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Extending Corporate Social Responsibility Programmes in the food retail industry to social grant recipients

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Submitted in part fulfilment of the academic requirements for the degree of Master of Social Science (Social Policy) in the School of Social Sciences, College of Humanities, University of KwaZulu-Natal, Durban.

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2018

DECLARATION

I, Chanchal Pather, declare that:

1. The research reported in this thesis, except where otherwise indicated, is my own, original research.

2. This thesis has not been submitted for any degree or examination at any other university.

3. Where data, graphs, ideas and quotations that are not my own have been used, these have been specifically acknowledged as sourced from other persons, in the thesis.

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ACKNOWLEDGEMENTS

I am extremely grateful to the following people without whom this dissertation would not have been possible:

- Professor Sagie Narsiah, for his guidance, expertise and valuable feedback, and for his 'open-door' policy — a reflection of his genuine commitment to his students.
- Professors Priya Narismulu, Ileana Dimitriu, and Dr Elijah Mkhatshwa, who were instrumental in helping me develop my academic skills during my time as an English Honours student.
- My children, for their understanding, patience, unconditional love and support throughout my studies.
- My husband, for believing in this study from the outset, for his helpful comments/criticisms, and for his genuine sense of pride in my work. He has been my greatest supporter.
- My grandmother, for rearing me and affording me the privilege of calling UKZN my alma mater.
- Finally, to God, for his/her grace.

ABSTRACT

The study proposes a corporate social responsibility (CSR) model for willing, major local food retailers, in an attempt to supplement existing poverty alleviation initiatives in South Africa. The study is motivated by the fact that nearly a third of the population receives state social grants and that these grants are used to support family members in the context of multiple socio-economic challenges. The study focuses on a particular crisis — the lack of access to basic food commodities. A lack of food has far reaching consequences as it impacts overall health, psycho-social wellbeing, productivity levels and most of all, a person's sense of dignity.

The proposed CSR model serves to produce consumer pricing for some basic food commodities, set far below the national average for inflation, exclusively for social grant recipients. Reduced consumer pricing is envisaged through a subsidisation scheme that involves a partnership between participating retail chains and their customers. The CSR model also requires collaborations between participating retailers, their supporting industries, the State and well-established NGOs with an intimate knowledge of the needs of poor communities.

The proposed CSR model is a culmination of research into four areas. Firstly, the study delineates the extent to which social grants address poverty and socio-economic inequality in South Africa. Secondly, to explore the relationship between poverty and the access to affordable basic foods, the study examines India's Targeted Public Distribution System (TPDS) — a nationwide basic food distribution programme designed to respond mass poverty. Thirdly, the study attempts to determine the potential of CSR programmes in attenuating poverty levels. Finally, the study evaluates two specific CSR programmes, KFC's *Add Hope* and the Woolworths Group's *MySchoolMyVillageMyPlanet*, in order to establish the possibility of adapting aspects of these CSR programmes to suggest a new CSR model for major, local food retail chains.

The study employs John Rawls' theory of distributive justice which explores the idea of justice as fairness (Rawls, 1999). The theoretical choice is apt because Rawls uses basic theoretical elements to suggest that a just society can permit social and economic inequalities amongst primary social goods — such as wealth and income — provided that such inequalities produce maximum expected social benefits for the least advantaged.

Upon researching the four areas of interest, the study finds firstly, that despite the efficacy of social grants in preventing people from falling into destitution, grant amounts alone are insufficient in producing the desired redistributive effects. Secondly, through the exploration of the TPDS, the study finds a positive correlation between access to subsidised basic foods and poverty reduction. However, the study also establishes that a system such as the TPDS cannot be transplanted in South Africa because of the severe constraints on the South African economy. Thirdly, the study finds theoretical evidence that supports the efficacy of strategic CSR in producing 'shared value'/mutual benefit for corporates and society. Finally, evaluations of the *Add Hope* and the *MySchoolMyVillageMyPlanet* campaigns, highlight the possibility of adapting aspects of these programmes in order to suggest the study's proposed CSR model which is aimed at creating 'shared value' for greater redistributive effects.

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

BIS:	Business in Society
CSG:	Child Support Grant
CSI:	Corporate Social Investment
CSR:	Corporate Social Responsibility
FCG:	Foster Care Grant
GBJ:	Good Business Journey
GDP:	Gross Domestic Product
GEAR:	Growth, Employment and Redistribution
GHS:	General Household Survey
KFC:	Kentucky Fried Chicken
MNC:	Multinational Corporation
MSVP:	MySchoolMyVillageMyPlanet
NGO:	Non-governmental organisation
NIDS:	National Income Dynamics Study
OAP:	State Old-age pension
Oxfam:	Oxford Committee for Famine Relief
PSLSD:	Project for Statistics on Living Standards and Development
QLFS:	Quarterly Labour Force Survey
SASSA:	South African Social Security Agency
SMG:	State Maintenance Grant
TPDS:	Targeted Public Distribution System
VAT:	Value added tax
WHL:	Woolworths Holdings Limited or the Woolworths Group

Chapter One – Introduction

1.1 Background

Unacceptably high levels of poverty and inequality in South Africa are major challenges to the nation's socio-economic development. The South African government faces a plethora of issues as it attempts to tackle these endemic conditions. Social grants (in the form of cash transfers), currently disbursed to approximately seventeen million South Africans, are integral in curbing poverty levels and thereby preventing millions of South Africans from falling into destitution (Marais, 2011: 236-237). Following the research and recommendations of the Lund Committee (1996), social grants have come to assist grant recipients and have indirectly provided extended coverage to their families. However, taking into account mass unemployment, insecure employment, highly skewed land and income distribution, poor basic services delivery exacerbated by constrained spending, low investment levels and slow economic growth, social grants have only made a small positive change to poverty and inequality levels (Coovadia et al., 2009; Hundenborn et al., 2016; Lund, 2008; Marais, 2011; Oxfam, 2014; Statistics South Africa, 2017b). Gross domestic product (GDP) has contracted by 2.6% and a further 0.7% in the first and second quarters of 2018, respectively. Treasury's latest Budget Review (Treasury, 2018), indicates a constrained budget but assures that social grants will increase faster than inflation to offset the impact of tax increases on poor households. The question which may then be asked is how may the lives of the poor be improved? This study is interested in a particular crisis — the lack of access to basic food commodities and suggests that a possible answer may exist in the form of private sector corporate social responsibility programmes (CSR).

Globally, business contributes to social development through the practice of CSR. A comprehensive discussion of the noteworthy social initiatives of corporations operating in South Africa is beyond the scope of this study. The study will examine specific CSR initiatives of Kentucky Fried Chicken (KFC) and the Woolworths Group (WHL), namely the *Add Hope* Campaign and *MySchoolMyVillageMyPlanet* programmes, respectively. These campaigns have been selected because they exhibit a common commitment to uplifting disadvantaged and vulnerable children and communities. These programmes also exemplify strategic CSR and produce ‘shared value’ (both notions to be discussed in chapter six). Furthermore, these two campaigns exhibit innovative strategies, some of which this study seeks to adapt in order to suggest a CSR model for major local food retail chains. The proposed CSR model is targeted at social grant recipients for greater poverty alleviation.

KFC’s *Add Hope* is a global fundraising campaign aimed at alleviating hunger among children. In South Africa alone, *Add Hope*, along with donations from the KFC Foundation, have raised R492 million, providing nutritious meals to 120,000 children, daily via 11 national and 132 local beneficiary agencies/organisations (KFC, 2018a; YUM! Brands, 2018a: 55). *Add Hope* impacts children’s nutrition, their school attendance, the financial burden on their poverty-stricken families and ultimately, these children’s potential to become active members of society.

The *MySchool* programme was launched as a school fundraising tool by a South African parent in 1997, and was soon bought over by WHL (My School My Village My Planet, n.d.). The programme evolved into the *MySchoolMyVillageMyPlanet* campaign. WHL reports the campaign constituting a database of one million, two hundred thousand active card holders and a contribution of over R500 million to 8149 beneficiary schools, NGOs and charity partners (WHL, 2018a). It must be noted that at its inception the database of consumers/beneficiaries would have been far smaller as it takes significant marketing and incentives for an organization to get a buy-in from its customers. In light of this, the figures reported by WHL suggest that just this one initiative (apart from others like its black employee empowerment share ownership scheme — BEESOS) is making a positive contribution to improving the lives of the poor who fall within the group’s beneficiary NGOs, charity partners and underprivileged schools.

The diversified and innovative CSR initiatives of *Add Hope* and *MySchoolMyVillageMyPlanet* — both of which include the participation of retail customers — have made positive contributions toward uplifting vulnerable groups. These CSR initiatives are limited to particular social groups though. This study seeks to adapt some of the innovative aspects of such CSR initiatives so as to suggest a CSR model that can reach out to wider groupings of poor people. The proposed CSR model is suggested, but not limited to, major local food retail chains such as Shoprite Holdings Ltd and the Pick n Pay group because these chains are commonly referred to as the 'Big Four'[1] in the food retail industry. To elaborate, these chains exhibit a considerable South African footprint, significant market share and revenues, and they boast enhanced operating capacity and buying power (to be discussed in chapter six).

It has been noted that social grants are intrinsic to poverty alleviation, not only for the seventeen million recipients but also for their extended families who suffer the consequences of South Africa's (and global, by extension) socio-economic malaise. High consumer pricing is but one of the contributing factors to rising poverty levels. Despite a welcomed social grant value adjustment (slightly above current inflation of 5.5%), there was a 1% increase in value added tax (VAT) as of April 2018 with the exemption of some basic foods (Davis, 2018). Furthermore, food inflation is currently 4.5% and is expected to reach 6% by 2020 (TradingEconomics, 2018). These factors add further strain on the poor, irrespective of their eligibility for social grants. Eighty percent of the child support grant is currently spent on food, with the purchasing power of grants steadily decreasing (Davis, 2018)[2]. Following this, the question which may be asked is whether and how CSR initiatives like *Add Hope* and *MySchoolMyVillageMyPlanet* can be adapted in the local food retail industry and targeted at social grant beneficiaries for poverty alleviation? A possible answer, as indicated, may exist in this study's proposed CSR model for major local food retail chains.

The main research question of this study is therefore as follows: Can corporate social responsibility programmes (CSR) be adapted and applied to willing, major local food retailers with the aim of producing consumer pricing of basic food commodities, set far below the national average for food inflation, exclusively for social grant recipients, in order to further alleviate poverty?

[1] The 'Big Four' comprise Shoprite Holdings Ltd, the Pick 'n Pay Group, Spar, and Woolworths.

[2] McLaren in Davis, 2018.

1.2 Research Problems and Objectives: Key Questions

This study aims to address the main research question by attempting to answer two sub-questions:

- Is there evidence to suggest that corporate social responsibility programmes (CSR) have the potential to reduce the severity of poverty?
- Is there evidence to suggest that a CSR model can be proposed — one that is underpinned by the notion of consumer pricing for some basic foods set far below food inflation, exclusively for social grant recipients — as an additional tool to address food poverty within social grant recipient households and thereby further contribute to alleviating poverty?

1.3 Research Problems and Objectives: Broader Issues

The objectives of this study are to:

- Delineate the extent to which South Africa's social grants alleviate the severity of multidimensional poverty, and address socio-economic inequality.
- Explore the relationship between poverty and the access to affordable basic foods, through an examination of India's Targeted Public Distribution System (TPDS) — a nationwide, state-subsidised basic food and non-food distribution programme that responds to excessive poverty.
- Determine the potential of CSR programmes in addressing multiple dimensions of poverty amongst target social groups.
- Establish the possibility of adapting aspects of the CSR programmes of KFC and the Woolworths Group so as to suggest a CSR model for other willing, major local food retail chains — one that is underpinned by the notion of consumer pricing for some basic foods set far below food inflation and targeted specifically at social grant recipients — with the goal of creating shared value and improving the lives of the poor.

Of particular interest to this study is the impact of subsidised consumer pricing of some basic food, set far below inflation, on poverty reduction in South Africa. Empirical evidence of the successful management of the state-run TPDS in some states in India reveals a relationship between the access to subsidised basic foods and poverty reduction. It must be noted that in the context of budgetary constraints and slow economic growth, this study does not wish to suggest that South Africa's cash transfers be replaced by a programme like the TPDS. To elaborate, the 2017 Budget (Treasury, 2017: iii), puts the total estimated spend on basic services from 2017 to 2019 at approximately R2.5 trillion. South Africa is currently in a technical recession with GDP contracting by 2.6% and a further 0.7% in the first and second quarters of 2018, respectively. Following this, it could prove worthwhile to explore the possibility of business, rather than the state, adding value to government's social grant spend of R490.4 billion (on a database said to increase to eighteen million, one hundred thousand million people). A potentially valuable area of exploration is corporate social responsibility (CSR) programmes.

The main research question of this study is therefore as follows: Can corporate social responsibility programmes (CSR) be adapted and applied to willing, major local food retailers with the aim of producing consumer pricing of basic food commodities set far below the national average for food inflation, exclusively for social grant recipients, in order to further alleviate poverty?

In an attempt to answer this question this study will firstly, explore South Africa's cash transfer programme and India's TPDS so as to ascertain the extent to which these divergent programmes have impacted poverty and inequality. Following this, the study will explore diverse perspectives on CSR and its impact on improving the lives of the poor. Thereafter, the study will examine the degree to which poverty and inequality have been addressed by corporate social responsibility programmes, specifically the *Add Hope* and the *MySchoolMyVillageMyPlanet* campaigns. These two diverse CSR programmes exhibit a common commitment to uplifting disadvantaged and vulnerable children and communities. Finally, in drawing on these two CSR programmes and the TPDS, the study aims to investigate the possibility of providing subsidised basic foods, set far below food inflation, to social grant recipients through a CSR initiative of willing, major local food retailers that would require customer participation, in an effort to reduce poverty levels. Such an endeavour is linked to poverty and hunger statistics documented by Oxfam (2014), and Stats SA (Statistics South Africa, 2017b), the latter, which highlights that 55.5% of South Africa's population is living in poverty. Among the plethora of contributing factors is that of high consumer prices, especially for energy and food. The focus on assisting social grant recipients through a CSR initiative is because it is well documented that social grants are used by recipients to assist families in light of an economy that is subjected to slow growth, low foreign investment, high unemployment, high levels of personal debt, rising consumer prices for food and basic services, poor basic service delivery, uneven income and land distribution, and policy uncertainty (Ballard et al., 2005; Booysen, 2007; Desai, 2003; Marais, 2011; Oxfam, 2014; Statistics South Africa, 2017b).

1.4 Research Methodology and Methods

In adopting a particular research approach a researcher decides how his/her chosen area of interest (for instance, a concept, theory or phenomenon) will be investigated/explored/studied. According to Creswell (2014: 3), a research approach incorporates a specific research problem, the researcher's worldview/paradigm pertaining to the study, the research design and applicable research methods of data collection, analysis and interpretation.

This study adopts the qualitative research method. According to Peshkin (1993: 24), qualitative studies are intended to: describe situations, people and processes; interpret data through explanation and generalisation, problem identification, knowledge production for behavioural change and new conceptualisations; verify theoretical assumptions; and evaluate policies, practices and innovations. As it will be evinced in the literature review (to follow), the diverse tools applied in response to poverty and inequality and as a means of achieving social justice, remain inadequate. More novel ways need to be implemented to complement these tools and to expedite change. The qualitative data on Corporate Social Responsibility (CSR), to be presented in the literature review and chapter six, indicates the capacity of CSR to initiate more positive change in the lives of the beneficiary communities. To the researcher's knowledge, no research has been conducted on the capacity of CSR programmes to curb poverty and inequality levels through subsidised consumer pricing of basic food commodities for South African social grant beneficiaries (and indirectly for their families). According to Creswell (2014: 20), qualitative research is useful for a new subject, one that has never been addressed.

Research methodology focuses on the research process. Employed in a qualitative study, research methodology incorporates a discussion of the sample to be used in the study, data collection, analysis and interpretation (Creswell, 2014: 184).

1.4.1 Sampling

This study does not include a sample population. The study incorporates qualitative data from a desktop search of existing literature available in the public domain. Data was selected on the basis of its relevance to the topics of: poverty and inequality in South Africa; social grants as a poverty alleviation tool in South Africa; India's Targeted Public Distribution System (TPDS) — specifically, the impact of the access to subsidised basic foods on poverty levels; Corporate Social responsibility (CSR) — arguments for and against CSR as a significant poverty alleviation tool, illustrations of successful CSR programmes, and the notion of CSR as producing 'shared value'; the *Add Hope* Campaign and *MySchoolMyVillageMyPlanet* programme; finally, the capacity of major retail chains, such as Shoprite Holdings Ltd and the Pick n Pay Group, for enhanced CSR initiatives.

The study does not produce an exhaustive analysis of poverty and inequality in South Africa. However, producing an overview is essential to understanding why poverty and inequality remain endemic challenges and subsequently, to motivate for the need to develop novel ways to curb these challenges. Data was drawn from conferences, journal articles, government and internet publications, reports and books.

Data selected for the topic of social grants as a poverty alleviation tool was drawn primarily from Francie Lund's book, *Changing Social Policy* (2008), and from books, journal articles, and internet and government publications. Data selected was used to highlight the significance of social grants as the state's most effective poverty alleviation tool to date, whilst simultaneously revealing its limitations in the context of rising poverty levels, the latter exacerbated by a multitude of socio-economic challenges.

Data selected for the topic of the TPDS was drawn from journal articles, most of which include empirical data on the strengths and weaknesses of the TPDS as a response to hunger (a manifestation of poverty) and food insecurity. The TPDS, an 80 year old system, has undergone many transformations due to domestic and international social, political and economic instabilities. The aim of this study is to extract data to ascertain a relationship between access to subsidised basic foods and poverty reduction.

Source material pertaining to Corporate Social Responsibility (CSR) was limited to internet publications, journal articles, reports and case studies. All sources either define CSR, present contending views on CSR as a significant poverty alleviation tool or argue for business to reconceptualise CSR so as to realise its potential in effectively responding to social and economic development.

Source documents selected to evaluate the *Add Hope* and the *MySchoolMyVillageMyPlanet* campaigns, comprised KFC's and WHL's latest integrated reports available on the internet, other internet publications produced by both corporates pertaining to their respective CSR initiatives, and additional secondary data on the corporates' CSR impact.

Source documents pertaining to Shoprite Holdings Ltd and the Pick n Pay Group comprised both corporates' latest integrated and sustainability reports available on the internet.

All the data extracted will be used to substantiate an argument for the potential of CSR as a poverty alleviation tool.

1.4.2 Data Collection Tools

This study relies exclusively on secondary reading material, available in the public domain, and derived from a desktop search. From the secondary data, four sources available in the public domain will be used extensively for the following reasons. Francie Lund's book on social policy (2008), will be used as a central source on the topic of social grants. Lund is a leading proponent in the field of social services in South Africa. The transitional government considered recommendations of the Lund Committee (1996) when it drafted the White Paper on Social Welfare (1997). Hein Marais (2011), provides a succinct contemporary analysis of the South African economy, drawing extensively on the themes of poverty and inequality. Porter and Kramer (2006; 2011), provide a compelling argument for creating 'shared value' thereby broadening the scope of Corporate Social Responsibility (CSR), making it more attractive to business and revealing the potential for business to contribute more to poverty alleviation. Finally, John Rawls' *A Theory of Justice* (1999), provides an appropriate theoretical framework for this study as it promotes the notion of justness over an egalitarian society to produce mutual advantage. All other secondary data was derived from a desktop search incorporating various forms of literature pertaining to the research, and available in the public domain. This includes books, journal articles, investigative pieces, statistical reports and working papers. A virtual log of all data collected has been produced to facilitate the data analysis and to obtain an optimal amount of clarity on the research problem.

1.4.3 Data Analysis

Data analysis simply means the researcher's attempts at making sense of the data and selecting those aspects of the data that speak to the study's themes, problems and possible solutions. Data was categorised according to each topic (outlined in the "Sampling" section). Links were established amongst the data to allow for the data to be further categorised under the themes of poverty, inequality and social justice. Thereafter, links were drawn between the themes in an attempt to answer the main research question of the study. Strengths and weaknesses of all the data used in the research were disclosed so as to provide an objective analysis. The researcher is cognisant of the impact of her own subjectivities on the interpretation of the data.

1.5 Limitations of the Study

To the researcher's knowledge, there is no critique of the *Add Hope* and *MySchoolMyVillageMyPlanet* campaigns. The researcher obtained all necessary data on the

CSR initiatives and drew conclusions based on her interpretation of sustainability and integrated reports, coupled with information available on the official corporate websites (blog articles and video clips) of KFC and WHL. It must be noted though, that the integrated reports adhere to various legislative reporting frameworks (local and global). In light of the limitation indicated, the researcher opted to evaluate both CSR campaigns within the framework for producing 'shared value'. The researcher also evaluated the extent to which the CSR campaigns illustrate the basic elements of John Rawls' theory of distributive justice in order to produce greater redistributive effects.

The researcher is aware that the major South African food retailers, commonly referred to as the 'Big Four' are Shoprite Holdings Ltd, Pick n Pay, Spar and Woolworths. Due to the breadth of issues researched, all deemed essential to impress upon the urgency for new and innovative ideas that can impact poverty levels, the researcher restricted the analysis of major food retailers to Shoprite Holdings Ltd and the Pick n Pay Group. The researcher's intention is not to exclude other food retailers. The two supermarket chains were selected for analysis on the basis of their South African footprint (the companies' geographic market presence), their competitive pricing and their store formats (differentiated types of retail stores)[3].

Due to the thesis being a minor one, the researcher did not engage with food retailers for their feedback on the proposed CSR model. It is hoped that the discussion of the two retail chains in conjunction with the exploration of the relationship between access to basic foods and poverty reduction, plus the case made for creating 'shared value' (a combination of theory and the evaluation of the two CSR campaigns leading to the proposed CSR model) will attract widespread interest from various supermarket chains. The greater the interest, the more likely the potential of the proposed CSR programme (if considered) to benefit larger numbers of poor people.

[3] South African footprint refers to the geographic market presence of Shoprite Holdings Ltd and the Pick n Pay Group in South Africa. In other words, the number of retail stores that are operational in South Africa. Store formats refer to the differentiated types of retail stores available to South African shoppers. These could vary from supermarkets to local stores to franchise supermarkets. The study considered it important to look at store format in its attempt to select supermarket chains for analysis because such formats are a result of research done (by corporates) on market needs and the potential sustainability of stores.

1.6 Structure of the Dissertation

Chapter one focuses on introducing the research by providing background information to support the rationale and relevance of the research. The chapter also includes research questions, objectives, methods employed and limitations of the study. The chapter concludes with an overview of the structure of the research.

Chapter two consists of a succinct literature review on the four broad areas of interest to the research: the discourse of CSR; specific CSR programmes of Kentucky Fried Chicken (KFC) and the Woolworths Group (WHL), namely *Add Hope* and *MySchoolMyVillageMyPlanet*, respectively; India's Targeted Public Distribution System (TPDS); and recent statistics on poverty and inequality in South Africa.

Chapter three consists of a concise summary of the theoretical framework, which speaks to distributive justice, followed by an argument for the relevance and applicability of the theory to the study.

Chapter four provides an overview of poverty and inequality in South Africa in order to understand why these remain endemic challenges and subsequently, to motivate for developing novel ways to improve the lives of the poor. Following this, the study presents an overview of social welfare in South Africa, with particular focus on social grants and their capacity for curbing poverty and inequality, and enhancing redistribution.

Chapter five explores India's Targeted Public Distribution System (TPDS), a national basic food and non-food distribution programme that responds to India's endemic challenges of hunger and food insecurity, challenges that invariably threaten sustainable and inclusive growth. Through this exploration, the study ascertains the correlation between access to basic foods and poverty reduction. The correlation is then used to argue that South Africa's poverty stricken, specifically social grant recipients and their families, can benefit from a form of basic food subsidisation.

Chapter six explores the relationship between business and society, specifically, corporate social responsibility. The chapter introduces Porter and Kramer's framework which outlines how a company should align relevant social and/or environmental issues with its business strategy in order to create 'shared value'/mutual benefit. The significance of creating 'shared value' is that it transforms how business views its responsibility to society and to the environment. The chapter argues firstly, that Porter and Kramer's framework reinforces the interdependence of business, the state and society. Secondly, applied in the South African context, the framework is integral to re-imagining the relationship between business, the state and civil society organisations, especially as alternatives are sought to respond to the plethora of challenges that threaten South Africa's economic growth and social stability.

The chapter then proceeds to explore the extent to which CSR initiatives have contributed to improving the lives of millions of poverty-stricken South Africans. Various success stories of CSR are noted following which, the study stresses the need for more instances of innovative and strategic CSR initiatives in order to produce redistributive effects on a larger scale in South Africa.

Thereafter, the chapter evaluates the CSR initiatives of KFC and WHL namely, *Add Hope* and *MySchoolMyVillageMyPlanet*, respectively. These CSR initiatives are evaluated within the framework for producing 'shared value'. The study also evaluates the extent to which these initiatives illustrate the basic elements of John Rawls' theory of distributive justice in order to produce greater redistributive effects. These evaluations serve as the data analysis where key findings are explained and conclusions are drawn, all of which contribute to strengthening the plausibility of the CSR model to be proposed for major local food retail chains.

The chapter then proceeds to discuss the proposed CSR model, aimed at assisting a considerable component of South Africa's poor in accessing a basic, nutritionally balanced food basket, which in turn, has various social and economic benefits. As an introduction to the proposed CSR model, the challenges faced by poor South African households in accessing food is discussed. This discussion includes: statistical data provided by a well-established local NGO; a description of the current basket of VAT-free basic foods designed to assist the indigent; and recommendations made by the Finance Ministry-appointed independent panel of experts, on reviewing and expanding this basket of goods as a counter-measure to high inflation and the VAT increase. Thereafter, the proposed CSR model is explained in detail, and contextualised both, in Porter and Kramer's framework for creating 'shared value' and in Rawls' theory of distributive justice.

Chapter Two – Literature Review

2.1 Introduction

South Africa is faced with unacceptably high levels of poverty and inequality. Current efforts by the public and private spheres to address this situation remain limited, pointing to the need for more ideas to be generated around improving the lives of the poor. This study will substantiate an argument for the potential of corporate social responsibility (CSR) in further enhancing poverty alleviation as the study aims to suggest a CSR model for willing, major local food retailers, targeted at social grant recipients. This chapter contains a succinct literature review on four broad areas of interest to the study which firstly, will be used to substantiate an argument for the capacity of CSR to address poverty and then, to strengthen the plausibility of the proposed CSR model.

Section 2.2 introduces the concept of CSR, highlighting both, the complexity inherent in its conceptualisation and the definition of CSR the study espouses. Contending views on the CSR agenda are also discussed. The discussion on CSR ends with some empirical examples that support the contending views on the efficacy of CSR in producing substantial socio-economic and environmental benefits. Section 2.3 contains a brief discussion of the two CSR programmes in focus namely, the *Add Hope* and *MySchoolMyVillageMyPlanet* campaigns, and it signals the applicability of these programmes to the notion of 'shared value' produced through strategic CSR. Section 2.4 introduces the Targeted Public Distribution System (TPDS), an Indian governmental response to the country's crisis of hunger. The nationwide programme supplies heavily subsidised basic food grains and a few non-food commodities to eligible poor recipients. The TPDS is introduced in the study to ascertain the relationship between access to basic foods and poverty alleviation. Section 2.5 briefly discusses South Africa's endemic challenges of poverty and inequality by highlighting recent statistics, in order to motivate for the development of novel ideas to address these crises. Section 2.6 concludes the chapter.

2.2 Corporate Social Responsibility (CSR)

Since the 1900s, business has contributed to social development through the practice of CSR. In response to climate change and evolving global development goals, corporations have been encouraged or legally compelled to produce CSR frameworks which serve to guide their actions that impact the natural and social environments within which they operate.

CSR is a ubiquitous term and it has gained popularity over the years due to state regulation, public pressure, and the desire of multi/transnational corporations to create a greater brand awareness and/or to fulfil their philanthropic goals. Yet, CSR is not easily defined, neither is it practiced universally. Blowfield and Frynas (2005: 501-502), note that although the multiple approaches applied to CSR by business, NGOs and researchers, contribute to innovative thinking, such multiplicity also exists within each of these three groupings, thereby rendering the conceptualisation and practice of CSR ambiguous and far more complex. Dahlsrud (2008: 1-2), postulates that CSR definitions, based on the content they cover, are largely congruent but that since these definitions arise from various interests (which in themselves are products of bias), arriving at a singular definition is problematic. Hence, CSR should be viewed as a social construction. Blowfield and Frynas (2005: 503), share Dahlsrud’s sentiments by suggesting that CSR be viewed as an umbrella term, based on their observation that various CSR theories and practices share the following views: companies’ responsibilities toward the societies and natural environments they impact, should at times, go beyond government legislation and individual liabilities; companies should be responsible for the consequences arising from the actions of their entire supply chain/s; business is responsible for managing its relationship with society, whether its reasons are for financial sustainability or contributing to development goals. Taking cognisance of such views and the various definitions noted by Dahlsrud (2008: 7-11), this study defines CSR as a set of ethical practices and behaviours that a corporation employs toward its employees, its stakeholders within and outside the corporation, and the societies and natural environments it impacts on, as it strives for longevity, profitability, social cohesion and environmental preservation.

Following the above conceptualisation of CSR, there exist contending views on the CSR agenda. On the one hand, there are critics who recognise the growing popularity of CSR initiatives as a collaboration between government, business and civil society to address issues such as poverty alleviation and human capital development. However, these critics caution that CSR initiatives have failed to adequately address such pertinent development issues, particularly in developing nations, largely because of a perceived lack of critical perspectives on CSR frameworks and their respective strengths and weaknesses (Blowfield and Frynas, 2005; Jenkins, 2005). In the context of developing nations, especially, CSR as a practice is criticised for failing to maximise its potential in contributing to development goals due to a lack of interrogation of the underlying dimensions of CSR (social, environmental, ethical, legal and voluntariness) on the part of CSR practitioners, government and researchers. It is argued that in order to gauge the efficacy of CSR programmes, the following aspects need to be rigorously investigated in the context of the above-mentioned dimensions: the pluralist power relations within societies and between business, governments, local communities and civil society organisations, so as to derive mechanisms to include all stakeholder groups, especially advocates for the historically marginalised and the environment; the ongoing debates on CSR as a voluntary practice and/or CSR as mandatory and regulated by national/global legislation; and producing alternatives to the CSR discourse which is said to favour business measurements and management techniques in formulating CSR frameworks (Blowfield and Frynas, 2005; Newell, 2005). Failure to commit to such investigation has often resulted in the exclusion of relevant stakeholders and a subsequent biased or misled prioritisation of CSR goals aimed at enhancing the development agenda.

Another criticism levelled at the practice of CSR is the misuse of the notion of corporate citizenship — a notion applied to highlight the rights of organisations and their responsibilities to the communities their activities impact on. Newell (2005: 546), notes that in terms of rights and responsibilities, the state often provides greater bargaining power to corporates (in terms of taxation laws, the flow of foreign direct investments, and greater mobility through transnationalisation) than to communities. This allows for business to abandon many of its social development obligations. Organisations who fulfil their obligations as 'corporate citizens', are criticised for doing so for public relations, for placating community demands, for dissuading communities from taking political action because of the latter's dependence on services or infrastructure provided by the corporates or for corporate financial gain via tax concessions (Newell, 2005: 547).

Jenkins (2005), and Newell (2005), note that globally, corporates adopt a common approach to the practice of CSR, as they respond to criticisms of their activities on societies and the environment. Corporates tend to prioritise the business case (cost saving measures for efficiency and profitability) and limit their responsibilities to communities, claiming that the state is primarily responsible for social development. In doing so, corporates are noted to have failed at significantly reducing poverty in developing countries (Jenkins, 2005; Newell, 2005).

Following the concerns and criticisms discussed, the CSR agenda remains problematic for some critics. The CSR agenda is said to exist within a market liberalisation framework that produces a biased/manipulated state regulation and trade union capacity which in turn influences corporations' responsibility toward decent wages, secure employment, ample social provisioning for redistribution, and environmental protection (Jenkins, 2005; Newell, 2005; Utting, 2007).

