An Analysis of Local Level Development in South Africa:
A Case Study of Uitenhage

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“There has never been consensus or unanimity about the definition of development, let alone the means to achieve or promote it” (Simon, 2005: 21)
Abstract
Development backlogs, in terms of unemployment and poverty, plague many developing countries. Countries have established and implemented various policies and plans to address these challenges. In response to these development backlogs, South Africa has instituted the notion of decentralisation and developmental local government, whereby local governments are largely responsible for initiating and facilitating development in the area under their jurisdiction. Furthermore, the potential role the private sector can play in development is being increasingly recognised by government, politicians, academics and developers alike. Uitenhage has a strong corporate presence and therefore this sector has the potential to contribute towards development in the town. However the concept of using corporate social responsibility (CSR) to promote development in South Africa is relatively new and, as will be revealed in the case study, definitions and underlying motivation for undertaking CSR vary.

Local Economic Development (LED) and, more recently, CSR, have been recognised as major drivers of development and are being implemented throughout the country. As this thesis illustrates, they often merge and can work hand-in-hand to promote local development. Although the private sector, through CSR has the potential to contribute to development, they often do not have the available human resources to implement development initiatives. As is evident in the case study, partnerships between the private and public sectors often emerge as a result. Development institutions play a key role in development and often assist in bridging the gap between citizens, the state and the market. The development institutions in Uitenhage often act as instigators and facilitators on behalf of the larger corporations.

The case study in Uitenhage, is a locality where there is a strong automotive industrial cluster and several major firms which are active in the development process. Furthermore, development
institutions are committed to the socio-economic development of the town and the promotion of small micro medium enterprises (SMMEs), through various support services. The development institutions, often in partnership with the local government and the public sector, have initiated various local developmental projects in the town, of which three will be discussed in the case study. In this thesis, case study research reveals that corporations often do not meet their potential developmental role and their CSR actions are often considered as ‘window-dressing’ aimed at boosting their corporate image. Similarly, with regard to the development institutions, their development and job creation results look impressive at first glance, but further investigation reveals a collapse of a large number of projects.

Despite the potential of LED and CSR to be major drivers of local development, there are still a number of hindering factors, which will be revealed in this thesis and lessons to be learnt which can help to inform future local development projects.
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Chapter One: Introduction: Setting the Scene

1.1 Introduction and motivation

The context for this thesis is provided by the developmental backlogs which exist in South Africa in terms of unemployment and poverty (Lewis, 2002) and the associated need to devise and implement appropriate interventions to address such challenges. National and international literature argue that both local governments and the private sector, in addition to national governments, have a key role to play in this regard. Whilst the developmental role of local government in South Africa has merited attention in academic research in recent years (Nel, 2001; Niksic, 2004; Nel and Rogerson 2005), less attention has been devoted to the role of the private sector, operating either independently, collectively or in partnership with local governments (Hindson, 2003). This particular study seeks to partially help address this gap through a detailed study of the urban centre of Uitenhage in which there is a significant corporate presence, a strong desire to form local-level public-private partnerships and a significant development backlog. Despite the strong industrial base in the area, which is one of the key centres in South Africa’s vehicle and component manufacturing sector, there are high levels of unemployment (estimated at 45.8 percent) (Statistics SA, 2004).

This study focuses on and assesses the development strategies that have been implemented in Uitenhage, to both capitalise on pre-existing economic growth based on the area’s strengths and also to help address unemployment and development backlogs. Reference to Uitenhage in this study includes the neighbouring community of Despatch, which is included in local development initiatives, however this centre is not a primary focus. While Uitenhage is part of the broader Nelson Mandela Bay Metropolitan Municipality (NMBMM), in terms of economic development, the Uitenhage area (including Despatch) operates as an autonomous entity (in terms of the Metropolitan area’s economic planning), which sets the spatial context for this particular study (Murray, pers. comm., 2006). While Uitenhage may not be the poorest town in the country, the presence of several major firms which are active to varying degrees in local development processes provides a possible ‘laboratory’ setting to clarify and compare the development actions and impacts of both the public and private sectors within the context of a relatively small centre, an investigation which would be difficult to undertake in a larger, economically diverse city. In the town, two dedicated public-private development agencies and several of the major corporations are engaged in a range of development projects including business and sector support, training and place marketing.
The context for this study is provided by the reality that in South Africa significant devolution of development planning has taken place in response to unemployment and developmental backlogs. The following graph (Figure 1.1) illustrates the growing economically active population in South Africa. Despite recent (post 2002) job creation efforts by the government, there is still a large backlog of unemployment, as the job market has not been able to fully absorb the economically active population. As a result, unemployment levels have risen. Figure 4.1 in Chapter Four illustrates the unemployment rates in South Africa which have, on the whole, risen over this same time period (1994 to 2004).

![Figure 1.1: Figure depicting the percentage of South Africa’s economically active population](Source: Stats SA, 2004)

Through the process of devolution, local government is now expected to initiate cost-effective development schemes, often through public-private partnerships to effect change (Nel, 1999; Niksic, 2004; Rogerson, 2006). Academics in the field of developmental geography, such as Gooneratne and Mbilinyi (1992), Rogerson (2000), Friedman (2001), and Binns and Nel (2002) note that in recent years, the locality has gained in prominence as a focal point in contemporary development thinking, and that locality-based development has become integrated into broader development discourse (Gooneratne and Mbilinyi, 1992; Scott and Pawson, 1999).

According to Nel and Humphrys (1999), economic changes that have affected localities in both the developed and developing worlds have resulted in local stakeholders looking inward for their own local solutions, utilising local skills, resources and initiative, through a development approach known as Local Economic Development (LED), which is based on local actions, usually led by the local government to maximise economic strengths and address local backlogs (Helmsing, 2003; Nel and Rogerson, 2005). While the private sector can contribute to LED processes through partnerships, Corporate Social Responsibility (CSR) refers to specific
community-focused actions undertaken by individual firms which often do have local economic implications. LED and CSR are two of the primary approaches which are gaining both national and international popularity, as localised responses to economic crises (Rogerson, 2000; Kivuitu et al., 2005; Visser et al., 2005). Both are being practised in Uitenhage and their focus and the local socio-economic impacts of both LED and CSR initiatives are assessed in this study. In this thesis, the terms ‘development’, ‘local development’ and ‘local economic development’ are based on the South African government’s LED defining policy, which have a socio-economic focus (DPLG, 2000). The term ‘local development’ is primarily used in the case study of this thesis, however it is referred to as ‘local economic development’ when discussed in relation to the literature, as this is the more commonly use term in academic discourse.

