reservation Act of 1954 that preserved skilled and highly paid jobs for whites only and restricted competition between black and white. Blacks were limited to unskilled and underpaid work.

The outcome of the past oppressive laws is aptly described by the South African President, Thabo Mbeki (2001:10):

> "We have come from a rather desperate situation – over 300 years of colonialism and apartheid, and those centuries produced a major disaster for South Africa. So, we are starting from a very low base, one characterized by poverty among many millions of people, therefore the majority of the population has conditions of underdevelopment. Whether it's underdevelopment in terms of housing, roads, access to electricity, telephones or education … So it is going to take a bit of time to move to a situation where we can say we have overcome that particular legacy as it affects Africa, as it affects the continent."

The timeframe challenge highlighted by President Thabo Mbeki (2001:10) is confirmed by Shaw (2001:23-49) when he asserts that transformation could take an entire generation period of twenty five years and that other matured worlds took a hundred years to achieve.

The new South African democratic government's mandate therefore is to fundamentally transform South Africa from a racially discriminatory system to what President Thabo Mbeki (2001:13) regards as:

> "… a non-racial society … because the socio-economic divisions of the past remain racially divided in terms of distribution of resources, opportunities and so on … You look at any area of South Africa in the socio-economic line and you will find the persistence of this legacy of apartheid and colonialism … South Africa is still what it was – African areas, coloured areas, Indian areas and white areas – those areas will also describe areas of development and infrastructure – the disparities of the past. … If you look at the urban and rural areas, the divide between urban and rural – very, very clear is the backwardness in the areas that were Bantustans, which before were called native reserves … so the task of integration of the non-racial society is a very big task …"

The abovementioned parameters within which the non-racial transformation as described by the South African Head of Government, lie in the country's Constitution, which is regarded as one of the most advanced in the world.

The South African Year Book (1998:35) presents the South African Constitution's preamble as follows:

> "The Preamble to the Constitution states that the aims of the Constitution are to
>
> - heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights
> - lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law
> - improve the quality of life of all citizens and free the potential of each person
> - build a united and democratic South Africa able to take its rightful place as a sovereign state in the family of nations."

Human rights are entrenched in a Bill of Rights which applies to all citizens and binds the legislature, the executive and the judiciary and all the organs of state to abide by them. The South African Human Rights Commission (SAHRC) was established as an implementation and monitoring agent. The Constitutional Court guards these rights and determines whether or not actions by the government are in accordance with the Constitutional provisions (South African Year Book, 1998:35).

As the Constitution represents the formal and final repudiation of institutionalized racial discrimination, it also provides the guiding principles for the development of a revolutionalized public service responsible for the facilitation of the fundamental transformation of the racially divided South Africa.

The Public Service, however, had major problems that would make service delivery difficult. The new government therefore appointed a Presidential Review Commission on the Reform and Transformation of the Public Service in 1996. The Commission's key role, cited by Latakgomo (2001:5), was:

> "… to assist in the process of transforming the state and its principal executive arm, the public service, from an instrument of discrimination, control and domination to an enabling agency that would consolidate democracy and empower communities in ways that were demonstrably accountable and transparent."

This action demonstrated the new government's intentions to develop strategies whose implementation would result in the improvement of the quality of life of the poor, previously disadvantaged, the majority of which are blacks.

The findings of the Presidential Review Commission on the transformation of the public service revealed, amongst others, structural and functional weaknesses in all the tiers of government, that is, Central, Provincial and Local. Such structural and functional weaknesses included lack of coordination amongst the different levels of government and their intra-governmental operations, lack of administrative skills and capacity, lack of consensus on a common and shared vision, widespread confusion over the differing roles of the political and administrative roles, lack of transparency and accountability (Latakgomo, 2001:5).

The new government needed to lay a strong foundation of its delivery objectives and this Commission assisted in facilitating their administration.

Regarding strategy, the government was challenged in developing a pro-poor strategy that would lead to the reduction of poverty levels in the country.

Adelzadeh *et al.* (2001:243) state that fundamental transformation of the status quo needs a pro-poor strategy and such a strategy should incorporate three main elements:

- a pro-poor growth strategy driven by the government;
- mainstreaming the eradication of poverty; and
- transforming the labour market by removing racial and gender barriers to increased demand.

The South African government's anti-poverty strategy incorporates Adelzadeh *et al.* (2001) assertion as Pahad (2001:21) states:

> "The government's anti-poverty and anti-inequality programme rests on five pillars: developing macro-policy stability, meeting basic needs, providing social safety, developing human resources, and job creation."

This government approach, according to Pahad (2001:21), has been developed to put poverty programmes into the mainstream in virtually all departments, coupled with efforts to ensure efficient and accelerated delivery of services.

According to Persaud (2001), soon after democracy, the government repealed all the discriminatory laws and by the year 2000 over five hundred new laws had been passed, freeing South Africans of all discriminatory practices and enabling democratic innovations and creativity to rebuild the nation.

However, South Africa's challenges to rebuild the nation had been and are still enormous. Although the phenomenon of poverty has been documented as multi-dimensional, the issue of human resource development and skills had been identified as a priority in its intervention. This priority area in the fight against poverty was documented by The United Nations Industrial Development Organization (UNIDO) (1994:9) in its address to the International Donors' Conference on Human Resources Development for a Post Apartheid South Africa:

> "… human resource development is shown to be the top priority which is to increase/develop productive skills among disadvantaged populations for their absorption in industrial enterprises. The experts group further emphasized the regional integration of South Africa as the economic development with South Africa will have profound influences in the entire Southern sub-region."

UNIDO (1994:9) also highlights the importance of small, micro, medium enterprises (SMMEs) as they have strategic advantages in the South African context. The SMMEs can be promoted with small capital, simple technology and minimum infrastructure facilities and can contribute towards the development of domestic and export markets, stimulate growth of large industry, trade, commerce and service sector and provide an adequate base for agricultural production.

UNIDO (1994:11) recommended, amongst others, the creation of institutions for skills training, institutional training needs assessments for the training of trainers programmes.

UNIDO's (1994:11) observation about the prioritization of human resource development and skills development is supported by the South African government, business and the NPO sector as the following media reports indicate:

- Mbeki (2002b:3) states that lack of skills is stunting South Africa's economy and hampering the growth potential of SMMEs and the employment of blacks. After government reviewed its strategy on SMMEs, it became clear that there was a need for changes to emphasize skills training. In SMMEs, many people have no knowledge at all about business management, financial management and accounting which are basic skills one needs to run a successful business.
- Lourens (2002:2) states that government should use its buying power to reward employment equity and long term skills transfer as a stepping stone towards deepening empowerment.
- Van Niekerk (2002:22) reports that skills shortage is expected to remain a key restriction on how rapidly the country can move towards a substantially higher growth path.
- Ryan and Robinson (2002:22) report that South Africa must catch up with the world and spend more on training. For South Africa to achieve its full potential, it needs another 400 000 to 500 000 managers. The serious shortage of technical and professional skills is described by economists as the single most material barrier the country faces to achieve good levels of economic growth during the next decade. South Africa spends one percent of the payroll on training initiatives compared to four percent in developed countries.
- Misbach (2000:8) reports on the South African Auditor General, Shauket Fakie, saying government struggles with lack of skills and that the government is struggling to put its financial house in order due to a lack of financial management skills in government departments.

- Wadula (2001:8) makes reference to Lot Ndlovu, President of Black Management Forum criticizing government and big business for failing to develop skills as a core requirement for economic growth and further that the empowerment of blacks is hampered by a lack of skills.

Another factor that compounds skills shortage is the debated brain drainage. Lamont (2001:5) reports that according to the Geneva-based International Organization for Migration, the brain drain of highly skilled professionals from Africa to overseas opportunities was making economic growth and poverty alleviation almost impossible. Every year 23 000 graduates leave Africa for overseas. Emigration from South Africa alone is estimated to have cost the country R67.8 billion in lost human capital since 1997. South Africa is experiencing a growing brain drain to more developed countries.

To counteract the impact of the brain drain, South Africans had debated over a long period on whether to accept and promote the immigration of skills. This debate was also accountable to the delay in the finalization of the immigration legislation, which took several years to be passed. Temkin (2002:1) reports, for example, that the long-awaited regulations governing the employment of foreigners in South Africa had been published, fulfilling the promise made by President Mbeki that urgent attention would be given to the issue to enable the government to attract skills into the country. The regulations were due to take effect in March 2003. The contribution by skilled foreigners for skills development will be made through a two percent taxable foreigners' income that will be paid quarterly by their employers to the Department of Home Affairs.

The passing of the Immigration Act of 2002 is not the only intervention that the South African government devised to change the skills shortage status quo. The Human Resource Development and National Skills Development strategies were recently released to the South African public as will be discussed in the following section.

3. THREE KEY STATE POVERTY ERADICATION STRATEGIES

According to the researcher, there are three key government poverty eradication strategies, that is, The Human Resource Development, The Skills Development and The Integrated Sustainable Rural Development strategies. Each will be discussed below:

3.1 The Human Resource Development Strategy (2002)

The development of human resources is identified as one of the five key areas for implementation in the RDP. The Human Resource Development (HRD) Strategy (2002) was released by the government in 2002 and is based on the following RDP principle, cited by the HRD (2002:4):

> "Our people, with their aspirations and collective determination, are our most important resources. The RDP is focused on our people's most immediate needs, and it relies, in turn, on their energies to drive the process of meeting these needs. Development is not about the delivery of goods to a passive citizenry. It is about active involvement and growing empowerment."

In their foreword to the HRD Strategy (2002:4) the Minister of Education, Kader Asmal and Minister of Labour, M. M. L. Mdladlana state: "The overarching goals of the strategy are ambitious, including an improvement in the Human Development Index for South Africa, a reduction in inequality, and a higher position on the international competitiveness table."

The Strategy therefore, regarding these ambitious goals, deals with the following issues:

- impact of poverty related health concerns on the population and workforce
- inequalities in income, gender and race
- labour market discrimination
- inequalities in the composition of staff and students in education and training institutions.

The vision, mission and objectives of the Strategy are as follows (HRD Strategy, 2002:10–11):

The overall vision of the strategy is:

> "A nation at work for a better life for all"

The key mission is:

> "To maximize the potential of the people of South Africa, through the acquisition of knowledge and skills, to work productively and competitively in order to

achieve a rising quality of life for all, and to set in place an operational plan, together with the institutional arrangements, to achieve this."

The three overarching objectives of the HRD Strategy (2002:10) are:

Overarching Goals	Target to be Achieved
To improve the Human Development Index: an improved basic social infrastructure is critical for a productive workforce and a successful economy.	An improvement is attained in the Human Development Index.
To reduce disparities in wealth and poverty and develop a more inclusive society.	The country's Gini Co-efficient rating is improved.
To improve international confidence and investor perceptions of the economy.	The country's position in the International Competitiveness League improves in absolute terms (currently 47th in key indices.)

Two inherent elements will drive the HRD strategy, that is, institutionalization of the HRD planning and implementation through structures which will ensure coordination and effective communication amongst relevant stakeholders and data collection and analysis regarding the twenty five key indicators for success or failure.

The HRD Strategy (2002:11) stands on the following four pillars:

- A solid basic foundation, consisting of early childhood development, general education at school, and adult education and training;
- Securing a supply of skills, especially scarce skills, within the Further and Higher Education and training bands of the National Qualifications Framework, which anticipate and respond to specific skills needs in society, through state and private sector participation in lifelong learning;
- An articulated demand for skills, generated by the needs of the public and private sectors, including those required for social development opportunities, and the development of small business; and
- A vibrant research and innovation sector which supports industrial and employment growth policies.