Newell (2005), argues however, that the potential of CSR to enhance social development can be ascertained if the process of more rigorous investigation of the underlying dimensions of CSR (discussed earlier) is combined with efforts to strengthen accountability relationships. Newell (2005: 551-552), argues that the latter can be effected through: governments enforcing stricter regulations for the practice of CSR, such as longer and meaningful engagements between corporates and the respective public stakeholders; governments introducing and strengthening channels for communities to hold corporates accountable should the latter abdicate their social obligations; corporates building relationships of trust with the respective communities; communities working to build and/or strengthen their voice in response to failed corporate promises via relationships with NGOs, the media and trade unions. In addition, Maria Alejandra Gonzalez-Perez (2013), suggests heightening the level of awareness of ownership through shareholding that comprises people and governments who have invested in corporations via pension funds and retirement schemes, so as to promote the notion of collective ownership and thereby call for greater accountability.

On the other hand, considering that governments and civil society alike call for mass job creation and better pay, it follows that the business sector is integral to economic and social development. To elaborate, greater incomes are essential to societies' realisation of upward social mobility, improved access to basic services (especially as South African municipalities are heavily reliant on a tax base for revenue generation and the subsequent provisioning of basic services), more innovation and ultimately, socio-economic sustainability. Emanating from this reality are a set of opposing arguments (to those discussed above) or what is referred to as the business case, presented by critics like Porter and Kramer (2006; 2011). The authors acknowledge that corporations, either of their own volition and/or having come under increased pressure from social/environmental activism and government regulation, have taken significant steps in responding to the social and environmental impact of their activities (Porter and Kramer, 2006: 78, 80). The authors believe that the practice of CSR has come under scrutiny because organisations have failed in two ways: firstly, to produce CSR models that are interrelated with core business activities for the greater benefit of the organisation and its target societies/natural environments; and secondly, to change the perception of CSR as a financial burden and/or charity to one where CSR is recognised for its potential to produce opportunity, innovation and competitive advantage (Porter and Kramer, 2006; Porter and Kramer, 2011). The authors maintain that a single organisation cannot solve all societal and environmental malaise but it can benefit a society/environment by choosing to address those issues that intersect with its business activities (Porter and Kramer, 2006: 84). This integration is understood as an organisation's attempt to create 'shared value'.

Case studies of Eweje (2006), and Samuel and Mqomboti (2017), which focus on community development initiatives of major oil, mining, and manufacturing companies in Nigeria and South Africa, support the contending views presented above. In line with the criticisms of Blowfield and Frynas (2005), Jenkins (2005), and Newell (2005), Eweje (2006), found that Nigerian host communities rejected the social investments of the multinational corporations (MNCs) for various reasons: MNCs failed to consult with and ascertain the needs of host communities; MNCs prioritised infrastructural investments that ensured optimal operational capacity over social development; MNCs did not intervene in instances when government failed to invest revenues earned (from MNC activity) on social infrastructure; MNCs were accused of producing social investments primarily to demonstrate that they were socially responsible and thereby maintain a global brand image. In similar vein, Samuel and Mqomboti (2017), describe how CSR initiatives fail because companies do not employ participatory decision-making. The researchers also provide instances of companies using the CSR label to promote brand awareness or attract potential consumer markets whilst relinquishing their moral responsibility to disadvantaged communities.

On the other hand, and in line with Porter and Kramer's arguments (2006; 2011),introduced earlier, the studies also reported cases of successful CSR that produced community development and 'shared value' (Eweje, 2006; Samuel and Mqomboti, 2017). These CSR accomplishments resulted from companies: acknowledging the power of internal and external stakeholders and promoting consultative processes; anticipating environmental threats and responding by utilising organisational capacities to create strategic CSR responses such as education programmes geared at producing entrepreneurs, cooperatives in the retail trade/agricultural sectors or future suppliers in the participating corporates' distribution chains; acknowledging the non-renewable nature of oil and mining resources and acting to produce sustainable community development through small business development schemes; and concentrating CSR initiatives in the provisioning of some basic services such as schools, clinics, housing and physical infrastructure (Eweje, 2006; Samuel and Mqomboti, 2017).

South Africa is replete with success stories of CSR that despite having not matched the scale of challenges such as multidimensional poverty, are making a difference in the lives of the poor. These CSR initiatives are not merely acts of philanthropy. They are a culmination of strategic planning and relationships that produce 'shared value'/mutual benefit for corporations and the beneficiaries of CSR programmes.

For instance, Woolworths South Africa employs its *Good Business Journey* (GBJ), which addresses multiple social, economic and environmental challenges (WHL, 2018a). A few initiatives are noted next. In an effort to bolster the education system, the Woolworths Group (WHL) donates R4 million annually to the *Woolworths Educational Programmes*, the latter producing collaborations between the Department of Education, educational specialists and

2662 participating schools (WHL, 2018a: 37). WHL further contributes to the field of education through the *MySchoolMyVillageMyPlanet* programme which supports approximately eight thousand schools through multi-stakeholder participation, and via donations made to the National Education Collaboration Trust (NECT) which serves to bolster mathematics and science education in underperforming schools (WHL, 2018a)[4]. WHL's *BEESOS* initiative reflects its commitment to human capital development/inter-generational growth as the programme offers bursaries to the dependants of Woolworths' black employees, with the first group of dependants graduating end 2017 and some offered employment at Woolworths (WHL, 2018a: 28). To address the issue of food security, Woolworths partners with charities and NGOs to prevent wastage by diverting surplus foods, nearing their expiration dates, to underprivileged communities, and in 2017 alone, these donations amounted to over R570 million (WHL, 2018a: 39). Woolworths invests further in social development through capacity building and has donated surplus clothing to the value of R51.1 million in 2017 alone, to the Clothing Bank, an organisation that has since 2010, trained approximately two thousand women from disadvantaged communities, through a programme of skills development necessary for participants to implement sustainable clothing micro businesses (WHL, 2018a: 84). Despite facing tough competition from global clothing retailers operating in South Africa, the food division of WHL continues to produce favourable results and the company is capturing greater market share (WHL, 2018b), to the extent that Woolworths, despite catering to middle and upper income markets, is considered one of the 'Big Four' food retailers in South Africa[5]. Woolworths' strong market position attests to its capacity for strategic planning and relationship building, which it extends to its CSR agenda.

This study provides various examples and some analysis of local and global CSR programmes in chapter six.

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[4] It is well established that South Africa exhibits poor performance in mathematics and science, subjects that are critical to competencies for economic and self-development, especially in the context of rapidly advancing technologies. The NECT is meant to play a crucial role in developing these competencies. See: http://nect.org.za. The NECT partners with thirty-one private sector partners (including WHL), all of whom, either concentrate their CSR programmes in the education sector or include education in their diverse CSR agendas. For information on the NECT and its private-sector partners, refer to each organisation's website. The study has not referenced each private-sector partner because the former has not provided a discussion of these organisations.

[5] Discussed in chapter six.

2.3 CSR initiatives — *Add Hope* and *MySchoolMyVillageMyPlanet*

KFC's *Add Hope* Campaign is one of the corporation's many CSR initiatives. *Add Hope* is a global fundraising campaign that contributes to hunger alleviation efforts. In the South African context, the *Add Hope* and *MySchoolMyVillageMyPlanet* programmes serve as additional exemplars of Porter and Kramer's conceptualisation of CSR (2006; 2011). Both campaigns can be seen as innovative in that both corporates have chosen to partner with their customer base to address the challenges of poverty and inequality. These CSR campaigns — aimed at tackling various dimensions of poverty — combined with the corporates' commitment to sourcing sustainably produced foods, and a concerted effort to maintain key internal and external stakeholder engagements, invariably improves the corporates' brand image. A positive brand image is a necessary component of competitive advantage. The corporates' integrated reports coupled with supporting secondary data, provide evidence to support the efficacy of *Add Hope* and *MySchoolMyVillageMyPlanet* in alleviating poverty.

2.4 India's Targeted Public Distribution System (TPDS) for poverty alleviation — generating ideas for South Africa

In the South African context, social spending is noted to have progressively reduced poverty and inequality but these conditions remain a major challenge to socio-economic stability. In order to suggest more ways in which poverty and inequality can be addressed, it may prove valuable to examine the efficacy of social assistance programmes of other developing nations. This study has chosen to examine one of India's state social assistance programmes — the Targeted Public Distribution System (TPDS) —specifically because the focus of this study is to gauge the possibility of alleviating poverty through the supply of subsidised basic food commodities to South African social grant recipients. Under the TPDS, the Indian government distributes some food grains and a few non-food commodities, at heavily subsidised pricing, to eligible poor recipients. In South Africa it is highly unlikely that such an intervention can be facilitated by the state due to the added burden on an already constrained fiscus. Nevertheless, an exploration of India's TPDS may prove worthwhile to examine the relationship between targeted consumer pricing (specifically for basic foods) and poverty levels. The TPDS is noted as an integral response to hunger (a manifestation of poverty) and food insecurity. Since its inception in the late 1930s, the PDS, a large-scale food rationing programme, has served to increase food security at national and household level (Khera, 2011; Mooij, 1998). Commodities are distributed through rationing and differentiated pricing. There are mixed reviews on the capacity of the TPDS to address an uneven society. There is consensus that the rampant corruption and leakages across India's state social assistance programmes continue to hinder the government's fight against poverty and inequality. However, some critics using empirical evidence, argue that a few states have made significant strides in promoting access to food and preventing abject poverty through the TPDS (Dreze, 2004; Dreze and Khera, 2013; Dreze and Khera, 2015; Dreze and Sen, 2012; Khera, 2009; Swain and Kumaran, 2012). They further suggest that a combination of a universal PDS, enhanced service delivery, job creation, more equitable income distribution and the political will to enforce strong governance and accountability across state structures can realise greater social cohesion. Others, citing problems of corruption, leakages and the financial burden of the TPDS on the fiscus, suggest an alternate policy position — direct cash transfers combined with reform measures within state structures (Hegde et al., 2013). Despite the rollout of direct cash transfers in some states, the TPDS remains largely intact.

From the above, it would appear that the TPDS does have merit as a poverty alleviation tool but that the system is not without its challenges. Considering the financial implications of the TPDS for India, this study intends to draw on the positive aspects of the TPDS and then suggest ways in which these aspects can be adapted in South Africa, via local business rather than the State, in an effort to further curb poverty. If targeted consumer pricing cannot be facilitated through the State due to the added burden on the fiscus, a question may then arise as to how such pricing can be facilitated through local business? An answer may be found in CSR initiatives. Willing, major local food retailers can consider aligning CSR initiatives with their business models as they aim to produce opportunity, innovation and competitive advantage and simultaneously benefit those societies that intersect with their business models (Porter and Kramer, 2006; Porter and Kramer, 2011).

2.5 Poverty and inequality in South Africa

South Africa is marred by high levels of unemployment, poverty and inequality. The National Census (Statistics South Africa, 2015a), revealed that 15.5% of households received no income in 2011. Statistics South Africa puts the official unemployment figure at 26,7% (Statistics South Africa, 2018). By 2014, cash transfers (social pensions and grants) constituted 16.4% of the total income of African households (Hundenborn et al., 2016: 4). Stats SA (Statistics South Africa, 2017b), puts the poverty headcount in 2015 at 55.5% of the total population. Consumer pricing is also a significant contributor to poverty. In 2015, the 'top food poverty line' (a measure of the basic food and non-food requirements of a single person per month) was measured at R992 indicating that thirty million, four hundred thousand South Africans lived in poverty (Statistics South Africa, 2017a). In 2016 pricing, this figure increased to R1077 (van Rensburg, 2016), implying a further rise in poverty levels. Leibbrandt et al. (2016), using decomposition models to explore the role of prices in expenditure-driven poverty and inequality during 2005 to 2010, assert that conventional CPIs (consumer price indexes) do not provide an accurate picture of poverty and inequality levels because expenditure measures do not translate into higher consumption levels amongst the poor, rather the poor are found to spend more on the same basket of goods. To elaborate, expenditure weights employed in conventional CPIs are biased toward higher expenditure groups, rendering CPI measurements flawed and subsequently misrepresenting inflationary effects on poor households (Leibbrandt et al., 2016). The researchers found that consumer price changes during 2005 to 2010, over-exposed the poor to high inflation items such as electricity and food, thereby increasing headcount poverty rates with the rural poor hit hardest, and that prices of goods consumed by the poor rose more sharply than those goods consumed by higher expenditure groups (Leibbrandt et al., 2016). Statistics South Africa (2017a), notes children (up to the age of seventeen), Black Africans, females, rural dwellers and the age group of 55 onwards, to be the most vulnerable to poverty. In light of these statistics and historical data on government social expenditure — basic services and social grants — such expenditure is integral to addressing poverty and inequality but remains inadequate in the context of high unemployment and sharp consumer price increases for goods and services consumed by the poor.

A recent National Income Dynamics Study (NIDS) compared household survey data from NIDS 2008, 2014/2015 and the 1993 PSLSD (Project for Statistics on Living Standards and Development), and measured the Gini coefficient at 0.655 for 2014/2015 (Hundenborn et al., 2016). The study revealed that highly skewed labour income (Gini coefficient = 0.732 in 2014) contributed significantly to overall inequality (Hundenborn et al., 2016). Furthermore, since social grants lowered total income inequality by a mere 1.7% during 1993 to 2014, the study points to labour market policy as key to reducing inequality (Hundenborn et al., 2016). Similarly, a World Bank Working Paper (Inchauste et al., 2015: 29, 31, 35), highlighted that although fiscal policy instruments (taxes and social spending) progressively lowered both, market income inequality and poverty levels, greater inclusive economic growth is required to ensure fiscal sustainability and greater redistribution through job creation, higher incomes for lower income earners and improved basic services delivery. It becomes clear that as government strives to meet these objectives, more novel ways need to be sought out to curb poverty and inequality.

2.6 Conclusion

Statistics presented in the chapter reveal the staggeringly high poverty and inequality levels in South Africa. Social policy reforms — the considerable expansion of basic service delivery and social grants — have lowered poverty. However, massive unemployment, highly skewed labour income, inadequate basic service delivery, non-existent protection mechanisms for the poor who are ineligible for social grants, and over-exposure of poor households to high inflation items that are critical to their consumption basket viz. electricity and food, overshadow the redistributive gains effected by social policy reforms. This study stresses the need to develop novel ideas to complement existing pro-poor initiatives in order to lift millions of South Africans out of poverty. In light of the negative impact of high consumer pricing on poor households, the study proposes a corporate social responsibility (CSR) model for major, local food retailers, with the target beneficiaries being social grant recipients and their households.

The notion of CSR was discussed, beginning with the challenges in developing a universal definition, the multiple approaches applied to CSR by business, NGOs and researchers, and highlighting the definition that this study espouses. Contending views on CSR were presented. On the one hand, the failure of CSR initiatives to adequately address pertinent development issues such as human capital development and poverty alleviation, were attributed to: a lack of critical perspectives on CSR frameworks; the misuse of the notion of corporate citizenship as means for corporates to abandon their social development obligations; prioritisation of the business case to facilitate minimum corporate social investment viz. small-scale community projects; and the choice of framing CSR agendas in economic liberalism which is criticised for allowing corporates to neglect their responsibilities toward inclusive employment, sustainable social provisioning for redistribution, and environmental protection (Blowfield and Frynas, 2005; Jenkins, 2005; Newell, 2005; Utting, 2007). On the other hand, the universal call for inclusive growth through job creation, points to the pivotal role of business in economic and social development. Critics, Porter and Kramer (2006; 2011), argue that CSR can effectively address pertinent development issues if companies produce CSR models that create 'shared value'— a process in which companies integrate CSR models with core business activity and recognise CSR for its potential to produce opportunity, innovation and competitive advantage, in order to benefit business and society. Evidence supporting the contesting views were presented. The Woolworths Group (WHL) was discussed at greater length as it demonstrated the potential of strategic CSR, specifically 'shared value', to advance business objectives, and the goals of social development and environmental protection.

A brief discussion was presented on two national CSR campaigns — KFC's *Add Hope* and WHL's *MySchoolMyVillageMyPlanet*. These two diverse CSR programmes exhibit a common commitment to uplifting disadvantaged and vulnerable children and communities. These CSR programmes were chosen for analysis (chapter six) to determine their efficacy in addressing poverty and inequality, and to ascertain the possibility of adapting aspects and employing them in this study's proposed CSR model.

Due to this study's aim of investigating the possibility of providing subsidised basic foods, set far below food inflation, to social grant recipients through a proposed CSR initiative, an exploration of India's Targeted Public Distribution System (TPDS) was conducted. Under the

TPDS, the Indian government distributes some food grains and a few non-food commodities, at heavily subsidised pricing, to eligible poor recipients. The TPDS is widely accepted as an integral response to hunger and food insecurity. The capacity of the TPDS to address an uneven society is a contentious issue due to allegations of rampant corruption and leakages. However, there is also empirical evidence to demonstrate that a few states with a well-run TPDS, have made significant strides in promoting access to food and preventing abject poverty (Dreze, 2004; Dreze and Khera, 2013; Dreze and Khera, 2015; Dreze and Sen, 2012; Khera, 2009; Swain and Kumaran, 2012). The TPDS appears to have merit as a poverty alleviation tool despite its challenges. Transplanting a system such as the TPDS into South Africa is not possible due to cost consequences for the South African government. This study analyses the TPDS (chapter five) in order to explore the relationship between subsidised consumer pricing and poverty alleviation, and ultimately to substantiate the study's proposed CSR model.

Chapter Three – Theoretical Framework

3.1 Introduction

The chapter is devoted to explaining and contextualising the basic elements of John Rawls' theoretical framework on distributive justice, particularly, his conceptualisation of the 'original position' and the two diverging, distributive principles. The discussion will proceed with brief statements, both, on the notion of distributive justice, and on the need for re-evaluating and enhancing the distribution of social benefits within South African society. Following this, the basic aspects of John Rawls' theory of distributive justice — where he produces a moral conception of justice for a democratic society by means of a hypothetical and idealised 'just society'— will be explained. Thereafter, a rationale will be provided, both, for choosing to explore John Rawls' theory of distributive justice and for contextualising his basic theoretical elements in South African society. The point of this contextualisation is to suggest how Rawls' basic theoretical elements, specifically the alternate distributive principle — the 'difference principle'— can be applied to a particular economic institution, the market, whose rules regulate the pricing of goods and services, via an economic organisation, particularly major South African food retailers, in order to contribute to the establishment of a fairer/more just society.

3.2 Rawls' Theory of Justice

Societal laws, institutions and policies combined, and prone to change over time, determine the distribution of benefits and burdens within and across societies, which invariably impacts people's lives. Various competing theories have produced principles of distributive justice which serve as a moral guide for the social, political and economic processes that distribute benefits and burdens within and across societies. Distributive principles are constituted of multiple dimensions. Firstly, such principles vary in their choice and prioritisation of the factors that constitute distributive justice (opportunities, income, wealth, jobs, welfare, self-respect, race, class, gender, the environment, and so forth). Secondly, there is no universal agreement on the recipients of the distribution (individuals, groups of people classified- but not limited to class, race, ethnicity or gender and so on). Lastly, the variance in the terms under which distribution should be effected (strict equality, welfare maximisation, equal opportunity followed up with luck inherent in individual characteristics/circumstances, individual deservedness underpinned by talent, effort and economic output, and so forth).

The focus of this study is on suggesting a means to contribute to the distribution of greater economic benefits to millions of South Africans who rely on social grants as they attempt to avoid falling further into poverty or becoming destitute. Despite the variance in class/degrees of poverty among social grant recipients, the plethora of social and economic contingencies (to be discussed in chapter four) coupled with natural factors of age and physical abilities, would render grant recipients impoverished in the absence of state assistance. In light of this, such individuals can be conceived of as constituting a social position which renders them severely economically disadvantaged members of South African society. The combined efforts of the political, social and economic institutions — a democratic government, civil society and business, respectively — can be lauded for curbing the severity of poverty and inequality in South Africa. However, the facts and figures on poverty and inequality levels establish the truism that there is a need to re-evaluate these institutions in order to enhance their propensity for justness. There is an urgent need for South Africans to cooperate and produce ethical judgements on how best to produce a fairer/more just society. A re-evaluation of this magnitude is beyond the scope of any singular study. The focus of this study is on contributing to the distribution of greater economic benefits to social grant recipients, who by inference to John Rawls (1999), can be conceived of as occupying a relevant basic social position (to be discussed later) on the basis of their economic disposition and their reliance on state grants. This study has therefore chosen to locate its objectives in Rawls' theoretical framework on distributive justice, particularly, his conceptualisation of the 'original position' and the two diverging, distributive principles.

In *A Theory of Justice* (1999), Rawls employs a hypothetical, well-ordered society to advance an extensive conceptualisation of distributive justice– a concept that essentially addresses the just distribution of social benefits and burdens derived from economic, political and social systems (laws and institutions). Rawls characterises a well-ordered society as "one designed to advance the good of its members," a society where despite the existence of disparate interests among representatives of social positions, there is mutually agreement on a characteristic set of principles of justice, moral principles by which major social institutions will also abide in order to facilitate a just distribution of rights and responsibilities, and social advantages and burdens (1999: 4-5, 397). For Rawls, a well-ordered society then, is the "basic structure of society"[6], one that becomes the "primary subject of justice" (1999: 6). For clarification purposes, firstly, in acknowledging disparate interests in society, Rawls explains that people in society face the "circumstances of justice" which obtain whenever persons have disparate plans of life and/or the concept of the social good, and "put forward conflicting claims to the division of social advantages under conditions of moderate scarcity" (1999: 110). Disparate interests arise from the fact that in society, some starting positions in relation to the division of social advantages are more favourable than others and it is at this point where Rawls maintains that the mechanism of a well-ordered society, regulated by principles of justice, yields a just distribution of rights and responsibilities, and social advantages and burdens (1999: 82). This however, would not be possible in the absence of an identification of relevant, or by comparison, more basic social positions over individual interests as social positions facilitate a simplified, manageable and appropriate standpoint for judging the social system (Rawls, 1999: 82). Finally, Rawls broadly categorises the major social institutions as "the political constitution and the principal economic and social arrangements," as significantly exemplified by "the legal protection of freedom of thought and liberty of conscience, competitive markets, private property in the means of production, and the monogamous family" (1999: 6).

Societies exhibit highly complex cultural diversity within and across nations. Emanating from such multiplicity are diverse ethical principles which in turn shape a particular society's sense of justice. Rawls therefore conceptualises justice through an original (hypothetical) position and two diverging principles. The original position is hypothetical because Rawls accepts that there is no ideal society– one that is egalitarian. The original position is important as it provides a platform for the formation of constitutional rights which are to be applied equally to all citizens. A failure to produce strict equality in the distribution of basic liberties is only allowed

[6] Rawls (1999), explains the basic structure as a public system of rules that define the laws and regulate the activities of the major social institutions-political, legal, economic and that of the family-in order to distribute fundamental rights and duties together with benefits within the context of social cooperation.

temporarily if existing social conditions pave the way for the "effective establishment of basic rights" (Rawls, 1999: 132). Following this, Rawls produces two conceptions of justice. A general conception of justice applies when social, economic and political processes have failed to produce an equal distribution of basic rights/liberties in a society. According to the general conception,

> "All social values—liberty and opportunity, income and wealth, and the bases of self-respect—are to be distributed equally unless an unequal distribution of any, or all, of these values is to everyone's advantage. Injustice, then, is simply inequalities that are not to the benefit of all," (Rawls, 1999: 54).

Rawls applies a special conception, "justice as fairness," in a situation where rational parties willingly choose "mutual cooperation" under a "veil of ignorance"[7] for the benefit of society (Rawls, 1999: 11). The special conception is developed through Rawls' two principles of justice. The first principle insists on strict equality in the distribution of basic rights/freedoms. Rawls lists these freedoms as: political liberty (the right to vote and to hold public office); freedom of speech and assembly; liberty of conscience and freedom of thought; freedom of the person; the right to hold personal property; and freedom from arbitrary arrest and seizure (1999: 53). The second or difference principle applies primarily to the basic structure of society and it advances the permissibility of inequalities within a subset of social primary goods — such as wealth and income distribution — only on condition that such inequalities "are both (a) to the greatest expected benefit of the least advantaged and (b) attached to offices and positions open to all under conditions of fair equality of opportunity" (Rawls, 1999: 13, 72). The second principle allows for changes to be effected in the various institutional frameworks that determine how benefits are distributed in society. The conditions for the permissibility of just inequalities, expressed as the Difference Principle, opens up an interpretation, by Rawls (1999: 68), of the scenarios where the least fortunate can access more social and economic benefits under less equality: a perfectly just system obtains when the expectations of the least advantaged are maximised (subject to the conditions of the two principles) following which,

[7] The "veil of ignorance" is discussed in various sections of *A Theory of Justice*, with section 24 exploring the concept in detail (Rawls, 1999: 118 – 123).

no change in the position of the more fortunate, positive or negative, can further improve the position of the worst off; a system that is regarded as just throughout (but not the best just system) obtains in a context of the "close-knitness" between expectations of the best and worst off social groups where the prospects of the latter improve if those of the former are enhanced and vice-versa; and finally, an unjust system obtains if in response to excessive expectations, the position of the better off are worsened in order to improve the position of the worst-off, which is translated as a violation of the other principles of justice.

Rawls assigns a lexical priority to his principles, where the first principle has priority over the second, in order to ensure that basic liberties are not infringed even in a case where such violation could improve the economic well-being of the worst off (1999: 72, 130-131). Therefore, Rawls' notion of a just system is ideally one that permits inequalities only in particular social and economic advantages provided that there is maximum benefit to the worst-off social groups within the constraints of strict equality of basic liberties and fair equality of opportunity. Regarding the second principle, Rawls asserts that the role of fair opportunity is to insure that the system of cooperation produced in the basic structure, as conceptualised in justice as fairness, is one of pure procedural justice (1999: 76). Rawls explains pure procedural justice as the execution of fair procedures to achieve fair outcome/s (1999: 76). Following this, the basic structure operating under conditions of pure procedural justice attributes relevance to improving the absolute position of the least advantaged rather than the relative positions of individuals (1999: 76). The major difference between the general and special conceptions of justice is that in the former, the difference principle applies to any/all primary social goods — broadly categorised as rights, liberties, opportunities, income and wealth and a sense of self-worth (Rawls, 1999: 79), while in the latter, the difference principle applies only to social and economic advantages within the context of strict equality of basic liberties and fair equality of opportunity.

Having discussed the basic aspects of Rawls' approach, the chapter will now provide a rationale for choosing to explore Rawls' theory of distributive justice, and for contextualising his basic theoretical elements in South African society. In response to mass historic deprivations, the current South African Constitution, is a product of a democratically elected constituent assembly (a form of representative democracy), and it enshrines a comprehensive bill of rights that is to apply equally to all South African citizens. Following this, the Constitution can be conceived as an empirical illustration of Rawls' original position and first principle of justice. However, the persistence of stark poverty together with wealth and income inequality, show that South Africa is far from an egalitarian society. The question that arises then, is how are we to judge the laws, the various institutions (social, political and economic) and the policies that promulgate the rights and responsibilities of all South African citizens, and that have shaped current patterns of the distribution of societal benefits and burdens? A plausible response can be the application of Rawls' difference principle (together with its conditions) — a principle, which by definition, allows for changes in institutional frameworks that determine the distribution of social advantages.

This study, aims specifically, to suggest a way in which South Africa's major food retailers, their customer base/s and the state (listed in order of priority), can collaborate to distribute greater economic benefits to millions of social grant recipients and their families. In this way, the study hopes to contribute to diminishing poverty and economic inequality in order to establish a more just society. The study has already pointed to the Constitution as a manifestation of Rawls' original position and first principle of justice. The study finds further appeal and relevance in Rawls' basic theoretical aspects of distributive justice for the following reasons. To reiterate, Rawls essentially produces a hypothetical just society in an attempt to suggest the most appropriate moral conception of justice for a democratic society. This ideal society, effectively regulated by basic principles, provides a platform for evaluating the major social institutions responsible for distributing societal burdens and benefits arising out of mutual cooperation. Rawls clearly points out that the difference principle is to be applied only to social institutions or practices that determine the distribution of benefits and burdens of social life between broad categories of social positions, not individuals (1999: 47-48). Institutions — comprising standards, laws and regulations for social, political and economic exchange — are created by human beings in order to shape human behaviour and thereby reduce uncertainty in the pursuit of individual interests (North, 1994; Rawls, 1999). Economic institutions, ideally produced through economic cooperation, regulate economic activity and determine the allocation of resources through the establishment of property rights and competitive markets (for the exchange of goods and services). Institutions are distinguished from organisations in that the former refers to the rules of the game whilst the latter refers to the players — those groups of people that come together to achieve a common objective (North, 1994: 2). Manufacturers, producers, wholesalers, retailers, and buyers exemplify economic organisations.

As there exists a clear distinction between economic institutions and economic organisations, the question that may be asked then is, how is it plausible to apply Rawls' difference principle to the institution of the market (as regulator of demand/supply and commodity pricing) via an economic organisation — in this case, major South African food retailers? A conceivable answer can be found in Douglass C. North's broad outline of the relationship between organisations and institutions in the process of economic change (1994). According to North (1994: 2): "Organizations and their entrepreneurs are the [players]; they will introduce new institutions or technology when they perceive that they can improve their competitive position by such innovation." Organisations are naturally competitive as they exist under conditions of moderate scarcity[8]. Such competitiveness encourages organisational innovation through the implementation of new institutional rules which are applied either within the existing institutional framework or that gradually alter the framework (North, 1994: 2-3). In similar vein to Rawls' explanation of why people in society face the "circumstances of justice" (discussed earlier), North maintains that entrepreneurs who are in a position of power to modify the "rules of the game"/institutional frameworks, do so in order to improve their competitive position (1994: 4). For the purpose of the present study, let us take an economic institution to be the market, specifically the food retail market, which determines patterns of demand and supply, and the pricing of food commodities. Let us also take the players to be major local food retailers. By inference to Rawls' (1999), and North (1994), respectively, the major local food retailers constitute a "relevant basic social position" because they serve as a primary means for people to access a basic human right[9], and they are the "players of the game" because they are economic organisations that sell food commodities to the public with the common objective of being profitable entities. Having explained earlier, the concept of the basic social position, this study has provided reason for identifying social grant recipients as occupying a relevant basic social position. Rawls maintains that basic social positions are necessary and appropriate for judging the social system (discussed earlier). Thus far we have identified major local food

[8] Rawls explains that the condition of moderate scarcity persists as there does not exist an abundance of natural and other resources. Hence the need for establishing a well-ordered society, regulated by principles of justice in order to yield a just distribution of social advantages and burdens (1999:110).

[9] The right to access adequate food to meet dietary needs is enshrined in the Constitution's Bill of Rights.

retailers and social grant recipients as occupying relevant basic social positions, and the food retail market as an economic institution. High food pricing in South Africa coupled with a plethora of socio-economic constraints (to be discussed in chapter four) exacerbate poverty and inequality levels, all of which point to the fact that institutions, policies and practices need to be interrogated further to facilitate the establishment of a fairer society.

Following the comparisons established between the ideas of North (1994), and Rawls (1999), this study argues that one means of attaining a fairer social system is by introducing organisational change/innovation in a particular economic institutional framework. To elaborate, the suggested innovation (to be delineated in chapter six) will be in the form of the willingness of major local food retailers to reduce pricing for basic food commodities. An act that can be made viable through a combination of discounted sales pricing and customer donations, the latter to be allocated to a fund managed by a representative board (emanating from business, the state and public sector representatives), the proceeds of which will be redistributed among participating retail chains for the two-fold purpose of partly recovering lost profit and of expanding the basket of products to be discounted. The price discount will be made available solely to social grant recipients. It is a truism that under conditions of scarcity, economic organisations do concern themselves with achieving a competitive edge. Discounted pricing offered to social grant recipients translates into major retail chains capturing a greater share of the consumer market thus improving their competitive advantage. Chapter four will discuss why state grants are essential in preventing millions of South Africans from falling further into poverty. It will also be shown that in the context of a multitude of socio-economic challenges, grant amounts remain insufficient to adequately address poverty and inequality. Following this, discounted pricing on basic food commodities will allow for an expansion of grant recipients' purchasing power and thereby create opportunities for personal growth/development. Reforming an important economic institution in this manner speaks to Rawls' notion of a fair society that is regulated by the two principles of justice. In other words, in the context of the food retail market, inequalities of wealth (profit margins) can be allowed, as an organisational innovation within the market stands to benefit those amongst the least advantaged in society by way of economic empowerment. As noted earlier, Rawls notion of relevant basic social positions facilitate a simplified, manageable and appropriate standpoint for judging the social system (1999: 82). If, on the one hand, economic organisations like South Africa's major local food retailers, having the aim of improving their competitive position, choose to produce some innovation that would result in altering the rules of the food retail market, on the other hand, social grant recipients stand to achieve greater economic mobility. This study argues that such an interaction involving two relevant social positions serve as an appropriate standpoint for evaluating the degree of justice achieved.