1.2 Geography and Development
A study of this nature fits within the broader geographical literature on the rise of ‘local’ developmental initiatives and the associated importance of ‘place’ or ‘locality’ in processes of economic change. This is in agreement with the views within the localities school of thought, one of whose most prolific writers, Doreen Massey (1995; 2005), clearly identified how in geographical space, individual places manifest different socio-economic characteristics both across regions and within specific places which can become mutually reinforcing through time. On a related theme, according to Smith (2004: 15958), uneven development refers to “the systematic processes by which social and economic change in capitalist societies enhances the wealth of some places at the expense of others”. Uneven development is a spatial expression of the social differences, inequalities, and processes that lie at the core of capitalist societies (Smith, 2004). According to theories of uneven development, uneven development is a trademark of capitalist societies, where the rich get richer and the poor get poorer (Krugman, 1998; Mehretu et al., 2000; Smith, 2004; Massey, 2005). However, as Smith (2004) notes, uneven development is highly dynamic, and that spatial fix is often only temporary. A parallel school of thought, that of local economic development, argues that local spatial inequalities both require and justify locally appropriate developmental responses, which are a primary focus of this study (Rogerson, 2000; Nel, 2001; Helmsing, 2003). Intervention led by the local state and/or private and/or community sector partners can go some way to responding to these inequalities within specific places and can lay a grounding for the realignment of the local space economy, while the private sector can contribute to LED processes (Nel, 2001). The private sectors’ CSR actions may have local economic spin-offs for the surrounding communities,
Despite disagreements about the reasons for undertaking CSR actions (Kivuitu et al., 2005). Concerted local action, as is evolving in Uitenhage, reflects a combination of local endeavours in this respect, which are designed to ensure both economic well being and the competitiveness of that specific locality.

1.3 Decentralised Development in Development Discourse

Development thinking has changed over the years, from being purely economically driven, to being seen as a more people-centred, bottom-up approach. What is recognised is that while growth is an important contributor to poverty reduction, there is no single path to development (Nel 1999; Stigliz, 2001; Rogerson, 2006). Literature reveals that western policy makers are shifting from past strategies of focusing development on structural, macro-economic strategies, towards a new locality or people-centred approach (Pieterse, 1998; Simon, 1998; Binns and Nel, 1999). Stock (1995) states that the failure of conventional, top-down models of development, brought about the need for an approach which allows development to be defined, implemented and controlled by the citizens of local communities, and also the need for public-private partnerships. Corporate social responsibility (CSR) also has a role in this regard. Binns and Nel (1999) maintain that through this new orientation, development appears to have moved beyond the development ‘impasse’.

Through the processes of devolution and decentralisation, formal power and control have been transferred to the lower tiers of government (Nel and Binns, 2005). This is a shift which is occurring worldwide, whereby social and economic responsibilities are increasingly being delegated to local authorities (Nel and Binns, 2005). In South Africa, the present government has attempted a decentralisation strategy and implemented numerous strategies in an attempt to rectify the legacies of apartheid. Local governments are responsible for social and economic development in the area under their jurisdiction (RSA, 1998). It is thought that developmental local government, which promotes the cooperation and working together of local government and its citizens, will go a long way towards meeting the social, economic and material needs of their communities (Cheru, 2001; Binns and Nel, 2002; Niksic, 2004; Nel and Rogerson, 2005). Niksic (2004: 354) notes that decentralisation can be considered a means of reducing ‘red tape,’ to achieve greater performance efficiency, to foster innovations in administration, improved economies of scale, and to enhance local government and private sector administrative capability.
1.4 Defining Local Development

Local Economic Development (LED) and Corporate Social Responsibility (CSR) are recognised as key components of locality based development and despite their limitations have gained recognition from governments, policy makers and academics with regards to their job creating and poverty alleviation potential. Together, they strengthen not only local economies, but also the national economy, promoting sustainable socio-economic development. The effectiveness of such initiatives in the study area will be assessed through this study.

1.4.1 Local Economic Development (LED)

LED is one response to the development ‘impasse’ which shares certain similarities with the post-development argument about the need to focus on more localised, innovative grassroots initiatives (Escobar, 1995; Nel, 2001). Zaaijer and Sara (1993: 129) define LED as “a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area”. According to the World Bank (2006,) “the purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation”. Within the context of this thesis, LED will be looked at and evaluated in Uitenhage, in part to determine the extent to which such statements hold true in this particular South African locality. Helmsing (2003) likewise explains that LED emphasises the use of local control, using the potential of human, institutional and physical as well as natural resources in the area. Additionally, this study will highlight the importance of public-private partnerships (PPPs) in harnessing these local potentials in the pursuit of development. Nel (1999) notes that LED can be led by local authorities or any other prominent local stakeholder. LED shares much in common with development theories such as ‘development from below’, ‘development from within’, endogenous development and self-reliance (Nel, 1999).

Authors such as Nel (1999) and Rogerson (2000) have identified two main approaches to LED, namely authority based and community based LED. These two major LED approaches can be grouped into pro-growth approach, responding to issues such as globalisation, business support and property development; and a pro-poor approach which tends to focus on poverty alleviation and the promotion of community-based development, business development and locality
development (Nel, 2001; Nel and Rogerson, 2005). Both pro-poor and pro-growth LED approaches are utilised in the case study area.

However, Stock (1995) cautions that this type of development cannot be regarded as a panacea, and makes the statement that it is unlikely to achieve more than erratic successes for the disadvantaged majority. However, as Binns and Nel (1999) recognise, while LED may not be the panacea for socio-economic crises, it is one of a number of strategies which communities themselves can initiate to help deal with their socio-economic situations, and which can be applied to improve the conditions and overall livelihoods in countries.

1.4.2 Corporate Social Responsibility

It is being increasingly recognised, by politicians and academics, that poverty reduction and sustainable development cannot be achieved single handedly through government actions (Kivuitu et al., 2005; Visser et al., 2005). The potential contribution of the private sector to achieve such ends is receiving increasing attention (Kivuitu et al., 2005) and, as will be discussed, is a clear component of local development initiatives in Uitenhage. Partnerships between civil society and businesses can be beneficial as businesses have important resources and capabilities that can be utilised for development purposes (Hamann and Acutt, 2003). In theory, CSR considers private companies as important agents, especially with regards to partnership formation with the government and civil society (Hamann and Acutt, 2003).