Poverty, as discussed in Chapter 3, is about, amongst others, a lack of basic needs, opportunities and choices for development and growth. The HRD Strategy addresses such needs, opportunities and choices by maximizing the potential of affected people through skills development needed for increasing the quality of life of those affected. It can therefore be concluded that such a strategy would have a positive effect on the reduction of poverty levels.

The following section will discuss the Skills Development Strategy in order to identify any synergy between the HRD Strategy and Skills Development Strategy as over-arching and priority poverty reduction, growth and development strategies.

3.2 The Skills Development Strategy

There are four laws in South Africa that underpin the Skills Development Strategy.

These are according to the South African Year Book (1998:232–234), the following:

- The Labour Relations Act (No 66 of 1995), which enables bargaining councils to be established and registered and further stipulates that the councils should include SMMEs within the RDP context, emphasizing the workforce participation in decisions that affect their lives.
- Basic Conditions of Employment Act (No 75 of 1997), which protects the interests of the workforce, inclusive of farm and domestic workers and other sectors of commerce and industry that are not regulated by other wage regulating measures.
- Employment Equity Act (No 55 of 1998), which prohibits all forms of inequality and discrimination against workers, inclusive of the disabled, gender and race.
- Skills Development Act (No 97 of 1998), which revamps education and training in the workplace to bring it more in line with economic and societal needs.

The coordination of the four laws ensures justice and fairness in the workplace and higher levels of productivity as a prerequisite in the competitive world. The coordination of the strategy is undertaken by representatives from business, government and labour, under the auspices of the National Skills Authority, together with the Sectoral Education and Training Authority (SETA) and the Education and Training Boards (ETBs).

In his address to the South African Chamber of Business (SACOB) Annual Convention, the then Director-General of the Department of Labour, Sipho Pityana (1997:9), stated that the Skills Development Strategy "will have the effect of reducing skills shortages; encourage entrepreneurship in small scale businesses and also the acquisition of skills for such enterprises to upgrade and expand their activities in a manner that will expand employment; and stimulate new activities as more skills become available in the economy."

The National Skills Development Strategy (NSDS) was released by the Department of Labour in February, 2001. Its mission and objectives are as follows (National Skills Development Strategy, 2001):

> "To equip South Africa with the skills to succeed in the global market and to offer opportunities to individuals and communities for self-advancement to enable them to play a productive role in society."

There is synergy between the mission statements of the HRD and NSD strategies in that both refer to acquisition of skills by South Africans to prepare them for local and global competition that will result in the improvement of the quality of their lives.

Objectives and success indicators of the NSDS (2001:31–33) are as follows:

Objective		**Success Indicator**	
1.	Developing a culture of high quality life-long learning	1.1	By March 2005, 70% of workers have at least a Level One qualification on the National Qualification Framework (NQF).
		1.2	By March 2005, a minimum of 15% of workers to have embarked on a structured learning programme, of whom at least 50% have completed their programme satisfactory.
		1.3	By March 2005, an average of 20 enterprises per sector (to include large, medium and small firms), and at least five national government departments, to be committed to, or have achieved, an agreed national standard for enterprise-based people development.
2.	Fostering skills development in the formal economy for productivity and employment growth.	2.1	By March 2005, 75% of enterprises with more than 150 workers are receiving skills development grants and the contributions towards productivity and employer and employee benefits are measured.
		2.2	By March 2005, at least 40% of enterprises employing between 50 and 150 workers are receiving skills development grants, and the contributions towards productivity and employers and employee benefits are measured.

Objective		Success Indicator	
		2.3	By March 2005, learnerships are available to workers in every sector (Precise targets will be agreed with each Sector Education and Training Authority).
		2.4	By March 2005, all government departments assess and report on budgeted expenditure for skills development relevant to public service.
3.	Stimulating and supporting skills development in small businesses.	3.1	By March 2005, at least 20% of new and existing registered small businesses to be supported in skills development initiatives and the impact of such support to be measured.
4.	Promoting skills development for employability and sustainable livelihoods through social development initiatives.	4.1	By March 2003, 100% of the National Skills Fund appointment to social development is spent on viable development projects.
		4.2	By March 2005, the impact of the National Skills Fund is measured by project type and duration, including details of placement rates that shall be at least 70%.
5.	Assisting new entrants into employment	5.1	By March 2005, a minimum of 80 000 people under the age of 30 have entered learnerships.
		5.2	By March 2005, a minimum of 50% of those who have completed learnerships are, within six months of completion, employed (for example have a job or are self-employed); in full-time study or further training or are in a social development programme.

The objectives of the HRD Strategy and the NSDS are interdependent. Improvement in the Human Development Index, Gini Co-efficient and South Africa's position in the International Competitiveness League all depend on the productivity of South Africa's workforce, business and professional, which depend on the level of their skills.

The two strategies are therefore interdependent.

The above background to the legislative framework and examples of intervention strategies equally demonstrate the complex nature of poverty eradication efforts. The length of the period of oppression, that is, over three hundred years, the legacy of such oppression, the multi-dimensional nature of poverty and South Africa's young democracy support what President Mbeki had already stated, that South Africa is far from reaching its ultimate better life for all its people. Issues such as lack of capacity within government departments come to the fore. The South African legislative framework, policies, strategies and implementation plans are of world standard. Practical problems, however, seem to retard progress as the failure of the following Integrated Sustainable Rural Development Strategy seem to be imminent.

3.3 The Integrated Sustainable Rural Development Strategy

Swilling and Russell (2002) define the South African rural community as the poorest of the poor community. That being the case, the South African President, Thabo Mbeki, launched the Integrated Sustainable Rural Development Strategy (ISRDP) in 2001, a strategy regarded as a first in South Africa. This Strategy involved multi-sectoral state departments, parastatals, civil societies and business. Its vision reads as follows:

> "Attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who are equipped to contribute to growth and development" (ISRDP, 2001).

The significance of the HRD and Skills Development Strategies is expressed in this mission statement. At the core of socially cohesive and stable rural communities are highly skilled, educated and knowledgeable people.

The objective of the ISRDP (2001) reads as follows:

> "… to ensure that by the year 2010 the rural areas would attain the internal capacity for integrated and sustainable development."

The concept "capacity" is loaded with a variety of capabilities that need to be unfolded, for example, infrastructure, skills, knowledge, leadership, marketing, globalization, service delivery, manufacturing, commercialization and SMMEs.

The ISRDP objectives are also interdependent to the objectives of the HRD and Skills Development Strategies. In other words, in order to attain the objective of the ISRDP, which is basically poverty eradication and sustainable development, skilled human resources become indispensable, hence the dependence on the Human Resources and Skills Development strategies.

The impact of the legacy of apartheid and South Africa's young democracy, which, as already stated, are responsible for the slow progress in poverty eradication, can be observed in the weaknesses identified in the ISRDP.

According to the draft Integrated Sustainable Rural Development Programme (ISRDP) (2002) the following weaknesses were identified with the ISRDP:

- Project identification

  The implementation of the ISRDP required the identification of anchor projects. Broad-based consultation was undertaken and about one hundred and thirty seven projects were identified for attention by the designated nodal municipalities and provinces. Arising from these consultations, the following weaknesses came to the fore:

  - There was lack of capacity and skills within the national and provincial governments to engage constructively with the local governments.
  - There was lack of information sharing between and within the various levels of government, which resulted in poor planning.
  - There was a lack of sense of ownership by certain designated local governments over the developmental needs initiatives, retarding potential development.
  - There was lack of internalization of the multi-sectoral nature of the strategy which led to fragmentation.
  - There was lack of coordination amongst the designated local governments regarding cross-border development.
  - There was lack of sufficient attention to sustainability considerations.
  - Arising from the above weaknesses, institutional arrangements failed, leading to poor communication amongst the various functional structures both in the community and government. This led to the disempowerment of the nodal municipalities and communities.

  Additional weaknesses involved the allocation of resources, especially funding. Government departments committed funding towards the implementation of the ISRDP. Notwithstanding, the following challenges were identified:

  - There was a critical resource constraint in all the nodal municipalities. The problem was compounded by the acute development backlog in the areas.

- The traditional rolling-over of budgets by government departments made coordination and integration difficult, especially with resource allocations.
- The rigidity of the Revenue Act Division made prioritization of funds ear-marked for targeted areas difficult.
- Due to the limited capacity and lack of skills, business plans were characterized by inconsistencies in content and thus limited the implementation plans. Since there was lack of information sharing, this problem became worse. There were therefore conflicting interpretations of the business plans and strategic purpose which led to failure to formulate achievable goals and objectives.
- Many plans were consultant-driven instead of people-driven in line with the RDP objectives. Political leadership in the drafting process was lacking, the community showed less interest, government support at both national and provincial levels left much to be desired, priorities identified seemed to be wish-lists and infrastructure, as a key factor, was not accorded priority status.

The above weaknesses regarding the ISRDP are a clear demonstration that South Africa's good intentions are certain to undergo a slow process in order to be realized.

Referring to this challenge, Arthur Chaskalson (1998:xvi) states:

> "Transformation takes time, resources are scarce and competition for those that are available leads to conflict and tension. In building for the future we need to recapture the energy, the idealism, and the commitment to establishing a new and better society which fuelled the long struggle against injustice in our country, but which in the scramble for a share of scarce resources, is now in danger of being lost."

The Rev. Rubin Phillip, Anglican Bishop of Natal and Chairperson of the Diakonia Council of Churches (2003/2004:1), in support on Chaskalson (1998:xvi) states:

> "South Africa's ten years of democracy has been celebrated with great euphoria … However, as we know, the new emerging political and social landscape has not really ushered in the 'promised land'. No, if anything,

> the gap between the rich and poor has widened and does not appear to be improving. Poverty and unemployment are the order of the day. Add to those HIV/AIDS, the abuse of women and children, racism, corruption, etc. and you will have a pretty bleak picture – a landscape with patches of green grass and flowers in bloom mingled with trees without leaves, wilting flowers and arid portions of land."

Ten years before Phillip's statement (2003/2004), Anderson (1995:12) wrote:

> "Much of the euphoria which followed the elections of 1994 has now dissipated. South Africa's reconstruction effort has been characterized by slow progress and lack of coherent development organization, in all sectors of society. There are many reasons for this. One of the most profound is an expectation for the State to 'deliver', which has tended to restrict popular initiative … it is impossible for the State acting alone to provide for social well-being, the scale of need in a society which has been systematically mismanaged and impoverished over generations requires … resources well beyond the limits of the fiscus."

Phillip (2003/2004) and Anderson (1995) amplify the urgency with which South Africans need to move to redress the imbalances created by apartheid. Terreblanche (2002:460-461), corroborating this urgency, states that in order to achieve the urgently needed transformation from poverty and inequality, the solution lies with the government which should take the initiative and accomplish the following three related aims:

- Initiate a paradigm shift by rejecting the neo-liberal approach in favour of the social democratic one.
- Initiate a power shift by asserting itself against the corporate pressure which advocates for a neo-liberal approach.
- Be effective in the redistribution strategy, over a reasonable time period, to alleviate the worst poverty, restore social justice and narrow the gap between rich and poor, as stated by Phillip (2003/2004).

These suggestions by Terreblanche (2002:460-461) are based on his statement (2002:419) that: "… apartheid has left a worse legacy than was realized in 1994."

The above section discussed the South African government's priority strategies in response to the overwhelming challenges as presented by Chaskalson (1998), Phillip (2003/2004) and Terreblanche (2002). In order for the South African government to succeed in these challenges, a need for an enabling legislative environment becomes critical, because, as Terreblanche (2002:419) had already stated, apartheid has left a worse legacy than was realized in 1994 when South Africa became a democratic nation. The solution therefore lies with the government to create an enabling environment for poverty eradication and sustainable development.

The next section will therefore discuss examples of enabling legislation for poverty eradication that are linked with the three priority strategies discussed above.