3.3 Conclusion

John Rawls' theory of justice was selected as the theoretical framework of this study because the theory promotes the notion of justness over an egalitarian society to produce mutual advantage. The notion of attaining justness is highly applicable in the South African context of stark wealth and income inequality. This chapter discussed the notion of distributive justice, and the need to assess and improve redistributive efforts in South Africa. Following this, Rawls' basic theoretical elements (the 'original position' and the two diverging, distributive principles) were explained and contextualised in South African society. Through the contextualisation, this study was able to demonstrate how Rawls' alternate distributive principle — the 'difference principle' — can be applied to the economic institution of the food retail market (which regulates demand/supply and producer/consumer food pricing) via an economic organisation, particularly major South African food retailers, in order to address poverty and contribute to the establishment of a more just society. In the South African context of stark wealth and income inequality, there is room for the implementation of small but significant redistributive efforts, via the application of the difference principle to business practice, particularly commodity pricing of basic foods, so as to contribute to maximising the economic and social advantages for millions of social grant recipients, who by inference to Rawls, occupy a social position and are among the least economically advantaged members of society. The study envisages such a redistributive effort as a collaboration between South Africa's major food retailers, their customer base/s and the state (listed in order of priority), underpinned by moral principles and mutual cooperation.

Chapter Four — Poverty and Inequality in South Africa

4.1 Introduction

This chapter discusses poverty and inequality in South Africa and the efficacy of social grants as a poverty alleviation and redistributive tool. The discussion is necessary to understand why poverty and inequality remain endemic challenges and subsequently, to motivate for the need to develop novel ways to improve the lives of the poor. Section 4.2 provides an overview of poverty and inequality in South Africa through a brief historical description of these challenges (during the apartheid era); an elaboration of the drivers of poverty in democratic South Africa, including statistical information; and ends with a brief discussion on current policy positions. Section 4.3 discusses social grants with the aim of exploring to what degree they contribute to poverty alleviation and redistribution. The section also motivates for the development of ideas to address poverty, and introduces an idea aimed at assisting social grant recipients achieve or maintain a disposable income for greater redistributive effects. Section 4.4 concludes the chapter.

4.2 Poverty and Inequality — an overview

Destabilising colonial and apartheid policies produced poverty and inequality patterns underpinned predominantly by race, and then by spatial, class and gender dimensions, with the aim of achieving 'separate development' for the benefit of White South Africans. Black people were socially, politically and economically disenfranchised through various means. They possessed non-existent voting and land ownership rights. The education system was designed to produce semi and unskilled black labour in the energy, mining, manufacturing and agricultural sectors — the 'minerals energy complex'/MEC — to enhance the wealth accumulation of a minority capitalist interest (Marais, 2011). Family networks and values were disrupted through forced relocations to urban and rural peripheries, migrant labour and Pass laws. Rural (black) areas received no state financial support and minimum or no basic services. Blacks had little or no protection through labour rights, pension funds, social services and social security/assistance (pensions and grants) – the last, meant to protect the aged, the disabled, and vulnerable women and children. The outbreak of HIV and AIDS, and

Tuberculosis, which impacted mortality rates and increased the number of orphaned children, were attributed to these separatist policies (Budlender and Lund, 2011; Coovadia et al., 2009; Lund, 2008; Marais, 2011). A combination of high mortality rates, and the severe lack of social protection rendered black women and children especially vulnerable to dire poverty.

During South Africa's transition to democracy, it was envisaged that transformative policies would produce democratic values, equal opportunity to realise basic human rights, and growth both, through redistribution and investment. However, South Africa continues to exhibit excessive poverty and inequality. Poverty is exacerbated by low investment levels, slow economic growth, mass unemployment (approximately 27%), insecure employment, highly skewed land and income distribution, and poor basic services delivery[10] (Ashman et al., 2014; Coovadia et al., 2009; Hundenborn et al., 2016; Lund, 2008; Marais, 2011; Narsiah, 2017; Overcoming et al., 2010; Oxfam, 2014; Statistics South Africa, 2017b). The discussion to follow will elaborate on these drivers of poverty and provide statistical information on poverty and inequality.

Poverty is multidimensional and complex. Measuring poverty levels is difficult because of the inherent complexities such as: underestimating the level of poverty in urban sites produced through income inequality and higher living expenses; the absence or lack of including expanded and nuanced definitions of poverty (low quality basic services, little or no safety and security, no kinship networks, relative poverty) in poverty studies for official statistics; and the prioritisation of poverty alleviation policies that do not account for the processes of wealth accumulation and redistribution, both of which perpetuate class, racial, gender and spatial inequalities (Marais, 2011; Overcoming et al., 2010). Although income and expenditure trends provide a partial view of poverty levels, more recent income-based studies such as the National Income Dynamics Studies (NIDS)[11] and those which include multidimensional poverty indicators (MPIs), have been able both, to provide a wider breadth of poverty analysis and to

[10] It is argued that poor basic services delivery are a result of the depoliticisation of service delivery through a New Public Management discourse that promotes managerialist and technical approaches, and reconceptualises municipalities/citizens as business units/clients respectively, so as to justify constrained state spending and differential service delivery — see Narsiah (2017).

[11] Derek Yu (2010), argues for the reliability of NIDS findings on income inequality by providing an explanation of the methodology applied.

highlight the correlation between poverty and inequality (Budlender et al., 2015; Finn et al., 2013; Hundenborn et al., 2016; Leibbrandt et al., 2012). Some of these findings are included in a World Bank Report (2018), that focuses on the period between 2006 to 2015 to reveal that South Africa, despite its poverty alleviation efforts, remains one of the most unequal countries in the world.

The statistics to follow are derived from sources that use official poverty lines[12], national income surveys, household surveys, and living standards measurements, to produce analyses of the intersecting trends/dimensions/drivers of poverty and inequality (which include policy choices) and also, to suggest ways in which more inclusive growth can be achieved. The depoliticisation of poverty combined with policies and strategies which largely ignore power dynamics in society produced through historic inequalities of class, race, gender and space, are perpetuating an uneven society. In light of this, a short component on debates pertaining to the efficacy of current policy positions on South Africa's poverty and inequality levels, will be included.

Poverty has a spatial dimension. A recent World Bank report reveals that despite an overall decline in poverty and inequality during the period 2006 to 2015, the percentage of people living below the lower bound poverty line increased to 40% between 2011 and 2015, with the highest poverty rate (59,7%) concentrated in rural areas, due to the spatialisation of resources required to boost consumption expenditure (World Bank Group, 2018: 7,8,10,11,16). Basic services are integral resources for poverty alleviation. Adequate service delivery increases the potential for the poor to access and to shape markets for economic growth and sustainability. More so, it affords the poor a dignified life. Despite an improvement to the access of basic services, government has been criticised for failing the poor, primarily through policy choices such as GEAR and New Public Management which promote curbed fiscal spending on basic services and infrastructure development, privatisation of state-owned enterprises, and the reconceptualisation of local government/citizens as business units/clients respectively, all of which perpetuate the spatialisation of service delivery (Marais, 2011; Narsiah, 2011; Narsiah, 2017; Overcoming et al., 2010). Municipalities are the vehicles of basic service delivery but

[12] For an explanation of the official poverty lines in South Africa, see the World Bank Report (2018: 8). The lower bound poverty line describes those households that sacrifice some basic foods in lieu of basic non-foods.

they are challenged by constrained central spending which translates into the expectation of rates and service fees to cover more than half of a municipal budget. Poorer municipalities are challenged by a combination of limited central budgets, an urban/rural mix of low-income/poorer ‘client’ bases, staffing problems in terms of numbers and skills, and financial mismanagement. Statistics reveal that extreme poverty, measured at the food poverty line, was worst in municipalities located in peripheral areas of the poorest provinces (World Bank Group, 2018: 17). Limpopo Province serves as an illustration of these challenges/trends. From 2011 to 2015, Limpopo Province exhibited much unevenness in terms of the poverty headcount and it experienced the worst depth and severity of poverty, with an overall poverty rate of 57% (World Bank Group, 2018: 16). Limpopo has been described as a province plagued by malfeasance (eNCA, 2018; Nel, 2017) — acts which have retarded sustainable growth and redistribution in the province.

Poverty also has a gender dimension that is interrelated with race. African women remain the most marginalised in terms of: access to adequate health care, education and employment; they are at a higher risk of HIV infection; they constitute the largest proportion of informal and unprotected labour, and unpaid labour manifested as child, disability and frail-care; they receive the highest number of social grants, viz. the child support grant, pointing to a significant absentee rate of fathers/male heads of households (Fultz and Francis, 2013; Hassim, 2003; Hassim, 2005; Lund, 2008; Marais, 2011). Female-headed households, by virtue of earning disproportionately lower incomes, are poorer than male-headed ones (Marais, 2011; May, 2014). Poverty in female-headed households decreased from 63.4% in 2006 to 51.2% in 2015, whilst poverty in male-headed households decreased from 51.2% to 31.4% for the same period (World Bank Group, 2018: 13).

In terms of the racial dimension of poverty, black South Africans, who constitute approximately 80% of the population, present with the highest poverty rates. In 2015, 47% of black households were poor, with percentages for Coloured, Indian and white households being 23%, a little over 1%, and less than 1%, respectively (World Bank Group, 2018: 13). Poverty is rendered more complex by the intersectionality of race and class, which contribute to a wider unevenness in poverty levels within a racial group. Hein Marais argues that prior to democratisation, a failing regime and a highly distorted market allowed a small number of blacks to gain from income inequalities, and be differentiated into middle and elitist classes, which has resulted in the African population group exhibiting the greatest 'within-race' inequality (2011: 211). Leibbrandt et al. (2012), using income data from 1993 and 2008 to profile aggregate income inequality, attribute increasing inequality levels to the widening income gap between the top and lower deciles and infer that class mobility contributes to within-race income inequality.

The multidimensional poverty index (MPI) [13] facilitates further analysis of people's experience of poverty. Finn et al. (2013), used the MPI and data from the first three waves of NIDS (from 2008 to 2012), to analyse the relationship between multidimensional poverty and income poverty transitions. The researchers found that the majority of poor households were far more income poor than they were MPI poor, with results indicating that improved access to basic services such as education, health care, electricity, water and sanitation can only significantly improve the quality of life if these are combined with labour income (Finn et al., 2013: 25). This finding also translates into the positive but limited capacity of state social grants (a component of the social wage) in reducing poverty thus far. Basing their calculations on data from a 2012 NIDS study, Anand et al. (2016: 19-20), claimed that if unemployment was reduced by 10 percentage points, the Gini coefficient of 0.665 would have fallen to 0.645, whereas there would need to be a 40% increase in state social grants to achieve the same result.

Poverty is largely driven by exorbitant unemployment, severe income inequality, and staggering wealth inequality. Beginning with unemployment– a comparison of the fourth quarters of 2016 and 2017, revealed an increase in unemployment, with the official and expanded[14] unemployment rates measured at 26,7% and 36,3%, respectively (Statistics South Africa, 2018).

[13] The MPI for South Africa incorporates the education, health and living standards dimensions, each with a set of indicators, namely: school years and enrolment (education); child nutrition and mortality (health); and cooking fuel, electricity, water, sanitation and a list of assets (living standards). See Finn et al (2013: 22).

[14] Expanded unemployment rate includes students, those who have become discouraged to work, and those who provide unpaid labour in the home, caring for children, the elderly and/or the disabled.

The unemployment rate is attributed to various factors. Slow economic growth persists, with GDP contracting by 2.6% and a further 0.7% in the first and second quarters of 2018, respectively. Other contributing factors are the exponential growth of the service and financial sectors, both of which require skilled workers (though primarily on temporary contracts), and the subsequent job losses in the shrinking manufacturing and agricultural sectors. The labour force exhibits large numbers of low-skilled workers in the form of the masses of women and blacks that entered the labour market post-apartheid. Anand et al. (2016), found that women and blacks — compared to other racial groups — had lower job entry and higher job exit rates. Poorer blacks located in rural and remote areas often lack the resources to access the job market. Such resources can be described as basic services — particularly education, adequate transport infrastructure and systems — and disposable incomes generated by household wage earners. Rural and remote areas are characterised by poor infrastructure, potentially high crime rates and small/unsuitable markets hence businesses are located in urban areas. The long distances coupled with costs for transportation, relocation and running two residences act as significant challenges for poor, rural workers and job seekers. African households also present a higher proportion of dependents relative to wage-earning household heads, thereby adding to the unemployment and poverty rates for blacks. Finn et al. (2013), showed that during 2000 to 2010, a staggering 80% of individuals who lived in a household where no one was employed, all lived below the poverty line. Education is punted as key to widening labour market participation. A poverty trends report showed that 79.2% of those without formal education were poor in 2015 (Statistics South Africa, 2017b). Greater access to secondary and post-secondary education positively impacted a move to more skilled jobs but it did not improve employment levels, as was evinced by a youth (20 to 29 years of age) unemployment rate[15] of 40% in the period 2005 to 2015 (World Bank Group, 2018: 78-79). Anand et al. (2016), found that poor quality education coupled with a lack of prior work experience contributed to high youth unemployment. Black youths comprised 28% and blacks faced a 17% lower likelihood of employment than whites (World Bank Group, 2018: 78, 82). The white minority are also favoured for service sector employment which seeks highly skilled individuals (World Bank Group, 2018: 83). These statistics speak to the urgent need for government to focus not simply on increasing access to education but to invest in infrastructure and educators that will facilitate high quality primary and secondary education. For women and blacks thus far, higher education

[14] Unemployment rate was measured using the strict definition of unemployment.

levels appear only to have increased the potential for labour market participation — not employment opportunities.

Despite excessive unemployment being a major hurdle to South Africa's economic growth, employment does not guarantee a lower risk of poverty. This is due in considerable part to a highly uneven distribution of income. Hundenborn et al. (2016), compared household survey data from NIDS 2008, 2014/2015 and the 1993 PSLSD[16], to reveal that highly skewed labour income (Gini coefficient = 0.732 in 2014) contributed significantly to overall inequality (Gini coefficient at 0.655 for 2014/2015). This figure would have been higher in the absence of the primary counteractive effect of state social grants, and to a lesser degree, increases in other forms of household income such as remittances. The Hundenborn et al. paper is limited in providing a more comprehensive measurement of income distribution due to the limited or often excluded survey data on the top-end income deciles (Hundenborn et al., 2016: 21).

Income inequality continues to be driven by race and gender. Recent statistics reveal a minimal change in the gap for annual household incomes between white and black households. The annual income for an average white household was approximately seven and a half times more than that of a black household in 2005/2006 (Marais, 2011: 209), with this gap narrowing to five and a half by 2011 (May, 2014: 298). Income inequality is also attributed to a shrinking trade union movement which has shifted the balance of power into the hands of the employer resulting in wider income inequality between the top and bottom income earners, and less job security (Anand et al., 2016; Marais, 2011; World Bank Group, 2018). Leibbrandt et al. (2012: 22), reinforced the class dimension of inequality by showing that in 2008, the wealthiest 10% accounted for 58% of the total income whilst the poorest 50% accounted for 7,79%.

The rapid expansion of the social wage, especially social grants (which constituted 16.4% of the total income of African households by 2014), have increased the household income of the poorest and have subsequently moved households of some grant recipients from the lowest to the lower-middle income deciles but there has been negligible change in overall inequality

[16] NIDS and PSLSD refer to the National Income Dynamics Study and the Project for Statistics on Living Standards and Development, respectively.

(Hundenborn et al., 2016; Inchauste et al., 2015; Leibbrandt et al., 2012; Lund, 2008; Marais, 2011; Statistics South Africa, 2017b; Woolard et al., 2010; World Bank Group, 2018). Hundenborn et al. (2016), show that social grants lowered total income inequality by a mere 1.7%, and the researchers maintain that labour market policy is key to reducing inequality. Similarly, a World Bank working paper (Inchauste et al., 2015), highlights that whilst fiscal policy instruments (taxes and social spending) progressively lowered market income inequality and poverty levels, the key to ensuring fiscal sustainability is more inclusive economic growth and greater redistribution through job creation, higher incomes for lower income earners, and improved basic services delivery.

Mbewe and Woolard (2016), cite global research to argue that wealth inequality is persistently higher than income inequality. The researchers use the first set of data on wealth distribution– produced in NIDS Waves 2 (2010/2011) and 4 (2014/2015) – to analyse wealth inequality within and between race groups. This analysis is relevant as it shows wealth distribution to be a significant driver of inequality, and it can potentially influence future policy choices and measures aimed at reducing poverty and inequality levels in South Africa. Comparing their calculations[17] for the two time periods, Mbewe and Woolard (2016), show that wealth inequality remains unacceptably high between black and white households, with the latter racial group retaining far greater wealth than the former. In relative terms, black households held about 1% of the wealth of white households in the period 2010/2011, and in the 2014/2015 period this figure changed to 4% (2016: 11-12). The researchers also produce calculations which show that white households continue to dominate the top deciles for net wealth (2016: 13-14), and that wealth distribution among black households has become far more skewed since 2010 (2016: 22). The Gini co-efficient for wealth between race groups was measured at 0.94 for the period 2014/2015 (2016: 17).

The implications of these statistics is that the majority of black South Africans do not have the financial means to meet consumption needs especially in the context of high inflation and joblessness. They are also prone to higher levels of indebtedness due to an inability to save and there is no scope for investment to secure better futures for their children. Evidence of widening

[17] Calculations were based on median household incomes where households were categorised by race, not composition and size.

wealth inequality reinforces the assertions of researchers noted earlier– state intervention in the form of extensive social spending, although necessary for poverty alleviation and redistribution, is limited in terms of its coverage and the inherent discrepancies in the quality of basic services, due in large part to policy choices and fiscal constraints. Furthermore, statistics on unemployment and the disparities of wealth (including land ownership) and income distribution, reveal that these endemic challenges continue to drive unacceptably high poverty and inequality levels. A recent global inequality report also reveals that widening economic inequality (globally) is largely driven by the unequal ownership of capital and substantial transfers of wealth from the public to the private domain (World Inequality Lab, 2017). There is therefore an urgent need to revisit policy positions and measures that seek to enhance wealth redistribution.

Before concluding the discussion on wealth inequality it is deemed necessary to briefly discuss the issue of land. A vast array of literature identifies land ownership as a critical component of wealth accumulation, and subsequently highlights land dispossession under colonialism and apartheid as an extreme form of disenfranchisement of black South Africans. In 1994, the democratic government set a target of redistributing 30% of agricultural land by 2014. Hein Marais notes that 18% of the land was redistributed by 2009 (2011: 217). According to Ben Cousins (2017), government puts this figure at 10%, following which, Cousins claims that unreliable data (inconsistent data; no figures available on size and cost of farms transferred) has produced much uncertainty on exactly how much land has been redistributed. Following President Ramaphosa's claims that urgent land reform is imperative for economic stability, government, taking into account submissions from the general public, is reviewing its stance on land expropriation without compensation by weighing the merits of investigating section 25 of the Constitution.

The urgency of land reform, however, should not outweigh the importance of understanding and responding to the inherent complexities in land redistribution and restitution for future policy choices. Hein Marais (2011), presents a succinct discussion on such complexities, of which the following points are key. Due to historic poverty and inequality, the growth of smallholder production through land reform as an anti-poverty strategy cannot occur in isolation from other income sources such as social grants/pensions and wages/remittances

(Marais, 2011: 217). These income sources provide a buffer for the poor as they attempt to enter corporate supply chain networks, the latter which by virtue of their spatialisation, retail footprint, demand/supply trends, and pricing structures, require suppliers to be well resourced. The export market also favours well-established, large-scale or agribusiness farms. In such circumstances land reform cannot occur in the absence of jobs with fair wages, social grants/pensions, and the enhancement of basic services. Marais also notes the extent of class differentiation and exploitation of labour on small farms to be worse than that on large-scale farms since despite the latter's "often-appalling labour record," these farms still exhibit more reliable and secure wage earnings than small-scale farms (2011: 217). Marais' claim points to the importance of the state in enforcing proper evaluation and monitoring systems to ensure the sustainability of small-scale farms through the well-being of its employees. There is also a need to reconceptualise land reform from a vehicle for agricultural development to a project that responds to a dynamic socio-economic environment that is currently shaped by blurred boundaries between rural and urban spaces (emanating from reconfigured municipalities), the collapse of agrarian livelihoods, and the demands of the poor on impecunious municipalities (Marais, 2011: 218). Slow progression and the complexity/challenges of land reform and restitution indicate the urgency to revise current policy positions for significant transformation.

This paper will now briefly discuss debates pertaining to the efficacy of current policy positions on South Africa's poverty and inequality levels. Ex-Finance Minister, Trevor Manuel (2014), puts forward an optimistic view for South Africa by noting its slow and steady progress through many sound economic policies since democratisation. He maintains that the 2012 National Development Plan (NDP) prioritises job creation to address poverty and inequality, and that it recognises the importance of a broad social wage and social services for human dignity but that like its predecessors, it has failed to produce transformation at a faster pace because of the absence of holistic policy implementation (Manuel, 2014). Concerns over the weak links between policy making and implementation have been raised by academics and field specialists as well (Gumede, 2014; Overcoming et al., 2010). In contrast to Manuel's optimism, Ashman et al (2014: 72-73), though recognising the interventionist ethos of recent policies like the NDP, maintain that such policies remain inadequate in producing socio-economic stability for two reasons: in responding to global social and economic crises, developmental policies tend to lack radical positions on macroeconomic issues that drive poverty and inequality-financialisation, capital flight, conglomeration and the MEC; and policies tend to take second place to financialisation. Vusi Gumede (2014), maintains that a combination of unclear policies (resulting both, from inconsistencies in defining poverty and a lack of national consensus on socio-economic transformation), the implementation of programmes and strategies not informed by policy, the lack of policy reforms, and the absence of an official poverty line, have curtailed poverty alleviation efforts. Gumede's views are echoed by others who maintain that South Africa's growth model and the depoliticisation of poverty are widening inequality and subsequently producing a platform for anaemic growth and development (Marais, 2011; Overcoming et al., 2010).

Future growth through employment creation and enhanced service delivery are limited in their redistributive effects if they are not coupled with civic solidarity on the issue of distributing economic, social and natural resources more equitably. To elaborate, there needs to be national consensus on: creating employment that is underpinned by fair pay, skills development and greater equitable opportunity; investing in infrastructure to enhance basic service delivery and thereby produce more equitable opportunities for people to actively participate in and shape the economy; and a re-articulation of land redistribution and restitution taking into account the dynamic social, political and economic landscape. Furthermore, there needs to be a willingness to implement good governance within and strengthen accountability relationships amongst government, business and civil society (NGOs and citizens). The state, business, NGOs and communities must also be willing to produce initiatives that seek to empower the poor — through knowledge production around civil rights and responsibilities, skills development, and more integrated and enhanced social services — so that poor people can effectively advocate for their rights as citizens, make demands on markets for pro-poor choices, and actively participate in shaping the economy. Finally, policy making and interventions for redistribution, growth and socio-economic stability must be made through inclusive and meaningful participation.

4.3 Social Welfare in South Africa

4.3.1 A historical perspective prior to 1994

This section will provide an overview of social welfare in South Africa under apartheid, with particular focus on one of the two broad components of social welfare — social security/assistance (grants and pensions)[18].

The apartheid government created a thriving welfare state for white South Africans. In the realm of private welfare, whites were privileged through economic and social policies that ensured benefits such as employee protection through job reservation, better pay and pension funds. State funded social welfare ensured that whites had access to superior basic service provisioning, subsidies for housing and education, and facilities for sports, cultural and recreational activities. Social services were both, racialised and spatialized to enable the apartheid government to maintain its project of separate development for the various racial groups. Francie Lund's assertion that dietary requirements of those in social institutes such as hospitals and prisons were defined according to race, points to the pervasiveness of this differentiation (2008: 11). A highly fragmented Bantustan/homeland system became an essential vehicle for social welfare differentiation. The Bantustans- heavily populated rural areas for blacks- exhibited the highest poverty levels with the least and lowest quality social services. According to Lund (2008: 9, 13), social services were curative and clinical rather than preventive, especially for black people. This was evident in the absence of social policies that sought to address the challenges of high rates of physical and sexual abuse of women and children, growing numbers of early pregnancies, the difficulty in gaining access to private paternal maintenance, the proliferation of the Tuberculosis and HIV and AIDS epidemics, hunger and malnutrition, and the racially disparate state funding of early childhood development (Lund, 2008: 27, 48). Disparate welfare departments meant that the least resources, in terms of state funding and staffing, were invested in the social development of blacks. Furthermore, rural areas in the disparate Bantustans largely lacked access to NGOs who, despite their limited capacity in terms of funding, and apartheid legislation, could have assisted in alleviating social problems.

[18] The other component of social welfare is social services. Leila Patel is a leading proponent in the field of social welfare. She was instrumental in producing the White Paper on Social Welfare (1997). She remains a pertinent voice in the arena of social welfare for social transformation. Her work is not discussed in this study as the focus is on social grants. The researcher does recommend a perusal of Patel's work as it contributes to a more holistic picture of social welfare in South Africa.

Social assistance — non-contributory pensions and grants — was historically provisioned along racial lines, with what began as the rollout of non-contributory pensions to eligible elderly and poor Whites and Coloureds in 1928. Due to wealth and income disparities, by 1943, the percentage ratio of the take-up rate of these pensions for Whites and Coloureds was 40:56 respectively, whilst 4% of the social assistance budget was allocated to blacks for targeted relief and pensions for the blind (Woolard et al., 2010). Despite a rollout of social assistance to blacks from 1944, there were huge discrepancies in pension and grant amounts. By the 1960s, Africans constituted the largest number of pension/grant recipients but the ratios of pension amounts were highly skewed, with blacks, Indians and Coloureds, and whites receiving R31, R137, and R322, respectively, demonstrating a ratio of 1:4:10 (Devereux, 2007: 545). By the 1970s, and in an effort to tame political tensions, coverage was extended to blacks with the same ratio improved nominally to 1:3:7, where black, Indians and Coloureds, and whites received R105, R348, R723, respectively (Devereux, 2007: 545; Woolard et al., 2010). This presented implications for the fiscus as it became increasingly constrained under global/local developments such as: the global recession triggered by the oil crisis; retarded foreign investment which impacted industrial expansion, producing mass unemployment amongst black workers, and thereby signalling the limitations of the MEC as a growth strategy; the mobilisation of local trade unions; and heightened political tensions such as the 1976 Soweto Uprising which drew further international criticism of the apartheid regime.

Between mid-1970s and early 1990s, the gradual move to racial parity in social spending, within a constrained fiscus, resulted in the pension benefits of Africans increasing five times and that of whites decreasing by a third (Woolard et al., 2010: 6). The disability grant was also revised and extended to previously excluded race groups. However, the three grants targeted at children — the FCG, CDG, and the SMG[19] remained highly uneven. This was especially in the case of the SMG — the largest grant administered — which due to its complex conditionality, was both, racialised and spatialized. By the early 1990s, limited government statistics indicated that the Departments of Indian and Coloured Affairs, by virtue of

[19] The FCG or Foster Care Grant was targeted at children placed with foster parents by a court order. The CDG or Care Dependency Grant was designed for children with severe disabilities and needing full-time care, and were being taken care of by care-givers. The SMG or State Maintenance Grant was available to single mothers/caregivers of children younger than eighteen years of age if the former could prove that the father of the child/children was absent for more than six months due to death, desertion, imprisonment or confinement to a rehabilitation institute. See Woolard et al (2010: 7).

differentiated political power through the tricameral system, administered the majority of the SMGs, with 5% of coloured children, 4% of Indian children and 1.4% of white children receiving this grant in comparison to 0.2% of African children (Lund, 2008: 16, 17).

In pursuit of its redistributive goals, the transitional government sought to address the highly uneven social welfare system. A history of exclusion and disenfranchisement — especially of black South Africans — meant that redistributive policy reforms would have considerable cost implications. The state recognised that extending the SMG at its existing rate to all race groups would have cost approximately R12 billion per year — a figure that was over and above expenditure on all other grants, pensions, and social services such as health and education, thus making such coverage untenable (Lund, 2008: 18). In 1995, the Lund Committee for Child and Family Support was established with the purpose of exploring alternate policy options for state social assistance targeted at vulnerable children and families. Francie Lund's work on social welfare systems, prior to and during South Africa's transition to democracy, produced the Lund Report (1996), with the aim of achieving social transformation. The goal was to achieve equity by structuring government's social assistance agenda such that it would effectively contribute to wealth and resource redistribution. However, the choice of macro-economic policy and the urgency of the state to introduce reforms resulted in 'trade-offs' in the context of developmental social welfare (Lund, 2008).

Social grants will now be discussed with the aim of exploring to what degree they contribute to poverty alleviation and redistribution.

4.3.2 Social grants, poverty reduction and inequality

As mentioned, the Lund Committee was established in 1995 to explore policy positions that would address the stark inequalities inherent in the social grant system. The Committee faced various challenges. Redistributive policy reforms were being introduced against the backdrop of skewed statistics produced by the apartheid government, and policy makers lacked the knowledge of the global experience of policy transformation (Lund, 2008; Marais, 2011). On the redistributive policy agenda, the length of time taken to achieve consensus between the various interest groups resulted in the education and welfare sectors being among the last to be addressed, following which, policy reforms underpinned by the macro-economic framework, contesting values and trade-offs, were swiftly introduced (Lund, 2008).

The five major grants are: the state Old-Age Pension (OAP), the Disability Grant, the Child Support Grant (CSG), the Foster Child Care Grant (FCG), and the Care Dependency Grant (CDG). Each grant is targeted and means-tested. As discussed, extending the State Maintenance Grant (SMG) to the millions of previously excluded recipients was considered untenable. Hence, in 1997, the State began phasing out the SMG, which affected approximately four hundred thousand poor women and children, and introduced the CSG which would cover millions of previously excluded, eligible impoverished recipients (Lund, 2008). All the five main social grants are administered under similar conditions: potential and existing South African grant recipients can receive only one social grant; they must not be cared for in a state institution; they must comply with all recommendations of their grant reviews; and they must not be in a position to be employed, either by virtue of their age or a disability (SASSA, n.d.-d). As of 2010, the OAP became applicable to men and women, from the age of sixty years. The disability grant is administered to people between the ages of eighteen and sixty years, who have been medically declared disabled. The CSG is administered to the biological or adoptive parents who are the primary care-givers of a maximum of six children under the age of eighteen years and who earn less than R48000.00 per annum (SASSA, n.d.-b). The FCG is administered to a legally appointed foster parent of a child under the age of eighteen years who is deemed to be either orphaned, abused, neglected or abandoned (SASSA, n.d.-c). The CDG is administered to a primary caregiver, biological or foster parent, who earns a maximum of R202,800.00 per annum and who provides full-time care for a severely disabled child, under the age of eighteen years (SASSA, n.d.-a)[20].

[20] The income threshold for a caregiver of a CDG recipient is far higher because such recipients are severely mentally or physically disabled, and therefore require additional medical care and cognitive development interventions.