CSR is a highly topical and debated concept in published literature and in the media, with there being various interpretations of the term. The World Bank defines CSR as “the commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for business and good for development” (World Bank in World Business Council for Sustainable Development, 2002: 2). The discourse on CSR has become part of the global agenda for sustainable development. This arises from a growing realisation, on the part of the corporate sector, that the future of business cannot be guaranteed unless it recognises and acts on its social, economic, and environmental obligations (Moyo and Rohan, 2006). CSR is also used as a tool in meeting the triple bottom line (economic, environmental and social) of companies. The underlying motivation for CSR is, however, often contested with companies being criticised for purely undertaking initiatives to boost their public image. Conversely, others argue about whether CSR should be undertaken at all as it interferes with the core

1.5 Applied Development in South Africa

Since coming to power in 1994, the African National Congress (ANC) has attempted to apply what amounts to a decentralisation strategy in which local governments are expected to increasingly undertake cost-efficient developmental strategies, to utilise public-private partnerships, and to apply both pro-poor and pro-growth development approaches (Rogerson, 2000, 2006; Niksic, 2004). Authors such as Nel and Humphrys (1999) and Rogerson (2000, 2004) identify the main objectives of what is known as ‘developmental local government’ as being sound municipal management and the establishment of job creating enterprises. A key focus of this thesis’ study will be to assess the effectiveness of local endeavours in this regard, and to assess the socio-economic benefits accumulated for the beneficiaries, as well as to assess the sustainability of such initiatives. However, it must be cautioned, and as Nel (2001) notes, although there have been successes in terms of LED, there are practical limits to its application. Shortages of skills, and human and financial resources, in many cases, act as hindering factors.

CSR is a topical and debated subject in the published literature which has encouraged research into the roles and responsibilities of companies, and authors such as Waddock (2002) and Hamman and Acutt (2003) question their motivation and underlying reasons for undertaking CSR. The concept of using CSR initiatives to promote development in South Africa is relatively new, but according to Irwin (2003), corporations have the ability to help alleviate socio-economic challenges. However, as previously noted, CSR initiatives have been criticised for generally being directed towards those activities which benefit their corporate image and are not always directed at areas like job creation and rural development (Irwin, 2003). The private sector in Uitenhage plays a strong participative role in the community and CSR actions are high on their agenda. Furthermore, several projects have been initiated or have received funding and/or assistance in the Uitenhage area and their success/failures will be evaluated.

1.6 Applied Development in Uitenhage

As already mentioned, Uitenhage falls within the broader Nelson Mandela Bay Metropolitan Municipality (NMBMM), in the Eastern Cape, where local development practise has been influenced by both LED and CSR. The study area is plagued by high levels of poverty and unemployment (an estimated 45.8 percent) which hinders development opportunities and as a
result public and many private institutions are committed to help address these issues (Statistics SA, 2004). In addition, the legacy of previous apartheid policies presents the challenges of a polarised economy, an uneven distribution of wealth and a low skills base.

The NMBMM has an official policy promoting and supporting local development and small-medium and micro enterprise (SMME) support. Furthermore, through the local development institutions in Uitenhage, the metropolitan authority has initiated a number of key projects in the study area in order to stimulate growth and create jobs. The NMBMM channels much of its support through one of the development institutions in Uitenhage, the Uitenhage Despatch Development Initiative (UDDI). Along with another development institution, the Uitenhage Self-Employment Centre (USEC) they act as development facilitators and instigators with regard to development, aimed at reducing poverty and unemployment through sustainable job creation. Furthermore the latter provides a number of services including training, advice, and referrals and has initiated incubator projects. They are also involved in a number of community projects.

Uitenhage has a strong industrial base, centred around the automotive sector, which, as this thesis will examine, has the potential to significantly contribute towards CSR-driven development over and above its general economic impact. Likewise, various secondary industries and local businesses are similarly assessed in this study with regard to identifying their involvement in development processes and their socio-economic impacts.

It is within the spheres of local development and CSR, that this thesis seeks to evaluate the socio-economic impacts of development initiatives in Uitenhage. The following section will outline the aims and objectives of this study in greater detail.

1.7 Aims and Objectives

1.7.1 Aim

To investigate and evaluate the nature and socio-economic impacts of localised, public and private development initiatives in Uitenhage, initiated in response to prevailing developmental backlogs.
1.7.2 Objectives

1. To identify, collate and synthesize international and South African literature relating to local economic development and corporate social responsibility in order to provide a context for the study.

2. To identify determining policy and corporate social responsibility agendas affecting Uitenhage’s development to determine whether it is genuine development or done for purposes of corporate image.

3. To identify and detail local level economic initiatives undertaken by local government and other stakeholders in Uitenhage, namely by:
   a. The public sector, through the Uitenhage Self Employment Centre (USEC) and the Uitenhage Despatch Development Initiative (UDDI)
   b. The private sector, and specifically the automotive industry, through their corporate social responsibility initiatives

4. To evaluate the socio-economic effects of selected, representative development initiatives undertaken by the public and private sector in Uitenhage, individually and collectively, in terms of jobs created, firms established and socio-economic spin-offs.

5. To identify possible key issues which can inform development practice locally in the study area and in other local development initiatives.

1.8 Thesis Outline

The following sub-sections will briefly overview the key elements that will be discussed in greater detail in the following chapters, of which there are ten. Following the methodology chapter is a chapter relating to general local development literature, followed by a chapter focussing on local development in South Africa. These chapters deal with a review of both international and national literature which seeks to provide a theoretical context for the case study which is dealt with in the remaining chapters. These chapters, reviewing relevant literature, are quite extensive and detailed as it is important to understand the diverse theoretical context within which the case study operates. Following these, are five chapters which detail the local development policy framework at various levels (national, provincial and local) in South Africa as well as a case study of local development initiatives in the town of Uitenhage. Three development projects are also assessed in order to illustrate development initiatives in action and to gain an insight into the types of development assistance provided by the various development agencies / firms and theirs associated socio-economic impacts. A discussion and conclusion draw the thesis to a close.
1.8.1 Chapter Two: Methodology

Chapter Two details the research methodology that was used in this study. It looks at the research aims and objectives, detailing what the study sought to achieve and then explains the steps which were undertaken to obtain the information, both for the review of the literature and for the case study. The nature of the study and the aims it sought to achieve required the adoption of a variety of methodologies and techniques of data collection and analysis. The chapter describes the methods used to collect and analyse information pertaining to the case study through detailing the main research techniques, namely: the use of key informants, interviews and observations, documentary analysis and questionnaires. These research methods were based on approaches undertaken by researchers undertaking research in similar fields (Nel, 2000; Simon, 2000; Rogerson, 2004).