4 EXAMPLES OF ENABLING LEGISLATION

4.1 The Reconstruction and Development Programme Act (No 7 of 1994)

Reference has already been made to this Act in Chapter 4 and this chapter. The Act is regarded as the overarching legislation cutting across all Ministries and Departments as the blueprint for South Africa's transformation. All poverty reduction initiatives are to be in line with the RDP principles and objectives. It is a people's driven framework where the poor can exercise their rights.

4.2 The National Economic and Labour Council Act (No 35 of 1994) (NEDLAC)

Reference has already been made to this Act in Chapter 4 and in this chapter as well. This Act facilitates social dialogue amongst government, labour, business and the community to embrace the cornerstones of democracy, namely representation, consultation, transparency and accountability in decision-making. This is an example of committed institutional partnerships working towards poverty eradication and sustainable growth.

4.3 Growth, Employment and Redistribution (GEAR) Policy (1998)

This policy too was referred to in Chapter 4. The policy's primary objective is to create new jobs and prevent job losses.

4.4 The National Small Business Act (No 102 of 1996)

This Act aims at providing an institutional support framework for SMMEs. Four institutions were established to strengthen small business development, namely:

- Centre for Small Business Promotion, which coordinates the national policy framework. It also coordinates support programmes directly or indirectly, assisted by government.
- The National Small Business Council (NSBC), which represents the interests of SMMEs and provides government with advice on SMMEs development.
- Ntsika Enterprise Promotion Agency, which renders non-financial assistance to SMMEs such as skills training, technical assistance, business counseling and mentoring in order to increase and sustain access to global markets for South Africa.
- Khula Enterprise Finance, a wholesale agency which provides financial support to SMMEs through intermediaries. Such support is in the form of loans, a national credit guarantee scheme, grants and institutional capacity-building.

4.5 The Non-Profit Organizations Act (No 71 of 1997)

This Act makes it possible for non-profit organizations, which could not raise funds during the previous regime, to do so. NPOs may register under the Act. However, such registration is voluntary.

The Act helps organizations to develop skills and capacity, accountability, transparency and democracy in the NPO sector. All poverty eradication programme initiatives are now free to raise funds without having to register with the necessary authorities. However, this places a huge responsibility on the community to report any maladministration.

4.6 The National Development Agency (NDA) Act (No 108 of 1998)

The NDA Act was established primary to reduce poverty through the distribution of funds in participating organizations involved in development. The NDA is also a safety net for organizations that lost their income from foreign donors who entered into bilateral partnerships with the new democratic state. Such donors, although their policies allowed them to fund governments, had previously funded the NPO sector in protest against the apartheid regime. As funds were depleted by the foreign donors' action of entering into partnerships with the government, the government set up the NDA parastatal to address the funding crisis. The NDA receive funding from foreign governments, the South African government, other international and multi-national donors and any other legal source.

4.7 The Income Tax Act (No 58 of 1962)

This Tax Act allows for tax rebates and non-payment of organizations classified as public benefit organizations. This Act encourages giving from the South African public, especially from the corporate sector. Donations to poverty reduction and development programmes are tax deductible. The Tax Law regularly reviews the nature of organizations that can benefit the poor with a view of increasing their numbers, to accelerate the rate of poverty reduction as more resources become available.

4.8 The Value Added Tax (VAT) Act (No 317 of 1991)

This Act provides opportunities not to charge tax for certain goods and services and also not to pay tax for certain goods and services. Such goods and services are referred to as zero-rated goods and services. Examples of zero-rated goods are certain staple foodstuffs such as bread, maize meal, fruit and vegetables and eggs. Examples of services exempt from tax are passenger transport by road or rail, rent on accommodation, state medical services, educational services such as crèches, after-school care centers and pension and life insurance benefits.

4.9 Special Investigating Units and Special Tribunals Act (No 74 of 1996)

This Act specializes in investigations of organizations, businesses or persons suspect of criminal behaviour. This Act also encourages the community to report any activity by organizations, businesses or persons suspect of fraud.

4.10 The Lotteries Act (No 57 of 1997)

This Act allows legal gambling in South Africa and transfers ownership of the National Lottery to the state to raise funds through the lottery. The funds are earmarked for any non-profit activities involved in the transformation of the country in the RDP context. Beneficiaries of this lottery are registered NPOs, the RDP, development sport and recreation, arts, culture and national heritage and any other beneficiary approved by the Minister of Trade and Industry.

The above examples of enabling legislation, as stated above, are only examples of the more than 512 laws already passed in South Africa, to ensure that the goals of making a better life for all South Africans take place. This study's scope is outside a comprehensive analysis of these laws. However, the laws have laid the foundation for democracy and equity, highlighting the importance of redistributing the nation's resources for the benefit of the victims of the past apartheid system.

The above examples of government poverty eradication and sustainable development are not the only strategies adopted by the South African society. Civil society, as demonstrated in the Swilling and Russell study (2002), are involved in the same fight against poverty and economic growth. Addressing the SANGOCO NGO Week Conference (2000) the former Minister of Social Development, Geraldine Fraser-Molekti, stated that a vibrant and mobilized civil society is an absolutely essential ingredient to tackling poverty. It is in this context that the government approaches the issue of its role in facilitating an enabling environment for NGOs.

According to the South African Institute of Race Relations (SAIRR) (1993) the vibrancy referred to can be demonstrated in the following indigenous examples of civil society strategies for sustainable development and economic growth. These are individual and group efforts by black people who initiated such efforts against legislative odds. These initiatives, through group cohesion, are sustainable. Examples are stokvels, burial societies, spaza shops, hawkers, taxis and shebeens. The sustainability of these innovations is demonstrated by the introduction of their regulation by government.

5. INDIGENOUS STRATEGIES

5.1 Stokvels

According to the South African Institute or Race Relations (SAIRR) (1993), stokvels are more than 200 years old. They are group schemes or credit unions in which members of a group agree to make a contribution of a fixed amount of cash to a common pool on a weekly or monthly basis. The pooled resource, or a portion of it, benefits members either in rotation or in times of need. Lukhele, cited by SAIRR (1993:20) states that the concept of stokvel is rooted in the indigenous African system of "communalism, sharing and cooperation".

According to Lukhele, cited by SAIRR (1993:20) stokvels are further categorized into the following schemes:

- Burial societies, whose members benefit financially during times of bereavement. This is a system of financial and material support to cover costly burial expenses which members cannot afford.
- Investment syndicates or clubs. Here, participants make a financial contribution to start up a joint business or to invest. Profits are divided, on a pro-rata basis, to members at the end of each year.
- Ungalelo faith-based clubs where the minimum contribution is R50. The recipient whose turn it is to receive the pooled income, also receives 20% interest.
- Youth stokvels for children in the age group four to six years. Each child participating opens a bank account and the money is invested for fifteen years.

The SAIRR (1993) refers to the Markinor Study (1991) which identified the following demographics about stokvels:

- 28% of Africans in metropolitan areas belonged to stokvels;
- there were 1.3 million stokvels in the major metropolitan areas;
- stokvel members tended to be women and older than 35 years and 25% of stokvel members belonged to more than one stokvel;
- the household income were in the range of less than R1000 to R1500 per month.

In order to meet the group and individual needs of stokvels, ABSA launched the Club Account in 1998. The monetary value of stokvels in the South African economy could be estimated with deposits by stokvels in excess of R100 million in 1990, and the cashflow of more than R200 million per month. The Standard Bank of South Africa provided a similar scheme.

The income of stokvels can now be traded in investments such as unit trusts.

5.2 Spaza shops

A spaza shop means a makeshift shop and the concept itself is a township word meaning camouflage. They are unregulated shops operating at any convenient place accessible to the immediate community, for example, backyard, house, garage, unused stand, railway tunnels and abandoned vehicles such as trucks. They stock goods of convenience.

Thale (2003:36), states that spazas "are arguably the first small business to emerge in South Africa, have been part of the South African urban landscape for over a century and had been there since the townships were established."

A Markinor Study (SAIRR, 1993) found more than 60 000 spazas in the townships. Mavunda (SAIRR, 1993) states that spazas have a monthly turnover of between R8 000 and R22 000.

Thale (2003:36) refers to a survey conducted in 2000 by the UNISA-based Bureau of Market Research (BMR) that found that there were over 100 000 spazas in poor communities that captured R10 billion of South Africa's retail trade. This turnover, according to BMR, is "larger than the combined turnover of some supermarkets, including Seven-eleven, Rite Value and Score."

The Triple Trust Organization (TTO) (2001/2002) conducted a market research study on spazas in 2002 with a sample of 360 spaza owners, 300 households and a sample of suppliers. The research was conducted in a rural Eastern Cape community identified by TTO as the "corridor". The aim was to gain insight into the spaza market and an assessment of existing and potential business opportunities for rural SMMEs.

The research findings were (TTO, 2001/2002):

- The spaza population in the sample areas was 14 200, with a projected annual turnover of R2.56 billion, based on the weekly turnover of R1 500 per week multiplied by 14 200 shops, resulting a turnover of R21 million per week.
- Ninety nine percent (99%) of township residents buy from spazas.
- Seventy five (75%) of them use spazas daily.
- Most spaza customers use convenience as main reason for their support.
- Most spaza owners did not receive any formal support to start their businesses.
- Most spaza owners did not know of any organization that offers business support.
- The sectors with potential for growth and linkages are in textile, wool, clothing, agriculture and forestry, government/public works (for example housing, road infrastructure), automotive industry and tourism.
- Problems faced by spazas included limited quantities and range of stock, transportation, insufficient space, environmental problems and theft.

The overall findings of the TTO are that the black innovation spazas have a huge economic potential for South Africa and needed support. This support is aptly described by the current Minister of Labour, Membathisi Mdladlana (2000:5) that policies are needed to prevent the informal sector entrepreneurs being trapped in a world of low returns. The informal sector needed support as much as the support already provided to the large multi-nationals, for economic and social reasons. Poverty limits investment. Small domestic markets often discourage foreign investment, and the savings base for local investors is limited by poverty. Broad policy areas that needed to be investigated included safety, security, infrastructure, services, productive assets and market access.

5.3 Hawkers

The hawkers trade, although informal, is reaching a formal status. Three organizations represent this sector, namely: the African Council of Hawkers and Informal Business (ACHIB), the Foundation for the African Informal Business Sector (FAIBS) and the National Hawkers' Association. The three organizations have a total membership exceeding 50 000 (SAIRR, 1993).

The formalization of the sector is demonstrated by an agreement between ACHIB and Investec Bank, First National Bank and Fedlife to provide easier access to finance by hawkers, and also to buy stock and stands. The Development Bank of South Africa guarantee loans up to 50% of the loan amounts granted. In addition to these arrangements with the Banks, some hawkers are registered with the authorities (SAIRR, 1993).

The relationship between spazas and hawkers is linked to the fact that the majority of ACHIB members are spaza shop owners.

The value of the hawkers in the South African economy is measured in the following terms (SAIRR, 1993):

- In 1991 there were 900 000 businesses in the sector.
- Each business had an average turnover of between R2 000 and R10 000 per month.
- The sector employed an average of 3 million persons.

Mavundla, in SAIRR (1993:25) identified four main barriers to growth in the sector:

- Continuing state repression in spite of a professional commitment to deregulation

- Lack of training.
- Limited access to finance.
- Lack of structural support.

5.4 The taxi industry

The SAIRR (1993) report that the black taxi industry is considered to be one of the great success stories of the struggle against apartheid. The size of this industry is reported in the National Passenger Panel of the Department of Transport Survey report cited in SAIRR (1993:25-26) as follows:

> "The taxi industry's share of African commuter transport increased from 29% in 1987 to 44% in 1990. Furthermore, 51% of the total number of trips made in 1990 taxis, were used for at least part of the journey, reflecting the use of taxis as a feeder service for buses and trains. Estimates also indicate that taxi owners purchase over 800 million litres of petrol and over 3.5 million tires every year. The taxi industry provides four motor manufacturing companies (Delta, Nissan, Toyota and Volskwagen) with a turnover of about R2 billion a year, represents a capital investment of about R3 billion, and has created some 300 000 jobs."