Tabled overleaf is a comparison of the data on social grant beneficiary numbers, the individual value of each grant paid out per month and the actual/estimated annual spend by government. The total actual/estimated government spend on social welfare also includes the administrative costs of the South African Social Security Agency (SASSA) — the state organ responsible for the administration of the social grants — and costs for provincial social development, both of which are not reflected in the table. Data has been extracted for 2009/2010 and the 2018/2019 fiscal years respectively. These time frames coincide with the data selected/discussed earlier on poverty and inequality levels in South Africa. The rationale for this choice is that this section aims to highlight the potential and limitations of social grants in reducing poverty and inequality. The table reveals that in a period of nine years, social grant beneficiary numbers have grown — with an exponential increase in the number of child recipients — and that the social welfare spend has doubled. The percentage of households that received at least one social grant increased from 29.9% in 2003 to 45.5% in 2015 (Statistics South Africa, 2016: 25). The GHS revealed that 58% of households reported salaries/wages as their main source of income whilst social grants were the main income source for 21,7% of households[21] (Statistics South Africa, 2016: 57). These statistics, observed in relation to the eligibility requirements for social grants, support earlier arguments that South Africa is challenged by slow economic growth, severe joblessness, and stark income and wealth inequalities, and that millions of people would be destitute in the absence of these cash transfers which provide a modest but regular income to poor households (Inchauste et al., 2015; Leibbrandt et al., 2012; Lund, 2008; Marais, 2011; World Bank Group, 2018). The value of social grants is also reiterated in an ILO report which shows that the OAP contributes significantly to financing job searches, and promoting migration for work whilst a considerable percentage of households receiving the CSG have bank accounts, indicating greater, even if modest, liquidity in relation to non-eligible grant recipients (Fultz and Francis, 2013). Children in households receiving an OAP or CSG, especially if they began receiving the grant anywhere from birth to five years, also exhibit better height and weight ratios resulting from improved nutrition, performed better at school, and were less likely to exhibit high risk sexual behaviours (Desmond and Richter, 2014; Fultz and Francis, 2013).

[21] Although the General Household Survey provides vital information on development levels in South Africa, its scope is limited in that it excludes, amongst other institutions, old-age homes and hospitals.

Table 1: Comparative table of main social grants for the periods 2009/2010 and 2018/2019

Comparative table of main social grants — recipients and values						
Grant Type	**Actual no. of recipients in 2009/2010**	**Grant value p/m**	**Estimated no. of recipients 2018/2019**	**Average Grant value p/m**[22]	**Social welfare total spend 2009/2010 in Rand million**	**Social welfare total spend 2018/2019 in Rand million**
State Old-age pension	2 490 000	R1 ,080.00	3 513 000	R1,695.00		
State Old-age, 75 years +[23]	____	____	____	R1,715.00		
War Veterans	____	____	____	R1,715.00		
Disability	1 299 000	R1 ,080.00	1 050 000	R1,695.00		
Care dependency	119 000	R1 ,080.00	154 000	R1,695.00		
Child support (0-18 years)	9 381 000	R250.00	12 402 000	R405.00		
Foster Care	489 000	R710.00	398 000	R960.00		
					79 260	162 961

Source: 2009/2010 statistics retrieved from the 2011 National budget review (Treasury, 2011: 101, 103), and Hein Marais (2011: 239). 2017/2018 statistics retrieved from the 2018 National budget review (Treasury, 2018: 62).

Whilst also arguing for the importance of social grants, academic and economist, Jannie Rossouw, highlights a serious threat to the sustainability of spending on social grants by pointing out that:

> "government's increased expenditure on social grants and civil service remuneration had outpaced revenue growth since 2008 [a period of global economic recession] drawing the country closer to a fiscal cliff [but considering the imperativeness of social grants as a tool for redistributing income to the poor] government could contain expenditure by placing a moratorium on new appointments and also accelerate economic growth through investment as part of the solutions [for averting] a fiscal cliff" (Mbanjwa, 2015).

[22] An average grant value is indicated for 2018/2019 due to two grant value increases in 2018 – April/October.

[23] 'State Old-age pension' recipient numbers include those for 'State Old-age, 75 years +' and 'War Veterans'

Another concern for the sustainability of social grant spending arises out of the exponential increase in the numbers of social grant recipients. Compounding the issue of rising numbers is the impact of the catastrophic spread of HIV and AIDS, and Tuberculosis. Fewer adults may live to a pensionable age, mortality rates may increase (leading to the subsequent loss of income earners/caregivers, coupled with a greater number of orphaned children), all of which will have a negative financial impact on extended families, and on the social welfare budget. The disability grant covers HIV infected patients whose CD4 counts are particularly low. Once the patients' CD4 counts increase, their grant is stopped and they are offered no state financial aid whilst they actively seek work in a time of extreme unemployment (Marais 2011: 241). As at 2015, the number of recorded patients living with HIV stood at six million, one hundred and nineteen thousand (Statistics South Africa, 2015b: 7). Although this report does not indicate the number of patients living on disability grants, such a staggering figure does have consequences for poverty levels and the social grant spend.

Another significant threat to the sustainability of spending on social grants is that the current database of recipients is expected to increase to eighteen million, one hundred thousand people. Looking specifically at the CSG, it accounts for the highest number of grant recipients and the highest uptake since its inception. In 2010, more than 30% of households received at least one CSG (Marais, 2011: 239). There are currently twelve million, four hundred thousand child beneficiaries. The CSG is essential for child raising costs. However, a recent report compiled for Unicef SA and the Department of Planning, Monitoring and Evaluation, notes the CSG as insufficient in meeting the multi-faceted needs of children because grants are stretched to cover household needs in the context of severe financial insecurity, poor service delivery, extended families having to care for children, and the high instance of household heads comprising unemployed mothers and grandmothers (Dlwati, 2017). In 2008, the child raising cost was estimated at R2200.00 (Marais, 2011: 239) and at present the CSG is valued at R400. The take-up numbers of the CSG continues to indicate that care-givers are not in a financial position to adequately provide for these children and reinforces the need of the grant in the lives of impoverished families. Using the 'bottom food poverty line'[24] as a measure in 2016, it was determined that a single, poor person required a monthly minimum of R498.00 to meet just the

[24] The 'bottom food poverty line' calculates the cost of basic foods per month as a measure of extreme poverty.

food requirement, whilst the 'top food poverty line'[25] was measured at R1077.00 (van Rensburg, 2016). If current economic trends persist, the sustainability of increased spending on social grants, by virtue of a larger uptake, becomes a serious concern. Social grants are an integral poverty alleviation tool but they are limited in terms of coverage/targeting and monetary values, and their sustainability is threatened by a plethora of social and economic challenges, and poor policy choices that tackle poverty alleviation.

Implicated in the targeting of social grants is the State's creation of a relationship between labour and social grants. Poor people who are unable to sell their labour due to age (younger than 19 years and older than 59 years) or disability are eligible for a social grant. Everyone else is expected to be self-sufficient. Yet our current unemployment rate is anywhere from 27 to 36%, depending on whether one chooses to use the strict or expanded definition of unemployment. In the context of anaemic job creation, job insecurity, widespread income and wealth inequality and inadequate basic services delivery, those who are ineligible for social grants have little prospects for self-development. Local and international research does indicate however, that social grants often help create a platform for recipients and their dependents to access the labour market (Marais, 2011: 245).

The social grant spend is determined by factoring in increases in grant beneficiary numbers and inflation. Since grants serve as a poverty alleviation tool, grant value determination has to take inflation into account. South Africans have to contend with high consumer pricing, which contributes to rising poverty levels. The social grant value adjustment for 2018 (slightly above current inflation of 5.5%) is coupled with a 1% increase in VAT as of April 2018, with the exemption of some basic foods (Davis, 2018). Food inflation is currently 4.5% and is expected to reach 6% by 2020 (TradingEconomics, 2018). These factors add further strain on the poor, irrespective of their eligibility for social grants. Eighty percent of the child support grant is currently spent on food, with the purchasing power of grants steadily decreasing (Davis, 2018). In an effort to prevent the VAT increase from being regressive, Treasury appointed Professor Ingrid Woolard to lead an independent panel of experts who will review and make recommendations both, to expand the current basket of VAT-free basic food items, and to

[25] The 'top food poverty line' measures the basic food and non-food requirements of a single person.

improve specific expenditure programmes targeted at poor and low-income households (SALDRU, 2018). A project of this nature is essential considering that only nineteen basic food items are VAT-exempt. In addition, according to Oxfam (2014), the millions of people who either receive social grants, are unemployed, experience little or no job security coupled with low pay, or are burdened with caring for family members suffering from HIV and AIDS, often report that in a month they only experience one week of food security due to a lack of income and rising prices for food, housing, electricity, and transport. In such circumstances, South Africa's poor are forced to prioritise and thereby sacrifice choices that are tied in with their constitutional rights.

Twenty-four years into democracy, South Africa continues to be challenged by unacceptably high levels of poverty and inequality, resulting from anaemic economic growth, low foreign direct investment, a constrained fiscus, mass unemployment, poor basic services delivery, and policy choices which thus far, have depoliticised poverty and failed to introduce measures that seek to address stark wealth and income inequalities. It is a truism that a robust interrogation of the macro-economic framework and its subsequent policy choices must continue for the development of current measures essential to improving the lives of the poor, viz. basic services delivery; job creation underpinned by fair pay, skills development and greater equitable opportunity; and land redistribution that is supported by the preceding measures to ensure its efficacy in diminishing poverty and inequality. As these are long-term measures, there must be an urgency to generate, test and implement novel ideas that can potentially, and in a shorter space of time, curtail the burdens of impoverished South Africans, in the hope that such ideas will contribute to bringing about greater equity among South Africans.

In light of high consumer pricing, a steady decline in the purchasing power of social grants, and the bulk of the CSG (the largest distributed social grant), reportedly being used by families on food, it is the aim of this study to suggest an idea which would require business, public and state participation to further assist social grant recipients, and invariably, their families. The idea is to provide social grant recipients with greater access to a stipulated monthly basket of heavily discounted food items, so as to create the potential for a disposable income and greater redistributive effects. This idea has been generated out of research on two individual areas. The first being the Indian government's provision of free and/or subsidised basic foods to its impoverished citizens through the TPDS. The second being the corporate social responsibility programmes of two local (and international) retailers that encourage customer participation, as the former assist with poverty alleviation in South Africa. Both research areas will be explored in chapters five and six respectively.

4.4 Conclusion

This chapter discussed poverty, inequality, and social grants in South Africa in order to understand why poverty and inequality remain endemic challenges. The redistributive effects of social grants were evaluated. It was determined that social grants remain critical in alleviating the hardships endured by millions of South Africans. Yet, these grants are limited by virtue of their monetary values and coverage. Their redistributive effects are also curtailed by the various socio-economic challenges discussed. Through the discussion and evaluation, the chapter highlighted the need to develop novel ways to improve the lives of the poor, and noted the study’s aim of suggesting an idea which would require business, public and state participation to further assist social grant recipients and their households.

Chapter Five – The Targeted Public Distribution System (TPDS)

5.1 Introduction

This study aims to suggest a means for providing heavily discounted basic food items to South Africa's social grant recipients in order to further curb poverty levels. India's Targeted Public Distribution System (TPDS) is a national food distribution programme that responds to hunger and food insecurity, and thereby contributes to alleviating India's high instance of poverty, an endemic condition that invariably threatens sustainable and inclusive growth. This study considers it valuable to explore the relationship between the access to subsidised basic foods and poverty alleviation in the context of the TPDS in order to stress the idea that South African social grant recipients and their families (all of whom contend with multidimensional poverty and alarmingly high inequality) could benefit from a form of basic food subsidisation. Considering South Africa's fiscal constraints and budgets spread thin to improve basic services and infrastructure, and to create employment opportunities, this study does not deem it practical to suggest transplanting a system such as the TPDS into the South African context. Furthermore, the Indian state spends a considerable amount of capital on the TPDS, as the latter is a response to historic food insecurity and mass poverty amongst the second largest population in the world. This study sees an opportunity for South African social grant recipients and their families to benefit from a form of basic food subsidisation that can be produced through a corporate social responsibility (CSR) initiative within the local food retail industry.

The TPDS is one of many social assistance programmes targeting food poverty, globally. Many developing countries offer conditional cash transfer (CCT) programmes to curb poverty and inequality, and enhance human capital development. One such programme, widely recognised as the largest CCT in the developing world, is Brazil's *Bolsa Familia* — BFP (Bither-Terry, 2014; Cecchini and Madariaga, 2011; Ferrario, 2014; Hall, 2006; Hall, 2008; Lindert et al., 2007; Soares et al., 2010; Soares, 2012). There is consensus that the BFP has reduced the severity of poverty by enabling households to increase expenditure on food and children's education[26] (Ferrario, 2014; Hall, 2008; Soares et al., 2010). Both, the TPDS and BFP contribute to enhancing food security. However, the TPDS differs from the BFP in that the former offers heavily, state-subsidised basic foods to the poor and indigent, whilst the latter provides conditional cash transfers in order to supplement incomes of the poorest households. As this study aims to suggest a means for providing heavily discounted basic food items to South Africa's social grant recipients (via a CSR initiative and not the state), the study considers it more beneficial to explore the TPDS.

Currently, in the context of persistent inequality and poverty in India, the Ministries of Social Justice and Empowerment, Tribal Affairs, Minorities, Women and Child Development, and Rural Development, respectively, all offer a wide array of cross-cutting plans, policies and programmes that promote social justice, empowerment, welfare, and sustainable and inclusive growth. The focus of this study does not warrant an analysis of India's extensive social welfare system. It is considered necessary, however, to present an overview of poverty and inequality in India in order to understand the significance of the TPDS.

Section 5.1 introduced the TPDS. An explanation was also provided for the study's choice of the TPDS as an area of exploration. Section 5.2 provides an overview of poverty and inequality in India in order to contextualise the TPDS. Section 5.3 describes the TPDS, and highlights the accomplishments and challenges of the programme as a means of addressing endemic hunger and poverty. Following this, is a brief discussion on an alternative policy position, the direct benefit (cash) transfer — DBT. Section 5.4 concludes the chapter, by arguing that after having explored both policy positions (TPDS and DBT), this study finds a positive correlation between targeted consumer pricing for basic food commodities and poverty alleviation. This correlation supports the study's objective of suggesting a CSR initiative for willing, major local food retailers, aimed at South African social grant recipients, as a poverty alleviation effort.

[26] Conditions of the CCT are that all children belonging to BFP households regularly attend school until the minimum age of fifteen years and that women, and children of BFP households participate in the various stipulated healthcare programmes.

5.2 An overview of poverty and inequality in India

India is a welfare state because government plays a key role in protecting and promoting the socio-economic well-being of its citizens. The governments of India, both central and state, have introduced various social schemes in the areas of social justice, basic services, rural development, employment, and skills development. Despite exhibiting exponential economic growth, India continues to be fraught with social and economic inequalities. Policies have been criticised for reflecting a bias toward capital and for failing to adequately address inequalities of class, caste, religion, space (urban/rural dichotomy) and gender (Dreze, 2004; Oxfam India, 2018). India's income inequality (0.55 in 2011/2012) and wealth inequality (0.75 in 2012) are among the worst globally, with the highest incomes having doubled in the last decade and the top 1% capturing more than a quarter of the country's wealth (World Inequality Lab, 2017; Oxfam India, 2018). Such figures are attributed to the dominance of rent-seeking and the exponential growth of the pharmaceutical and IT industries (Oxfam India, 2018). Income inequality is also attributed to slow growth in the employment sector with wider gaps between organised and informal labour.

Such inequalities have resulted in persistently high poverty rates in India. Poverty rates are difficult to establish because official poverty lines are hotly contested by politicians, economists and academics. Furthermore, it is a truism that values attached to poverty lines for advanced nations are far higher than those attached to developing nations. The Tendulkar Committee poverty line (considered an improvement from the previous official poverty line), accounted for consumption expenditure on basic food and non-food commodities, together with some basic services, and indicated that the poverty rate dropped from 37.2% in 2004-2005 to 21.9% in 2011-2012 (Kaul, 2014). However, despite the improvements noted, Vivek Kaul (2014), maintains that poverty statistics remain problematic because government's provision of heavily subsidised rice and wheat to approximately 67% of the population, under the National Food Security Act of 2013, stands to contradict the poverty rate of 21.9%. This point highlights that an unacceptably high percentage of India's population is unable to meet their basic food needs. The country is also challenged by underdeveloped infrastructure and skewed access to basic services such as healthcare, education, clean water and sanitation, electricity and housing.

Although the Indian government has been lauded (since India's independence from British rule) for drastically curtailing poverty through its various schemes, programmes and joint ventures (the last targeted at improving access to basic services), latest facts and figures highlight the class, spatial and gendered dimensions of poverty, and point to the need for alternate policy positions aimed at improving the lives of India's impoverished. Poverty in India is multidimensional. Eighty percent of India's impoverished are located in rural areas with the rural population constituting 60-70% of the total population (Jayanthi and Soundararajan, 2018; Katyal, 2015). India's rural population suffers far worse poverty as is manifested in lower incomes, manual/unprotected labour, severely restricted access to basic services, significant landlessness, and a highly disproportionate ownership of arable land, with rural women being far more disenfranchised than men due to a culture of patriarchy and class bias (Jayanthi and Soundararajan, 2018). India's latest Socioeconomic and Caste Census (SECC), which surveyed three hundred million households[27] reveals: dismal statistics on rural income and asset ownership, education and literacy levels; wide gaps between salaried (formal) employment and informal labour; the movement of 91.6 million poor Indians into the low-income bracket in 2011-2012, but overall, millions of people continue to have insufficient income in order to meet adequate nutritional needs, with food consumption accounting for 57% of a poor household's budget and the middle-income decile showing extremely low savings (Katyal, 2015). Chronic hunger and malnutrition are widespread in India. India's 2015 – 2016 National Family Health Survey (International Institute for Population Sciences, n.d.: 3, 6), employed a range of indicators of malnutrition to reveal the following facts: stunted growth, wasting and lower body weight amongst children aged five years and under yielded percentages of 21% to 38%; and 22.9% of women and 20.2% of men exhibited below average body mass indexes (BMI). Further statistics reveal that 14.5% of India's population is undernourished and that approximately 191 million people go hungry every day (India FoodBanking Network, 2018).

[27] Despite having concerns about the quality and reliability of SECC data, leading development economist, Jean Dreze, notes SECC data as being most reliable in comparison to previous 'below poverty line' surveys. See Katyal (2015).

5.3 The Targeted Public Distribution System (TPDS) and poverty reduction

The TPDS, known as the PDS prior to 1997, is historically noted as an integral response to hunger (a manifestation of poverty) and food insecurity. Since its inception in the late 1930s, the PDS, a large-scale food rationing programme, served to enhance food security in urban areas at national and household level (Khera, 2011; Mooij, 1998). Prior to 1997, every consumer was entitled to benefit from the PDS. A significant challenge for the system was its limited capacity in remote and inaccessible areas populated by the poor. In June 1997, the PDS was replaced by a streamlined TPDS which targeted India’s poor. Under the TPDS, the Indian central and state governments distribute some food grains and a few non-food commodities to eligible poor recipients. The TPDS therefore serves as a form of supplementation. The system is divided into three categories of households — APL (above poverty lines), BPL (below poverty line) and Antyodaya[28] (as of 2001). These categories are derived from the income poverty line which assists governments in differentiating the poor from the non-poor. Commodities are distributed through rationing and/or differentiated pricing within these categories. The central state allocates wheat, rice, sugar and kerosene for distribution within each state whilst additional items such as pulses, edible oils, iodised salt and spices are distributed by some state governments (Department of Food & Public Distribution, 2017). Commodities are made available to recipients via fair price shops/PDS outlets.

According to the Indian government’s Department of Food & Public Distribution (2017), the National Food Security Act, under the TPDS, covers nearly eight hundred and fourteen million people/two-thirds of the total population, which encompasses approximately 75% and 50% of the rural/urban populations, respectively. The FCI is responsible for setting the issue pricing, which has remained unchanged since 2000/2002. Retail pricing for commodities is flexible and is determined by each state. The exception is that retail pricing of wheat, rice and coarse grains is fixed for the BPL and Antyodaya households. The BPL category comprises the largest share of recipient households and it is further differentiated into the Antyodaya category, the latter encompassing the poorest of the poor. All BPL and Antyodaya households are entitled to a total of 35kg of rice, wheat and coarse grains at a heavily subsidised price of Rs. 3, Rs. 2 and

[28] Antyodaya means uplifting the weakest section of society. Antyodaya households constitute India’s poorest households.

Rs. 1 per kg, respectively. Higher issue and end retail pricing (but remaining below market pricing) for APL households stems from their income status. As of 2000, and in order to pass on the food subsidy to BPL and Antyodaya families, the central issue pricing was set at half the economic cost for BPL families and at full economic cost for APL households. Economic cost, which is the total cost absorbed by the FCI, encompasses procurement (farmers and traders) and distribution (storage and transport) costs.

Taking into consideration, earlier statistics quoted on multidimensional poverty in India, access to basic foods at heavily subsidised pricing remains integral to mitigating poverty, chronic hunger and food insecurity. In the context of severe poverty and inequality (discussed in section 5.2), PDS recipient households are exemplified by, but not limited to, high illiteracy levels, negligible asset bases and land ownership, primary income sources derived from insecure employment through agricultural or manual labour, and severe lack of access to basic services. Rural poverty is far more aggressive than urban poverty. Jean Dreze and Reetika Khera (2013), assess the impact of the TPDS on rural poverty using National Sample Survey Data for 2009-2010 and the all-India rural poverty line based on 2009-2010 prices. Their findings indicate that: despite rising market prices for PDS commodities, unchanged and lowered issue prices (in some states) have substantially increased the implicit value [29] of PDS entitlements; the accessibility of ration shops in remote tribal areas produce transaction benefits for PDS households; PDS purchases do incur substantial transfer costs in cases where fair price/ration shops are run inefficiently[30]; the PDS has contributed to a reduction in rural poverty, with significant improvements to the poverty-gap index noted in states that have relatively well-functioning public distribution systems; and finally, despite a considerable number of studies offering more accurate estimates of poverty levels in relation to government statistics, the PDS requires further policy reform in light of the fact that researchers rely primarily on India's abysmal official poverty line for comparability (Dreze and Khera, 2013).

[29] The authors use implicit value to refer to the indirect income transfers, to farmers and PDS households, that arise out of the difference in market and state issue pricing.

[30] Some fair price/ration shops have been criticised for exhibiting irregular trading times, stock deficits, date infrastructure viz. inappropriate weighing scales and non-existent receipt/invoice books.

Despite the importance of the TPDS as a mitigating factor in the context of excessive poverty, the system has been criticised for its many shortcomings/failures, with some critics advocating for a universal PDS and others promoting the replacement of in-kind food transfers with direct cash transfers. The transformation of the PDS to the targeted PDS, as an outcome of economic liberalisation and as a means to curb fiscal spending in the area of food subsidisation, has had multiple effects. According to Madhura Swaminathan (2009), and Swain and Kumaran (2012): lower official poverty lines (when compared to Western states) used to target and identify poor households, have allowed the central government to drastically reduce its resource commitments under the PDS, and has subsequently produced mass exclusion of deserving households that constitute the most marginalised social groups — those who have to contend with landlessness, high unemployment, insecure employment (agricultural and manual labour), and those who belong to lower castes/tribes; reduced food subsidies have exacerbated chronic hunger and malnutrition, and they have produced imbalances between demand and actual allocation of food grains with such imbalances also impacting the economic viability of fair price shops; the central government's focus on cost rationalisation results in the continuous passing down of implementation costs within the PDS system, and in order to address the funding gap, corrupt practices at state level and amongst service providers are resorted to, which invariably affects the most marginalised social groups; ineffective distribution channels, corrupt officials and retailers, misinformation on pricing and entitlements, unreliability of fair price/ration shops, social discriminatory practices (against caste segments, women, and small farmers), and poor monitoring systems (minimalist governance and accountability structures) have resulted in considerable numbers of PDS households not receiving their entitlements; finally, such inefficiencies, coupled with government's focus on policing beneficiary households rather than corrupt elites, officials and other service providers, have resulted in a protracted policy re-evaluation process. Swaminathan (2009), produces statistics on inclusion/exclusion errors and highlights that errors of wrong inclusion heighten fiscal costs whilst errors of wrong exclusion that ultimately exacerbate hunger, malnutrition, ill health and overall living costs of people, heighten welfare costs and perpetuate intergenerational poverty. Rural households, lower castes, and women bear the brunt of exclusionary practices. Empirical evidence noted by Jean Dreze and Reetika Khera (Dreze and Khera, 2013; Khera, 2011), further substantiate Swaminathan's argument about exclusion errors.

Whilst advocating for a more universal PDS by sharing similar concerns/criticisms mentioned above, some critics are more optimistic about the TPDS on the basis of recent improvements implemented in the system by a mix of underperforming and well-functioning states (Chatterjee, 2014; Dreze and Khera, 2015). Improvements noted have been produced in the context of the significant challenge of 'leakages'. The proportion of food grains released by the FCI that does not reach the intended recipients is referred to as leakages. Throughout the 2000s, the instance of leakages has been high but reforms introduced in the TPDS within the framework of the National Food Security Act of 2013, have shown an overall decrease in leakages, with two reliable national data sources revealing a decrease from 54% to 42% and 49% to 32%, respectively, and further pointing to far higher instances of leakages in the APL category in relation to the BPL (largest) category (Dreze and Khera, 2015). Labelling the phenomenon the 'APL scam,' Dreze and Khera (2015), explain the high instance of leakages within the context of economic liberalisation. The targeting process (reduction of food subsidies) resulted in excess food grain stocks which had to be diverted. The APL category became the dumping ground and as a result, there was a sharp rise of the APL quota in the share of the PDS. However, opportunistic behaviour resulted in a diversion of grains from fair price shops to the black market, and a lack of political will and low levels of public participation rendered APL households largely unaware of their entitlements under the TPDS. Dreze and Khera (2015), maintain that the proposed phasing out of the APL category (resulting from renewed political pressure for a more universal PDS) will eradicate the APL scam. Empirical evidence from a few states point to improvements within the TPDS. In some states, these improvements are noted in the form of doorstep delivery, computerisation of APL/BPL/Antyodaya lists, de-privatisation of fair price shops, greater inclusion of deserving households, concerted efforts on the part of competing political parties to educate the public on their PDS entitlements, and receipts of far greater proportions of total food entitlements by BPL and Antyodaya households (Dreze and Khera, 2015; Khera, 2011). Another noteworthy improvement is the trend, observed in some states, of producing a more inclusive PDS, albeit varied in each state. Khera (2011), notes that the expanded coverage emanating from such inclusivity is made possible either by increased state government subsidisation or lowering the monthly quotas of food grains per household, and when combined with other welfare programmes such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)[31], provides greater protection from poverty and hunger.

Mihika Chatterjee's article (2014), further substantiates the importance of the TPDS, especially in the context of social activism and a renewed political will to improve the system in order to effectively respond to the challenges of chronic hunger and poverty. Chatterjee highlights improvements to the TPDS in Koraput, a particularly deprived region of the state of Odisha. Up until the early 2000s, Koraput was challenged by mass starvation. The region continues to exhibit high malnutrition, low literacy rates, negligible land or asset ownership, and highly skewed access to basic services. The PDS coverage is fairly inclusive at 61% with 97% of PDS consumers receiving their full PDS rice entitlement– rice being the staple commodity (Chatterjee, 2014: 51). Although the region exhibits the problems of exclusion and leakages, specifically in wheat entitlements, improved government surveys have curtailed the instance of wrongful inclusion in the system. Furthermore, the state allows for a universal PDS entitlement of kerosene and rice, with the price of the latter reduced to Rs. 2/kg as of 2008. According to Chatterjee (2014: 53-55), beneficiaries consider the PDS a vital social safety net and integral to their physical and psychological welfare, in spite of mixed reviews on its shortcomings viz. reliability issues in the distribution of sugar, insufficient stipulated quantities of sugar and kerosene, long queues at distribution points, and a lack of dissemination of information to the public about pricing and quantity adjustments for commodities other than rice. Chatterjee (2014: 57), provides empirical socio-economic data (household size, caste divisions, employment and health statistics, and land and asset ownership) on deserving households that have been excluded from the PDS (based on the argument that they are non-deprived) to highlight the experience of severe socio-economic deprivation. Such data points to the fact that if non-PDS households are severely deprived and still considered non-poor in relation to PDS households, then the extent of endemic hunger and poverty is far worse than is reflected in calculations based on official poverty lines. Therefore, the TPDS remains of paramount importance as a poverty alleviation tool and can be more effective through continued reforms and expanded coverage (in terms of deserving households and

[31] Under MGNREGA, each state provides rural dwellers with two days of paid work per month. This act is a response to unemployment, poverty and hunger, especially amongst India's rural population.

diversification of commodities, the latter contributing both, to hunger eradication and improved nutrition).

Swaminathan (2009), and Swain and Kumaran (2012), advocate for a universal PDS, which they maintain is essential to mitigating the challenges of poverty, chronic hunger, malnutrition and food security, and which will ultimately produce greater welfare benefits for society as a whole. Swain and Kumaran (2012), suggest reforms in order to implement a universal PDS, which they maintain, is a small but significant step toward achieving food and nutritional security for excluded groups. The authors assert that there must be a combination of political will and renewed community mobilisation around the topic of the dissemination and exercise of rights enshrined in India's National Food Security Bill in order for the marginalised to adequately benefit from the PDS. Furthermore, rights must emanate from common interests in order to achieve solidarity amongst the masses, following which, current lower official poverty lines must be reviewed, which will ultimately negate the divisions amongst the poor as manifested in the APL/BPL categories. In addition, rights holders must include the considerable numbers of small farmers, who ideally, should be benefitting from the PDS through income generation and in turn, contributing to national food security. A critical step in this rights-based approach is the implementation of processes that will facilitate the mobilisation and participation of discriminated social groups in order to empower them to fight to be included in the PDS. Following this, a rights-based approach is key critical to improving the PDS as it transforms the PDS from a service to a basic human right (Swain and Kumaran, 2012).

Other policy makers and academics, citing the many shortcomings/failures of the TPDS, recommend that in-kind food transfers be progressively phased out in lieu of direct cash transfers, as a more effective response to the challenges of endemic poverty and stagnating growth. Direct cash transfers are aimed at minimising the costs incurred in subsidisation, reducing leakages, curbing corruption, eliminating middlemen, producing greater inclusivity, and expediting the transfer of benefits to beneficiaries. Simply put, instead of government continuing the costly programme of the TPDS (from procurement to distribution), a system of cash transfers — the equivalent of the PDS entitlement subsidy — should be opted for, thus enabling beneficiaries to purchase commodities from the open market. The central government is noted to have spent Rs. 1,45,339.00 billion on the food subsidy during 2017-2018, a figure constituting 6.8% of central government's budgeted expenditure (Khullar, 2017). According to Hegde et al. (2013), government spends Rs. 3.65 for transferring Rs. 1 to the poor because of PDS inefficiencies. This figure is disputed by the calculations of Dreze et al. (2013), which yield a ratio of Rs. 1.68: Rs 1 (government spend: transfer to the poor). The Direct Benefit Transfer Scheme (DBT) was launched by central government in January 2013. This scheme, covering various state social welfare programmes including the TPDS, transfers benefits to beneficiaries via the 'Aadhaar' system (one that comprises a unique number attached to an individual's biometrics and linked to a bank account). For now, the DBT has not replaced the TPDS. Instead, the Aadhaar system has been integrated into the TPDS to improve challenges previously mentioned. Advocates of cash transfers promote the assumed efficacy of Aadhaar in an attempt to eventually transition from the TPDS to the DBT. Hegde et al. (2013), maintain that the DBT has the potential to be a justiciable scheme (corruption free and directly benefitting greater numbers of the poor) provided that the expansion of technological and banking infrastructure is expedited prior to a further rollout of the DBT, domestic basic food prices are stabilised[32], and women are made the primary beneficiaries due to the familial responsibilities attached to their gendered roles.

Despite their optimism, Hegde et al. (2013), also acknowledge the shortcomings of Aadhaar as evinced in the initial rollout of the DBT in a few states: the Aadhaar introducer system, has not proven to eliminate identity fraud– a charge levelled by government at existing identification databases; government has failed to meet Aadhaar rollout deadlines; approximately 40% of Indians have banking connectivity, a figure resulting from severely deficient banking infrastructure in rural areas and banks' reluctance to transact with poor people due to administrative and transaction costs outweighing returns for the banks; the process of bridging Aadhaar cards with bank accounts is very slow, resulting in beneficiaries not receiving their pay-outs timeously; digitisation is almost non-existent in rural areas, thereby creating challenges for banks and post offices alike; and banking fraud has been highlighted with cases

[32] In response to the 2007/2008 food crisis, India stabilised its domestic rice price through export bans/stringent controls in order to protect its people against price hikes. See Timmer CP. (2010) Reflections on food crises past. *Food policy* 35: 1-11.

of corrupt bank officials and fraudsters forging signatures and creating fictitious accounts for the diversion of cash transfers.