1.8.2 Chapter Three: Local Development

Chapter Three provides an international context for the local development initiatives and practices that are being engaged in, in South Africa. This chapter details the difference between local development in both the developed and developing worlds, and the need for localised development responses to local economic crises. It is clear that, in general terms, the major differences between developed and developing countries, with regards to local development initiatives, are their market-orientated nature versus basic needs provision and poverty alleviation. The need for localised development globally is as a result of a range of factors including the continuous shifting of the international division of labour, as well as a global restructuring of industry, structural adjustment schemes, the debt crisis and marginalisation that has left many localities struggling to survive. Partnerships, the role of development institutions, local economic development as well as corporate social responsibility are discussed as strategies to achieve local development. The concepts of partnership and cooperation between various sectors are considered essential for local development, as is the harnessing of social capital. Background details on clusters and the automotive industry are also provided as these have a strong presence and influence in the study area. Uitenhage relies significantly on this sector for its economic survival; hence understanding this context is appropriate.

1.8.3 Chapter Four: Local Development in South Africa

South Africa is plagued by social and economic inequalities resulting from the previous apartheid system. As Chapter Four explains, the country’s present government encourages a
policy of ‘developmental local government’, according to which local municipalities are expected to increasingly undertake cost-effective developmental strategies of development, to utilise public-private partnerships and, as a result of the perceived dual economy, to apply both pro-poor and pro-growth development approaches. Furthermore, the potential contribution of the private sector in achieving such actions is being increasingly recognised and, as such, the South African private sector is being encouraged to play a strong participative role in host communities.

This chapter will detail South Africa’s developmental status and developmental policy, as well as local responses to development needs throughout the country. LED and CSR are recognised as key components of locality based development, and each is discussed in turn, including an assessment of their varying degrees of success.

**1.8.4 Chapter Five: Setting the Scene**

Chapter Five sets the scene for the case study. It begins by detailing key demographic and economic trends in order to situate Uitenhage within the context of its host province. The Eastern Cape is starkly divided between the poor, densely populated former labour reserves or homelands, mainly in the eastern half of the province, the under-serviced townships and informal settlements; and the well-serviced, historically white urban centres and relatively affluent, sparsely populated commercial farming areas in the west of the province. Uitenhage may not be the poorest town in the Eastern Cape, but its levels of unemployment and widespread poverty are nonetheless substantial and worthy of academic enquiry as a microcosm of developmental needs and localised response. The key growth challenges facing the province are unemployment and low levels of education, as well as the associated high levels of poverty. Following a brief description of the Eastern Cape, the metropolitan area within which Uitenhage is situated, namely the Nelson Mandela Bay Metropolitan is discussed. The large industrial presence in the NMBMM and Uitenhage itself, makes them key role players in local development. The strong automotive industrial sector is prominent and is looked at in greater detail.

**1.8.5 Chapter Six: Development within the Region – Policy and Plans**

Uitenhage fits within the wider political and economic framework of the Eastern Cape, and Chapter Six details the context within which development in the case study area operates. Given the current government emphasis on the alignment of policy at all levels, knowing the
The focus of higher level thinking is deemed appropriate. The Provincial Growth and Development Plan (PGDP 2004 - 2014), designed to deal with the spread and incidence of poverty and unemployment, as well as spatial inequality in the Eastern Cape, is the primary document discussed with regards to its aims and vision for the province. The next level of decentralised government, the NMBMM is looked at, detailing its developmental plans for the metropolitan area. The municipality recognises that the needs of the communities are unlimited, while the available resources are not, therefore requiring them to prioritise their actions. Strong support for small medium micro enterprises (SMMEs) is evident in their policy documentation. Furthermore, there are a number of public and private institutions that are committed to assisting SMMEs to develop into sustainable and profitable businesses. Lastly, the major economic development approaches of the NMBMM are briefly discussed. These are projects which are aimed at attracting investments, improving the quality of life of the residents, and encouraging general social and economic upliftment.

1.8.6 Chapter Seven: Corporate Social Responsibility

As Chapters Three and Four explain, CSR is becoming increasingly popular in theory and practice. Chapter Seven details CSR actions in Uitenhage, both from the standpoint of the major industries and other local businesses. The chapter begins by discussing the strong industrial base in Uitenhage, which is followed by a description of local industrial and business corporate social responsibility philosophy and actions. Despite not having drafted formal CSR policy documents, the companies have adopted differing views on CSR and subsequently there are diverse initiatives within the Uitenhage community. Furthermore, the size of the company does not necessarily predict its involvement within the community and CSR initiations range from ad hoc donations to the initiation of community projects. Poverty and poor levels of education are key challenges facing Uitenhage’s development and as education is the cornerstone of building a stronger, sustainable economy, this sphere is seen as a valuable and worthwhile investment by several firms.

1.8.7 Chapter Eight: Local Development Institutions active in Uitenhage

Chapter Eight discusses the NMBMM and the two local development institutions role in municipal-led local development within Uitenhage. As will be highlighted in Chapter Four, local municipalities are responsible for the creation and stimulation of local development. As NMBMM is responsible for development in Uitenhage, specific projects have been initiated in order to stimulate growth. However these have not been undertaken by the municipality itself,
but have been devolved to the UDDI. These vary from urban agriculture and SMME development to tourism and large scale development projects such as the automotive logistics park.

The two development institutions in Uitenhage, the Uitenhage Despatch Development Initiative (UDDI) and the Uitenhage Self-Employment Centre (USEC) act as facilitators and instigators with regards to development, and aim to reduce poverty and unemployment through sustainable job creation initiatives. They provide a number of services, such as training, advice, and referrals and are involved in incubator projects. They also manage a number of community projects. Chapter Eight outlines their aims and details their various services, as well as highlighting their major projects, and their relationship with the private sector.

1.8.8 Chapter Nine: SMME Development Projects

Chapter Nine details three development projects (the Greater Uitenhage Sewing Cooperation, the Khaymnandi Brick makers, and the Kwanobuhle Youth Services Centre) in Uitenhage in order to demonstrate the complexities of initiating and operating local development projects and the challenges they face. These projects were chosen on the basis that they are amongst the largest and most well-established of the local development projects in Uitenhage and have been also fairly successful. Smaller, less-sustainable projects which were initiated and often closed during the course of the research were not examined in such depth due to the limited nature of their existence. The study highlights the various roles played by different stakeholders in the development process. The findings for this chapter were obtained through a questionnaire which was administered to the beneficiaries of the projects as well as the project managers. It reveals mixed views on development assistance received, project management, and the socio-economic impacts of the projects.