As a lucrative industry, the sector was fraught with problems such as (SAIRR, 1993):
- increased competition encouraged by deregulation,
- disputes among taxi operators about which rank to use or which route to ply,
- feuds between legal and pirate operators, and
- attacks against taxi drivers suspected of fronting for white owners.

The taxi commuters did not escape the problems of the taxi operators. Khosa (1993), states that benefits to commuters have been compromised by overloading, high accident rates, exorbitant fares, intolerant drivers and taxi wars which have sometimes claimed the lives of passengers.

The industry is now fully regulated and under formal umbrella structures.

5.5 Shebeens

According to SAIRR (1993), during the past regime, blacks were not allowed to trade and even to consume commercial alcoholic drinks. For entertainment and feasts, blacks developed their own home-brewed beer, with indigenous recipes. Homes that brewed large quantities opened their doors to trade in home-brewed beer. At a later stage, liquor trade in the townships became the monopoly of the administration boards of the then central government. Shebeens started trading in commercial liquor amidst harassment from the law enforcement agents. Such harassment led to the formation of organizations to represent shebeens' interests and stoppage to government harassment. Today, there are two major organizations, namely the National Tavernier's Association (NTA) and South African Tavernier's Association (SATA). In 1991, NTA had 20 000 and SATA 15 000 members.

The measurement of the shebeen's contribution to the economy is reported to be difficult to conduct through shebeens. However, according to SAIRR (1993), South African Breweries (SAB) reports that 45% of the volume of beer produced by SAB, goes to shebeens. SATA estimates that 90% of all beer is sold in townships. In 1989 it was estimated that more than 20% of all beer was consumed in Soweto.

The deracialization of the industry started in 1991 when a new organization, the United Tavernier's Association of South Africa (UTASA) broke away from SATA. Its mandate was to help upgrade the members' premises and help with the purchase of furniture and equipment, procurement of liquor licenses, financial and legal assistance, insurance, medical and pension benefits and management skills development (SAIRR, 1993).

5.6 African farmers

As the majority of blacks were relegated to rural communities by the past government, some started their own farming. However, such subsistence farming could not develop to commercial status because of low levels of education, high population growth rates, fragmentation of land, the traditional system of tribal land tenure and a lack of finance (SAIRR, 1993). The traditional land tenure gave authority to the tribal chiefs to allocate small plots to individual members of the tribe. Large-scale farming was prohibited. Credit facilities could not be assessed due to lack of land security.

With the birth of democracy, African farming conditions had improved. The Development Bank of South Africa (DBSA), for example, established the Small Farm Support Programme that provides small farmers with services inclusive of infrastructure and markets. By 1991 the DBSA had reached 30000 farmers through this support programme.

The abovementioned indigenous strategies indicate Memela's (2002:4) opinion in his review of the Swilling and Russell study (2002), that there is no industry that reveals the sheer resilience, determination and self-responsibility of ordinary folks on the ground to take their future into their own hands than the NPO sector. However, it is not this sector and the government alone that are involved in the development of the poor in South Africa. The private sector too, is involved in corporate social investment (CSI) and corporate citizenship. As it will be indicated in the following section, corporate citizenship now incorporates CSI.

6. THE ROLE OF THE BUSINESS COMMUNITY

In his message in the CSI Handbook (2000:xii) the South African Deputy President, Jacob Zuma, states:

> "The government both welcomes and supports private sector involvement in the growth and development of our country and, in particular, recognizes the valuable and substantial contribution that Corporate Social Investment programmes make to the people and communities of South Africa. Government alone cannot achieve the goals of poverty alleviation. We need to harness the energies and resources of the whole nation and it is vital that all roleplayers, including the government, the private sector and civil society organizations join hands to meet the goals and social aspirations we have set ourselves."

Ramaphosa (2002b:231) states that "there are a myriad of lesser known initiatives that the public are generally unaware of. For the most part the media does not report them nor do the tireless developers boast them. I talk of the Private Sector Miracles that are changing the nation."

The monetary value of the private sector in the development of the NPO sector has already been demonstrated earlier in the chapter. According to the Swilling and Russell study (2002), the income of the NPO sector in 1998 was R14 billion and of this amount, the private sector contributed R3.5 billion which constitutes 25 percent of the NPO sector value.

The relationship between CSI and sustainable development has led to a paradigm shift from CSI to Corporate Citizenship. The paradigm shift came about as pressure mounted on NPOs, governments and the private sector not to compromise sustainable development with their practices. The paradigm shift is pro-human rights and all stakeholders, that is, government, civil society and the private sector are now expected to measure their impact on the environment, social and economic growth, but above all, to ensure that human rights are respected, promoted, fulfilled and protected.

This paradigm shift is also linked to corporate governance, as introduced to the South African society by the King Report on Corporate Governance for South Africa (1994).

However, the second King Report on Corporate Governance for South Africa (2002) overemphasizes corporate citizenship adoption by companies doing business in the country. The King Report (2002:7) quotes Adrian Cadbury's definition of corporate governance as follows:

> "Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals … the aim is to align as nearly as possible the interests of individuals, corporations and society."

It is evident therefore that all stakeholders engaged in sustainable development have the mandate to translate rights into reality, and the private sector is now challenged to measure the impact of their businesses on society, especially on communities in which they operate.

Referring to the challenge of measurement, the then Minister of Environmental Affairs and Tourism, Vali Moosa (2001a:3), in his address to The Accountability Institute's Southern African Conference on the theme, Measuring Impact: Accountability Methodologies for Service and Organizational Excellence, said:

> "How will we know that we are in fact having the desired impact with our individual and collective actions? Who is the best judge of impact? What are the indicators against which we must gauge our success? How do we balance inherent tensions? These are just some of the challenges to which we will have to apply our minds. The first step is to acknowledge the need for a non-financial accountability and to develop appropriate accountability frameworks."

The following section on the Global Reporting Initiative will provide answers to these questions.

6.1 Global Reporting Initiative

The Global Reporting Initiative (GRI) was formed to provide support to the corporate sector in order to conform to the principles of the shift from pure financial statements which reflected companies' assets and liabilities only, to sustainability reporting.

The purpose of the GRI is as follows:

> "The Global Reporting Initiative (GRI) is a long-term, multi-stakeholder, international undertaking whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organizations reporting on the economic, environmental, and social dimensions of their activities, products and services" (GRI 2000:1).

The GRI sustainability reporting guidelines, which relate to measurement, encompass the three elements of sustainability as they apply to an organization. GRI (2000:4-10) present the guidelines as follows:

- Economic: Including, for example, wages and benefits, labour productivity, job creation, expenditures on outsourcing, expenditures on research and development, and investment in training and other forms of human capital. The economic element includes, but is not limited to, financial information.
- Environmental: Including, for example, impacts of processes, products, and services on air, water, land, biodiversity, and human health.
- Social: Including, for example, workplace health and safety, employee retention, labour rights, human rights, and wages and working conditions at outsourced operations.

The King Committee Reports (1994, 2002) led to the awakening of the South African corporate sector that they are no longer expected to operate independently from their communities and also to serve the interests of their shareholders only.

The King Committee Report (2002:11–12) lists the following as constituting seven characteristics of good corporate governance:

- *Discipline* which constitutes the company's integrity in the eyes of the society, with special reference to senior management and leaders.
- *Transparency* which encompass honest dissemination of information to those affected.
- *Accountability* which deals with mechanics to make decision-makers accountable for their decisions.
- *Responsibility* which relates to corrective measures to be taken and for penalizing mismanagement.
- *Fairness,* which encompasses the interests and rights of all stakeholders equally, especially where there is no balance of power.
- *Social responsibility* which characterizes a high priority on ethical standards. This is the company's corporate citizenship's benchmark.

In addition to the above seven overall corporate governance characteristics, the King Report (2002:92–94) highlights characteristics more relevant to corporate citizenship and these are:

- Stakeholders: Communication of policies that define relationships with them.
- Share-owners: Guarding the interests of shareholders.
- Investing for the long term: Establishing long-term relationships with stakeholders to give opportunities and time for growth and development.
- Tackling corruption: Adopting codes of good conduct and being decisive on their enforcement.
- Human rights: Respect for human rights and having a human rights policy.
- Employee relations: Upholding the legislative framework for the rights of workers.
- Environment: Adopting and enforcing environmentally friendly policies.
- Supplier relations: Fair treatment of suppliers and encouraging continued improvement of standards incorporating human rights.
- Consumer awareness and product impact: Educating consumers on harmful products and avoiding harmful products and providing information on contents, use and disposal of products.
- Engaging with local communities: Encouraging partnerships with communities through CSI.
- Building capacity: Subject to the norms, values and cultural dimensions of communities, assist in building their capacity.

- Impact on other species: Recognizing and limiting adverse effects of, for example, product testing on animals and farm conditions.
- Engaging in dialogue with government: Liaising with government on common issues in an open and constructive manner.
- Sharing best practice: For benchmarking purposes, engaging with other organizations for improvements.

The section on the contribution by the private sector, through corporate citizenship, leads to the subject of policy formulation, which is the overarching dimension of all poverty eradication and sustainable development interventions.

7. POLICY FORMULATION ELEMENTS

This study was concerned with the impact of Ithuba Trust funding policy and procedure for access to its funding targeting poverty eradication and sustainable development initiatives. The study therefore focused on how effective were Ithuba Trust's policies and procedures in obtaining the outcomes it intended to achieve. It was therefore significant to address Ithuba Trust's fundamental policy issues.

Hallak (1990) and Jacobs (1998:6-7) synthesize fundamental policy issues in the following guideline:

- Circumstances or environment under which a policy is formulated
  Any policy formulation is preceded by identifiable needs or challenges facing the policy makers. In this instance, the environment in which South Africans saw a need for policy formulation was the desire to change over from an oppressive system of government to a democratic, non-racial, non-sexist and non-discriminatory governance. The South African apartheid government faced many pressures, internally and externally to change. South Africa was isolated from the world; economic growth was inhibited; internal violence mounted and famine, poverty and underdevelopment increased. South Africa was threatened with socio-economic calamity that was avoidable.

- Objectives
  Policies are formulated with an intention to achieve objectives. The South African major objective was to fundamentally transform the legacy of the apart-

heid government, a legacy characterized by major racial inequalities. The RDP, as already indicated, forms the central vehicle through which this transformation is intended to happen.

- Priorities

  The duration of the oppressive system, that is, over three centuries, without doubt, make the transformation objective highly complex. Any policy formulation demands the setting of priorities, because a problem that has, for example, developed over three hundred years, is difficult to be resolved because of its multiple and complex problem areas.

  In setting priorities, as well as objectives, short, medium and long term priorities are set. The controlling issues include budgetary constraints, sectoral issues, for example whether to focus more on health, education, safety and security, housing, water, energy, infrastructure or not. Sometimes, due to other factors such as emergencies, extreme inequalities, stereotypes and other crises, priorities may be shifted from the already set ones to meet the new challenges. This also accommodates flexibility in setting priorities to deal with diversity issues such as culture and values.

- Human rights

  Democratic policies allow for the institutionalization of human rights and mechanisms that will ensure their respect, enforcement, protection and promotion. Human rights are to be entrenched in any programme that aims to uphold the overall objectives of the policies formulated.