Khera (2017), highlights substantial flaws in the integration of Aadhaar into the TPDS. Aadhaar has not produced any innovation to root out identity fraud and a lack thereof compromises the accuracy of the biometric database, and perpetuates wrongful inclusions/exclusions of households. Aadhaar is unable to identify deserving households and merely relies on existing abysmal poverty lines and adheres to rigid coverage parameters, emanating from fiscal constraints, to target beneficiaries, resulting in a failed promise to deliver benefits to deserving people. The point-of-sale mechanism linked to the biometric system has failed to curb quantity fraud as unscrupulous service providers continue to falsify quantities of entitlements delivered. Aadhaar has not made any improvements — to those effected by a combination of the National Food Security Act of 2013 and a renewed political will in some states — in the areas of leakages, eligibility fraud and coverage. Government is criticised for carelessly expediting Aadhaar enrolment which currently stands at a figure of one billion, two hundred and ten million people out of a population of approximately 1,343 billion people. Flaws in the biometric system coupled with government's haste to expedite the rollout of Aadhaar, have excluded many beneficiaries, thereby usurping the legal and human right to food. The system is also plagued by a severe lack of technological and banking infrastructure, especially in rural India. The system has been found to produce higher transaction costs and to perpetuate corruption in the form of unscrupulous middlemen who operate within the various categories of service providers. Government is criticised for privileging Aadhaar over existing technological interventions (revised NFSA ration card databases and smart cards) that continue to curtail corruption by way of improving administration and transparency. More recent empirical work and articles note the perpetuation of such shortcomings (Goel Sharma, 2018; Khera, 2018; Kumar, 2018; Ranjan, 2018). Overall, Aadhaar is viewed as an intervention that further marginalises the poor through the sum of its shortcomings.

Khera (2014), produced an empirical study in which TPDS beneficiaries across nine states were asked whether they would prefer receiving food grains through the TPDS or a cash transfer to purchase the same commodities in an open market. Approximately 67% opted for food over cash, and the highest percentage of these respondents were located in states with a well-functioning TPDS. Those in favour of the TPDS cited food security, more disposable income to spend on non-food commodities, poor banking infrastructure, negative experiences with cash transfers applicable to other welfare schemes, and fluctuating market prices as the main reasons for their choice. Despite Khera's study being published four years ago, recent criticisms of Aadhaar suggest that government is either ignoring or failing to expedite recommendations of researchers such as Hegde et al. (2013), who maintain that Aadhaar can accomplish the government's goals of curtailing corruption and delivering the right benefits to the right recipients, provided government robustly invest in the technological capacity required and implement accountability and transparency measures within the system. Thus far, no state (with the exception of three union territories) has replaced the TPDS with cash transfers. The only change implemented is the continuous rollout of Aadhaar, which for now, is used as an administrative tool and not as means to replace food with cash.

Further substantiating Khera's concerns with the DBT is a report released by J-PAL (2017). This report monitored the DBT in the first year of its implementation in three union territories that opted to replace the TPDS with cash transfers. Findings indicated that in six months into implementation, a significant number of beneficiaries did not receive the bulk of their cash transfer whilst some did not receive any cash. Transaction costs were also found to be higher, with the report accounting for banking, transport and market-related food costs. The report raises concerns for the viability of DBT because of the challenges/failures noted in the union territories which are predominantly urban and have enhanced markets in relation to rural areas. As discussed, rural areas exhibit far greater infrastructural problems and have a much higher instance of poverty in comparison to urban locations.

The criticisms and concerns raised about cash transfers in lieu of the TPDS, far outweigh the arguments for a DBT. The present study maintains that the TDPS remains a more strategic tool in the fight against hunger and poverty in India, and that continued efforts at implementing good governance and accountability structures combined with a greater universalisation of the PDS, will enhance the sustenance and dignity of India's poverty-stricken. The discussion presented, highlights the crucial role access to subsidised basic food plays in the social welfare of the poor, who are disempowered by multidimensional poverty and stark inequality.

5.4 Conclusion

In the context of chronic hunger and malnutrition, the Indian state provides two-thirds of its population with heavily subsidised rice, wheat, and a few additional basic, food and non-food items through the TPDS. PDS households are exemplified by high illiteracy levels, negligible asset and land ownership, insecure employment, and severe basic services deprivation. States that effectively operate the TPDS demonstrate poverty reduction through: lowered issue prices translating into greater disposable household incomes; lower transaction costs for PDS households through the proximity of ration shops; and, reduced leakages; (Chatterjee, 2014; Dreze and Khera, 2013; Khera, 2014). There is a call, for a universal PDS to replace the TPDS as the latter exhibits a host of shortcomings leading to mass exclusion of deserving households, and exacerbating chronic hunger and malnutrition. A universal PDS, underpinned by renewed political will and mass dissemination of rights-based knowledge, is believed to have more potential in achieving greater food and nutritional security (Swain and Kumaran, 2012).

Other policy makers and academics advocate for direct cash transfers, asserting that these will eliminate the significant costs incurred through leakages, middlemen, wrongful inclusion/exclusion, and other forms of corruption associated with the TPDS (Hegde et al., 2013). The Direct Benefit Transfer Scheme (DBT) covers various state social welfare programmes including the TPDS but has not replaced the TPDS. Benefits are transferred via 'Aadhaar' (a biometric system linked to beneficiary bank accounts). 'Aadhaar' addresses some shortcomings of the TPDS. Hegde et al. (2013), advocate for the potential of the DBT as a justiciable scheme provided that government urgently addresses the shortcomings and rollout of 'Aadhaar', expedites banking infrastructure, stabilises domestic basic food prices, and makes women the primary beneficiaries of the transfer. Khera (2017), and J-PAL (2017), note substantial flaws in the integration of Aadhaar into the TPDS, highlighting its ineptitude for curbing corruption, its perpetuation of mass exclusion, and excessive transactional costs. Direct cash transfers appear to present their own challenges, exacerbating the severity of poverty.

After exploring both policy positions (TPDS and DBT), this study finds that the TPDS, despite its shortcomings, demonstrates more efficacy as an anti-hunger/food security strategy. The study agrees that the promulgation of a more universalised PDS, underpinned by accentuated governance and accountability structures, will enable impoverished Indians to achieve the basic human rights of food- and to a lesser degree- income security. The objective of this study is to suggest a means for providing heavily discounted basic food items to South Africa's social grant recipients as an additional poverty alleviation measure. The TPDS demonstrates a positive correlation between targeted consumer pricing for basic food commodities and poverty alleviation. South Africa's poverty stricken, specifically social grant recipients and their families, can benefit from a form of basic food subsidisation, over and above the implicit transfer stemming from VAT-exempt food items. The South African state cannot afford to transplant a system such as the TPDS into its economy, especially as the system requires significant state expenditure. This study sees an opportunity for South African social grant recipients and their families to benefit from a form of basic food subsidisation, produced through a corporate social responsibility (CSR) initiative within the local food retail industry.

Chapter Six - Corporate social responsibility (CSR) — creating shared value

6.1 Introduction

Fifty-five percent of South Africans live in poverty despite pro-poor policy frameworks that set out to produce inclusive growth. Since the onset of democracy in South Africa, the mass expansion of state social services and social welfare initiatives have significantly reduced poverty levels. However, the fact remains that over half the population continues to suffer from multidimensional poverty. This study seeks to contribute to poverty alleviation efforts by focusing on a vulnerable social group — social grant recipients — who comprise a third of South Africa's poor and rely on a monthly state grant to mediate their circumstances of poverty. The overall objective of the study is to address a particular circumstance afflicting social grant recipients- the access to adequate food and nutrition. In light of high consumer pricing, a steady decline in the purchasing power of social grants and the fact that the bulk of the CSG — the largest distributed social grant, is reportedly used by families on food, this study aims to propose a CSR model that requires strategic collaborations between business, the public and the state, to further assist social grant recipients and invariably, their families. Through the proposed CSR model, social grant recipients will have greater access to a stipulated monthly basket of heavily discounted food items, which translates into the potential for a disposable income and greater redistributive effects. This idea has been generated out of research on two individual areas — India's state-run, basic food subsidy scheme (the TPDS), and an evaluation of two noteworthy and strategic CSR programmes, *Add Hope* and *MySchoolMyVillageMyPlanet*.

This study maintains that business should play a vital role in contributing to social development especially because business and society are interdependent. A stable socio-economic and environmental context is essential to the longevity of society and of the businesses that operate within it. Creating such stability is the responsibility of the state, civil society and business. In striving for market share, business should go beyond legislation to develop its relationship with society, to produce social cohesion, and to protect the natural environment.

In light of the discussion thus far, section 6.2 focuses exclusively on the work of Porter and Kramer (2006; 2011), because the latter provides theoretical credence to the objective of this study in that Porter and Kramer's framework re-envisages the relationship between business and society from being a "zero-sum game" to one that is mutually beneficial. The section also provides a few illustrations to explain Porter and Kramer's 'shared value' framework, and demonstrate its ability for mutually benefitting business and society and/or the natural environment. Section 6.3 briefly explores the extent to which CSR has contributed to poverty alleviation in South Africa. As discussed in chapter four, although poverty in South Africa is widely attributed to wealth and income inequality, poverty is nevertheless, multidimensional. It is within this context that this section will explore the efficacy of CSR initiatives in improving the lives of millions of poor South Africans. Sections 6.3.1 and 6.3.2 evaluate KFC's *Add Hope* campaign and the Woolworths Group's *MySchoolMyVillageMyPlanet (MSVP)* programme, respectively. The rationale for these evaluations is to ascertain the possibility of drawing on aspects of the two CSR programmes in order to suggest a CSR model for major local food retail chains that will produce shared value and curb food poverty amongst millions of South Africans who rely directly/indirectly on social grants, thereby achieving a more just society. Section 6.4 begins with a discussion of the challenges poor South African households face in accessing food, as a rationale for the study's proposed CSR model. Thereafter, the CSR model is proposed. A broad framework is provided, outlining each component. The study also suggests the applicability of the model to specific, major food retail chains but does not limit the model to these chains as it is hoped that the study's attempt to demonstrate the viability of the model and its potential for producing 'shared value', will attract wide interest for greater social impact. The section ends with a schematic diagram of the model. Section 6.5 concludes the chapter.

6.2 Creating 'shared value'

Corporates thrive under conditions of political and social stability — effective governments, and strict legislation that protects the environment and basic human rights, and honours property rights. A society that experiences better living standards and has aspirations for self-development and growth, should ideally boost demand for business. Societies also thrive in the context of socio-economic stability, which is achieved in significant part by the business sector, through technological innovation, job creation, and income and wealth distribution. Business and society are therefore interdependent. Despite this interdependency, Porter and Kramer (2011), claim that there is a tendency to blame business for the socio-economic and environmental malaise, which in turn influences policies that undermine competitiveness and economic growth. Business is criticised for exacerbating this problem by failing to acknowledge and respond to the broader value chain influences (to be discussed later) on business longevity. Such short-sightedness has resulted in companies failing to adequately address customer needs, produce innovative solutions for the protection of the natural resources instrumental to business activity, create strategic supply chains for enhanced efficiency, and/or effect corporate social initiatives that reflect the expertise of corporate resources, all to ensure long-term social and economic benefits for communities directly impacted by business activity.

In light of slow economic growth, a multitude of social challenges, and a silo mentality exhibited by business, policy makers, and civil society organisations, as each respond to developmental challenges, Porter and Kramer (2006; 2011), assert the imperativeness of business and social policies being underpinned by the principle of 'shared value'. Choices made by business, state and civil society organisations must produce mutual gain for sustainability and growth. Porter and Kramer (2006; 2011), stress that the current business approach to addressing social/environmental problems, CSR, must be advanced through the principle of 'shared value'— the acknowledgement that societal issues are core to business longevity, not peripheral (as is the case of current but outdated CSR practices). The authors believe that the purpose of the corporation must be redefined from profit to creating shared value– an approach defined as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates," (Porter and Kramer, 2011: 6). Value is noted to be the relationship of benefits to costs where costs are expanded to include those emanating from societal issues (Porter and Kramer, 2011).

Porter and Kramer (2011), point to the considerable part global trends, those which serve to transform business management for enhanced economic efficiency, have played in diminishing the breadth of strategic thinking. Porter and Kramer (2006; 2011), maintain that corporate social initiatives can effect greater social progress if corporates apply the strategic frameworks, used for core business activities, to social development. The authors acknowledge some major multinational corporations who have made concerted efforts to engage in triple bottom line thinking — an approach that views organisational success as inextricably linked with economic vitality, and social and environmental sustainability. However, corporates in general are criticised for continuing to conduct social initiatives that are uncoordinated, inadequate and short-lived because companies fail to combine business strategy with the expertise of NGOs and academics in the matter of social developmental needs. In other words, companies often fail to identify, prioritise, respond to and collaborate with civil society agents on social issues that can benefit from the former's organisational capacity. Corporates are also criticised for failing to expose their social initiatives to the same target performance measures employed in core business activities in order to strengthen their commitment to contributing toward social developmental goals.

The authors produce a framework to guide companies in assessing the impact of their actions on society; prioritising areas for redress; and choosing effective courses of action (Porter and Kramer, 2006). They outline how a company should align relevant social issues with its business strategy in order to create shared value. To survive in competitive and volatile markets, companies must understand and acknowledge the impact their core activities have on society. Companies must be forward thinking and innovative in order to respond to dynamic political, social and economic forces that influence competitive context, and to carry out long-term strategy. Porter and Kramer (2006), distinguish four broad areas of competitive context: the quantity and quality of business inputs — human resources or transportation infrastructure; legislation, policies and practices that govern competition — private property and intellectual property rights or anti-corruption and investment practices; the nature of local demand — influenced by safety and product standards, fair pricing, consumer rights; and, the local availability of supporting industries. The authors suggest that companies must produce a strategic corporate social agenda within the competitive context by designing/implementing social initiatives that respond to any one of the four broad areas discussed. In this manner, companies are better able to produce mutual benefit for themselves and society. A typical example is the inclination of mining companies toward investing in housing, schools and clinics for the families of employees located in mining towns. In doing so, such companies are able to retain an efficient workforce, show good corporate citizenship, and contribute to enhancing social development of communities directly impacted by core business activity.

To assist companies distinguish between the myriad of worthy social issues and those that can impact business strategy, Porter and Kramer establish three categories: “generic social issues” — important for social cohesion but do not affect a company’s ability to achieve its business strategy; “value chain social impacts”/“inside-out linkages” arise out of a company’s ordinary business activities, and “social dimensions of competitive context”/“outside-in linkages” — external social factors such as human development indicators, governance structures, and financial markets (2006: 6-7). Whilst generic social issues do not impact long-term business strategy, the latter two categories can present internal costs for firms in the form of wastage of resources, safety incidences or increased spending on employee health care and remedial training to counter basic service delivery inadequacies. However, companies can prevent additional costs, boost productivity and profitability, and benefit society if business leaders/managers firstly, innovate within, and adopt new management approaches to daily business activities, and secondly, choose to utilise corporate strategy and in-house expertise to address social problems that stand to retard company productivity/growth. There is no dearth of social problems — a lack of basic services, nutritional deficiencies, food shortages, and so forth. A company must be able to identify compatibility with its product/services and a social issue, and then apply corporate strategy to this relationship in order to ameliorate a particular social issue/s and yield desired economic benefits. In order to generate effective initiatives, social issues must be distinguished in the context of the four broad categories of competitiveness and then selected for redress on the basis of the extent to which they impact long-term business strategy. From an operational stance, two steps are essential to facilitate strategic CSR choices for maximum business gain/competitive edge and social benefits: business unit managers must embrace the notion of collaboration/knowledge-sharing between operating management and CSR teams; and performance management must be applied to CSR (Porter and Kramer, 2006: 13). Strategic choices must be made because a single corporate cannot solve every social problem.

To further impress on the transformative power of ‘shared value’, Porter and Kramer (2006), distinguish between responsive and strategic CSR. The authors explain that there are two parts to responsive CSR — fulfilling the role of corporate citizenship, and responding to existing or anticipated value chain social impacts. For Porter and Kramer (2006: 7), effective corporate citizenship[33] creates goodwill and improves relations with the state and public sector constituencies. Good citizenship is essential to a corporate's social responsibility and is often manifested as corporate contributions to community development, the instances of which are manifold. The need for such initiatives cannot be overstated. Porter and Kramer assert though, that these initiatives are limited as they do not directly impact corporate strategy (2006). Furthermore CSR programmes are largely seen as the corporate response to state legislation and/or public scrutiny and therefore become a necessary expense. However, business must move beyond such a limited thinking of their responsibility to society because social conditions influence the functioning of markets. Porter and Kramer maintain that creating 'shared value' is far more transformative for business and society in comparison to arbitrary social initiatives executed by corporates to fulfil the role of good corporate citizen. The second part of responsive CSR entails management in each business unit identifying, prioritising and addressing existing and/or anticipated business activities, associated with the value chain, that exhibit adverse social impacts. Examples can be found in operational activities that result in hazardous working conditions, human resource activities that produce discriminatory hiring practices or marketing and sales activities that produce pricing collusion. For Porter and Kramer (2006), despite the indispensability of responsive CSR, it fails to produce long-term gains for business and society as the approach limits corporations to being good corporate citizens and to alleviate negative value chain impacts for society through best practice employed in each applicable business activity.

Porter and Kramer (2006), stress that strategic CSR presents the greatest opportunities for shared value in that it is based on "inside-out" and "outside-in linkages" working in tandem, to enhance the processes of cost-efficiency and business responsiveness both, to customer needs and to the communities it impacts. Strategic CSR is recognised for its innovative solutions (investing in social issues that can bolster competitiveness) and thereby enables a corporation to acquire a unique position in the marketplace, one that is superior to its competitors. Through strategic CSR, companies firstly address outside-in linkages by identifying those social conditions that both, pose the greatest threat to long-term business strategy and can be contextualised within the four broad areas of competitiveness (discussed earlier). Following

[33] Corporate citizenship is the social, economic and environmental responsibility a corporate shows to communities.

this, social initiatives that can effectively respond to such threats are designed and implemented in order to create shared value. Porter and Kramer (2011: 5, 7), state explicitly that shared value does not involve sharing/redistributing the value already created by firms but rather, it is about growing social and economic value through heightened innovation, efficiency, differentiation and expanded markets.

Tesla exhibits a strategic approach to CSR. The company, founded in 2003 by a group of engineers, produces fully electric vehicles which do not compromise on power, speed and efficiency that consumers of petrol/gasoline vehicles have become accustomed to; vehicles that exhibit high safety standards; and vehicles, which by virtue of being fully electric, are cost-effective for the consumer and play a significant role in reducing the demand for fossil fuels. Porter and Kramer (2006: 10), note that the greater the alignment of a social issue to a company's business strategy, the greater opportunity to leverage the company's resources to benefit society — business gains and social benefits become mutually reinforcing. Although other car manufacturers are currently producing electric cars, Tesla has managed to produce a unique "value proposition: a set of needs a company can meet for its customers that others cannot" and has thereby strengthened its competitive positioning (Porter and Kramer, 2006: 11) . To elaborate, Tesla has invested its resources and expanded its reach to produce energy saving solutions in terms of energy generation, storage and consumption for homeowners, businesses and other utilities.

The extensive range of goods and services offered, as well as competitive behaviour, ensure that no two companies are alike, even if they exist within the same industry. Hence, the choice of CSR initiatives will differ for each company. In the case of pervasive issues such as environmental degradation, companies do produce cooperative CSR models. For instance, since 2003, the plastic bag tax has facilitated the charging out for plastic bags with the intention of reducing consumption and investing revenue in the recycling sector which would also contribute to job creation. Despite the controversy around this initiative — in terms of the consumption levels and beneficiaries of the tax revenue (Crouth, 2016), major food retailers such as Pick n Pay, Shoprite Checkers and Woolworths, have introduced fairly priced, re-usable shopping bags in an attempt to reduce the number of plastic bags sold. Woolworths also set a packaging target which entails phasing out single-use shopping bags by 2020 and making all packaging reusable/recyclable by 2020 (WHL, 2018a). Such an initiative points to the company's ability to recognise the relationship between inside-out and outside-in linkages because plastic packaging is a cost both, to business and to the environment. Porter and Kramer (2011), cite various examples of companies that apply a shared value approach to the value chain (human capital, natural resources, distribution channels and procurement) as these companies recognise that the various components of the value chain are mutually reinforcing. Efforts at improving human and natural resource utilisation together with energy efficiency, streamlining distribution channels and transforming procurement practices, all contribute to enhanced competitiveness, increased market share, greater profits, and social and environmental stability. Major South African food retailer, Shoprite Checkers, includes in its CSR framework, a community empowerment initiative through which small agricultural producers, especially women, in local communities are vetted and are then provided skills development and training so that these producers can become suppliers to the supermarket chain. Such an initiative exemplifies 'shared value' in the sense that for the company there are various cost reductions in procurement and supply chain which also impacts the environment; supply chain efficiency is enhanced by close proximity of local suppliers to stores; and jobs are created which contributes to improved living standards and socio-economic sustainability.

For Porter and Kramer (2011), innovative practices in an effort to produce 'shared value', should be applied to developed and developing nations because developing nations, despite their heightened socio-economic challenges, are viable markets. The key is for business to offer product offerings/services that will enhance the living standards of low-income and disadvantaged communities, and generate profits. The fact that globally, there is a far higher proportion of low-income earners than wealthy individuals, should make apparent, the concentrated buying power and the need for product diversification in order to tap into these markets. A continuous exploration of societal needs and challenges informs the process of product/service diversification which in turn produces opportunities for shared value. For instance, affordable mobile technology has extended easy banking and opportunities for learning and skills development, to masses of poorer communities located in urban peripheries and rural areas. Innovative distribution networks and product diversification enhance profitability and contribute to skills development, employment, and community empowerment, and provide greater access to cost-effective products thereby raising living standards. Hindustan Unilever's Project Shakti serves as an exemplar. Through Project Shakti, the company has extended its reach to rural India and now receives 5% of its total revenue from this project whilst subsequently benefitting communities by raising living standards through job creation (approximately eighty thousand micro-entrepreneurs across eighty states), increased earnings, skills development, and access to vital goods (Hindustan Unilever Limited, n.d.; Porter and Kramer, 2011).

Porter and Kramer (2011), also highlight the necessity for cluster development in the 'shared value' approach, a necessity they claim, has been largely overlooked in management practice. As discussed, in order to survive and achieve competitive advantage, companies must be able to respond to the four broad areas of competitive context. In the absence of relevant infrastructure and the availability of supporting industries/suppliers, all of which are categorised as "clusters," a company is unable to produce innovation and bolster productivity (Porter and Kramer, 2011). Strategically positioned and efficient supporting industries and suppliers, coupled with sound logistical infrastructure, facilitate greater productivity. However, even these support structures alone, cannot maximise productivity in the absence of a well-functioning public domain. Therefore Porter and Kramer (2011), extend the notion of cluster to include the state, NGOs, political and educational institutions, and legal bodies that govern society, market behaviour and the environment. Political instability, poor basic services (which aggravate poverty), lax environmental laws and most significantly, the discord between the public and private sectors arising from a pre-existing belief that economic and social goals cannot be reconciled, all lead to increased internal costs for firms and curtail the potential for focussed public-private collaborations to bolster socio-economic development. Following the fact that economic growth and social benefits cannot be achieved in the absence of business, state and civil society collaborations, Porter and Kramer (2011), significantly point out that shared value should be recognised as one that is best achieved by a combination of organisations who are optimally positioned to maximise social and economic benefits at the lowest cost. In other words, shared value cuts across the state, civil society and business boundaries. Porter and Kramer (2011), provide an illustration of a successful collaboration/cluster development viz. the Bill and Melinda Gates Foundation, global corporations, progressive NGOs and government bodies, that respond to the various gaps and deficiencies in all areas impacting the value chain in order to boost agricultural production for community development and socio-economic growth.

State regulation is also crucial to enhancing shared value because such regulation pertains to specific social objectives and facilitates an environment where companies are encouraged to opt for a 'shared value' approach over short-term financial gain (Porter and Kramer, 2011). Such regulation is characterised as: setting clear and measureable social goals together with resource pricing that reflects true costs; stipulating performance standards whilst allowing companies to determine how best to achieve these; prescribing phase-in periods for performance standards in order to encourage product development/diversification; establishing universal measurement and efficient/timeous performance reporting systems, in the context of state investment in infrastructure that yields reliable benchmarking data which is audited by the state (and not each collaborative partner) as a cost-saving measure; and ultimately, curtailing unethical business practices that compromise social stability and development (Porter and Kramer, 2011: 14).

The significance of Porter and Kramer's explication of 'shared value' is two-fold. Firstly, in the context of CSR, Porter and Kramer's framework (2006; 2011), provides companies with guidelines to approach CSR strategically in order to advance economic and social development. The framework serves as a means of transforming how business views its responsibility to society and to the environment. CSR initiatives should not be limited to acts of philanthropy in the context of multiple social problems, acts which by no means should be underplayed. Instead, corporates should strategically choose social issues, those impacted by business activity, those with consequences for competitive context, and those which can be adequately addressed by business resources. Following this, CSR initiatives must be aligned with core business strategy. In this manner, corporates can gain competitive advantage, produce long-term social benefits and thereby significantly contribute to development goals. Secondly, Porter and Kramer (2006; 2011), show that the practice of shared value is not exclusive to business as the guidelines suggested can be applied in the contexts of the state and NGOs. The guidelines therefore provide a convincing argument for moving away from a silo mentality where business, the state and civil society organisations continue to primarily respond to developmental goals in isolation from each other. The framework also highlights that capitalising on the power of collaboration can maximise economic and social gains.

In the South African context, Friedman et al. (2008), using empirical research, raise many of Porter and Kramer's assertions. Although the term 'shared value' is not used in Friedman et al. (2008), the authors also stress the importance of innovation for an effective CSI (corporate social investment) programme by stating that business can contribute far more significantly to development if it adopts innovative CSI approaches rather than adhere solely to prescriptive governmental approaches because business has the funds and resources to experiment with social investment approaches. This study maintains that Porter and Kramer's framework[34] for producing shared value firstly, reinforces the undeniable interdependence of business, the state and society. Secondly, and particularly in the South African context, the framework should be recognised as integral to re-imagining the relationship between business, the state and civil society, especially if we are to find alternatives to respond to the plethora of challenges that threaten economic growth and social stability.

6.3 CSR and poverty alleviation

In the South African context, the progression of CSI, especially after 1998, has produced more collaborations between business, the state and NGOs (despite their complicated relationships resulting from, but not limited to, different world views and prioritisation of developmental goals), a greater correlation between CSR initiatives and business strategy, and increased importance on achieving a triple bottom line (Friedman et al., 2008). Business' inclination for CSR has progressed from the factors of guilt, self-interest and/or an oppositional stance to the

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[34] Porter and Kramer's work has been criticised on various levels. See: Crane A, Palazzo G, Spence LJ, et al. (2014) Contesting the Value of "Creating Shared Value". *California Management Review* 56: 130-153. Crane et al. (2014), assert that both, the concept of shared value and the process of creating shared value is unoriginal because of similarities to/overlaps with established concepts such as CSR, stakeholder management, social entrepreneurship, social innovation, cluster development, and various theories of stakeholder management. Crane et al. (2014), further note that Porter and Kramer, by providing illustrations of successful CSV (creating shared value) stories deliberately ignore: the tensions between social and economic goals; existing research that provides illustrations of cluster development primarily benefitting the organisation over its supporting industries and local communities. Crane et al. (2014), include a response from Porter and Kramer, with the latter refuting some of the criticism levelled at CSV, and further claiming that publication rules did not permit them to produce a literature review in which they could acknowledge important contributions made to the areas of sustainability and CSR. A discussion of these criticisms have been excluded from the body of the dissertation because the objective of including a discussion of Porter and Kramer's framework (2006; 2011), in the dissertation is to show the possibility of producing shared value through the proposed CSR model. Porter and Kramer (2006; 2011), provide many illustrations of success stories, with some arising from the FMCG environment. As this study's proposed CSR model is contextualised in an FMCG/food retail environment, the researcher found value in exploring Porter and Kramer's shared value framework. The study acknowledges that no theory, framework, idea or practice, is without criticism, especially because of competing ideologies and interests.

apartheid government, to one that is motivated by domestic/global competitiveness, and a growing acknowledgement of the symbiotic relationship between business and the social and natural environments it impacts.

According to Habib and Maharaj (2008), results from studies on CSI per capita in South Africa, in the early 2000s, proved to be on par with, if not exceeding those emanating from the USA and Canada. According to BIS — Business in Society — (Trialogue, 2017), South African companies have invested R137 billion rand toward social development over the past twenty years, with the 2017 figure estimated at R9.1 billion based on the calculation of CSI spending patterns by the top one hundred and twenty South African companies. In the latest report, the primary reasons for CSI investments (listed in order of descending importance) were moral imperatives, company reputation, legal requirements and BBBEE transformation agendas.

As moral objectives are open to interpretation, such results appear to reinforce the sentiments of Porter and Kramer (2006; 2011), and Friedman et al. (2008). CSI projects are also noted to have become more geographically located with an increase in rural projects to the degree that the gap between urban and rural corporate social investment has decreased — in 1999 the urban/rural ratio was 82:18% and in 2013 the ratio was 59:41% (Trialogue, 2017: 46). Education remains the most popular investment sector followed by considerable investments (those made by more than 50% of the South African companies analysed) in social and community development, and the health sector (Trialogue, 2017: 47). NGOs and government institutions (universities, schools and hospitals) remain the most favourable channels for CSI. These calculations also appear to support the notion that effective collaborations between business, the state and NGOs bode well for socio-economic development.

In terms of governance, the fact that 51% of the companies analysed manage corporate social investment through an in-house CSR department, whilst 25% use registered Trusts (Trialogue, 2017: 48), suggests strengthened transparency resulting from compulsory reporting, and an alignment of CSI with corporate strategy. This point is substantiated by the fact that most respondent companies linked CSI with increased profitability and managed CSI risks in the company risk function (Trialogue, 2017: 38, 49).

Major companies also reveal an interest in producing social investment through consultations with local government structures or intended beneficiary communities. BIS (Trialogue, 2017: 51), notes the reasons for such consultations to be companies wanting to: establish community needs (86%); prioritise CSI projects (72%); and obtain feedback on projects (71%). BIS also notes however, that despite such progression, an opportunity for 'shared value' has been missed in that the monitoring and evaluation data obtained by companies are used primarily to improve organisational performance and have been unable to influence public policy (Trialogue, 2017: 54).

The following trends noted by BIS (Trialogue, 2017: 60), with percentage calculations denoting the companies analysed, indicate the significant progression of CSR in South Africa as it contributes to social and economic growth: CSI is more closely aligned with wider corporate strategy (68%) for reasons of efficiency, company competitiveness and maximum impact on beneficiary communities/groups; the levels of governance and accountability around CSR have improved (67%) as indicated by the mandatory involvement of top management, annual audits and performance reviews, enhanced monitoring and evaluation of projects, far greater strategic collaborations, and enhanced communication of projects with all relevant stakeholders (including beneficiary groups/representatives); finally, 74% of companies indicated the incorporation of the 'shared value' approach into their CSR strategy. The fact that 74% of the major South African corporates analysed, adopt shared value thinking into their CSR strategy, further strengthens the viability and relevance of the practice of shared value to business longevity, economic growth and social development.

The BIS report provides a few illustrations of CSR initiatives adopted by some of the corporations. These illustrations reveal that the practice of shared value (as detailed in section 6.1) point to the recognition of corporates that the core purpose of business is not solely to maximise the bottom line but also to create a symbiosis with its context (the natural and social environments in which it operates), a context without which, it cannot sustain itself. Long term business sustainability requires a steady flow of skilled workers and viable markets for products. Apart from this critical point, the success stories noted of CSR (involving strategic collaborations), reiterate that business alone cannot solve all social problems. The fact that business is making efforts through innovative ideas and strategic collaborations, and that companies choose to focus on small groups of beneficiaries for greater and long-term impact, all point to the need for more instances of CSR practices, and for innovation in the field through continuous engagements and collaborations, in order to empower millions of disenfranchised South Africans. Greater empowerment bodes well for inter-generational success and invariably, social and economic development.