1.8.9 Chapter Ten: Discussion, key issues and concluding remarks

Chapter Ten brings the thesis to a close through a discussion of local level development in Uitenhage by comparing it with the international evidence detailed in Chapters Three and Four. Furthermore, it indicates the degree to which the aims and objectives were fulfilled. The Chapter discusses the potential of LED and CSR’s role in development, however the results to date have been limited. A greater commitment is clearly needed from all stakeholders in order for sustainable development to be achieved.
1.9 Conclusion

By way of a conclusion to this introductory chapter, this thesis examines ways to achieve local level development through CSR- and local development -initiatives. Every locality endeavours to improve the quality of life for its inhabitants, and how each goes about achieving this, is what gives this thesis its direction. This research highlights the complexities and challenges facing development and the ways in which Uitenhage is attempting to achieve this, primarily through addressing the challenges of poverty and unemployment. In the case of Uitenhage, municipal led local development is particularly concerned with SMME support and development of the skills base in order to lay the foundations for future economic growth.

Under the ‘developmental local government’ and LED mandate, the NMBMM and local Uitenhage role players, including the private sector, have taken up the challenge of addressing the inequalities largely created by the previous apartheid government, and public and private institutions are attempting to uplift the livelihoods of their community.
Chapter Two: Methodology

2.1 Introduction
This chapter details the specific research methodology and procedures used firstly in examining and interpreting written material on local development initiatives, including local economic development and corporate social responsibility, and secondly for conducting research on the case study of Uitenhage. The nature of this study and the aims it sought to achieve, required the adoption of a variety of methodologies and techniques of data collection and analysis. The research process was, mainly epistemologically interpretative and methodologically qualitative, and has used a narrative style (Kitchen and Tate, 2000). Research methods were based on tested approaches undertaken by established researchers undertaking fieldwork in parallel contexts of local development (e.g. Nel 2000; Simon, 2000; Rogerson, 2004). Key information was obtained through interviews and questionnaires, while ‘reading’ methods were also utilised.

Further motivation for this research is provided by Sharp (2006) who identifies the importance of CSR in anthropological studies. Anthropologists working on the phenomenon of CSR are able to focus not simply on whether companies are doing what they claim to be doing, and if not why not, but rather on the intended and unintended consequences of such actions, and on how these practices are related to other attempts at poverty alleviation, social improvement and economic development (Sharp, 2006). This thesis too seeks to address the wider implications which CSR activities have on the local community. Researchers in this field use a range of methods to obtain and analyse information. Using a combination of discourse analysis, multi-sited ethnography and participant observation, researchers can explore CSR from a variety of perspectives, leading to a more critical understanding of this trend through conventional forms of interview-based enquiry (Sharp, 2006).

This chapter restates the research aims and objectives of this study in order to assist with identifying the central research questions and how the research was conducted. Following this, a brief overview of qualitative and quantitative research styles is described in order to highlight the major research approach, qualitative research; elements of quantitative research are also incorporated in this study. An overview of the literature review is briefly outlined in order to place the research within international and national contexts and to identify common themes and trends within local development. This is followed by a description of the case study and the choice of the site for this research. The methods which were used in the case study are detailed,
namely: the use of key informants, interviews and observation, documentary analysis and questionnaires.

2.2 Research Aims and Objectives
The aim and objectives of the thesis are repeated in this Chapter as they assisted with identifying the central research questions and how the research was conducted.

2.2.1 Aim
To investigate and evaluate the nature and socio-economic impacts of localised, public and private development initiatives in Uitenhage, initiated in response to prevailing developmental backlogs.

2.2.2 Objectives
1. To identify, collate and synthesize international and South African literature relating to local economic development and corporate social responsibility in order to provide a context for the study.
2. To identify determining policy and corporate social responsibility agendas affecting Uitenhage’s development to determine whether it’s genuine development or done for purposes of corporate image.
3. To identify and detail local level economic initiatives undertaken by local government and other stakeholders in Uitenhage, namely by:
   a. The public sector, through the Uitenhage Self Employment Centre (USEC) and the Uitenhage Despatch Development Initiative (UDDI);
   b. The private sector, and specifically the automotive industry, through their corporate social responsibility initiatives
4. To evaluate the socio-economic effects of selected, representative development initiatives undertaken by the public and private sector in Uitenhage, individually and collectively, in terms of jobs created, firms established and socio-economic spin-offs.
5. To identify possible key issues which can inform development practice locally in the study area and in other local development initiatives.

2.3 Qualitative versus Quantitative Research
Although this thesis is largely qualitative, there are elements of quantitative research and therefore both research methods are described. A quantitative research design uses deductive
logic, where the researcher begins with a general topic, narrows it down to research questions and hypotheses, and finally, tests these hypotheses against empirical evidence (Neuman, 1997, Kitchen and Tate, 2000). In qualitative research, however, which is the research method of choice for this thesis, emphasis is placed on socio-spatial data and attention revolves around theorising, collecting, and analysing non-quantifiable’ data (Neuman, 1997, David and Sutton, 2004). Qualitative social research generally relies on the interpretive and critical approaches to social understanding (Neuman, 1997; Bell, 2005). However, as noted by Neuman (1997), although qualitative and quantitative research are two distinct types of research, there is overlap between the type of data and the style of research, and, as such, to a lesser degree, quantitative data may be found in this thesis. Neuman (1997) believes that the best research often combines features of both quantitative and qualitative research. The following table (Table 2.1) points out the main features of and differences between qualitative and quantitative styles of research.

<table>
<thead>
<tr>
<th>Quantitative style Research</th>
<th>Qualitative style Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures objective facts</td>
<td>Construct social reality, cultural meaning</td>
</tr>
<tr>
<td>Focus on variables</td>
<td>Focuses on interactive processes, events</td>
</tr>
<tr>
<td>Reliability is key</td>
<td>Authenticity is key</td>
</tr>
<tr>
<td>Value free</td>
<td>Values are present and explicit</td>
</tr>
<tr>
<td>Independent of context</td>
<td>Situationally constrained</td>
</tr>
<tr>
<td>Many cases, subjects</td>
<td>Few cases, subjects</td>
</tr>
<tr>
<td>Statistical analysis</td>
<td>Thematic analysis</td>
</tr>
<tr>
<td>Researcher is detached</td>
<td>Researcher is involved</td>
</tr>
</tbody>
</table>

(Source: Neuman, 1997: 14)