- Strategies

  Strategies formulate concrete steps that are needed in the implementation of a policy. The strategies also spell out objectives; targets for intervention; institutional capacity involving enabling legislation; resource mobilization (for example budget allocations, skills, information, human resources); mechanisms for demand and supply of services or products, mechanisms for flexibility to accommodate diversity issues, evaluation and impact analysis; multi-sectoral integration issues (for example human rights); quality and quantity issues (for example whether to build more clinics or concern over the health of a smaller catchment area); time frames; sustainability; partnerships; evaluation and impact analysis.

- Implementation

  The implementation of any policy requires rules and regulations, procedures, incorporation of human rights, specification of approaches and methods, time frames, evaluation and impact analysis.

- Role of government

  It is critical to define any direct or indirect role of government in the policy. Such roles may include financing, regulation, direct or indirect intervention.

Hallak (1990) cautions that the policy formulation process is not as easy as it is presented in the abovementioned guide. The process is inherent with tensions amongst decision makers, for instance, overlapping target areas causing diffusion of roles, competition regarding setting priorities and budget constraints. Such tensions should therefore be considered in the process of policy development.

This research was about the Ithuba Trust funding policy with an aim to assess the impact of this funding policy on beneficiaries who applied for such funding towards poverty eradication and sustainable development for the period 1989 to 1999. The beneficiaries' experiences will inform Ithuba's future policies.

The beneficiaries who accessed Ithuba funds may have also received funding from other donors. One of the research questions addressed in the study reads: "How does Ithuba Trust attribute success to its policies whilst there are other funders involved in the same projects, programmes or organizations? Specifically, what is it that Ithuba does which is not influenced by other funders? In what way did Ithuba funding influence the target?"

The above questions are indicative of the inherent nature of partnerships in poverty eradication and sustainable development. The case for the public-private-NPO sector partnerships in development had been established in Chapter 3, section 4.4. This legacy of partnerships in development is described by Business in the Community's (1995:5) definition of corporate social responsibility as:

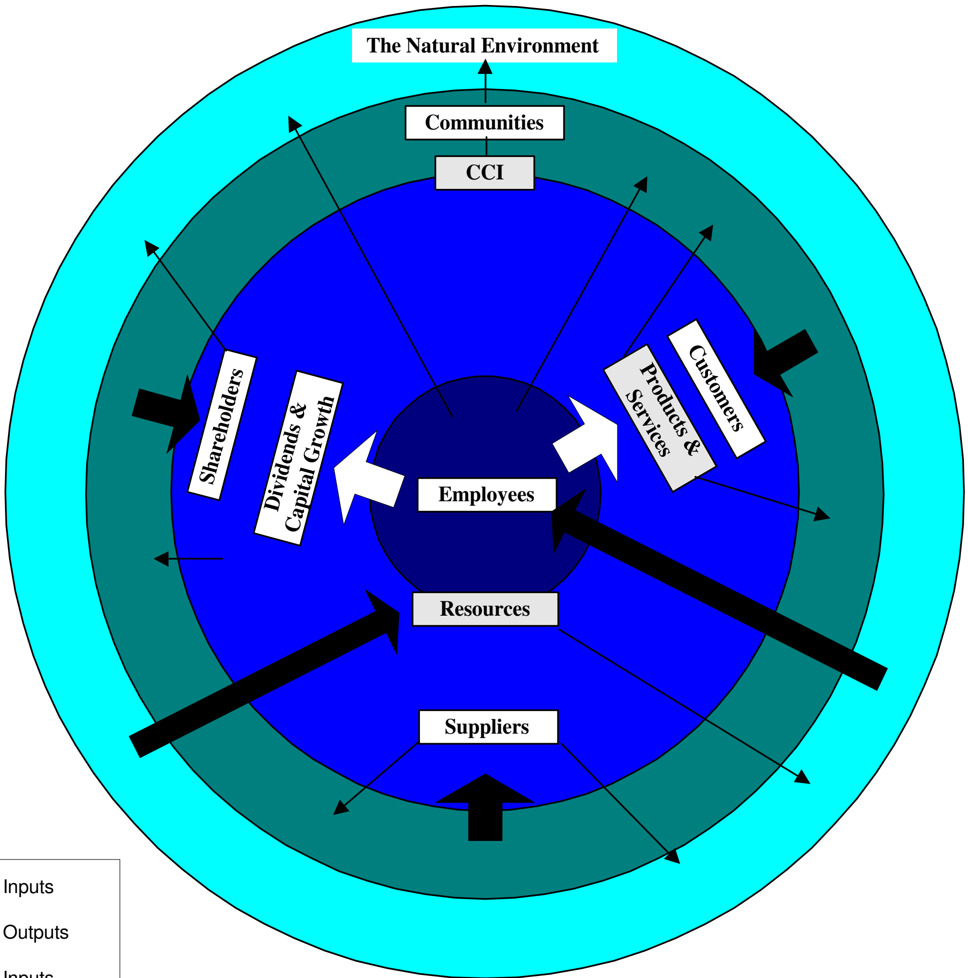
> "… identifying, in the broadest sense, every aspect of society that a company impacts on through its core, as well as non-core business activities. Once identified, these impacts need to be measured, constantly improved and their effects built into strategic decision-making."

By identifying every aspect of society that any intervention initiative influences, results into a complex network of interaction. For example, partners interact with each other and each in turn interact with the targets for intervention which are individuals, house-holds, groups, organizations, neighbourhoods, communities and societies. The question arises: How is measurement done when all the partners are involved?

The answer to the above dilemma lies in the acceptance of the interdependence of all stakeholders. The reality behind this interdependence is captured by The Prince of Wales Business Leaders Forum: Partnership Action (1998:5):

> "Often companies are not in touch with the experience and lessons in the field of socio-economic development. Voluntary organizations, similarly, are out of touch with developments in the business world. Both can learn from each other."

The web of relationships in partnerships is presented in Figure 8 as outlined by Business in the Community (1995:5):



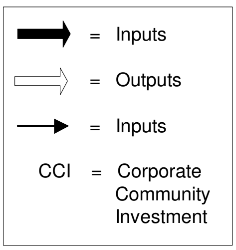


Figure 8: The Relationship between Business and Society

Source: Busines in the Community (1995:5)

This figure indicates the inter-relationships amongst diversified stakeholders in a society. Inputs, for example, encompass people as workers, shareholders, suppliers of goods and services and raw material from the natural environment. In return, outputs become visible in the form of skilled and productive workers, products and services for consumers, regeneration of impoverished communities in the form of improved infra-structure, products and services. Impacts may be identified by, for example, a high economic growth and vibrant society, improved relationships with staff, customers, suppliers, improved quality of life and satisfied shareholders. This map of inter-dependence results in a complex web of relationships, leading to the concept of corporate citizenship as reflected in Figure 8.

The conclusion drawn from this interdependent web of relationships is that it is difficult to draw boundaries around partners and their impacts. It is therefore going to be difficult to draw boundaries between Ithuba Trust funding impact and the impact of other funders.

However, the approach of this research was both quantitative and qualitative, which discovered, through the qualitative component, reality through the interpretation of meaning attached to such reality and hence is subjective in nature (compare Epstein, 1988; Schurink, 1998 and Fouché, 2002a). Information was therefore collected from the respondents who would, in general, interpret their own subjective meaning of what it was that Ithuba funding did to influence their poverty eradication intervention efforts. Notwithstanding, frameworks for measurement are imperative in any formal research. The following section will therefore deal with impact measurement frameworks.

8. IMPACT MEASUREMENT FRAMEWORK

Background

The concept of impact assessment implies a set of specified, operationally defined objectives and criteria of success (De Vos, 1998:374).

Successful financing policies will be those that incorporate, like the Business in the Community (1995) assert, all the development features. Poverty eradication and sustainable development are two sides of the same coin. Elkington cited by Business in the Community (1995: 8) developed a measurement model for sustainability, based on the definition of sustainable development as incorporating the three elements of development, namely economic, social and environmental development. The acceptance of the significant role played by partnerships in development make this model relevant to all stakeholders. To demonstrate the desired harmonious partnerships in development, Elkington developed the "triple bottom line" model that incorporates all three dimensions within sustainability. This model is schematically presented as follows:

Financial Performance	+	**Social Performance**	+	**Environmental Performance**	=	**Sustainability**

Elkington, cited by Business in the Community (1995:8) concludes:

> "Sustainable development involves thinking broadly about objectives and about the effects of what we do – thinking about the costs and benefits in the widest sense, and not separating things out into economic, environmental and social compartments."

The South African Government's White Paper on Social Welfare (1997) concur with this assertion in their definition of development as a range of mechanisms to achieve social development, such as health, nutrition, education, housing, employment, recreation, rural and urban and land reform. In this definition, Elkington's three dimensions, namely social, economic and environmental performances are found.

Literature surveyed (compare The South African Government White Paper on Social Welfare, 1997 and Business in the Community, 1995) agree on the following criteria or areas for impact measurement:

- Impact can be either positive or negative.
- Targets for measurement are individuals, households, groups, organizations, communities and societies.
- Measurement can be both quantitative and qualitative.
- Sources of data collection include literature, experts, project or programme data and direct experience.

These criteria for impact measurement may be regarded as a composite of an impact measurement model, as proposed in the next section.

8.1 Proposed impact measurement model: Critical success indicators

For the purpose of this study, a framework incorporating several models for measurement was considered, based on the following input from literature surveyed (compare White Paper on Social Welfare, 1997 and Business in the Community, 1995). As stated by De Vos (1998), impact assessment or measurement involves objectives and criteria for success.

Measurement objective

This study aimed to determine the impact of Ithuba Trust funding policy and procedures in assessing its funding earmarked for the eradication of poverty and sustainable development. To obtain this aim, social indicators or criteria for measurement must be developed. The following models, therefore, influenced the development of the criteria, for measurement for purposes of this study: Finsterbusch (1980), the Department of Social Development Strategic Funding Model (1997), Business in the Community Model (1995) and Ithuba Trust Funding Model. Each model will be discussed below.

8.1.1 Finsterbusch (1980:23) Model

8.1.1.1 Impact on Individuals and Households

Finsterbush (1980:23) writes that impact on individuals and families can be measured against a "… quality of life framework which includes both descriptions of measurable changes in a person's (or family's) objective conditions and subjective responses to these changes." The author suggests (1980: 23–26) ten ways of viewing individuals and families as:

- organisms with biological needs
- personalities with psychological needs
- friends and relatives with social needs
- workers with employment or production needs
- consumers with desires for goods and services
- residents desiring alternative and compatible habitats
- commuters and travelers with transport needs
- cultural beings with intellectual, cultural and spiritual needs
- pleasure seekers who enjoy entertainment, recreation and leisure
- citizens with freedom, rights and political opportunities

8.1.2 The Department of Welfare: Strategic Funding Model (1997)

This model suggests that impact for measurement may be conducted against the classification of the needs of individuals, families, communities and organizations, based on three levels of needs, namely:

- basic needs in order to survive or exist
- protection and promotion of the rights of the target groups
- development and empowerment needs

8.1.3 Rochester (1997:263–267) Model

This model emphasizes membership benefit areas as criteria to measure the impact of funding and charity work.

8.1.3.1 Impact on individuals and families

- Education:
  Opportunities for mental and physical activity and the acquisition or improvement of knowledge or skills involved in a specific cultural, recreational or sporting activity.

- Social:
  Opportunities to meet other people, have enjoyment or fun.

- Information and advice:
  Provision of vital information and advice on general life issues.

- Therapy:
  Activities that may help relieve physical and mental suffering.

- Providing a means of access to specific services.

8.1.3.2 Impact on groups

- personal development
- social and group learning
- a growth in confidence and community involvement

8.1.3.3 Impact on organizations

- Political skills, which enable them to take on other roles in the wider community.

- Specific skills, such as managing money and improved literacy.

Respondents in this study were NGOs which received multi-year funding from Ithuba Trust. The focus therefore, was on organizations.