The following section will provide an evaluation of KFC's *Add Hope* campaign and WHL's (Woolworths Holdings Limited) *MySchoolMyVillageMyPlanet* programme. The rationale for these evaluations is to ascertain the possibility of drawing on aspects of the two CSR programmes in order to suggest a CSR model for major local food retail chains that will produce shared value and curb food poverty amongst millions of South Africans who rely directly/indirectly on social grants, thereby achieving a more just society. To elaborate, both corporates have innovated by choosing to partner with their customer base to address the challenges of poverty and inequality. The corporates' commitment to sourcing local (though not exclusively) and sustainably produced foods, contributes positively to their brand image — a necessary component of competitive advantage. Furthermore, the latest publication of BIS makes special mention of the *Add Hope* Campaign and reports that WHL is ranked in the top five companies by corporate and NGO respondents, for its CSR impact (Trialogue, 2017). Despite rankings being derived from respondent perceptions and not from actual impact, it would be unfair to presume that these perceptions derive purely from subjectivity because of the following reasons (at the very least): both companies are ranked by a combination of corporates and NGOs; both produce mandatory audited integrated reports, available to the public, and providing statistical evidence to support the efficacy of these CSIs in poverty alleviation; finally, both campaigns/programmes, which are only one component of each company's comprehensive CSR portfolio, have been running successfully for many years (*Add Hope* — nine years; *MSVP* — twenty years) as a result of strategic collaborations, customer support and participation, and widespread reach/market dominance.

6.3.1 An evaluation of the *Add Hope* Campaign

In South Africa, the *Add Hope* Campaign is a significant component of KFC's CSR portfolio. *Add Hope* was launched in South Africa in 2009, with its inception rooted in the crisis of hunger and malnutrition. Globally, KFC (a subsidiary of the YUM! Group) runs various fundraising campaigns to contribute to hunger alleviation, via the company's beneficiary organisations, by providing nutritional support to impoverished families and a daily meal to vulnerable children. The success of *Add Hope* has resulted in the campaign being implemented in India (another country that exhibits stark hunger and malnutrition) in 2016, with the campaign currently feeding fourteen thousand Indian children daily[35]. The present study will focus on *Add Hope* in South Africa.

Add Hope was initiated in South Africa in 2009. Voluntary customer donations of R2, made with KFC purchases, are combined with online customer donations and KFC staff contributions. The sum is used to feed a growing number of vulnerable children, currently around one hundred and twenty thousand daily, with the assistance of one hundred and thirty eight beneficiary agencies/organisations across South Africa. Hunger and malnutrition rates are alarmingly high — 27% of South African children under the age of five years are stunted and 10% are severely stunted, with malnutrition accounting for 5% of child deaths in 2015 (Smith et al., 2017). It is well documented that adequate nutrition in childhood serves as a potentially high return social investment — improved physical and cognitive development which bodes well for long-term physical and economic well-being. As put by Thabisa Mkhwanazi, KFC's Public Affairs Director for Africa, "Every time you Add Hope[]you actually give a child so much more than food, you give them hope for the future," (KFC, 2018b). *Add Hope*, combined with KFC's CSR contributions, has raised a total of R492 million since its inception (KFC, 2018b).

Add Hope has significantly impacted the lives of its beneficiaries as is evinced in the many stories of hope (KFC, 2018c). For instance, the campaign has contributed to early childhood

[35] See https://online.kfc.co.in/addhope/

development because the children benefitting from a daily meal and/or food parcels exhibit improved school attendance and performance, and enhanced nutritional levels. Some past KFC beneficiaries also give back to communities in a professional capacity because of opportunities made available to them for further education and training. Apart from improving the lives of one hundred and twenty thousand children, *Add Hope* has also strengthened the KFC brand. According to Michael Organ (2016), over 75% of KFC customers are aware of *Add Hope,* and this led to increased customer affinity/support for KFC thus bolstering revenue and positioning KFC as one of the top brands in South Africa. Organ (2016), also notes that over a five year period — 2011 to 2016 — *Add Hope* generated more than R9 million in earned media, with 93% of KFC staff reacting positively to the company's contribution to socio-economic development. Quoting an unnamed source, Organ (2016), puts it that, "As Add Hope keeps growing, so too does the KFC brand, because by doing good, we also do good business." On a global scale, KFC's international NGO partner, World Food Programme (WFP), reports that the strategic partnership has created over one billion media impressions, resulting in increased awareness of global hunger and of WFP's critical work in this arena (World Food Programme, n.d.). As at end 2017, 81% of an approximate total of 21,500 KFC stores, exist outside the USA, with the most significant growth (60%) in stores and profits, produced in emerging markets (YUM! Brands, 2018b). Although there is no clear indication of the degree to which *Add Hope* has contributed to such growth, KFC operates hunger alleviation programmes in over forty countries, feeding millions of people struggling with hunger (Organ, 2016).

It would appear from the statistics above, that KFC's approach to CSR has positively impacted customer and employee perceptions of the company, hence the growth of *Add Hope* in South Africa and globally. According to Lichtenstein (2004), it is well-established that the degree of "C-C identification" — the overlap between an employee's or customer's self-conceptualisation and his/her perceptions of a corporation (which includes its social responsibility), and/or the extent to which they experience a sense of self-enhancement through corporate behaviour — determines the inclination of the employee/customer to support the company/brand through patronage, brand promotion for customer expansion, and participation in CSR activities. Lichtenstein (2004), conducted four studies to examine the effect of corporate social responsibility on customer donations to corporate-supported non-profits. Through his empirical work, Lichtenstein (2004), theorises that consumers face a trade-off between economic self-enhancement and altruistic behaviour, and that the extent to which they perceive a corporate to be socially responsible will determine the degree to which they identify with the corporate thus leading them to act altruistically and support the social causes of the corporation. In the case of *Add Hope*, KFC markets the campaign as one that is based on voluntary collaborations between KFC staff/their families (as volunteers/donors), KFC customers, and NGOs, to fight the crisis of hunger and malnutrition amongst children and to a lesser degree, vulnerable families. The appeal of the campaign for KFC customers is multi-fold. Firstly, KFC is showing a genuine sense of commitment to fighting hunger by including its staff in the initiative and by channelling funds and food through NGOs, the latter generally considered legitimate by the public due to their grassroots involvement. Secondly, KFC appeals to customers for a minimum R2 donation to make a difference in the lives of impoverished children and their families. Poverty is stark in South Africa and it is impossible to ignore. In a strained economy it is quite plausible to hypothesise that the exponential growth of *Add Hope* is largely due to the degree of overlap discussed above. Knowing that a mere R2 donation is helping KFC feed over one hundred thousand children daily would appear to be a major motivator for customers to continue supporting this worthy initiative.

KFC is also the largest corporate partner to the World Food Programme (WFP). Since 2007, YUM! Brands have assisted WFP, via *Add Hope* and YUM!'s *World Hunger Relief* programmes by providing four hundred and sixty million school meals, mother-child health and nutrition programmes, and aiding WFP in emergency operations (World Food Programme, n.d.). At a local level, *Add Hope* collaborates with beneficiaries comprising twelve national NGOs who support/oversee soup kitchens, early childhood development centres, schools and food parcel programmes, and one hundred and twenty six local community organisations that are selected by franchisees. As mentioned, the degree of C-C identification has benefits for companies/brands. Lichtenstein (2004), uses empirical evidence to assert that C-C identification is strongly correlated with brand equity. Since CSR initiatives influence consumers' identification with a corporate, it can be said that strategic CSR choices contribute to stronger C-C identification, which in turn, enhances brand equity. As noted, 75% of KFC customers are aware of *Add Hope*. This figure can be attributed both, to paid marketing and earned media, the latter generating more than R9 million during a five-year period and pointing to the campaign's considerable promotion by users of social media, journalists and the general public. This combined marketing strategy indicates that the campaign is perceived very favourably. The campaign also highlights KFC's strategic partnerships with local and global

NGOs. This presents two company benefits. Firstly, consumers are provided with empirical evidence of the social impact of *Add Hope*. Secondly, the company is seen as making a meaningful impact in the lives of vulnerable children by collaborating with NGOs, the latter widely recognised for their in-depth knowledge of community needs and challenges. It stands to reason then, that these factors serve to appeal to consumers' moral sense/altruism and thereby enhance C-C identification. The success and growth of *Add Hope* also serves as an exemplar of Porter and Kramer's 'shared value' framework because KFC appears to have successfully combined business strategy with the expertise of NGOs.

Further to this, Lichtenstein (2004), highlights the importance of product attributes and organisational attributes (people, values and programmes, all of which cannot be easily replicated) in competitive context. This echoes Porter and Kramer's claims about the importance companies must place on anticipating and responding to one/as many of the four broad areas of competitive context. It has been noted that KFC has seen its most significant growth, in terms of new stores and profits, in emerging markets. This growth signals that KFC has anticipated and responded to a dynamic competitive context by focussing on two broad areas of competitiveness — the nature of local demand and the effective application of business units. To elaborate, KFC remains the leading fast food franchise in South Africa, recording double-digit openings since 2017, with a total of 885 stores nationwide (BusinessTech, 2018b). In a strained economy that exhibits high poverty and unemployment, KFC has managed to capture the largest market share in the fast food franchise industry. The company has recognised that there is a far higher proportion of low to middle-income earners which translates into concentrated buying power. The company has in turn responded by diversifying their product offering to meet customer needs and budgets. Hence, the product offering of value meals and staple food items such as pap, coupled with the fact that chicken is an important source of protein in one's diet. In terms of business units, one of KFC's most significant resources is its human resources. In South Africa, apart from receiving training and enhancing skills, KFC staff receive bi-annual performance reports and the communities to which they belong benefit from the company's various social initiatives. Such strategic choices can partly explain why 93% of KFC staff have reacted positively to the company's social initiatives – a positivity that can only enhance loyalty to the brand and to its social causes, and a positivity that is reflected in the fact that KFC staff and their families give off their time in volunteer hours to assist with social programmes. The following statement taken from Yum! Brand's 2015 CSR report sums up KFC's CSR strategy:

> "Our ability to make a positive difference in the lives of people[]is virtually unlimited[]We have chosen to leverage our strengths: our expertise[]and our people. We believe that our strongest impact and contribution to sustainability lies in the critical parts of our business – the success and diversity of our associates, feeding people, health and nutrition, our supply chain, the environment, and community engagement and impact. These are the areas in which we are concentrating our efforts. We are also driving stakeholder engagement, systematically involving key internal and external stakeholders to support and execute our CSR initiatives," (YUM! Brands, n.d.).

Porter and Kramer (2011), in their efforts to explain the process of creating 'shared value', stress the importance of business recognising developing nations as viable markets, despite heightened socio-economic challenges. The authors suggest that the key to doing business in these markets is for business to produce product offerings/services that will enhance the living standards of low-income and disadvantaged communities whilst simultaneously growing the bottom line. Following the evaluation of *Add Hope*, it can be suggested that KFC has managed to create 'shared value' by interrogating outside-in linkages and responding to the needs of consumers in a strained economy, capturing a considerable market share, and strategically implementing a social initiative that resonates with its employees and customers alike. The success and continued growth of *Add Hope* has enabled KFC to uplift disadvantaged children, contribute to their psycho-social well-being through the provision of a daily, nutritious meal, and give their families hope that these children can eventually become active economic participants in society.

This study will also argue that the innovative CSR initiatives of *Add Hope* and *MySchoolMyVillageMyPlanet* (MSVP — evaluation to follow) speak to John Rawls' conceptualisation of distributive justice (Rawls, 1999). In order to prevent a repetition of arguments, the researcher will simultaneously argue for the applicability of Rawls' theory to *Add Hope* and *MSVP* in section 6.3.3.

6.3.2 An evaluation of the *MySchoolMyVillageMyPlanet* Programme

The Woolworths Group's (WHL) social development strategy, an integral component of what the group terms, its *Good Business Journey (GBJ)*, addresses food security, community empowerment and education, through initiatives the group maintains, goes beyond philanthropy to produce concrete societal value. WHL's social development strategy is managed by the Woolworth's Trust which comprises a Board of Trustees and stakeholders across the company's value chain. An in-depth discussion of WHL's comprehensive social strategy is beyond the scope of this study. As the crux of the study is to suggest a CSR model for major local food retailers that is underpinned by customer participation through donations, and ultimately produces shared value (for the benefit of business and millions of disadvantaged South Africans who rely on social grants), this section will focus primarily on evaluating WHL's *MySchoolMyVillageMyPlanet* (*MSVP*) programme — a fundraising initiative that relies on customer participation.

MySchool was introduced in 1997. It was soon bought over by WHL due to education being a key critical developmental issue for the Woolworth's Trust. The campaign then evolved into *MSVP* to address other forms of community empowerment, animal welfare and environmental issues. It is a fundraising initiative that relies on customer participation. There are currently one million, two hundred thousand active card holders. The latest *GBJ* report reflects a total contribution of over R500 million made to eight thousand, one hundred and forty-nine beneficiary schools, NGOs and charity partners (WHL, 2018a). Participating customers contribute to WHL's multifaceted social investment programme by swiping their *MSVP* cards with every purchase in order for a portion of the sale to be contributed to their chosen beneficiaries, from an extensive list provided by Woolworths. Customers are not asked for cash donations. It must be noted that due to education being at the heart of the Woolworths Trust, the campaign does not discriminate among beneficiary schools. Hence, not all beneficiary schools are underprivileged/under resourced. However, it is a truism that the number of underprivileged schools far outweigh their well-resourced counterparts. In light of this, *MSVP* established the Thuso Fund as a beneficiary. The fund supports under-resourced schools and charities that invest in educational needs (physical infrastructure, training and resources), community empowerment (uplifting vulnerable people — the disabled and orphaned/abandoned children), environmental protection (initiatives to protect ecosystems/reduce the carbon footprint), and animal protection and rehabilitation (My School My Village My Planet, n.d.).

The discussion thus far has produced three strategic choices on the part of WHL. Firstly, participating customers are not asked for cash donations. Instead, a portion of their purchases made at Woolworths and/or any of the company's six corporate partners is donated to the customers' chosen beneficiary school/organisation/charity — each addressing either social or environmental (climatic and ecological) challenges. As discussed in section 6.2.1, Lichtenstein (2004), theorises that consumers face a trade-off between economic self-enhancement and altruistic behaviour, a trade-off that is largely influenced by 'C-C identification.' The stronger a customer's identification with a company, the more likely the customer is to support that company's social causes. In the context of this statement, *MSVP* is innovative for two reasons: its extensive beneficiary list speaks to a variety of developmental issues so customers are provided with a greater scope of beneficiaries and are able to choose those who substantially impact causes they strongly identify with; of equal importance — if economic self-enhancement and altruistic behaviour are confined purely to economic terms, customers do not have to choose between the two because their disposable income is not impacted by the fund-raising campaign. Instead, customers are rewarded through in-store discounts and a chance to win store vouchers. Secondly, Porter and Kramer (2006; 2011), speak to the importance of an organisation forming strategic partnerships with local supporting industries in order to enhance competitiveness. Woolworths has partnered with six national corporates to expand the reach of *MSVP*. These partnerships exemplify the process of creating 'shared value'. All six corporates, by participating in the *MSVP* campaign, have expanded the reach of the campaign and they have potentially improved their brand image, and enhanced their CSR portfolio and 'C-C identification.' Woolworths' partnership with the sixth corporate, ENGEN, differs slightly in that Woolworths has attempted to strategically capture larger market share in the food retail segment, as customers are offered the convenience of fill station services and a limited range of Woolworths food products. So in this case, both corporates benefit by drawing larger groups of customers to their sites, a strategy that increases revenue and market share. *MSVP* receives greater exposure and potentially more support.

The third strategic choice is linked to WHL's comprehensive sustainability strategy, the *Good Business Journey* (GBJ). WHL implemented *GBJ* as a strategic response to global political, economic, social and environmental uncertainty, in an attempt to ensure the company's longevity. To elaborate, WHL addresses the sustainability of its business and enhances the processes of value creation throughout its value chain via eight focus areas that constitute its *GBJ*. The focus areas are: transformation, social development, health and wellness, ethical sourcing, sustainable farming, waste, water, energy and climate change (WHL, 2018a). *MSVP* is an integral component of WHL's strategic approach to social development. However, by virtue of the array of beneficiaries it supports, *MSVP* is innovative in that it cuts across many of these focus areas and therefore represents an extension of WHL's commitment to achieving social, economic and environmental sustainability. For instance, WWF (World Wide Fund for Nature) is both, an *MSVP* beneficiary and a global NGO partner of WHL. One of the NGO's initiatives is to support best practice and long-term conservation in the wine industry by conducting workshops on key environmental risks such as water stewardship, alien clearing and fire management- an initiative that has upgraded the status of some of Woolworth's wine suppliers to "Conservation Champions" (WHL, 2018a: 72). This is one illustration out of many that speaks to the ability of WHL to amplify 'C-C identification.'

The link between the *GBJ* and *MSVP* also exemplifies Porter and Kramer's argument for producing strategic CSR initiatives. Firstly, the comprehensive *GBJ* report (WHL, 2018a), reveals that WHL continues to respond to and innovate in the competitive context by investing in its human resources to produce expertise, innovation, and corporate and environmental stewardship. Secondly, WHL strives to improve its commitment to sustainability via its adherence to local legislation such as the Kings IV report and its affiliations with/adherence to local and global sustainability organisations/standards. Finally, WHL strives to respond to and/or anticipate the nature of local demand by producing products, through the processes of: strategic partnerships with local supporting industries; high safety and quality standards; the protection of human/animal rights (across the supply chain); and continuous minimisation of environmental degradation. In identifying social development and environmental preservation as critical components of its overall sustainability strategy, WHL has been able to produce benefits for the group, for society and for the natural environment.

To elaborate, by contextualising the *GBJ* in Porter and Kramer's framework for creating 'shared value' (2006; 2011), it would appear that WHL has effectively identified "value chain social impacts/inside-out linkages" and social dimensions of competitive context, and employed these linkages to work in tandem, in an attempt to enhance the group's sustainability and competitiveness, and fulfil its responsibility to society. In other words, WHL has utilised corporate strategy to form strategic partnerships in the arenas of social development and environmental preservation in order to produce mutual benefit for the group and society.

Beginning with social responsibility, education remains key critical to the Woolworths Trust's social development strategy. This is evinced by the collaborations of Woolworths Educational Programmes, *MSVP* and the National Education Collaboration Trust. The Woolworths Educational Programmes, launched in 2004, is an initiative that involves the collaborative efforts of Woolworths, the Department of Education, and educational specialists, to provide a total of 2,662 primary and high schools (teachers and learners) from four provinces, with educational resources and experiential learning components — an initiative that receives R4 million in funding from Woolworths, annually (WHL, 2018a: 37). Woolworths collaborates with government, labour, other corporates and civil society under the National Education Collaboration Trust which aims to have at least 90% of learners obtain a minimum 50% pass in languages, mathematics and science by 2030 — an initiative that has received R10 million in funding from the Woolworths Trust thus far (WHL, 2018a: 38). Schools comprise the largest number of beneficiaries under *MSVP* as is evidenced by the campaign's latest annual social spend: a little over R63 million to *MySchool*; nearly R7 million to *MyVillage*; and nearly R9,5 million to *MyPlanet* (WHL, 2018a: 37). In terms of education, the Thuso Fund provides essential services to a range of under-resourced schools (My School My Village My Planet, n.d.)[36].

[36] For more information on specific Thuso Fund projects to date, refer to http://www.myschool.co.za/schools/thuso-schools-fund.

South Africa's deficient education system severely hampers socio-economic development by exacerbating unemployment levels, poverty and inequality. A recent risk analysis study which asserts that, "[]the education system represents the single greatest obstacle to socio-economic advancement in South Africa," highlights three major concerns, emanating from a lengthy list, with the current education system: the poor quality of maths education; the low rate of tertiary education participation amongst black students; and a considerably high school drop-out rate (Morris, 2018). This risk analysis can serve as a validation of WHL's strategic choice to invest in developing education especially as the latter is critical to achieving developmental goals.

The following illustration demonstrates how WHL's social initiatives are interrelated, and it reiterates the efficacy of the group in employing 'inside-out' and 'outside-in' linkages to work in tandem. WHL's newest partnership is with national NPO, FoodForward SA. The NPO recovers edible food destined for landfills, distributes the food to six hundred NPOs, and since its inception in 2009, seventeen million, six hundred thousand meals have been provided to two hundred and fifty thousand hungry South Africans (WHL, 2018b)[37]. WHL's contribution of R3 million to the programme is one aspect of the partnership as the group is also utilising its national footprint and business expertise to enhance the efficiency and logistical capacity of FoodForward SA in order to extend the NPO's reach to hungry South Africans. FoodForward SA, Woolworths Educational Programmes and *MSVP* are interrelated because the latter two support food security by partnering with various stakeholders such as Food & Trees for Africa whose Eduplant programme invests in (among other initiatives) schools permaculture food gardening which translates into greater access to food by school communities (WHL, 2018b)[38].

In terms of WHL enhancing its sustainability and competitiveness, its *GBJ* report highlights the group's commitment to: transforming its workforce, promoting the health and wellness of its staff through various initiatives/campaigns, making concerted efforts to ethically source its products or the constituents of its products; and ensuring sustainable farming practices, committing to effective waste and water management, improving value chain processes for

[37] Refer to Media tab or https://www.woolworthsholdings.co.za/woolworths-partners-with-foodforward-sa-for-food-security/

[38] Refer to Media tab or https://www.woolworthsholdings.co.za/woolies-employees-take-action-to-improve-food-security-at-local-school/

energy conservation, all in an attempt to balance fragile ecosystems (WHL, 2018a). The group has managed to achieve a competitive edge because of its focus on sustainability and the awareness it creates of such efforts, in the public domain, via various marketing campaigns. Apart from traditional forms of marketing, WHL also uses popular social media sites, in-store advertising and detailed information on product packaging. These factors could be said to contribute to WHL's overall performance over a 52 week period ending June 2018. Sales are reported to have increased by 1.6% to R75.5 billion, with adjusted pre-tax profit reported to be R4.8 billion (WHL, 2018b). Although the group admits to results being unsatisfactory due to a tough year in the fashion retail segment in South Africa, they have also reported that the food business performed outstandingly as it continues to gain market share for the eighth consecutive year, coupled with significant growth in three in-store fashion brands (WHL, 2018b). In terms of fashion retail, existing retailers are facing competition from international brands such as Zara and more recently, H&M. WHL's food segment is performing consistently well and gaining market share, with a sales growth of 8.4%, which the group attributes to innovative and quality products that are competitively priced (WHL, 2018b). The present study maintains that an additional significant contributing factor is the group's marketing strategy (as discussed) which strengthens 'C-C identification.'

The *MSVP* marketing strategy also plays a crucial role in creating greater awareness of WHL's commitment to overall sustainability, and in turn contributes to the group's competitiveness. The campaign has gained exposure through: traditional media channels which include strategic partnerships with popular local television programmes that focus on lifestyle (Top Billing), variety (Expresso) and environmental issues (50/50); social media platforms; in-store awareness campaigns; and awareness campaigns of beneficiary groups/organisations. Over the years, *MSVP* has run several campaigns that cut across pertinent social and environmental issues, all of which have encouraged member participation through volunteerism or voting. Through the voting campaigns, the Woolworths Trust has donated cash prizes to the winning educators, schools and charities. The 2018 *VOTE4CHARTY CAMPAIGN* allocated R1 million for *MSVP* beneficiaries and it encouraged the public to vote for their favourite *MSVP* beneficiary, with each vote equating to R5 and increased to R10 if the voter posted about their vote on social media, and a bonus of the chance to be one of five people to win a R5000 Woolworths voucher (Jorgensen, 2018). In addition, *MSVP* is marketed as a fundraising programme that comes at no cost to the member. Further to this, members receive discounts of

10% on certain food, fashion and beauty products during Woolworths' frequent in-store promotions and a further 10% off sale items. The *MSVP* card is now also available in digital format (downloaded on mobile phones) which drastically reduces the chance of members not having the card on hand. The *MSVP* is an innovative fundraising programme because it also doubles as a rewards programme for members.

WHL is listed on the FTSE/JSE Responsible Investment Top 30 Index because of the group's contribution to environmental sustainability and social investment. Over the years, *MSVP* has won various global accolades (My School My Village My Planet, n.d.):

- 2013. Best Social Responsibility (CSR) Initiative Linked to Loyalty — Loyalty EMEA Awards. Winner out of two hundred programmes from twenty countries across Europe, Middle East and Africa with leading brands;
- 2014 to 2016. Winner for three consecutive years at the Loyalty EMEA Awards-Middle East and Africa regions, with special recognition for social investments in education and for the protection of rhinos.

Porter and Kramer (2011), in their efforts to explicate the process of creating 'shared value', stress the importance of business identifying 'inside-out and outside-in linkages', and employing these linkages to work in tandem. The authors also stress the importance of businesses operating in developing markets to produce product offerings/services that will enhance the living standards of people faced with a strained economy whilst simultaneously growing the bottom line. Following the evaluation of *MSVP* in the context of WHL's *Good Business Journey*, it can be suggested that WHL has managed to create 'shared value'. To elaborate, WHL has anticipated and responded to a variety of sustainability issues by strategically identifying 'inside-out and outside-in linkages' to work in tandem, through strategic partnerships with business, government, labour, NGOs and civil society, and through social initiatives that resonate with customers, and address various exacerbating contributors to South Africa's poverty levels. Furthermore, WHL continues to capture considerable market share, specifically in their food segment which explains why the company remains profitable despite a considerable drop in earnings from the fashion segments. The success and continued growth of *MSVP* in conjunction with WHL's other social initiatives, has enabled WHL to uplift disadvantaged communities and contribute to ecological preservation. *MSVP* is a unique CSR initiative because it is doubles as a fundraising and rewards programme which has resulted in enhanced customer-corporate identification, as is indicated by the support of one million, two hundred thousand loyalty members. *MSVP* epitomises the power of strategic corporate collaborations with various stakeholders (from supporting industries, to government, NGOs and customers) coupled with innovative marketing strategies, to address a range of sustainability issues that are critical to socio-economic and environmental stability.

6.3.3 Contextualising *Add Hope* and *MySchoolMyVillageMyPlanet* in Rawls' framework for distributive justice

The success both, of *Add Hope* and *MSVP*, speaks to John Rawls' conceptualisation of distributive justice. Rawls (1999), explains a just society as one that permits inequalities in particular social and economic advantages under conditions of strict equality of basic liberties and fair equality of opportunity, in order for there to be maximum benefit to the worst-off social groups. Rawls' 'difference principle', allows for changes in institutional frameworks responsible for the distribution of social advantages and burdens between broad categories of social positions (not individuals)[39]. Rawls' basic principles are used to evaluate the major social institutions responsible for distributing societal benefits and burdens in order to assess the degree of justness in a social system. Rawls is clear that the difference principle can only be applied to social institutions or practices that determine these distributions between social positions. This study maintains that KFC and WHL represent basic social positions; the beneficiaries of *Add Hope* and *MSVP* occupy relevant basic social positions; and, that the interactions between these basic social positions, produced through *Add Hope* and *MSVP*, serve as an appropriate standpoint for evaluating the degree of distributive justice achieved.

KFC and WHL are not institutions but rather, and by inference to Douglass C. North (1994)[40], economic organisations whose behaviour is governed by (but not limited to)[41] a particular economic institution — the food retail market —which is responsible for demand/supply and

[39] Refer to chapter three for an explanation of both, the difference principle, and the practicality of judging a social system via relevant, basic social positions.

[40] Refer to chapter three.

[41] Being in the food and textile retail industries, WHL is governed by both markets.

pricing of food commodities. North (1994), explains that organisations will introduce innovation through new rules within the institutions or rules that will alter the institutional frameworks governing these organisations, if they believe that such innovation can improve their competitive position under conditions of moderate scarcity[42]. This study asserts that the economic organisations, KFC and WHL, serve as important constituents of a particular relevant social position — that of food retailers. Despite being differentiated by business model, KFC and WHL represent food retailers — the latter serving as means for people to access food — a basic human/constitutional right. By inference both, to Rawls' conceptualisation of relevant basic social positions (1999), and North's conceptualisation of the relationship between economic institutions and economic players (1994),[43] food retailers can be said to occupy a relevant basic social position. To elaborate, despite KFC being a fast food retailer, the study has shown that KFC has diversified its menu in order to cater for lower market segments, and thereby provides cost-effective meal options to a wider consumer base. KFC also demonstrates considerable market share, especially in emerging markets, and it enjoys the largest market share in South Africa's fast-food industry (discussed earlier). WHL, despite positioning itself as a premium food supplier, catering for middle and upper income segments, also reaches out to poor people. WHL does the latter by donating surplus food to charities who in turn, distribute this food to underprivileged communities, with food donations amounting to R570 million for 2017 alone (WHL, 2018a). WHL is growing its market share (discussed earlier) because of its emphasis on premium quality products. However, its considerable food donations, despite not generating revenue for the company, would impact local demand/supply trends.

Therefore, this study identifies KFC and WHL as important economic players in, and representatives of the food retail market- the latter occupying a relevant basic social position. The study further asserts that the beneficiaries of *Add Hope* and *MSVP* occupy relevant social positions. To elaborate, *Add Hope* beneficiaries are children whilst *MSVP* beneficiaries predominantly comprise children and communities, all of whose lives are impacted by a multitude of social and economic contingencies (discussed in chapter four) that result in their restricted access to food and good nutrition, and/or basic services such as education. Without

[42] Refer to chapter three, footnote 6 for an explanation of 'moderate scarcity'.

[43] Refer to chapter three for the researcher's application of the ideas of Rawls and North.

the intervention of *Add Hope* and *MSVP* these children and communities face the threat of persistent hunger and malnutrition, and a lack of educational infrastructure required for capacity building, social development and economic participation.

The South African economy is afflicted by anaemic growth, stark unemployment, mass multidimensional poverty, and high consumer pricing. These challenges aggravate the condition of moderate scarcity. As discussed (chapter five), business and society are interdependent because business thrives under conditions of political and social stability whilst societies that enjoy better living standards and aspire to self-development and growth, invariably boost demand for business. KFC’s most significant growth (stores and profits), 60%, is in emerging markets (YUM! Brands, 2018b). These results indicate that KFC acknowledges the importance of emerging markets to its longevity and profitability. Despite a depressed South African economy, KFC has captured the largest market share in South Africa’s fast food retail industry (BusinessTech, 2018b). Woolworths SA is noted as one of the top five retailers in South Africa and is identified as one of the fastest growing retailers amongst the top 250 retailers, globally (BusinessTech, 2018a). As mentioned earlier, WHL also recorded its strongest growth in the food retail segment. The fact that *Add Hope* was first implemented in South Africa and later rolled out in other countries, and that WHL operates *MSVP* exclusively in South Africa, indicates both corporates acknowledgment of the threats posed by global socio-economic malaise to the former’s growth trajectories.

Following this, the study will stress that: fifty-five percent of South Africa’s population living in poverty does not bode well for business; KFC and WHL chose to combine business strategy with strategic CSR initiatives in order to capture greater market share, and to use this to assist the corporates in their social investment agendas. KFC addresses South Africa’s crises of hunger and malnutrition through *Add Hope*, whilst WHL addresses a range of poverty dimensions (hunger, malnutrition, educational infrastructure), through *MSVP*. Both CSR initiatives subsequently produce redistributive effects for vulnerable children and community beneficiaries by way of providing these worst-off social groups with limited financial relief and the psycho-social benefits related to adequate food, nutrition and schooling. In light of this, the study argues that as economic players, KFC and WHL have introduced change in the institution of the market, by influencing consumer behaviour, through *Add Hope* and *MSVP* respectively because these CSR initiatives are a collaboration between a corporate, its employees and its consumer base (in the case of KFC) and a collaboration between a corporate, its customers, its partners from supporting industries and the state (in the case of WHL). Such institutional change has in turn, positively impacted the corporates' brand image, customer-corporate identification, and the lives of the children and communities supported by the two CSR initiatives.

KFC successfully persuades its customers to assist the organisation in its fight against hunger and malnutrition amongst vulnerable children. WHL offers its customers a wide array of social and environmental initiatives to support, and thereby assist WHL to address food security, malnutrition, and primarily, access to education — the latter evidenced by the bulk of *MSVP* beneficiaries being schools, and WHL's partnership with NECT (discussed earlier). CSR initiatives usually involve a corporate and designated staff collaborating with communities, NGOs and/or the state to carry out their social investment agendas. Through strategic choices such as allowing franchise owners to select beneficiary organisations in the communities in which their stores operate, which are also often the communities to which KFC employees belong, KFC sends a message to its employees of the organisation's commitment to empowering its staff and the communities to which they belong. This provides an explanation for the voluntary hours given off by KFC staff to serve their communities. KFC customers strongly identify with the campaign (discussed earlier), and it is this successful collaboration that has to date, raised funds in excess of R492 million, to ensure that 120,000 vulnerable children are fed daily in South Africa. WHL, on the other hand, gives customers the freedom to support social and/or environmental causes that the latter are passionate about, at no additional cost to the customers, and by providing a list of over eight thousand beneficiary schools/organisations for customers to choose from. *MSVP* has to date raised in excess of R500 million (WHL, 2018a).