In light of the previous explanations of differing research paradigms, the methodologies employed in this thesis were largely qualitative, as they relied largely on social interactions such as interviews and non-numerical information syntheses in the documentary analysis conducted in Uitenhage. However, elements of quantitative research were also used, as questionnaires (which sought quantitative and qualitative data) and data analysis were utilised as tools to generate data. Authors such as Neuman (1997) and David and Sutton (2004) explain that the logic of qualitative research does not forbid the use of quantitative data; it can be a source of information which supplements or complements qualitative data. Furthermore, this study is, on the whole, epistemologically interpretive (epistemology meaning ‘way of knowing’) (David and Sutton, 2004: 30). As Neuman (1997) explains an interpretive researcher wants to discover what is meaningful or relevant to the people being studied. This study sought to investigate and evaluate the nature of the socio-economic impacts of localised development initiatives in Uitenhage. Interpretative social science theory was used which focuses on concepts and limited generalisations, but it does not dramatically deviate from the experience and inner reality of the
people being studied (Neuman, 1997). A qualitative researcher interprets data by giving it meaning, translating it, or making it understandable. However, the meaning the researcher gives begins with the viewpoint of the people being studied (Neuman, 1997; Bell, 2005). The views of the respondents interviewed will be discussed in the case study sections of this thesis (Chapters Seven to Nine).

As this thesis relied heavily on qualitative information generated from interviews and questionnaires, triangulation of information was very important. Triangulation is a multi-method approach where various sources are used to cross-check findings (Bell, 2005). Information gathered from interviews and questionnaires was either verified through further interviews with relevant persons, or through available documentation. Generating quantitative data is time consuming and therefore a schedule was devised to ensure that sufficient time was made available for field research and the collecting of data. Furthermore, as David and Sutton (2004) note, writing up is time consuming, therefore data had to be collected within a certain time frame, allowing sufficient time for the final write up.

2.4 Literature Review
The first phase of this study was a review of relevant national and international literature in order to identify whether there was a need for such research, its context and furthermore to identify current trends and common themes. At one level this research sought to contribute to the noticeably thin literature on CSR in South Africa. Blaxter et al. (1996) explain that a review of relevant literature is not only necessary, but is important in placing one’s research in the context of existing publications. Authors such as Simon (1969) and Kumar (1999) point out the necessity of literary reviews as they assist with the creation of hypotheses, reveal different conceptual analogies, present useful questions, clarify varying ideas, and give the researcher a wider knowledge base from which he/she can develop his/her own hypotheses, arguments and conclusions. This thesis examined numerous interpretations from varying authors contributing to the general field of local development initiatives. Chapters Three and Four contain the results of the literature review of interpretations relating to local development, including LED and CSR. This formed a critical base from which the focus of the case study research was constructed. The literature review helped guide and inform the research aim and objectives on which this thesis is based.
In order to achieve objective one and place the study within an international and national context, available literature from a variety of sources (journals, books, electronic data sources, websites as well as policy and newspapers) relating to LED and CSR and their associated impacts were analysed. This information was derived from secondary sources, which were critically analysed and appropriate knowledge claims were made and presented in the form of synthesized text.

2.5 Case Study

The focus of the second part of this thesis is a case study of local development initiatives, which according to Kitchen and Tate, “involve[s] studying a particular phenomenon within its real-life setting” (2000: 225). This allows a particular issue to be studied in-depth and from various standpoints. This particular study sought to help address the gap in South African literature regarding local development and corporate social responsibility (CSR), identified in the literature review. This was done through a detailed study of the urban centre of Uitenhage in which there is a significant corporate presence, a strong desire to form local-level public-private partnerships and a significant development backlog. This study focused on the development strategies that have been implemented in Uitenhage, to both capitalise on the area’s strengths and to help address unemployment and development backlogs.

Uitenhage was chosen for the case study as it functions as an autonomous economic entity, even though it falls with the broader Nelson Mandela metropolitan area, which sets the spatial context for this particular study. As discussed in Chapter One, Uitenhage may not be the poorest town in the country, but it does possess a number of firms which are active in the initiation and implementation of local development. Uitenhage’s geographical and economic circumstances provide a possible ‘laboratory’ setting in which to analyse the independent and joint development actions, of both public and private sectors, and their socio-economic impacts, which would have be more difficult to undertake in a larger city due to the sheer size of the urban area. The study illustrates the value of efforts to try and make development more effective by looking at the impacts and effectiveness of two different categories of role players, acting independently and in partnership. In the town, two dedicated development agencies and the major corporations are actively engaged in a range of development projects including business and various sector support, training and place marketing. In many ways, the activities that are occurring in Uitenhage, provide a good example of the local development actions and their spin-offs that have been identified in the global and national literature. The questions
which drove this research were much the same as those detailed in the theoretical discussion of researchers in similar fields of local development investigation.

2.6 **Methods used in the Case Study**

Research methods used in the case study of Uitenhage were based on approaches undertaken by researchers undertaking fieldwork in parallel contexts of local development, aiming to determine the drivers and effectiveness of local development (Nel 2000; Simon, 2000; Rogerson 2004). As Blaxter *et al.* (1996) explain, case studies rely on a mixture of methods including, observation, the use of informants, interviewing and information gathered from relevant documents and records from local and central governments. The gathering, collating, case study research and synthesis of the findings were undertaken over a period of eighteen months (January 2006 to July 2007). Visits to Uitenhage occurred monthly for a one to two week period per month, and the rest of the time was spent writing up and analysing data. In addition to the above mentioned methods (observation, use of informants, interviewing and information gathered from various sources) identified by Blaxter *et al.* (1996), research was also carried out through conducting questionnaire surveys.

2.6.1 **Initial contacts with Key Informants and the Initiation of the Research**

In order to gain a basic understanding of the development initiatives taking place in Uitenhage and how these related to broader development theory, it was necessary to communicate with key local development personnel and to personally visit the town. Through telephonic and electronic communication, a first meeting was set up in November 2005 with a key local development institution, the Uitenhage Self Employment Centre. At an informal introductory meeting in the boardroom of USEC, the director and project managers outlined what their organisation’s role in the development in the town was, as well as what was taking place in the town’s economy as a whole. This first meeting was crucial in identifying broad developmental trends and key informants, as this was the starting point from which contacts snowballed. Contacts were subsequently made with representatives of the key economic and policy sectors, including both the public sector, namely the local municipality and development institutions, as well as the private sector, both within the industrial and local business spheres. Development institutions have a wide range of contacts from which they draw and this proved a valuable source from which to identify further key informants. Furthermore, the local newspaper was contacted and provided valuable information regarding those actively involved in development within the Uitenhage area. Informants were contacted telephonically and often relevant
information was gathered via email prior to meetings. Referrals were also made by key informants who were subsequently contacted.