Finsterbusch (1980:24) lists three impact areas on *organizations*, namely:

- Goals and objectives – whether funding hinders or promote them
- Autonomy – whether funding threaten autonomy or not
- Survival or sustainability – whether these are threatened or promoted, that is, the identification of factors such as lack of leadership skills or funding may lead to the closure of an organization.

8.1.4 Business in the Community Model

Business in the Community (2000:17) confirms the need for a comprehensive framework to measure corporate impacts on society and how they, as a business organization, can help its members to address this need. However, they caution: "To date, no clear framework for integrating the full range of Corporate Social Responsibility issues has been established."

The organization has adopted the abovementioned Elkington's 3-dimensional business model. In addition, they add the following quality principles that are measured against this 'triple bottom line'.

8.1.4.1 Community issues

Impact analysis must focus on the donor's values and policies.

8.1.4.2 Stakeholder consultation

Measurement will focus on how many stakeholders are involved or consulted.

8.1.4.3 Management and information systems

The donor's leadership and transparency would be determined.

8.1.4.4 Developing action plans

How targets are set for continuous improvements.

8.1.4.5 Reporting

How accountable is the donor.

According to Business in the Community (2000), the above framework can be schematically presented in Figure 11 below:

Quality Principles	Environment				Social				Economic			
	I*	**F***	**G***	**O***	**I***	**F***	**G***	**O***	**I***	**F***	**G***	**O***
1. Community issues												
2. Stakeholder consultation												
3. Management information												
4. Action plans												
5. Reporting												

* I = Individuals
* F = Families
* G = Groups
* O = Organizations

Figure 11: Business in the Community Impact Measurement Framework

8.1.5 Ithuba Trust Model [Sa]

Ithuba Trust completed ten years of operation in 1999. To mark this event, the Organization organized a competition to select the Project of the Decade. To do that, the Organization developed criteria for the selection. This resulted in the production of an adjudication model that can be used as a tool to measure the impact of its funding on beneficiaries. The model is based on the Government's poverty alleviation and transformation goals. The model consists of six categories of measurement. Each category has its own sub-categories. The categories are as follows:

8.1.5.1 Relevancy/Needs

This category addresses the issue of stakeholder consultations, similar to that of the Business in the Community (2000).

8.1.5.2 Transformational goals

This clause addresses community issues as presented by the Business in the Community (2000). Issues such as discrimination based on colour of the skin are addressed.

8.1.5.3 Developmental goals

This category addresses action plans as described by the Business in the Community (2000), but translates into the definition of development, as presented in section 4.1 of Chapter 3.

8.1.5.4 Equity

This category also is parallel to developmental goals, ensuring fairness and justice in the distribution of resources.

8.1.5.5 Efficiency/Cost benefit analysis

This category refers to what the Business in the Community (2000) categorizes as Management and Information Services. The analysis indicates how funds are managed and reported to ensure maximum coverage with limited and scarce resources.

8.1.5.6 Organizational development

Impact should lead to organizational growth and development, for example growth in capacity to manage own affairs.

The above discussion on impact measurement corroborates the assertion that the phenomenon of poverty is multi-dimensional and equally that, acts of its eradication and sustainable development consist of a complex web of interactions among a variety of actors who have a broad diversity of objectives containing various criteria for success. In a qualitative study, there would be answers to this complex phenomenon as the targets for measurement have their own independent meaning to their experiences, and collectively they inform policy.

8.1.6 Criteria used in this study for the impact analysis of Ithuba Trust

Four broad criteria were used in the study to analyze the impact of Ithuba Trust policies and procedures for access into its funding towards poverty eradication and sustainable development initiatives. These were:

- Ithuba Trust's mission statement, aim and objectives

  The study focused on Ithuba Trust's stated mission statement, aim and objectives to analyze their integration with the needs of society in the context of Elkington's Triple Bottom Line Model.
- Grantmaking procedures encompassing grant management systems
- Grantmaking impact

- Corporate governance

In summary, this chapter thus far, dealt with poverty eradication and sustainable development intervention strategies, evolving around the analysis of partnerships, enabling legislative frameworks, participation by the relevant stakeholders and inherent processes of corporate governance and impact measurement.

As already mentioned, targets for intervention may be individuals, groups, families, organizations or communities. The goal of this study was to measure the impact of Ithuba Trust funding policy and procedures with a view of developing a funding strategy for effective poverty eradication and sustainable development initiatives. As a result, examples of three models of poverty eradication and sustainable development, targeting communities, individuals and interest groups would be succinctly presented below to influence the development of such a funding strategy for Ithuba Trust, or any other poverty eradication and sustainable development initiative.

9. SUSTAINABLE DEVELOPMENT MODELS

Berman (1998), states that the challenge of poverty eradication and sustainable development is to find a model that serves the people and not one that the people must serve. In general, for example, the donor community is often criticized for promoting their own interests by funding donor-driven programmes, which had been found to be lacking in sustainability.

Section 2 of this Chapter, as well as section 4.4 of Chapter 3, have revealed that poor communities, individuals, families, groups and organizations are without essential services such as adequate and well-equipped social amenities and infrastructure, support facilities in the areas of investments, technology, planning, training and market development. There is, therefore, no doubt that finance, technology and human resource development form the basis for a search for models that can serve to correct social and economic imbalances. In this instance, for example, it is argued that technology should not be used to marginalize poor communities, but rather to facilitate their advancement to sustainable development, with built-in buffers to prevent hostile external factors such as unfair competition, which might take them over.

The following section will present examples of three models that aim to eradicate poverty with sustainable development programmes targeting individuals, groups and communities.

9.1 Community Enterprise Development

MacLeod and McFarlane (1997:1302) discuss the concept community enterprise, or social economy, based on the premise that community-based economic activities intend to counteract community decline and solve social problems such as unemployment, compared to the conventional profit-making motive driving the corporate sector. However, the driving force for the success of such community enterprises is the utilization of institutions of knowledge and technology, such as universities, based on their developmental missions. The institutions would be utilized to foster the social and technological innovation necessary for poverty eradication and sustainable development.

MacLeod and McFarlane (1997:1302) distinguish between a traditional corporate enterprise and a community enterprise in that, the former is driven by a profit motive for its shareholders, with profit as an end in itself, whilst the latter is driven by the wellbeing of the overall community, with profit as a means to an end. They further differentiate between a community enterprise and other social economics such as cooperatives that serve the interests of exclusive specified groups or ideologies, for example, the Israeli Kibbutzin and worker cooperatives. The community enterprise serves the interests of the overall community where the business operates.

The researcher asks: "What then, are the characteristics of a community enterprise?"

The Year Book of Cooperative Enterprise, cited by MacLeod and MacFarlane (1997:1302), list the following as distinguishing characteristics of a community enterprise:

- It is an enterprise which aims to create sustainable jobs and human resource development for residents of a community and/or the provision of commercial services.
- Profits are a means to an end towards financial independence, for example, investments in its enterprises, payment of limited bonus payments to the labour force and the well-being of the community.

- All decision-making regarding membership and/or shareholding in the community business is based on one-person-one-vote democratic principles.
- Registration of the community enterprise takes the form of either a company or a cooperative society in accordance to recognized and acceptable legalities.
- The assets are not to benefit individual directors, but are owned, on behalf of the community, and held in trust by the directors.
- All persons within the agreed area of benefit qualify for membership. Communities such as "community of interest" or a "community of need" may be formed.
- A community enterprise subscribes to, and is committed to, basic conditions of employment and democratic principles of worker participation.
- A community enterprise subscribes to, and is committed to, annual impact measurement of its business on the advancement of its community.

A formal definition of a community enterprise is presented by Community Business Scotland, quoted by MacLeod and McFarlane (1997:1302).

> "A community business is a trading organization which is owned and controlled by the local community and which aims to create ultimately self-supporting and viable jobs for local people in its area of benefit, and to use profits made from its business activities either to create more employment or to provide local services, or to support local charitable works. A community business is likely to have a multi-purpose enterprise and it may be based on a geographical community or on a community of interest."

The following are examples of community enterprises, discussed by MacLeod and McFarlane (1997:1302):

9.1.1 University-Industry Linkages

As mentioned above, community enterprises succeed as a result of the utilization of institutions of knowledge and technology to foster the social and technological innovation necessary for poverty eradication and sustainable development. The following examples are typical examples of worker-owned community enterprises, with university support:

9.1.1.1 The Mondragon Cooperative Corporation, Spain

The business employs 25 000 workers and is composed of the following primary departments:

- Finance, inclusive of a community bank.
- Industrial, inclusive of eighty-three factories producing a diversity of products such as refrigerators and machine tools.
- Distribution to retail chains.
- Corporate, inclusive of a polytechnical institution with specialized research units.

The business has had a continuously successful forty years history and attributes its success to a tightly orchestrated partnership amongst all the identified departments.

9.1.1.2 New Dawn Enterprises, Cape Breton Island

New Dawn Enterprises was formed in 1974 by a group of University College of Cape Breton professors and other concerned local citizens. The outcome of this initiative is a large real estate agency which offers economic housing to poor people, a home for the aged, dental centres, home nursing, a volunteer resource centre and a diversity of job-creation schemes. It employs one hundred workers on an annual payroll of 1.7 million United States Dollars. During 1995 it had total assets of over 15 million United States Dollars, primarily in real estate.

The role played by the universities in these examples included:

- Formation of study groups to study, for example, how to create jobs.
- Purchase and improvement of run-down properties.
- Negotiations with government authorities to take over underutilized government buildings.
- Utilization of a range of skills from the universities, for example, engineers, business professors, researchers, town planners, architects.
- Utilization of university facilities such as environmental testing laboratories, archives, botanical gardens, computer centres and training facilities.

In conclusion, it is observed that institutions such as universities can become change agents in poverty eradication, not by utilizing students only for their field placement, but by engaging educators as well in community upliftment. The model is based on four principles, namely:

- Skills transfer, with a university as a change agent of technological transfer;
- strong institutional networks and partnerships for support at both micro and macro levels;
- a formula for commercial success involving finance, information, technology and communication and training; and
- interdependence of government, private sector and civil society.

Criticism against such a model, that it is non-transferable as a result of the in-depth commitment to the local community, against the background of free enterprise, is contradicted by the sustained long-term success of the examples given above.

9.2 Small and Micro Enterprises (SMEs)

The small and micro enterprises (SMEs), as a model for the eradication of poverty and sustainable development, are globally accepted, inclusive of South Africa. This model aims to develop entrepreneurs, who help to create jobs and contribute towards national economic growth. The researcher, however, has observed that the South African experience is far from achieving meaningful outcomes, particularly that levels of poverty, as already outlined, are on the increase, instead of declining.

The researcher asks: "Where else has this model succeeded in the world? Mazwai (2003:104-106) presents the Brazilian SMEs' success, as an example. Mazwai's opening statement states that Brazil is growing its SMEs community through education and training, collective action and peer solidarity and concludes that the role of SMEs in poverty alleviation cannot be overestimated.

The structure that drives SMEs in Brazil is called SEBRAE, which is Brazil's business development services agency, similar to the South African Ntsika, as outlined in section 4.4 above.

The success of SMEs in Brazil is indicated by the following statistical information, for the period between 1999 and 2002 (Mazwai, 2003):

- One in twelve Brazilians is an entrepreneur.
- As a result of SEBRAE's initiatives, the unemployment rate in Brazil is 11%.

- A total of 3 476 612 Brazilians obtained qualifications in 137 935 courses undertaken in all of Brazil's twenty-seven states.
- A total of 4 5888 local authorities and 2 000 organizations (for example universities, labour and non-governmental organizations) participated in SEBRAE's programmes.
- There were 11 470 670 consultations on SMEs (that is, 655 per day, or eleven per minute).
- A total of 98% of Brazil's 4.1 million formal businesses are SMEs.
- SMEs generate 20% of the Gross Domestic Product and engage 53.6% of workers in the country.
- SMEs are responsible for 12% of exports.