This study therefore argues that the innovations of *Add Hope* and *MSVP*, which produce interactions between relevant basic social positions (one being KFC and WHL representing the food retail industry, the other being vulnerable children and communities prone to extreme hunger, malnutrition and a lack of education) serve as an appropriate standpoint for evaluating the degree of distributive justice achieved in South Africa- a country exhibiting stark poverty and inequality. *Add Hope* and *MSVP* epitomise the power of organisational innovation in improving the lives of disadvantaged children and communities, thereby creating a more just society. Due to the fact that millions of South Africans go to bed hungry on a daily basis, and that their lives are further burdened by a plethora of social and economic contingencies, *Add Hope* and *MSVP* also highlight the need to generate more innovative ideas in order to produce greater redistributive justice.

6.4 A CSR model for major local food retailers– subsidising consumer pricing of basic commodities for social grant recipients

This section proposes a CSR model that is aimed at assisting a considerable component of South Africa's poor in accessing a basic, nutritionally balanced food basket. The CSR model is suggested for willing, major local food retailers within a collaborative context — business/customers/the state —0 to subsidise some basic foods, at prices set far below national food inflation in order to produce shared value or, in other words, to benefit social grant recipients and their households whilst enhancing business profitability.

6.4.1 A background to the CSR model

Poverty remains an unpalatable reality in South Africa, affecting over 55% of the population. This study is interested in ameliorating poverty amongst a vulnerable social group, social grant recipients, who comprise a third of South Africa's poor, and rely on a monthly state grant to mediate their circumstances of poverty. The overall objective of the study is to address a particular circumstance afflicting this vulnerable group — the access to adequate food and nutrition. High consumer pricing, a steady decline in the purchasing power of social grants, and the fact that the bulk of the CSG — the largest distributed social grant, is reportedly used on food consumption, erode the capacity of the poor to achieve adequate economic and social mobility. This study aim's to suggest an idea that requires strategic collaborations between business, the public and the state, to further assist social grant recipients and invariably, their families. The idea is to suggest a CSR model that will provide social grant recipients with greater access to a stipulated monthly basket of heavily discounted food items, in order to create the potential for a disposable income and greater redistributive effects. This idea has been generated out of research on two individual areas — India's national, state-run, basic food subsidy scheme — the TPDS — and an evaluation of two noteworthy and strategic CSR programmes, *Add Hope* and *MySchoolMyVillageMyPlanet (MSVP).*

The majority of South Africans have to endure prolonged unemployment, low-waged work, and caring for orphaned children and HIV family members. These realities continue to erode the capacity of households to respond to economic shocks such as price hikes in food, transport, and basic services. Poor households often report experiencing one week of food security per month due to such challenges (Oxfam, 2014). A third of the population, of which 70% are children who receive the CSG, rely on social grants. Although the current social grant value is adjusted at slightly above national inflation of 5.5%, there is also a 1% increase in VAT. Current food inflation of 4.5% is expected to rise to 6% by 2020. Eighty percent of the child support grant is spent on food, thereby eroding the purchasing power of grants. The Pietermaritzburg Agency for Community Social Action (PACSA), using the food poverty line and research findings on dietary requirements for adequate nutrition, asserts that the CSG value is acutely insufficient in securing a basic, nutritious monthly diet for a child (Smith et al., 2017).

To assist the poor, nineteen basic food items, some of which comprise broad categories, are VAT exempt: brown bread; maize meal; samp; mealie rice; dried mealies; dried beans; lentils; pilchards/sardines in tins; milk powder; dairy powder blend; rice; vegetables; fruit; vegetable oil; milk; cultured milk; brown wheat meal; eggs; edible legumes and pulses of leguminous plants. As remedial action, Treasury appointed an independent panel of experts to review and make recommendations for expanding the basket of VAT-free basic items. The panel considered 66 recommendations by the public[44] and put forward seven items — food and non-food —to the existing basket, for consideration by government[45]: white bread, cake flour, bread

[44] Refer to Table 23 on page 90 of the panel report for the comprehensive list.

[45] Refer to Section Six of the panel report for an analysis of the seven items.

flour[46], sanitary products[47], school uniforms[48], adult diapers, baby diapers and cloth nappies (Woolard et al., 2018). The panel justifies their list on the basis of attaining five outcomes: maintaining a progressive tax system; enhancing VAT progressivity; incentivising merit goods with focus on special needs of women, children, the elderly and the disabled; costs absorbed by fiscus are tenable; benefits to be absorbed by consumers, not producers or retailers (Woolard et al., 2018). Government will zero-rate white bread, cake flour and sanitary pads from 1 April 2019 (Cronje, 2018).

PACSA argues that the current list of nineteen items fails to adequately mediate poverty because the continuously eroding/non-existent disposable income of poorer households forces families to drastically reduce spend on foods such as cooking oil, vegetables, frozen chicken portions and teabags, which are essential to maintaining good physical and mental health, and productivity (Smith et al., 2017). PACSA employs two food baskets[49] to highlight issues around the affordability of food/other essential requirements of low-income households and their access to a basic, nutritionally balanced diet. PACSA costs the basic food and nutritionally balanced baskets at approximately R1,913.00 and R4,125.00 respectively, and establishes the following across a range of low income households: depending on baseline income, all households earning below R6,000.00 per month either fail to meet non-negotiable non-food expenses, leaving no money for food/other important living expenses or, some meet all non-negotiable expenses but attempt to secure food/other expenses with minimal surpluses; households earning between R6,000.00 to R12,000.00 per month have a surplus ranging from R2,700.00 to R9,200.00 to meet food/additional expenses; low-income households struggle to

[46] The panel takes cognisance of the poor nutritional value of white flour/breads but recommends inclusion due to consumption data statistics, and further suggests that government expedite nutritional education programmes to the public in order to positively change mindsets on food choices.

[47] The panel strongly urges government to expedite the delivery of free sanitary pads to the poor due to affordability issues, the added tax burden on women in relation to men, and the socio-economic costs borne by women due to inaccessibility- as illustrated by missed school and work days for instance.

[48] The panel explains the complexity of zero-rating school uniforms due to multiple components, versatility of some components across clothing types, and an awareness of monopolistic tendencies resulting in excessive pricing. The panel suggests policy implementation in favour of a standard uniform in public schools.

[49] The PACSA Food Basket tracks the monthly prices of thirty-six basic foods purchased by low-income households averaging seven members each, in Pietermaritzburg, in order to measure the effect of food price inflation on these households. The PACSA Minimum Nutritional Food Basket, produced in consultation with a registered dietitian and incorporating the Department of Health’s Guidelines for Healthy Eating, stipulates a greater variety and quantity of good quality, nutritious foods for a basic, nutritionally balanced diet.

buy all 36 basic items on a monthly basis, and a nutritionally balanced food basket is unaffordable; overall, low-income households are underspending on food by 54% (Smith et al., 2017: 13). The PACSA food basket measured food inflation for low income households to be nearly six-fold of overall food inflation, in a three year cycle, until the gradual drop in food prices since the last quarter of 2017 (Smith et al., 2017).

The comprehensive PACSA report substantiates well documented research on various circumstances of poverty, particularly the effect of high food pricing on the lives of the poor. Forty percent of South Africans were noted to be living below the lower bound poverty line between 2011 and 2015, with the highest poverty rate, 59.7%, concentrated in rural areas (World Bank Group, 2018). As the economic crisis has since deepened, it is plausible that more households have fallen into poverty, resulting in poor households finding it increasingly difficult to access a substantial quantity of basic foods, let alone a basic, nutritionally balanced food basket. Adequate access to food translates into improved health, better cognition, and a boost in productivity. Overall, accessing adequate food is a basic human right.

Table 2: The foods in the 2017 PACSA Food Basket

Food grouping	Foods tracked	Quantity tracked
Starchy foods	Maize meal	25kg
	Rice	10kg
	Cake Flour	10kg
	White bread	8 loaves
	Brown bread	4 loaves
	Samp	5kg
	Pasta	1kg
Sugar	White sugar	10kg
Dry beans, canned beans	Sugar beans	5kg
	Canned beans	3 cans
Fat, oil	Cooking oil	4L
	Margarine	1kg
Milk, maas	Fresh milk	2L
	Maas	2L
Meat, eggs, fish	Eggs	30 eggs
	Canned fish	4 cans
	Chicken pieces	6kg
	Chicken feet	4kg
	Chicken necks	6kg
	Beef	1kg
	Polony	2.5kg
Vegetables	Carrots	2kg
	Spinach	4 bunches
	Apples	1.5kg
	Cabbage	2 heads
	Onions	10kg
	Tomatoes	3kg
	Potatoes	10kg
Miscellaneous	Salt	1kg
	Yeast	4 x 7g packets
	Beef stock	240g
	Soup	600g
	Curry powder	200g
	Rooibos teabags	200g
	Coffee	100g
	Cremora	1kg

Source: 2017 PACSA Food Price Barometer Annual Report (Smith et al., 2017: 70)

Table 3: The foods in the 2017 PACSA Minimum Nutritional Food Basket

Food group	Foods tracked
Starchy foods	Maize meal
	Oats porridge
	Brown bread
	Rice
	Samp
	Potatoes
Vegetables	Onion
	Tomatoes
	Carrot
	Spinach
	Cabbage
	Green pepper
	Butternut
Fruit	Orange
	Apple
	Banana
Dry beans, canned beans	Sugar beans
	Baked beans
Fish, chicken, lean meat, eggs	Eggs
	Beef, neck, stewing
	Pilchards, tinned
	Chicken pieces
	Chicken livers
Milk, maas	Low fat milk
	Maas
Fat, oil	Margarine, soft tub
	Oil, sunflower
	Peanut butter
	Mayonnaise
Sugar	Sugar, white
	Jam
Miscellaneous	Tea
	Salt
	Soup powder

Source: 2017 PACSA Food Price Barometer Annual Report (Smith et al., 2017: 71)

6.4.2 The CSR model

This section proposes the CSR model. The model will be explained through subheadings, some of which may overlap, for the purpose of clarity. A schematic diagram of the model will also be provided.

6.4.2.1 The Customer/Donor

The idea is for participating supermarket chains to run a fundraising campaign in which customers are given the opportunity to donate R2 (or more) with every purchase that will in turn, assist retailers to subsidise a list of basic foods for social grant recipients. The fundraising campaign will be universal for all participating retail chains. The donation will be assigned a specific SKU (stock keeping unit) number so that it appears on the customer's till slip and it is quantifiable by the retailer and the Fund management team (to be discussed). The SKU also enables customers to make donations in multiples of R2 if they so wish. It is suggested that the fundraising campaign be marketed to the public by highlighting that a nominal donation can feed millions of people. These people struggle daily with hunger and poverty. They predominantly comprise children that deserve a fair chance at living with dignity especially as their caregivers/parents are largely unemployed due to a severe shortage of jobs, or they are unable to seek employment due to old age, serious illness or disabilities. In a strained economy all consumers feel the added burden of heightened living costs and they may be aware that all customers entering a store pay the same price for goods purchased irrespective of their economic class. A simple request for R2 coupled with corporate intervention allows a customer to feel that their donation has helped feed impoverished families. The power of CSR initiatives underpinned by customer participation, in order to alleviate poverty amongst targeted social groups, has been established through the evaluations of *Add Hope* and *MySchoolMyVillageMyPlanet*.

6.4.2.2 The Retailers

Participating supermarket chains will offer a predetermined basket of goods (to be discussed) to the target market at heavily discounted pricing. Such pricing should be far below the current national food inflation of 5.5%, and preferably at an inflation rate that closely matches the internal inflation rates produced by retailers, Shoprite Holdings Ltd (0.3%) and Pick n Pay (2.2%), amongst a considerable number of their products — discussion to follow (Pick n Pay, 2018; Shoprite Holdings Ltd, 2018a). This study finds South Africa's biggest supermarket retailers, Shoprite Holdings and Pick n Pay, to be highly appealing for the CSR initiative due to a host of reasons.

Firstly, these retail chains have a significant South African footprint. Shoprite Holdings Ltd operates 2006 stores, of which 1056 constitute the brand supermarkets/stores — Shoprite, USave, Checkers, Checkers Hyper — and 362 comprise the OK Foods franchise division (Shoprite Holdings Ltd, 2018a). The study was not able to establish the mapping of these stores. However, the study was able to ascertain that Shoprite and USave brands, equating to 806 stores, cater specifically to the lower and mass middle-income markets, with the holding group claiming that these stores have allowed for greater penetration into previously undeserved communities, whilst the 362 OK Food Franchises cater to various markets depending on their geographical location and format (Shoprite Holdings Ltd, 2018a).

Pick n Pay operates 1541 stores in South Africa comprising ten company-owned formats and eight franchise formats. In terms of the food retail stores, there are 20 hypermarkets, 244 supermarkets, 38 local stores, and 299 franchise supermarkets (Pick n Pay, 2018). The supermarkets and express stores cater to all income brackets whilst the local stores cater to low and middle-income earners. Franchise stores are valuable to Pick n Pay because they expand brand awareness and facilitate capturing greater market share. Despite only receiving sourcing and operational support from Pick n Pay, these franchises are an extension of the group. In addition to this, Pick n Pay bought the BOXER brand of supermarkets in 2002. Two formats comprising 152 BOXER superstores nationwide, and 20 Boxer Punch stores in Kwazulu Natal, offer a limited range of competitively priced, essential commodities such as maize-meal, rice, sugar, oil, beans, perishables, and health and beauty products, to low and lower-middle income markets (Pick n Pay, 2018). Further to this, Pick n Pay has partnered with the Gauteng Department of Economic Development and assists fourteen small, independent township grocers (locally termed, 'spazas') to evolve into thriving neighbourhood convenience stores, the latter utilising and benefitting from Pick n Pay's buying power and comprehensive systems capabilities (Pick n Pay, 2017). In other words, by purchasing stock from Pick n Pay, employing the corporate's stock management systems and offering customers services such as the Smart Shopper loyalty scheme, and airtime/data sales, these neighbourhood convenience stores have enabled Pick n Pay to further penetrate low-income and lower-middle income markets.

Secondly, the retail chains' considerable market share and revenues coupled with their claims of possessing enhanced operating capacity and buying power (favourable pricing and credit cycles with suppliers), suggest that they are better suited to offer the study's recommended discount structure (to be discussed). Key information retrieved from Shoprite Holdings Ltd latest integrated report attests to these claims, with the group listing integrated planning, strict cost efficiencies, and an extensive and sophisticated supply chain infrastructure as key contributing factors to its success (Shoprite Holdings Ltd, 2018a; Shoprite Holdings Ltd, 2018b): 31.7% of market share captured, with an overall 3.3% increase in customers; increases in turnover of 4.3% for Shoprite and 7.5% for USave, with an overall turnover of 5.7% for the group's core South African supermarket segment; internal inflation (in-store sales prices) drastically reduced from 5.9% to 0.3% within a range of 13,241products, saving customers R2.1 billion in price increases; and a range of staple products subsidised to the value of R190 million. These are notable achievements considering the added strain to consumers through fuel price hikes, the VAT increase and excessive joblessness. The initiatives of curbing internal inflation and subsidising staple foods has clearly produced savings for customers and benefitted the group through enhanced brand loyalty and a favourable bottom line. The group notes an overall trading profit of R8 billion, the bulk of which is attributed to its South African operating stores (Shoprite Holdings Ltd, 2018a).

Pick n Pay's latest integrated report (Pick n Pay, 2018), also attests to the group's efficient operating capacity and buying power: reduced pricing for two thousand everyday grocery items; internal inflation restricted to 2.2%, well below CPI food inflation of 5.9%; additional savings of R3 billion generated through the Smart Shopper discount programme for seven million participating customers; further savings through product offer, 95% of which is local; overall turnover of 5.3% with the strongest growth in the fourth quarter of 7.3% due to expanded customer offerings; trading profit of R1.8 billion; and aspirations to spread geographic footprint to cover more peri-urban and rural areas. The initiatives of curbing internal inflation, offering product 'combo' deals at highly competitive pricing, the expanded Smart Shopper programme offering discounts, and the Brand Match programme underpinned by price matching of products sold by largest food retailers, have benefitted both, the customers through savings, and the corporate through enhanced brand loyalty and a positive bottom line despite the constrained economic climate.

Finally, the retail chains' latest available sustainability/integrated reports indicate that consumers can be assured of good quality products, and that the retailers are responding to social and economic challenges through various interventions within the supply chain and multiple CSR initiatives (Pick n Pay, 2017; Pick n Pay, 2018; Shoprite Holdings Ltd, 2018a; Shoprite HoldingsLtd, 2018).

6.4.2.3 The basket of goods

The basket of goods is to be determined by a panel of experts representing the state, participating supermarket chains, and a few, well-established NGOs, each exhibiting an in-depth knowledge of the challenges poor communities face in accessing adequate food. This study espouses to a basket that includes those foods which are currently VAT-exempt plus the recent recommendations made by the Treasury appointed, independent panel of experts. Despite concerns raised that the current VAT-exempt basket of goods is underutilised by the poor with only seven out of the nineteen products noted to be regularly purchased (Schneider, 2018), this study maintains that the basket comprise as much variety as possible because the underutilisation could very well be caused by lack of affordability — as discussed previously. It is also deemed beneficial to consider recommendations made by NGO's such as PACSA because PACSA's Minimum Nutritional Food Basket is a product of an interrogation of the needs of the poor and the expertise of a registered dietitian — the latter providing key insight into maintaining a basic, nutritious diet.

Once the basket of goods is established it is vital that both the state and participating chains run awareness campaigns for the benefit of the target audience (social grant recipients). The Department of Social Services can resort to traditional forms of advertising — television and radio, online advertisements via the Department's website and various social media applications, print media in the form of newspaper advertisements, and brochures that can be made available at SAPO (South African Post Office) branches. The Department could also task community leaders and workers, and collaborate with local NGOs to disseminate information so that beneficiaries are made aware of their rights. Retailers too, can resort to traditional forms/online advertising.

Goods on offer will be available through competing brands. The basket must include each brand. To rule out opportunistic behaviour and to respect the customer's right to choose, retailers must agree to display the recommended retail pricing of the items on offer together with the sales price of each competing brand. Beneficiary discounts will be effected at till points to avoid confusion with sales pricing to the public and discounted pricing to the beneficiaries.

6.4.2.4 The discounted pricing structure and the Fund

In terms of the discounted pricing structure to be proposed by this study, the researcher acknowledges that a feasibility study in this regard, is required. The study proposes that the basket of goods be discounted by 15%, over and above efforts of the supermarket chains such as Shoprite Holdings Ltd and Pick n Pay to keep internal inflation amongst a range of products at 0.3% and 2.2%, respectively. The idea is that as the CSR initiative/campaign grows there will eventually be sufficient funds through donations where the participating retailers subsidise a third of the discount, equated to 5% whilst the remaining two thirds, equated to 10%, is subsidised by customer donations. To elaborate, the study proposes a collaboration between the participating retailers, customers and the State. Ideally, a Fund (to be discussed) should be set up specifically for the receipt of customer donations. Such donations should be transferred by the retailer to the Fund at each month end. Donations will be held by the Fund in an interest-bearing account. With the campaign in its teething stage, retailers may highly likely have to cover the full 15% discount for the first six months. During this time, each retail group will submit a quarterly report to the Fund indicating the total spend pertaining to the 15% discount and the total revenue received from customer donations. After the first six months, the Fund will begin reimbursing the retail groups on a quarterly basis. Hypothetically, if retail group A spent R5 million over the two quarters on the 15% discount whilst retail group B spent R2 million, this would translate into the Fund reimbursing group A with R1,167.00 (two thirds of the discount) and group B with R667,000.00. However, this is dependent on the total amount of monies available in the Fund at the end of the first two quarters. Should there be insufficient monies, weighted averages can be applied to reimburse both retail groups at the end of each quarter with 1% interest added to the outstanding reimbursable portion until a point is reached where the Fund is in surplus, bearing in mind that the fund operates out of an interest-bearing account. Should there be a stage where the Fund is in surplus for a period of four quarters, there is an opportunity for the State to negotiate with business to offer discounts on a wider range of goods or to increase the discount structure offered to beneficiaries. In this hypothetical scenario this study establishes that the retail groups eventually subsidise one third of the 15% discount whilst customer donations subsidise the remaining two thirds.

The rationale for this percentage range stems from a number of facts. Firstly, despite the fact that Shoprite Holdings Ltd and the Pick n Pay group have reduced internal inflation to 0.3% and 2.2%, respectively, food pricing, due to a number of economic reasons (discussed earlier), remains unaffordable for many South Africans. Secondly, the VAT portion of VAT-exempt foods is subsidised by the State. Thirdly, the State does not regulate food producer pricing or retail margins and with this lack of transparency it may be highly likely that producers and retailers alike have greater margins to manipulate in order to further reduce pricing for a particular social grouping that deserves such consideration. Finally, the discounted pricing structure coupled with customer donations can be seen as an opportunity for creating shared value (to be discussed in section 6.4.2.6).

In terms of the Fund, the study deems it critical to establish a fund that will be administered by a board of trustees, comprising representatives from the relevant state departments such as the Finance Ministry and the Department of Social Services, representatives at executive level from the participating retailer groups, representatives from a few, well-established NGOs that exhibit intimate knowledge of the needs of the poor and a few experts from relevant academic, legal, and corporate governance fields. The role of the diverse board of trustees, is to enhance the commitment to the project by implementing the necessary measures for proper governance and accountability, in order to alleviate the plight of millions of poverty stricken South Africans. All decisions/actions taken by the Board must be available for scrutiny and must be defensible. Furthermore, in the interests of governance and transparency, the Fund must be audited by two reputable and well-established auditing firms. This study recommends that the Fund approach auditing firms to partner with it on this worthy CSR initiative in order for auditing firms to consider offering their services to the fund at below-market cost.

6.4.2.5 The IT interface

There would need to be further collaboration between participating retail groups and the Department of Social Services, particularly SASSA, in order for an IT platform/interface to be created. Such an interface is required in order to establish a database containing the totality of SASSA card numbers, the pre-established basket of discounted goods, maximum monthly quantities available to each beneficiary, the recommended retail pricing, monthly sales pricing, the discounted sales pricing and the monthly total of customer donations. As each card is encrypted with the beneficiary's biometrics, this should prevent card fraud (duplications or fake card numbers) and retail groups will only have access to the card numbers and not the personal information of beneficiaries. In a country where most people are over-indebted, this step provides a degree of protection to beneficiaries who may unknowingly take on unnecessary debt in the form of additional services offered by the retailers. The access to card numbers is to ensure that the social grant recipient receives the applicable food discounts when they swipe their SASSA cards at a till point. For this to occur, the interface must provide for SASSA card numbers to be linked to the retailers' internal system. The latter components are necessary because the database has to be accessed by the Fund and participating retailers. The Fund needs to verify that the correct goods are sold at the correct discounted price and at the stipulated monthly, maximum quantities. This step is important as it prevents abuse of the CSR initiative viz. purchasing food at discounted pricing for on-selling. To expand on this point, the study further suggests that monthly maximum quantities applicable to each beneficiary must be predetermined according to social grant type. This is because children's nutritional needs differ from those of adults. So, for instance, beneficiaries receiving the FCG, CSG or CDG could be allocated different maximum quantities to the disability grant and OAP beneficiaries because the former group comprise children under the age of eighteen years, and children are prone to stunting whilst malnutrition affects any person not accessing adequate nutritious food. Apart from preventing abuse of the system, this step could also assist households in achieving heightened nutrition. Regarding the issue of access to pricing, having access to recommended and monthly sales pricing assists the Fund in comparing prices across competing supermarkets and ensuring that pricing has not been exaggerated. Access to the discounted pricing enables the fund to calculate and verify the subsidisation portion of the retailers and the rebate portion owed to the retailers at the end of each quarter. In terms of pricing, the Fund will only be able to access pricing applicable to the pre-established basket of goods. The availability of data on customer donations is also necessary for verification by retailers and the Fund, and overall, for transparency. The study suggests that the IT platform/interface be solely funded by the State due to the retailers and their customers covering the discount subsidisation.

6.4.2.6 The proposed CSR initiative — an opportunity to create shared value

The proposed CSR model is an opportunity to create immense shared value or in other words, for business to grow its bottom line whilst considerably impacting poverty alleviation by making food accessible to a significant component of South Africa's poor. Major South African food retailers possess the capacity and the expertise to significantly contribute to socio-economic sustainability. They are able to do so by leveraging their key resources which in this case are: the stakeholders (shareholders, staff, customers and the communities that are impacted by their business activities, including their social investment initiatives); an advanced supply chain; availability of supporting industries; and finally their core business viz. food supply. The integrated reports of two major players, Shoprite Holdings Ltd and Pick n Pay, highlight their commitment to the various stakeholders: shareholders are benefitting from the corporates' substantial growth despite tough economic challenges; staff needs are addressed through capacity building (remuneration; social benefits; education and training programmes; opportunities to give back to disadvantaged communities around the country); customers are benefitting from lower pricing on a range of products due to reductions in internal inflation, coupled with additional savings through promotions, loyalty programmes, and in the case of Shoprite specifically, the R5 deal which provides customers with a varied lunch menu, with each item costing R5; communities are benefitting from various CSR initiatives such as mobile soup kitchens, donations of surplus food to FoodForward SA and community gardens (Pick n Pay, 2017; Pick n Pay, 2018; Shoprite Holdings Ltd, 2018a; Shoprite HoldingsLtd, 2018). The innovations produced in the supply chains — strategically positioned distribution centres, advanced ERP (enterprise resource planning) systems, the inclusion of more local suppliers, and the corporate investment in educating and training potential local suppliers — remain critical to optimal operating and trading capacity.

Both corporates continue to expand their footprint because they have identified the concentrated buying power of lower market segments and they recognise the importance of strategically positioning their stores in close proximity to these markets. This is evidenced in the growth of USave and BOXER stores and the corporates' intention to grow these stores that cater to lower income markets. It is well established that location is essential as it assists consumers with travel costs and savings associated with the capacity of supermarkets to offer lower/competitive pricing. However, the harsh reality is that the majority of the poor are either unemployed and rely on the benevolence of family members receiving social grants, whilst others are waged/casual workers with little/no job security, and many are either sick, old or lack the necessary skills to seek employment. In the event of there being a larger footprint in previously disadvantaged areas coupled with existing stores, there is much scope for retailers such as Shoprite Holdings and Pick n Pay to see a greater influx of shoppers, especially if they are able to offer the poor masses pricing through the study's proposed CSR model. Such pricing (a 15% discount on items that demonstrate internal inflation ranging from 0.3% to 2.2%) will allow social grant recipient households more flexibility with their income coupled with an opportunity for these people to be productive and to live with dignity.

Noteworthy CSR programmes such as *Add Hope* and *MySchoolMyVillageMyPlanet*, which require customer participation, have shown that people have a proclivity for altruism, even during tough economic times. The success of these campaigns have been the impetus for the study's proposed CSR model. As government strives to address the serious challenges of basic service delivery, joblessness, poverty and inequality, coupled with the myriad of social investment initiatives by corporates in South Africa, the study maintains that major food retailers can extend their capacity for social investment even further and address the issue of hunger that translates into so many social and economic consequences.

PROPOSED CSR MODEL

Beneficiaries/Social Grant Recipients

Valid SASSA card for participation.

Entitled to choose from applicable discounted goods.

Food Retailers

Discount a range of pre-determined food items for social grant recipients.

Market CSR initiative to the public.

Collect donations from customers.

Transfer donations at month end to the Fund.

Receive 10% of total value of subsidisation (to grant recipients) from the Fund every quarter.

Basket of discounted goods

Predetermined range of discounted basic foods for social grant recipients.

Basket inclusive of current/ anticipated extended VAT-exempt foods; other essential foods.

Basket determined by field experts representing the State, participating food retailers, few NGOs, nutritionists.

Discounted goods available across competing brands.

Predetermined maximum monthly quantities offered per SASSA cardholder.

Customer/Donor

CSR initiative awareness.

Voluntary participation.

Option to donate R2 or multiples thereof at till point with every purchase.

Fund

Appointed Trustees comprising:

Private- Business: Executive management-participating retailers.

Private- Auditors: Two well established, reputable firms

Government: Finance Ministry; Department of Social Development.

Public- NGOs: Few well-established and relevant NGOs.

Public- Field experts: Academia; legal; corporate governance.

Administers an interest-bearing bank account, holding monthly donations.

Receives and analyses quarterly reports from participating retailers on subsidisation spend (discounted good sold) and donation revenue.

Receives monthly transfer of donation revenue.

Uses donation revenue to reimburse retailers with 10% or weighted average of total subsidisation value, with applicable interest, per quarter.

Manages donation fund and collaborates with business to extend discounted basket of goods or increase discount percentage if fund is in excess.

Access to IT interface to monitor transactions and ensure accuracy of procedures for legitimacy and optimal functioning of the CSR programme.

IT Interface

Funded by government.

Database: SASSA card numbers; list of discounted goods plus recommended retail, monthly sales, and discounted pricing; maximum monthly quantities applicable to each beneficiary.

Linked to retailers and the Fund.

Accessed by the Fund, retailers, and appointed audit firms-each having distinct viewing and operational rights.

Used for transparency, monitoring and evaluation, to enhance the program.

Government

Fund IT interface.

Release SASSA card numbers and grant type of each beneficiary to IT interface.

Representatives within the Fund.

Department of Social Development to create awareness of CSR campaign and beneficiary rights within the programme.

6.5 Conclusion

This chapter set out to propose a CSR model for willing, major local food retailers that entails producing consumer pricing for some basic food commodities, set far below the national food inflation average, exclusively for social grant recipients, in order to further alleviate poverty. The study chose to focus on assisting social grant recipients for two reasons. Firstly, more than 27 million South Africans are living in poverty, of which a little over 17 million people are social grant recipients, who have evaded destitution because of such grants but who have also failed to escape the poverty trap due to a plethora of socio-economic challenges. Secondly, it is well established that social grants are spread very thin as they are used to assist other family members who are excluded from this form of state assistance. This implies that in targeting social grant recipients the study is in fact proposing a CSR model that will assist considerably more poor South Africans.

The chapter proceeded to apply Porter and Kramer's framework for creating 'shared value' to the study as the framework facilitates a strategic approach to CSR in order to produce a mutually beneficial relationship between business and society. Through Porter and Kramer's framework, corporates can gain competitive advantage, produce long-term social benefits and thereby significantly contribute to development goals. The framework provides a convincing argument for business, the state and civil society organisations to capitalise on the power of collaboration in order to maximise economic and social gains. In South Africa, the state alone is limited in addressing pertinent developmental issues. Business has the funds and resources to produce innovations in social investment approaches. Well established civil society organisations have an in-depth knowledge of community needs. This study found Porter and Kramer's framework particularly significant for South Africa because the framework provides guidelines to facilitate collaborations between these entities, through strategic CSR, to successfully advance social and economic development.

The chapter then briefly explored the extent to which CSR has contributed to poverty alleviation in South Africa. Despite poverty being widely attributed to wealth and income inequalities, poverty is multidimensional. It is within this context that the study chose to focus on the serious challenge of food poverty (which has consequences for social development). The study evaluated two noteworthy CSR programmes of WHL and KFC namely, *MySchoolMyVillageMyPlanet* (*MSVP*) and *Add Hope*. The rationale for these evaluations was to draw on aspects of the two CSR programmes and then, to suggest a CSR model for major, local food retail chains, that could simultaneously curb food poverty amongst millions of poor South Africans relying directly/indirectly on social grants, and increase market share for participating retail chains. *MSVP* and *Add Hope* were found to be innovative in that they are products of strategic CSR, and they involve customer participation to achieve the corporates' social investment goals. It was further established that the CSR programmes, coupled with the corporates' responsiveness to customer needs, enhance customer-corporate identification. Furthermore, the CSR programmes, coupled with the corporates' various sustainability initiatives, continue to produce mutual benefit for the corporates (increased market share, positive financial results) and their intended beneficiaries. This mutual benefit is made possible because both CSR programmes strongly appear to implement Porter and Kramer's framework for producing 'shared value'.