2.6.2 Interviews and Observations

As noted by authors such as Kitchen and Tate (2000) and Frankfort-Nachmias and Nachmias (1996), interviews allow the researcher to generate a rich and varied data set in a less formal setting. In-depth interviews may be unstructured, semi-structured or structured. Unstructured in-depth interviews are sometimes referred to as ‘open-ended’ interviews, in which the interviewer has no predetermined set of questions (Harvey and MacDonald, 1993; Frankfort-Nachmias and Nachmias, 1996, Kitchen and Tate, 2000). A semi-structured, in-depth interview is one in which the interviewer has a checklist of topic areas or questions. The questions tend not to be too specific, allowing for a range of possible responses, however, it is more focussed than the unstructured interview (Harvey and MacDonald, 1993; Kitchen and Tate, 2000). The answers are not asked in any specific order, rather they are designed to encourage the respondent to talk about specific issues that the interviewer wants to know about (Harvey and MacDonald, 1993; Kitchen and Tate, 2000). Lastly, structured in-depth interviews are similar to scheduled interviews where the interviewer has a list of specific questions, however it is customised for each respondent, unlike questionnaires/surveys. Semi-structured, in-depth interviews were largely used for in the information gathering process.

As the research progressed, the number of people with value to the research increased. Interviewees often recommended other people to speak to, and so the number of interviewees snowballed. Included in this group were representatives of the public sector (municipal government officials from the Nelson Mandela Bay Metropolitan Municipality; the local development institutions, USEC and UDDI, as well as non-governmental organisations) and the private sector, including the industrial sector (Volkswagen, Good Year, Hella, Kromberg and Schubert, Schnellecke, and Johnson Controls), and local businesses and institutions (East Cape Midlands College, Cuyler Hospital, Checkers, Spyros Kwikspar, and Fruit and Veg City). The list of interviewees is listed in the personal communications section of the reference section in this thesis. Interviews took place over an 18 month period, with the bulk conducted throughout 2006. As mentioned earlier, visits to Uitenhage and data gathering occurred on a monthly basis, for about one to two weeks at a time. Semi-structured, open-ended interviews, with relevant persons involved with socio-economic development within the Uitenhage area were conducted, using an interview guide, based on the method described by Neuman (1993), Frankfort-
Nachmias and Nachmias (1996) and Kitchin and Tate (2000). Kumar (1999) states that relatively unstructured interviews are best for situations where the researcher needs to find out more about a given topic area. As Kitchin and Tate (2000) note, it is hoped that open-ended questions better depict a person’s own thinking.

These interviews were conducted personally by the researcher, in a face-to-face manner. The focus of the interviews varied between major groups (municipality and development institutions, and industry and local businesses), as they play different roles in local development. These interviews were based on key sets of questions, structured with the thesis aim and objectives in mind.

The major questions posed to the municipality and local development institutions were aimed at discovering development backlogs and the nature and extent of development initiatives in Uitenhage, as well as identifying the major stakeholders. These interviews were conducted with representatives of the NMBMM and both development institutions. Project managers provided valuable information regarding project details. The following questions and areas were explored and formed the basis of the interviews. A more detailed interview-guide can be found in Appendix 1.

- What locality based development initiatives are taking place in Uitenhage and what their role is in broader local development?
- What projects/initiatives had been they embarked on by the respective stakeholders?
- What is the extent of their involvement in the various projects?
- What is the nature of the projects?
- What are the strengths and weaknesses of the projects?
- What are the future plans for the project?
- Comments on the general economy of Uitenhage.

Interviews conducted with owners/managers of local businesses and those involved in CSR initiatives within the industrial sector were aimed at determining their CSR policy and philosophy and determining the extent of their involvement in Uitenhage’s socio-economy. A more comprehensive interview-guide is listed in the appendix (Appendix 2). The following areas were explored in the interviews:

- Company’s CSR philosophy and policy
- Reasons for conducting CSR programmes
• What type of initiatives/projects are supported
• Focus areas (eg. education, business skills, sport, *ad hoc* donations)
• The nature of donations given (such as, time, money, equipment)
• Comments on the general economy of the town

The basic structure of the interviews conducted illustrating the key questions asked can be found in the appendix (Appendix 1 and 2). These were formulated differently for different interviewees as they had differing aims, they were from different economic sectors, both public and private, and the scale of the organisations varied, including both industrial and local businesses (Harvey and MacDonald, 1993). The prepared questions, most of which were open-ended, were used to initiate conversation, often resulting in many of the other questions being indirectly answered. Furthermore, new issues often emerged from the interviews which were of value to the thesis. Interviews varied in length from 30 minutes to two hours, and these often resulted in follow-up interviews where new issues arose, where issues were clarified, and where development news in Uitenhage was monitored. As Harvey and MacDonald (1993) explain, subsequent interviews are likely to be more focused than preliminary interviews and the researcher approaches follow-up interviews with more knowledge of the person or situation and a clearer understanding of what the researcher wants to know, which occurred in the case study. Interviews were transcribed and after the interview, analysed, annotated and interpreted.

On visits to the town, meetings were pre-arranged, interviews conducted and development projects visited. Firsthand details were also gathered by means of personal observation in order to triangulate information. Neuman (1997) states that triangulation increases the sophisticated nature and accuracy of the data collection and analysis. Through combining different methodological techniques, weaknesses in specific techniques can be overcome (Neuman, 1997). Each visit resulted in a number of hours being spent informally talking to the employees of the development institutions and project beneficiaries, watching them interact and conducting their daily activities. Frankfort-Nachmias and Nachmias (1996) suggest that the major advantage of observation as a technique, is its directness. Rather than asking people about their views and feelings, one can watch what they do and listen to what they say. This reveals what actually happens, as opposed to what they say happens. As Kitchen and Tate (2000: 220) state, “Saying something and doing something are not equivalent”. In this regard, the daily functioning of projects was carefully noted, as well as the environment and state of the
equipment. Projects were visited two or three times to note any changes over time. Notes were recorded during and after such sessions.

### 2.6.3 Documentary Analysis

Many of the interviewees provided documentation which supported much of the content of the interviews. Policy documents, yearly reports and statistics provided not only background information, but also provided valuable information relating to the current development initiatives occurring in Uitenhage, as well as some of the challenges and obstacles affecting projects. These documents further assisted with the triangulation of data (Frankfort-Nachmias and Nachmias, 1996). As identified by Kitchin and Tate (2000), two main approaches for analysing the data were used: content analysis, in which the research looked objectively for patterns and information; and deconstructive approaches, which sought to determine the broader meaning and implications held within the sources (Kitchin and Tate, 2000).