The success indicators of the Brazilian SMEs are parallel to those indicated in the community enterprise model (MacLeod and Mc Farlane, 1997:1302). They include:

- SEBRAE's mass mobilization entrepreneurship campaign supported by the local media. This campaign starts with the introduction of SMEs in all Brazilian schools.
- A well-integrated national approach affecting all government departments to prevent duplication of energy and scarce resources.
- SEBRAE's strong links with the financial sector that facilitates financial packages.
- An orchestrated network of universities, municipalities, non-government organizations, labour unions and the business sector which pays a 0.3% payroll levy specifically for the development of SMEs.
- A concerted replication of SMEs in all the twenty-seven states.
- The creation of a culture of solidarity and cooperation among the SMEs with the objective of producing associative networks and fostering an increase in productive chains.
- Utilization of clusters of SMEs located in the same neighbourhood for concerted efforts leading to specialization, market development, knowledge, technology and group support. These clusters operate in all of Brazil's twenty-seven states and each cluster consists of twenty to thirty SMEs who meet weekly or fortnightly for common purpose.

Examples of such enterprises, based on the local communities' needs and thus demand, include clothing, furniture, tourism, handicraft, sheep and fish farming, fruit growing, footwear, oil, gas, information communication and technology, leather, food, embroidery, boutiques, confectionaries, tuck shops and cosmetics, the list is unending.

Mazwai (2003) compares the South African situation with that of Brazil. Although acknowledging South Africa's promotion of SMEs, he is critical of the following:

- The South African government departments involved in SMEs are uncoordinated and each department has its own approach, leading to unnecessary duplication.
- South Africa's growth figures are still racially skewed as a result of the apartheid legacy.
- The corporate sector, although expected to promote SMEs, do not provide financial support.
- South Africa lacks in the entrepreneurial campaign to conscientize the entire population to get involved in SMEs.

The outcome of the Brazilian success is the low unemployment rate (11%) and SEBRAE's intention to reduce the rate to a single digit. To qualify this success, in relation to poverty eradication and sustainable development, Mazwai (2003:106) concludes: "Women graduate from being poor, unemployed and uneducated housewives or single mothers into proud producers of garments and costumes. Some of these garments are sold in boutiques in the tourist town of Rio de Janeiro."

9.3 Group-based Shared-risk Lending Model

The group-based shared-risk micro credit model aims to economically empower the poor, with entrepreneurial potential, through micro loans to facilitate the growth of their subsistence enterprises. This is a variation of the small micro enterprises model discussed above, the difference being a shared-risk through the peer review pressure within a group. Here, groupwork, as a method of social work, is the key for success, as participants are self-regulatory and highly motivated by peer pressure combined with group support.

The problem addressed here is the fact that poor people find it difficult to obtain credit from financial institutions due to their lack of collaterals and therefore, credit worthiness.

The model is based on the Indian Grameen Bank of Bangladesh which provides financial support to poor communities by small loans to strengthen the growth of their income-generating activities as a means to eradicate poverty.

The South African model was initiated in 1991 when a number of prominent South African women, inclusive of the current First Lady, the Honourable Mrs Zanele Mbeki, came together to find strategies that could empower rural poor women to benefit from the new South African democratic dispensation. Credit, as already mentioned, was identified as the most difficult resource to access, especially by poor rural women. Their target for intervention therefore, was poor rural women who strive towards personal and economic development that was inhibited by issues related to credit.

The South African women led to the formation of Women Development Banking (WDB). The WDB Annual Report (1996) states its mission as follows:

> "To make shared-risk credit available to entrepreneurial women through training and savings programmes, and to act as an intermediary in introducing affiliate women to developmental resources that will enable them to take their rightful place in the economy."

The modus operandi for success is similar to that employed in both the community enterprise and SMEs models discussed above, that is, access to capital, technology and human resources through orchestrated linkages with developmental resources, at micro and macro levels.

9.3.1 Strategy for model implementation

According to this South African model (compare WDB, 1996), a research-based selection of forty women is organized into small groups of five (with a group leader), resulting in eight groups together forming a club or cluster (with a club leader). Each club leader is responsible for the activities of the club through the eight group leaders who are in constant contact with their group members.

The clubs operate in villages with branches overseeing their activities. These branches operate under the auspices of an administrative office in Johannesburg. Each branch is under the control of a Branch Manager with developmental assistants who are responsible for the formation of research-based clubs. The research involves need assessment surveys and the identification of entrepreneurial rural women as potential borrowing clients. The enterprises are based on the villagers' consumer needs, such as agricultural products, for marketing and sustainability purposes.

WDB is governed by a Board of Directors who attend to governance issues, policy formulation, generation of resources such as capital, technology and human resources.

As already mentioned, the effectiveness of group dynamics is relied upon for success. Since members have no collaterals, repayment is effected by peer group support and solidarity. Self-regulation, through group pressure, becomes the basis for micro lending.

Training is provided for both trainers and borrowers and includes skills development in leadership, financial management, basic business practices, credit and savings and group solidarity.

The WDB lending model is schematically presented as follows:

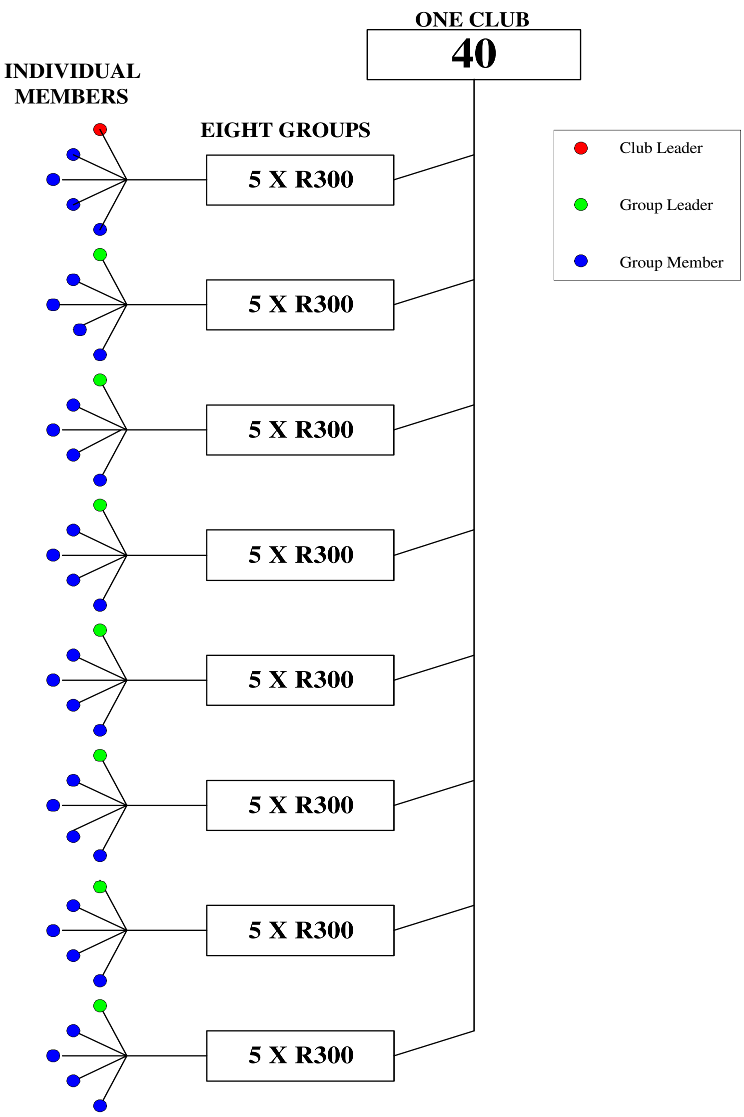


Figure 9: Group-Based Shared-Risk Lending Model

(Source: WDB Annual Report, 1996:2)

9.3.2 Results of model implementation

According to WDB Annual Report (1996), the following results from the model were recorded:

- During the beginning of the first year of operation in one village, there were a total of R16 000 disbursements of small loans to fifty clients.
- At the end of the first year of operation, the model was operating in three villages with a total of 4 040 small loan disbursements, totaling R2 146 7000 with a 100% repayment loan.

By the end of February 2002, WDB reports in their application for funding to Ithuba Trust, which granted them R50 000,00, that WDB disbursed a total of R12.3 million to 3 000 enterprises with a 95% repayment rate. Growth in existing enterprises was recorded. Jobs created for poor people increased and there was an increase in individual and family income levels and improved quality of life.

Income for lending was obtained from various sources such as the private sector, development agencies and donors, individual donors, foreign funders and technical advisors.

9.3.3 Sustainability of model

With the introduction of Black Economic Empowerment in South Africa, WDB formed its own investment company in order to enter into commercial ventures to raise capital for sustainability purposes. To date, they have entered into a joint venture for CTP Directories and won a government tender for the printing of telephone directories. This venture involves a high-tech production plant requiring a broad network of specialists such as engineers, and information technology and communication. Workers in this plant come from rural communities with international trainers to affect skills transfer. It is the intention of this joint venture to expand into Africa.

In conclusion the above three models have confirmed the significance of knowledge, technology, capital, human resources, orchestrated networks, partnerships and the involvement of poor people in poverty eradication. Entrepreneurial development is the key to economic growth and hence poverty eradication and sustainable development. What is critical, however, is the incorporation of impact measurement in the implementation of these models to direct resources towards poverty eradication and sustainable development.

9.4 Evolving Theoretical Grantmaking Strategy

The poverty intervention strategies presented in this chapter may be synthesized into a theoretical grantmaking strategy which, in the view of Berman (1998), should serve the poor people and not vice versa.

The Organization of African Unity and the United Nations Children's Fund (1992:31), citing UNDP, state that people are the end product of development of which economic growth becomes a means, and further that there can be no human development without people being alive, healthy, knowledgeable and able to make a decent living. To lead meaningful lives is the ultimate objective. Section 8.1 of this chapter indicated that beneficiaries or targets for impact studies, in human development strategies, are individuals, families, groups, organizations and communities. Need areas for such development are physiological, psychological, social, cultural, spiritual, political, intellectual, safety and security and economic. In order to meet these needs Schultz (1997:56) asserts that the essential ingredient for improvement where these needs are not met, is a network of civic, business and government entities centred around strategies that would be regarded as an insurance for quality and effective delivery. This is critical as no organization can operate and survive in isolation. Schultz (1997:56) provides an answer to Drabek's (1987:ix) question, in motivating for the NGOs' involvement in such networks: "Why is it that mistakes have been repeated over and over again and the people who are intended to benefit from these development policies remain as poor as ever? If official aid donors and governments have not been able to provide the answers, perhaps we should be looking to the non-governmental organizations (NGOs) which are playing increasingly an active role in development." Chambers, cited by Drabek (1987:ix) uses the concept "additionality" to describe the potential asset in the NGOs towards the development process:

> "Additionality means making things better than they would have been and allows for bad as well as good effects. Seeking high additionality entails four elements: identifying and matching needs and opportunities; assessing comparative advantage - seeing what one NGO does best compared to others; learning and adapting through action; and having wider impacts. A NGO can achieve wider impacts in many ways including expanding operations; introducing or developing technologies which spread, developing and using approaches which are then adopted by other NGOs and/or government; influencing changes in government and donor

policies and actions' and gaining and disseminating understanding about development."