The study showed that *Add Hope* and *MSVP* speak to John Rawls' conceptualisation of distributive justice in that KFC and WHL represent basic social positions; the beneficiaries of *Add Hope* and *MSVP* occupy relevant basic social positions; and, that the interactions between these basic social positions, produced through *Add Hope* and *MSVP*, serve as an appropriate standpoint for evaluating the degree of distributive justice achieved. The study showed *Add Hope* and *MSVP* to be innovative mechanisms used by economic organisations, KFC and WHL, to introduce change in the institution of the market– that of influencing consumer behaviour — and thereby producing CSR initiatives that improved the lives of people constituting some of the worst-off social groups. Both CSR initiatives were shown to produce redistributive effects for vulnerable children and community beneficiaries by providing these worst-off social groups with a limited degree of financial empowerment and social benefits that stem from adequate access to food, nutrition and education.

Following this, the study discussed the challenges poor South African households face in accessing adequate food, as a rationale for the study's proposed CSR model. The study established that poor households are unable to meet daily food requirements, and that a nutritionally balanced diet is highly unaffordable despite the added financial assistance provided by social grants to a third of South Africa's poor. Access to adequate food impacts people's psycho-social and economic well-being. The study then proposed a CSR model that requires collaborations between major local food retailers, their customers, and relevant NGOs and state ministries/departments. The idea is for participating retailers to produce a basket of basic food commodities at prices that are far below the national food inflation average and that reflect a food inflation rate in the range of 0.3% to 2.2% (internal inflation achieved by Shoprite Holdings Ltd and Pick n Pay, respectively). This basket is to be offered to social grant recipients. The study proposes that the price subsidisation be facilitated by retailers and customer donations, with the cumulative effect being increased market share for retailers and greater redistributive effects (more disposable income and opportunities for social development and economic participation) for households of social grant recipients. A broad framework outlining each component of the CSR model was provided. Applicability of the model to specific major food retail chains was established in order to show the model's viability. The study did not however, limit the model to these retail chains. It is hoped that the viability of the model attracts wider interest from business for greater social impact.

Chapter Seven – Conclusion

7.1 Introduction

This chapter evaluates the aim and objectives of the study. Section 7.2 reiterates the main research question; restates each objective; and presents a summary and evaluation of the research pertaining to the objectives. Section 7.3 concludes the chapter by reiterating the aim of the study; presenting findings and recommendations stemming specifically from the study's proposed CSR model; and finally, evaluating the aim in the context of Porter and Kramer's guidelines for creating 'shared value' (2006; 2011), and John Rawls' theory of distributive justice ((1999).

7.2 An evaluation of the objectives of the study

The main research question of this study is as follows: Can corporate social responsibility programmes (CSR) be adapted and applied to willing, major local food retailers with the aim of producing consumer pricing of basic food commodities set far below the national average for food inflation, exclusively for social grant recipients, in order to further alleviate poverty? In an attempt to answer the research question, the study addressed four main objectives.

The first objective was to delineate the extent to which South Africa's social grants alleviate poverty and address socio-economic inequality. In order to discuss the impact of social grants on poverty, the study deemed it necessary to produce an overview of poverty and inequality in South Africa as a precursor. Through critical engagement with relevant secondary data, the study established that South Africa continues to exhibit excessively high levels of poverty and inequality.

The drivers of poverty are primarily macro-economic — the rate of growth, unemployment levels, inflation, and investment levels — and micro-economic issues — basic services delivery and land distribution. A lack of expanded definitions of poverty, and the prioritisation of pro-poor policies that ignore the processes of wealth accumulation and redistribution render poverty measurement inaccurate.

However, studies that account for the multidimensional nature of poverty, offer a more legitimate picture. Data from such studies were used to highlight the interrelated dimensions of poverty — space, race, class and gender. Rural areas present far greater poverty due to policy choices that curtail the optimal functioning of municipalities; a considerable occurrence of financial malfeasance in municipalities; and a dire lack of resources essential for consumption expenditure. Despite constituting approximately 80% of the population, the majority of black people remain the poorest, with only a negligible component achieving class mobility, with some constituting an elite because of political and economic contingencies.

African women remain the most marginalised in terms of access to adequate health care and education, and fair employment opportunities. African women also constitute the highest number of social grant recipients, specifically the child support grant, which points to their dire economic position.

This study found that poverty is largely driven by exorbitant unemployment, and severe income and wealth inequalities. Slow economic growth, a deficit of skills required for the biggest economic sectors, a dire lack of adequate basic services essential to providing the correct resources for active economic participation, and unfair labour practices, all contribute to the unemployment levels.

This study also found evidence that points to the effect of severe income inequality on poverty levels. Highly skewed labour income continues to drive poverty levels and social grants have been the most significant countermeasure to this trend. However, social grants were found to provide poor households with a degree of financial empowerment whilst producing negligible change in overall inequality.

Wealth inequality is persistently higher than income inequality. Wealth inequality is noted to have a racial dimension, with white households capturing far greater net wealth than black households.

The issue of land redistribution is identified as critical to balancing the scale of wealth accumulation as it is well established that land dispossession has historically been the most significant form of disenfranchisement of black South Africans. This study found evidence that points to the slow process of land redistribution since the onset of democracy in South Africa. The study acknowledged government's recent undertaking to review the Constitution on the issue of land reform (in consultation with key stakeholders). However, the study highlighted that land redistribution cannot occur in isolation from various income sources such as social grants/pensions, and wages/remittances, since these incomes strengthen the position of new land owners — who have been historically disenfranchised — as they attempt to actively participate in the economy.

This study also presented contesting views on current pro-poor policy positions. The study agrees with critics who, in envisaging greater inclusive growth, call for: stronger policy positions on the macro-economic drivers of poverty and inequality — financialisation, the ease of capital flows and conglomeration; the use of an official poverty line that reflects expanded definitions of poverty; and clear pro-poor policies reflecting national consensus on socio-economic transformation.

The study then proceeded to provide a brief historical overview of South Africa's social grant system prior to democratisation. The study found that social grants were highly racialised and spatialised with whites receiving ample social protection and blacks predominantly excluded from the system. Despite a gradual move to racial parity in social spending (stemming largely from rising political tensions and international criticism in the 1970s), social grants, particularly those targeted at children, remained highly uneven until the late 1990s. At that stage, the Lund Committee for Child and Family Support was established and tasked with exploring alternate policy options on social assistance in order to induce greater social equity. Despite drastically deviating from the Lund Committee's recommendations, the democratic government did proceed with a massive expansion of the social grant system in order to cover millions of previously excluded black South Africans.

Five major social grants currently cover seventeen million people, ranging from the aged and the disabled to children who are impoverished and/or orphaned. The study highlighted that: the child support grant (CSG) remains the most widely disbursed grant, covering approximately twelve and a half million children; by 2015, almost half of South African households received at least one social grant; the old age pension (OAP) significantly contributes to financing job searches and promotes migration for work purposes; households receiving an OAP or CSG exhibit greater, though modest liquidity in relation to non-eligible grant recipient households; and children who receive the grant from birth demonstrated improved physical and cognitive development.

The study found firstly, that these statistics, observed in relation to the eligibility requirements for social grants, support the claims of South Africa's anaemic growth trajectory, severe unemployment levels, and stark wealth and income inequalities. Secondly, these statistics also revealed that social grants have produced some redistributive effects through a nominal increase in liquidity, which in turn opens up possibilities for active economic participation, and physical and cognitive well-being. However, the study found various limitations of social grants.

The sustainability of social grant spending is threatened by the exponential increase in grant take-up numbers over the years. The current database is expected to increase to eighteen million, one hundred thousand people, with children constituting the largest beneficiary component. An increasing number of households rely on the CSG to assist with child rearing costs. However, in the context of exorbitant unemployment, and staggering income and wealth inequality, this grant is stretched to cover every household member, instead of being dedicated solely to the multi-faceted needs of the child.

Various food poverty line measurements also indicate that the CSG value is unable to meet the monthly per capita food requirement, let alone other living expenses. Grant value determination takes inflation into account. Current food inflation coupled with the latest VAT increase, adds more strain on poor households, and will further decrease the purchasing power of social grants. Prior to the latest VAT increase, it was reported that 80% of the CSG was spent on food. This implies that government interventions such as the current basket of VAT-exempt foods, have not produced a significant saving for poor households, an implication that is plausible because government subsidises the VAT portion of these commodities but leaves pricing to the market.

The study concluded that despite the limitations of social grants, they are imperative to producing nominal redistributive effects for millions of poor South Africans. The study asserted the importance of policy reforms, clear policy positions on social transformation, and a holistic implementation of such policies. However, given that these are long-term measures, the study argued that there is an urgency for the generation of novel ideas in the short term, in order to curtail the burdens of poor South Africans, and contribute toward a more just society.

The second objective of this study was to explore the relationship between poverty and the access to affordable basic foods, through an examination of India's Targeted Public Distribution System (TPDS) — a nationwide, state-subsidised basic food and non-food distribution programme that responds to excessive poverty. This study considered it valuable to explore the relationship between the access to subsidised basic foods and poverty alleviation in the context of the TPDS in order to stress the idea that South African social grant recipients and their families, burdened with multidimensional poverty and widening inequality, could benefit from a form of basic food subsidisation. The TPDS is costly to the Indian government. South Africa's fiscal constraints do not warrant the transplantation of such a system into its economy. This study saw an opportunity for South African social grant recipients and their families to benefit from a form of basic food subsidisation that could be produced through a corporate social responsibility (CSR) initiative within the local food retail industry.

The study proceeded with an overview of poverty and inequality in India in order to understand the significance of the TPDS. The study found that India's income and wealth inequality measurements are among the worst, globally. Such inequalities perpetuate extremely high poverty rates in India. An indication of the extent of poverty experienced is evidenced by the fact that 67% of the population receives rice and wheat through the TPDS. This point highlights that the majority of India's population is unable to meet their basic food needs. The country also exhibits multidimensional poverty, as is indicated by underdeveloped infrastructure, skewed access to basic services (healthcare, education, clean water and sanitation, electricity and housing), high unemployment, income inequality, and wealth inequality (especially through the disproportionate ownership of arable land), with rural poverty far outweighing urban poverty. India also exhibits chronic hunger and malnutrition, with approximately one hundred and ninety million people prone to hunger on a daily basis.

In response to the issue of food security, the TPDS targets and categorises poor households. Food grains are distributed through differentiated pricing and/or rationing, depending on the level of poverty experienced by beneficiaries. Government's decision to substantially lower issue prices of foods or keep pricing at a lower constant in relation to market pricing for the same commodities, was found to produce indirect income transfers to farmers and PDS households. States with a well-run PDS produced a positive correlation between the access to subsidised basic foods and poverty reduction: transaction benefits were produced through the accessibility of ration shops (savings for PDS households on transport costs); the poverty-gap index was positively impacted; the breadth of rural poverty was reduced; improvements were noted in the overall health and nutrition of households receiving their full entitlement; finally, when asked if they would prefer cash transfers over the TPDS, a significant number of beneficiaries opted for the PDS as they considered it a vital social safety net whereas cash transfers would expose them to market price volatility and additional transactional costs.

On the other hand, state governments with a deficient TPDS were criticised for failing to implement reforms introduced in the PDS. It was noted that the targeting process (which relies on the use of abysmal poverty lines) allowed government to drastically reduce its resource commitments and thereby exclude masses of eligible beneficiaries, which in turn exacerbated chronic hunger, malnutrition, overall living costs of people, and welfare costs. Government's proclivity for cost rationalisation encouraged corrupt behaviour: leakages; ineffective distribution channels; misinformation on pricing and commodity entitlements; marginalisation of households on the basis of caste and gender; and poor monitoring systems, which in turn failed to facilitate transparency and accountability within the system. Such criticisms were levelled at the system by critics who favour the PDS and acknowledge its significance as a poverty alleviation tool. The criticisms were voiced in order to argue for a universal PDS which by virtue of expanded coverage and policy reforms, is considered far more efficacious in mitigating the challenges of poverty, hunger, malnutrition, and food security.

Direct cash transfers, specifically India's Direct Benefit Transfer Scheme (DBT), was also discussed. However, the study found sufficient evidence to highlight that the DBT presents its own set of challenges such as: identity fraud, which in turn, produces wrongful inclusions/exclusions; a dire lack of technological and banking infrastructure, especially in rural areas; additional transactional costs (banking, transport and market price volatility) which impact net income; and banking fraud with the intent of diverting beneficiary pay-outs.

This study found sufficient evidence to suggest that the TPDS serves as a convincing illustration of the positive correlation between the adequate access to food and poverty alleviation. Despite challenges and limitations of the TPDS, the system has positively impacted social development by addressing poverty, hunger and malnutrition. For the millions of Indians who receive the bulk of their PDS entitlement, their opportunities for better nutrition and a disposable income are increased — factors that are pertinent to psycho-social well-being, active economic participation, and intergenerational success. A combination of income and wealth inequality, high unemployment, insecure employment, a severe lack of essential services and pricing volatility, all induce greater shocks for poorer households. This study maintains that food subsidisation through the TPDS places poor households in a better position to weather such shocks. In light of the fact that South Africa is faced with similar structural challenges, this study finds value in proposing a form of food subsidisation for a considerable component of poor South Africans — social grant recipients, whose social benefit is spread thin to assist their households. Fiscal constraints do not warrant the transplantation of a system such as the TPDS into the South African economy. However, this study believes that the facilitation of a form of food subsidisation is possible through a CSR initiative.

Following this, the third objective of the study was to determine the potential of CSR programmes in attenuating poverty levels. The study chose to contextualise the relationship of CSR and poverty alleviation in Porter and Kramer's framework for creating 'shared value' (2006; 2011), because the latter envisages the relationship between business and society as mutually beneficial, thereby providing theoretical credence to the study's proposed CSR model. Porter and Kramer's framework provides companies with guidelines to approach CSR strategically in order to advance economic and social development. Porter and Kramer show that strategic CSR presents the greatest opportunities for shared value because the former is underpinned by heightened innovation, efficiency, and differentiation. These factors enable a company to strengthen its market position whilst responding both, to customer needs, and social issues that are impacted by business activity, have consequences for competitive advantage, and can be adequately addressed by business resources. Porter and Kramer show that their framework is also applicable to the state and NGOs. Following this, the authors provide a convincing argument for strategic collaborations between business, the state and civil society organisations as an effective means of maximising economic and social gains.

The study highlighted that the practice of CSR in South Africa has progressed in that it demonstrates: more instances of collaborations between business, the state and NGOs; a greater correlation between CSR initiatives and business strategy; and heightened emphasis on achieving a triple bottom line. The study noted that: South African companies invested approximately R140 billion in social development over the past twenty years; and CSR projects have become more geographically located, with increased investment in rural projects, thereby narrowing the gap between urban and rural corporate social investment. The study showed that education remains the primary investment sector for CSR, followed by considerable investments in social/community development and health care. Education and health care are critical investment sectors because of the fact that South Africa exhibits inadequate basic services delivery. Furthermore, the call for mass employment creation requires a skilled and healthy workforce. Corporate social investments in these areas will expedite the attainment of these developmental goals. Corporate investment in community and social development is also of paramount importance because such investment cuts across basic services and empowers communities by providing resources required for self-development and economic participation. It was further noted that NGOs and state institutions remain the most favourable channels for CSR. These facts speak to Porter and Kramer's emphasis on the efficacy of strategic collaborations in maximising socio-economic gains. The study found evidence to support a growing acknowledgement both, of the importance of aligning CSR with business strategy, and of strengthening transparency through compulsory CSR reporting. Major South African companies also showed a proclivity for collaborating with local government structures and/or beneficiary communities as these companies intended to establish community needs, prioritise CSR projects, and obtain feedback on projects. It was pointed out though, that an opportunity for creating shared value in the public policy arena was missed, as business was limited to using feedback received from CSR projects to improve organisational performance. The study maintained that South African companies with well-intentioned CSR agendas acknowledged the threat social and economic instabilities pose to business longevity. Considerable social investments imply that such corporates intend to attract future highly skilled individuals and to ensure that there are viable markets for their products. The study concluded that those companies who successfully execute their CSR agendas through innovate ideas, strategic partnerships, and small beneficiary groups, for long-term impact, point to the need for more instances of CSR initiatives in order to expedite the attainment of developmental goals.

The fourth objective was to establish the possibility of adapting aspects of the CSR programmes of KFC and WHL, namely *Add Hope* and *MySchoolMyVillageMyPlanet (MSVP)*, respectively, so as to suggest the study's proposed CSR model, which is envisaged as creating shared value — significantly curbing food poverty amongst millions of poor South Africans relying directly/indirectly on social grants, and increasing market share for participating retail chains. *Add Hope* and *MSVP* are innovative initiatives because they are products of strategic CSR, and they involve customer participation to achieve the corporates' social investment goals.

Add Hope, launched in South Africa in 2009, responds to the crisis of hunger and malnutrition, by providing a daily, nutritious meal to one hundred and twenty thousand children from vulnerable communities. The initiative is funded primarily by R2 customer donations. Meals are provided to children via franchisee selected community NGOs, welfare centres, underprivileged schools, and early childhood development centres. To date, *Add Hope* has raised funds in excess of R492 million. The study made findings in terms of strategic CSR, social impact and business productivity. South Africa exhibits alarmingly high hunger and malnutrition rates: 27% of children under five years of age are stunted and 10% are severely stunted, whilst 5% of child deaths in 2015 were attributed to malnutrition. There is well-documented research on adequate nutrition serving as a potentially high-return social investment. These facts indicate that KFC, being the largest fast food retailer in South Africa, strategically chose a social issue and leveraged its brand equity and resources to facilitate a social investment initiative that contributes toward the development of a stronger economy which is required by any business for optimal economic gain. The study found evidence to demonstrate that *Add Hope* significantly impacted the lives of its beneficiaries as manifested in the children's improved school attendance and performance, and enhanced nutritional levels. KFC also opted for strategically collaborating with a global NGO, World Food Programme. The study maintained that this collaboration produced mutual benefit as the NGO gained a strategic donor, and KFC benefitted from strengthened 'corporate-customer (C-C) identification' because of the awareness created around the partnership. 'C-C identification' has also been strengthened locally as the study noted that the 75% of KFC customers were aware of *Add Hope*. C-C identification has been shown to increase brand loyalty, which in turn, boosts profitability. Apart from customer loyalty as a contributing factor to the success of *Add Hope*, employee perception has also played a role in the campaign's success. The study found that KFC prioritises staff development through training and skills development, and that *Add Hope* beneficiaries are often selected from communities to which staff belong. These facts can partly explain why 93% of KFC staff have reacted positively to the company's social investment initiatives and volunteer their time to assist in programmes. The study found that KFC successfully captured market share by responding to local demand. The company recognised the potential buying power of the mass low to middle-income market in South Africa, and responded by diversifying its product offering to meet customer tastes and budgets. The fact that KFC enjoys the most significant growth in emerging markets implies that the company has acted accordingly in all these markets. Capturing a larger market share presented mutual benefits for KFC (increased profitability), lower to middle income consumers (adding variety to their diets, and consuming chicken, an important source of protein), and the *Add Hope* campaign, which is potentially enhanced by a larger customer base. The study came to two conclusions on the efficacy of *Add Hope* as a CSR initiative. Firstly, the success of *Add Hope* attests to people's proclivity for altruism even in tough economic times. The message of *Add Hope* is that a nominal donation contributes toward significant social impact. Secondly, KFC has managed to create shared value and in turn, contribute to creating a more just society. To elaborate, KFC identified pertinent, external social factors that impacted its value chain, responded to these factors (through product diversification; employee development; strategic social investment initiative), and in turn, maximised economic gain for the corporate (largest market share in South Africa's fast food retail sector), and produced a means (*Add Hope*) for one hundred and twenty thousand poor South African children, and their families, to mediate their experience of poverty.

The Woolworths Group (WHL) launched *MySchool* in South Africa in 1997, and the campaign quickly evolved into *MSVP*. This CSR initiative addresses a range of issues: community empowerment, animal welfare, and environmental issues. The initiative relies on customer participation. The current database of active customer participants is one million, two hundred thousand. Thus far, the campaign has raised R500 million, benefitting 8,149 schools, NGOs and charity partners. The study deduced three strategic choices in the context of *MSVP*. Firstly, *MSVP* is innovative because customers are not required to donate cash to the programme. Rather, a portion of customer spend (effected at WHL stores or at any of their six corporate partners) is donated to customer-selected beneficiaries (from an extensive list provided by WHL). In a strained economy, customers are increasingly obliged to choose between economic self-enhancement and altruistic behaviour. *MSVP* removes this choice entirely because customers are given an opportunity to contribute toward social and/or environmental causes at no additional cost to themselves, and they are subsequently rewarded with Woolworths' in-store discounts and competitions. Secondly, in partnering with six well-established corporates, WHL has expanded the reach of *MSVP*. More partners translates into more customer spend/donations. Strategic partnerships also enhance the CSR portfolio of all participating corporates and potentially increases 'C-C identification', which bodes well for brand loyalty. WHL's partnership with ENGEN produces added mutual benefit – that of increasing market share as customers are offered both, the convenience of a fill station, and a limited range of Woolworths' food products. The third strategic choice is linked to WHL's comprehensive sustainability strategy, the *Good Business Journey* (*GBJ*). Through *GBJ*, WHL addresses its sustainability and enhances value creation via eight focus areas which range from various facets of social development to a range of processes that impact the natural environment. MSVP is an integral component of the group's approach to value creation because it cuts across many of the eight focus areas, by virtue of its extensive beneficiary list, and therefore, reinforces WHL's commitment to enhancing social, economic and environmental sustainability.

The study found that the link between *GBJ* and *MSVP* exemplifies Porter and Kramer's guidelines for creating shared value. WHL responds to and innovates in the competitive context through GBJ, and in so doing, produces benefits for the group, for society and for the natural environment. This study argued that in creating awareness around its commitment to enhancing socio-economic and environmental sustainability, WHL increased brand loyalty and grew its market share. This argument is supported by the fact that WHL reported steady and most significant growth in the food retail division, coupled with positive growth in three in-store fashion brands. This feat has been achieved despite South Africa experiencing rising consumer pricing and battling high unemployment. Furthermore, Woolworths is well-established as one of the top five South African retailers, among the likes of retail giants such as Shoprite Holdings. Looking specifically at WHL's social development agenda, the study argued that WHL utilised corporate strategy applied to business activity, to form strategic partnerships with business, the state, local and global NGOs, and local communities to produce mutual benefit. A few illustrations were provided in chapter six. One such illustration is the educational component of WHL's social investment agenda. Collaborations between Woolworths Educational Programmes, *MSVP*, the National Education Collaboration Trust (NECT), and the Department of Basic Education have ensured that approximately two thousand, seven hundred schools benefit from educational resources and experiential learning components. The Woolworths Trust and *MSVP* continue to donate millions of rand to these projects. In 2017, *MSVP* donated R63 million to *MySchool*. MSVP's Thuso Fund provides essential services to a range of under resourced schools. The study concluded, on the efficacy of *MSVP* as a CSR initiative, that *MSVP* as part of WHL's comprehensive social investment agenda, epitomises the power of strategic collaborations across public-private spaces, in responding to a range of critical economic, social and environmental sustainability issues. In so doing, *MSVP* notably contributes to attaining a more just society.

Upon evaluating all four objectives, the study found firstly, that social grants remain essential to millions of South Africans as they attempt to mitigate the circumstances of multidimensional poverty. However an exponential reduction in poverty and equality can only be achieved through a combination of social grants; policy reforms (underpinned by national consensus on social transformation and a political will to tackle patterns of wealth and income inequality); a mass expansion of basic services (so that the necessary resources are made available for people to actively participate in society/the economy); a political will to ensure transparency and accountability within municipalities (the vehicle for basic services delivery); and collaborative efforts (from the state and business) toward job creation (underpinned by requisite skills, fair pay and fair equality of opportunity). These measures are implemented over a medium to long phase. The study argued that in the interim, bottlenecks imposed on millions of poor South Africans could be partially relieved through the generation of novel ideas. This study chose to focus on food poverty which is exacerbated by high consumer pricing. The second objective was therefore, to determine the relationship between the access to affordable basic foods and poverty reduction by examining India's TPDS. Following this, the study found that there is a positive correlation between basic food commodity subsidisation and poverty reduction. In establishing that government is not in a financial position to transplant and facilitate a programme such as the TPDS into South Africa, the study set out to determine an alternate means of producing a form of food subsidisation, and focused on corporate social responsibility and its ability to attenuate poverty levels. Following this, the study found thirdly, that companies with CSR agendas underpinned by innovate ideas, strategic partnerships, and strategic beneficiary identification, were able to expedite the attainment of developmental goals (poverty reduction being a significant global developmental goal). Finally, the study evaluated two noteworthy and innovative CSR initiatives, incepted in South Africa, and targeted primarily at vulnerable children and communities. The study found that the innovative aspect of customer participation in CSR initiatives, coupled with strategic collaborations between business, the state and NGOs, could be extended and applied to the study's proposed CSR model — one that seeks to alleviate poverty for South Africa's social grant recipients and their households, through the subsidisation of basic food commodities, where pricing is set far below the national average for food inflation.

7.3 Conclusion

The principal aim of this study was to propose a CSR model to major South African food retailers, one that facilitated a significant subsidisation of pricing for basic food commodities, specifically for social grant recipients, in order to alleviate the breadth of poverty experienced by grant recipients and their households. The idea was for such pricing to be set far below the national average for food inflation, currently 4.5%.

The proposed CSR model requires a collaboration of major, local food retailers, customers, the state, and public-sector representatives. Drawing on the success of *Add Hope* and *MySchoolMyVillageMyPlanet*, and highlighting the enhanced capacities of two major local retailers, Shoprite Holdings Ltd and Pick n Pay, the study substantiated the plausibility of the proposed CSR model as a means of further curbing poverty. The findings and recommendations of the study are as follows:

- The proposed model is underpinned by a few collaborations, the most important one being the corporate-customer partnership. Upon evaluating *Add Hope* and *MSVP*, the study found a positive correlation between customer participation in CSR initiatives and poverty alleviation. Hence the study recommends extending this innovation through the proposed CSR model.
- In terms of the request for customer donations, the study asserted that all South Africans feel the effects of high consumer pricing. *Add Hope* provided evidence of people's proclivity for altruism irrespective of the economic climate. Hence the study finds potential in the donation-based CSR model, especially as the donation requested is a nominal amount, R2 or multiples of R2.
- The study established that two of South Africa's largest food retailers, Shoprite Holdings Ltd and Pick n Pay, have significantly reduced internal inflation to assist consumers. Shoprite achieved a rate of 0.3% for a little over thirteen thousand, two hundred products. Pick n pay achieved a rate of 2.2% for a range of commodities as well. Both retail groups enjoy considerable market share, are profitable, and claim to possess enhanced operating capacity and buying power. Hence, the study finds plausibility in recommending that participating retailers, with similar capabilities, offer social grant recipients discounted pricing on basic foods set far below the national average for food inflation, and preferably within the range of 0.3% to 2.2%.
- The study argued that despite concerns over the underutilisation of the current list of VAT-exempt foods, the goods to be offered through the proposed CSR programme should comprise a wide variety because underutilisation is likely due to income deficiencies. The study finds relevance in the recommendations of PACSA, pertaining to a minimum nutritional food basket because of the field expertise involved in producing the basket. The study recommends that monopolistic behaviour be avoided

by ensuring that goods on offer are made available through competing brands, and that the recommended retail prices plus sales prices of each brand are clearly displayed.

- The study acknowledged that its recommended 15% pricing discount structure, over and above sales pricing that reflected an internal inflation range of 0.3% to 2.2%, required a feasibility study. The two recommendations were made on the basis of a few arguments. Despite a drastic reduction of internal inflation by retailers such as Shoprite and Pick n Pay, food pricing remains too high for poor consumers. As the state does not regulate food producer pricing or retail margins, there is a lack of transparency on the true potential for fair food pricing, hence reductions in internal inflation, although noteworthy, cannot be relied upon as being the maximum reduction. Finally, the VAT subsidisation is facilitated solely by the state, and this subsidy has not translated into greater numbers of poor households accessing adequate food.
- The study recommended that a Fund comprising representatives from relevant state ministries/departments, executive branches of participating retail chains, a few well established NGOs with intimate knowledge of the needs of the poor, and a few relevant academic, legal and corporate governance field experts, be set up to ensure transparency and accountability within the programme. The study further recommended that the Fund be audited by two reputable and well-established auditing firms who in turn, could contribute to the success of the project, and enhance their own social investment agendas, by offering their services at rates below market value.
- In terms of the IT interface required for the project, the study recommended that the interface be accessed by participating retailers, SASSA, and the Fund in order to enhance transparency and legitimacy. Furthermore, each of the participating entities with such access, are to be limited to the data they can obtain so that there is no infringement of privacy rights or access to confidential information not required by these entities as they carry out their functions in the programme. Access rights of the Fund would also serve both, to prevent abuse of the programme in terms of product items and quantities sold plus product pricing, and to facilitate a seamless verification of the subsidisation portion of the retailers and the rebates owed to retailers.

The principal aim of this study was to propose a CSR model to major South African food retailers, one that facilitated a significant subsidisation of pricing for basic food commodities, specifically for social grant recipients, in order to alleviate the breadth of poverty experienced by grant recipients and their households. The idea was for such pricing to be set far below the national average for food inflation, currently 4.5%.

Following the evaluation and discussion above, this study asserts that the principal aim has been achieved. Research in the areas of South Africa's social grants and their efficacy in tackling poverty; food subsidisation for India's poor through the TPDS; the efficacy of CSR initiatives addressing poverty; the capacity of innovative CSR initiatives to tackle those dimensions of poverty that impact business longevity; and the capacity of some of South Africa's major food retailers for innovation in the competitive context, have all provided ample evidence to support the plausibility of the proposed CSR model.

The study has shown that the CSR model is emblematic of Porter and Kramer's guidelines for creating shared value. The model is proposed as a strategic response to a significant dimension of poverty — the lack of access to adequate food — which has consequences for psycho-social well-being, meaningful economic participation, and socio-economic sustainability. Millions of South Africans either cannot afford adequate, basic nutrition or experience hunger and malnutrition because a myriad of socio-economic challenges continue to exacerbate poverty and inequality levels, which in turn, threatens sustainability. The proposed CSR model produces an innovation in the form of heavily discounted basic foods (pricing that reflects a rate of inflation far below the national average of 4.5%) made available to social grant recipients and invariably, their households, through a collaboration between willing, major local food retailers and their customers. High consumer pricing is a significant driver of poverty. The study has shown that CSR model has potential to produce mutual benefit for participating retailers and the intended beneficiary households (millions of poor South Africans). Retailers could enjoy the benefits of increased market share and long-term sustainability. Beneficiaries would be given an opportunity to meet adequate food consumption which translates into psycho-social well-being, and create or expand disposable income for essential consumption expenditure.

Finally, the aim of the study speaks to the attainment of greater redistributive justice, as the CSR model was prompted by the fact that millions of South Africans are unable to exercise their basic right to adequate food. The proposed CSR model is an articulation of John Rawls' theorisation of 'justice as fairness' (1999). For Rawls, a just society is one that permits inequalities in particular social and economic advantages, under conditions of strict equality of basic liberties and fair equality of opportunity, so that the benefits for the worst-off social groups are maximised. Rawls' 'difference principle' permits changes in institutional frameworks responsible for the distribution of these benefits between broad categories of relevant, basic social positions. This study identifies major local retailers as the economic players with the potential to produce change in the institution of the market through the proposed CSR model, so as to maximise benefits for social grant recipients who can be considered to occupy one of South Africa's worst-off social groups. Maximum advantage, in this context, refers to greater access to adequate food and nutrition which potentially serves as a high-return social investment. Overall, this study maintains that the proposed CSR model emblematises Rawls' just society. In a particular context of inequality (free market determination of commodity pricing leading to rising food prices), an organisational innovation within the institution of the market (the proposed CSR model) produced by economic organisations, who are ultimately institutional influencers, stands to benefit those amongst the least advantaged members of South African society by enhancing their access to food, which in the current context of high consumer pricing, is a significant form of empowerment.

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