The statements by Schultz (1997) and Chambers, cited by Drabek (1987), indicate, as already cited in Chapter 3, the failure to make inroads into poverty eradication and sustainable development and the need for innovative networks that might broaden an understanding of the concepts *development* and *empowerment*. These statements call for a radical and innovative approach to fighting poverty and inequality, an approach that can be regarded as unconventional or radical. In support of such transgression, Pieterse (2001:41) states that poverty eradication "… requires a clear statement about how one understands structural poverty, how it is reproduced, and how, and how it can be eliminated through systematic interventions by a variety of development institutions within civil society, the state and the private sector." This calls for pattern-breaking solution approaches adopted by what the Schwab Foundation (2002:1) calls, social entrepreneurs: "Social entrepreneurs are pioneers and innovators. They challenge the usual or "inevitable" and identify pattern-breaking approaches to resolve seemingly intractable problems, using new processes, services, products or new ways of combining proven practice. In common with most innovators, social entrepreneurs encounter adversity of all kinds in carrying out their transformational work, precisely because they are pattern-breakers and defy traditional practice." In terms of criteria to be used to measure the impact of Ithuba Trust grantmaking policy and procedures for accessibility, its mission statement, procedures, funding impact and corporate governance were used as social indicators for success. Social entrepreneurship, in summary, promotes an entrepreneurial approach, professional management, corporate governance and above all, sustainable development.

Entrepreneurship, in general, as in SMMEs, is about economic growth or trade. Ntsele (2004:4), referring to the role of trade, states: "Trade is what makes nations wealthy. And trade is premised on an ability to buy and sell – and above all, to make things other nations and people want or need. As we know only too well, South Africa is richly endowed with many of the raw materials that the industrialized nations prize – only, they buy these, make other things from them, and then sell them back to us." Ntsele (2004:4), suggests an innovative entrepreneurial approach by South Africans to make a radical change to such an economically losing approach and further suggests: "No stone should ever be left unturned – and these are stones, which, when properly worked and polished, can easily turn out to be unusually precious." These "unusually precious stones" may be equated with the social indicators desired for dealing effectively with poverty and inequality. They may be referred to as jobs needed by poor people to make a decent living. How can these jobs be created? Spicer (1994) suggests that since it will take years of above average growth rates to provide the jobs, resources and opportunities that millions of people require, it is necessary to ensure that poorer people have a means of sustaining themselves in various forms such as the expansion of the South African government public works projects, which have the potential to absorb or create more jobs and aiming to offer every South African who is willing to work to participate in such public works projects, an opportunity to do so. The public works programme to date, like the GEAR policy, has not succeeded in the provision of the required number of jobs.

The Centre for Development Enterprise (CDE) (1994:24) suggests a market-led development as a possible answer to job creation: "Market-led development has natural constituencies, including local and regional governments and communities, urban and rural entrepreneurs, unemployed workers and popular religious movements, which have yet to be tapped by government or organized business and/or civil society." CDE (1994:1) further state: "South Africa's leaders have to believe that market-led development is the only way to create a better life for all. They must commit to market-led development, and structure every government policy and signal around that choice." Similarly, Godsell, Bernstein and Berger (1996) state: "A useful distinction can and should be drawn between growth and development. It is possible to have economic growth from which only a few people in society benefit. Development, although impossible without economic growth, has a different meaning. Essentially development is the process in which the fruits of economic growth are used to uplift large numbers of people from great poverty to a level of relatively decent material life. We can speak of development when increasingly large numbers of people experience a dramatic upturn in their own or (at worst) their children's standard of living." Godsell *et al.* (1996) further state that big success stories in terms of development are always found in countries with market economies.

This developmental approach to job creation is corroborated by Mbigi, cited by Prinsloo (1996:5-6). Mbigi, according to Prinsloo, suggests a village model as an equivalent of the developmental approach based on the premise that a community life is an integral part of a business enterprise and not isolated from it, in order to incorporate a true African community in geographical, physic and physical terms inherent in participative democracy and consensus decision making. Such a village model constitutes a village assembly dealing with the general welfare of the workers, chosen by popular vote and overseeing subordinate self-governing portfolio committees, for example, education, women, children, health, disabled, older persons and any other sector in need. Such committees deal directly with issues of, for example, human resource development, company development, products, vision, relationships and the national agenda. In addition to these committees, the traditional Western management systems such as legalities, enterprise development and industrial relations are integrated into the portfolio committees. "In the way, Mbigi introduced a web of intimate primary relationships which helped to create a collaborative and caring atmosphere and synthesized different cultural values" (Prinsloo, 1996:5-6). Productivity is enhanced through traditional songs, slogans, dancing and prize giving which communicate the company's vision. Prinsloo (1996:6), in agreement with the literature review and Godsell *et al.* (1996) concludes that development "… focuses on continuous improvement and development of people, products, systems, structures, markets, productivity and quality as well as performance. The essence of this approach is described by Mbigi as a single-minded dedication to total development. Unity is created in diversity and wealth is optimized. Mbigi bases this model on four principles: morality, interdependence, spirit of man, and totality which he derives from the meaning of 'ubuntu'."

The discussion on social indicators so far indicates that cash alone is not an answer to poverty eradication. There are a multiple of other indicators crucial for this global struggle, human development. Economic growth is a means to human development. Since it had been argued that it might even take one hundred years for poverty levels to be satisfactorily reduced in South Africa, poor people need support such as the provision of jobs to sustain themselves until that goal is achieved. It can be observed from the literature reviewed (compare Schultz, 1997:56; Pieterse, 2001:41; Schwab Foundation, 2002:1; Ntsele, 2004; Spicer, 1994; CDE, 1994:24; Godsell *et al.*, 1996 and Mbigi, cited by Prinsloo, 1996:5-6), that market economy may be regarded as a pattern-breaking strategy to create enough jobs to sustain poor people. Such an economy is based on an orchestrated network of resources encompassing the government, private sector and civil society incorporating the community's lifestyles and room for diversity.

The literature surveyed in this chapter and Chapters 2 and 3 revealed the following barriers to effective poverty eradication and sustainable development initiatives:

- Misrepresentation of the voice of poor people with implicit neglect of indigenous knowledge
- Hostile legislation
- Lack of skills
- Lack of infrastructure
- Lack of coordination of key stakeholders
- Information communication and technological divide
- The threat of globalization which favours the rich and powerful
- Skewed partnerships
- Conceptual bias regarding the definition of poverty, development and empowerment
- Lack of human rights-based interventions

In order to address these limitations, based on the theoretical arguments already presented, the researcher concludes with the following theoretical guideline which could be applicable as a grantmaking strategy to Ithuba Trust.

9.4.1. Proposed Grantmaking Guideline: Community Ownership Market Development

The evolving guideline is based on the proven practice of the intervention strategies already discussed. The guideline leans heavily on the workplace as an engine for sustainable development, supported by Middleton (2002c:1), who advocates for workers participation in WSSD negotiations: "It's hard to imagine that world leaders would be blind to the potentially most powerful WSSD partnership of all!! It's hard to imagine that so many discussions can take place about production/consumption issues yet for governments not to include WORKPLACES as an obvious focus for implementing sustainable development targets."

Another leg on which the guideline leans is the combined Mbigi village model discussed above and the Macleod and Mc Farlane's (1997) community enterprise development model cited in section 9.1 of this chapter. The Mbigi village model, according to Prinsloo (1996) does not indicate the ownership of profits whilst that of MacLeod and Mc Farlane (1997) indicates that all profits go towards the poverty and inequality eradication and sustainable development. Workers and managers earn their wages and salaries. Profits are held in trust by the governing or coordinating body. The success of the guideline depends on the utilization of institutions of knowledge and technology to foster all the necessary resources necessary for poverty eradication.

The guideline may stand on either a village leg or institution of knowledge and technology leg or both. A university, parallel to a village, may become the institution of knowledge and technology.

According to the researcher, the characteristics required in the proposed guideline are the following:

- A community ownership enterprise
  The income generating enterprise should be owned by the poor people themselves or the community and such ownership can be negotiated with other interested parties in terms of share ownership.

- A coordinating body
  A coordinating body would be required to be entrusted with the function of an orchestrated networking with all the significant stakeholders in order to ensure that none of the stakeholders is marginalized and that the overall objectives are achieved, and impact measurement studies conducted.

- Knowledge systems institutions
  In order to embrace both the indigenous and advanced Information and Technology (ICT) knowledge systems two dedicated institutions would be required, one specializing in indigenous knowledge and the other in ICT knowledge systems. A village authority would therefore represent indigenous knowledge systems, cultivating a culture of unity in diversity where freedom of expression is promoted, whilst an institution of higher learning and technology would represent ICT knowledge systems.

- Enterprise developers
  Enterprise developers might be specialist units such as ICT, trade relations, human resource development, legalities, marketing, communications, government relations, public relations, international relations, risk management and community relations whose main objective is to develop opportunities for the development and growth of the wealth creation enterprise and the provision of linkages to markets and the overall financial stability.

  The coordinating body will orchestrate the networking amongst the two knowledge systems institutions, inclusive of these enterprise developers. Such enterprise developers will also ensure that profits are distributed towards poverty eradication and sustainable development within the community, targeting identified needs in education, health, social development, sports, arts and cultural heritage, housing and target populations and sectors such as early childhood development, youth, women, older persons and disabled. These would be the consumers through which poverty eradication and sustainable development could take place.

- Workers

  Workers would be members of the community in which the enterprise operates or poor people themselves who work to generate profits earmarked for distribution towards poverty eradication and sustainable development.

- Communication amongst functional units

  Interaction amongst the diverse functional units for solidarity and unification purposes, which will ensure that the success indicators addressed by the guideline are continuously monitored, evaluated and measured.

  The success indicators addressed by the guideline are the following:

  - investment in skills development and education, inclusive of ICT
  - access to finance with simplified repayment contracts, an example being the shared-risk lending model cited in 9.3 above
  - support for market development with built-in security against hostile markets
  - support for property rights or tenure rights
  - infrastructure development
  - balanced partnerships or networks
  - a stable coordinating agency for networks orchestration

The above web of relationships ensures sustainability because, as Mazibuko (1996:14) asserts:

> "Sustainability therefore becomes a dependent variable on the social development and developmental welfare agendas, resources and political commitment of the government and the civil society. It implies that social development [or poverty eradication] programmes must be (1) demand and people driven, (2) regard basic services as human rights, (3) devolve decision making, control and accountability

structures and (4) accept reciprocal obligations for development and service provision."

The South African Minister of Minerals and Energy, Phumzile Mlambo-Ngcuka, cited by De Ionno (2002:80) states that if a system does not work for the poor, it will not work for anyone. The proposed theoretical guideline could be seen to be providing an answer to the Minister's opinion in that the guideline is developed in the context of addressing the barriers to effective poverty eradication and sustainable development initiatives as outlined in the theoretical Chapters 2, 3 and 4. Since this is a proposed guideline, informed by the literature study, it will be concluded as a grantmaking strategy for Ithuba Trust as a contribution towards poverty eradication and sustainable development, integrating the empirical findings of the study in Chapter 6.

Summary

Chapter 3 dealt with the phenomenon of poverty and sustainable development. The chapter revealed the multi-dimensional nature of poverty with complex roots that draw on diverse options. Its persistence was seen as a threat to human kind, sustainable development, peace and security.

This chapter presented a variety of strategies and models aimed at dealing effectively with the scourge of poverty and it was argued that since poverty is multi-dimensional, strategies and models for its eradication need to be equally multi-dimensional, evolving around the revision of partnerships, enabling legislation, indigenous knowledge and experience, impact measurement and the utilization of best practice models.

The models and strategies discussed in the chapter culminated into a proposed guideline that will be integrated with the empirical findings of the study in Chapter 6 and recommended to Ithuba Trust as a critical partner in any attempt at poverty eradication, and hence the need to review its grantmaking strategy.

The next chapter, that is, the empirical chapter, will unfold Ithuba Trust's beneficiary organizations' experiences regarding its funding policies and procedures and to measure the impact of Ithuba Trust policies and procedures for access to its funding towards poverty eradication and sustainable development.