### 2.6.4 Questionnaires/ Surveys

Questionnaires generally produce quantitative data but can also capture qualitative information. Surveys are a process through which researchers translate a research problem into questionnaires, then administer these to respondents to generate data. From the answers, the researcher generally creates quantitative data that he/she analyses to address the research problem (Neuman, 1997). As pointed out by Kumar (1999), questionnaires are a less time consuming method than interviewing numerous people. Furthermore, as highlighted by Kitchin and Tate (2000), questionnaires generate precise answers which are easily comparable. As detailed by Neuman (1997), the following qualitative categories can be explored through a survey: behaviour, attitudes/beliefs/opinions, characteristics, expectations, self-classifications and knowledge. As again noted by Neuman (1997), it is important when designing questionnaires to avoid ambiguity, confusion and vagueness, to avoid emotional language, prestige bias and leading questions. Questionnaires measure many variables, test multiple hypotheses, and deduce sequential order from questions about past/present behaviour, experiences, or characteristics (Neuman, 1997). A purposive, selective survey of emerging firms/beneficiaries resulting from local development initiatives was undertaken to determine the nature of projects and their socio-economic benefits. A second survey was also undertaken with various ward councillors (three-quarters of councillors in the townships) in order to determine whether the needs of the communities were being met. These were conducted in the form of semi-structured questionnaire surveys (conducted personally by the researcher in a face to face
manner). Despite there being a number of micro-projects which were initiated in Uitenhage, a large portion of them are no longer operational. Furthermore, many of the larger projects have not been completed and therefore difficult to evaluate their effects on local development. The three projects chosen for this study were based on the fact that they are still operational, fairly successfully and are amongst the larger of the SMMEs. A hundred percent sample of the Greater Uitenhage Sewing Corporation and Khayamnandi project beneficiaries was undertaken. All available Kwanobuhle Youth Services Centre project beneficiaries partook in the questionnaire, which consisted of an eighty percent sample.

The questionnaires were undertaken in the same manner as the interviews with the project stakeholders. A pilot study of the first questionnaire was first undertaken and necessary adjustments made prior to administration. A copy of the questionnaire can be found in the appendix (Appendix 3). The informants from various projects were selected after interviews with the main stakeholders. The questionnaire was conducted with the project beneficiaries and data was triangulated with information gathered from the project managers.

Questionnaires were administered to all project beneficiaries from projects resulting from the actions of each of the three major stakeholders: the private sector, local development institutions and the local metropolitan municipality. The questionnaire was designed with the thesis’ aim and objectives in mind, and its role was to determine the socio-economic impacts of development initiatives and to determine the views of project beneficiaries on their needs, the project, its outcomes and on external assistance. The following areas were also explored in the questionnaire and the results presented in Chapter Nine:

- Their education and employment status prior to the project
- Stakeholders in their development
- The extent of involvement of stakeholders
- Views on external assistance
- Subsequent training and skills
- Sustainability of the projects
- What they would like to change with regards to how the project is run
- Ways their lives have improved since the project started
- Number of people they support financially
Questionnaires were also administered personally to the ward councillors in order to determine whether the needs of the community were being addressed through local development initiatives (Appendix 4). The purpose of this questionnaire was not to produce core results, but to evaluate results, as they were all external to the initiatives. The councillors were purposively selected as they are in a position to comment on the needs of their communities and whether they were being addressed by the various stakeholders. These questionnaires were less structured and more qualitative than the project beneficiary one, as the aim was a more exploratory one, namely trying to ascertain what the community needs and challenges are and whether they are being addressed by development initiators. The following questions formed the basis of the data generation and views are expressed in the discussion chapter (Chapter Ten):

- Identification of the major developmental challenges facing Uitenhage
- Comments on the general socio-economic status of the town with regards to income levels, poverty and unemployment
- Major developmental challenges in their specific ward/area (for example, poverty, unemployment, lack of infrastructure, crime)
- What is being done to address these challenges and by whom
- Views on the role of the local development institutions and their work
- Views on the NMBMM and its involvement in development in Uitenhage
- Comments on whether the metropolitan municipality is achieving its goals set out in the IDP for inner-city regeneration and beautification in Uitenhage

Copies of the questionnaires can be found in the appendix (Appendix 3 and 4). The questionnaires were administered by the researcher, however relevant project managers aided with introductions to the groups and with translation of questions in some cases. Neuman (1997) points out that the advantage of self-administering the questionnaires, is that it allows the interviewer to observe the surroundings and they can also use non-verbal communication and visual aids. The questionnaires were conducted verbally and the answers recorded on paper. This method was chosen due to the high illiteracy rate among the project beneficiaries. The language barrier in some circumstances resulted in the simplification of questions, and in some cases the project managers acted as interpreters. The questionnaire provided valuable information about their views, attitudes and opinions of their projects, and the development assistance provided, if any.
2.6.5 Data Analysis and Presentation of Findings

As Bell (2005) states, data collected through various methods (questionnaires, interviews, observations, documents) mean very little until they are analysed and evaluated. Raw data from the questionnaires, interviews and checklists was recorded, analysed and interpreted. Similarities, differences and common trends were constantly being looked for, and interpretation was guided by the literature (David and Sutton, 2004; Bell, 2005). Categories and common themes became evident through the analysis.

Due to the nature of the questionnaires and interviews, which produced largely qualitative data, due to their open-ended nature, tabulation and graphing of data was not always possible and therefore data was often analysed and recorded in the form of synthesized text. Furthermore, qualitative research generates large amounts of data, and as David and Sutton (2004) note, a significant part of the data analysis process involves the attempt to reduce the volume by means of selection and organisation. Content analysis was used to analyse the interviews, the questionnaires, as well as documents supplied as supporting evidence and for triangulation Krippendorf (1980 in Bell 2005: 128) defines content analysis as, “a research technique for making replicable and valid inferences from data to their context”. As Bell (2005) notes it is important to be able to place the data in context before interpreting and explaining them.

As is evident in this Chapter, various methods were used to generate data and analyse it. The following table (Table 2.2) details the main methods by which the data was collected, analysed and presented for each of the objectives.

*Table 2.2: Table depicting data collection-, analysis and/or interpretation- and presentation – methods*

<table>
<thead>
<tr>
<th>Objective</th>
<th>Data collection method</th>
<th>Analysis and/or interpretation</th>
<th>Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identify collate and synthesise literature on LED and CSR</td>
<td>Reading of literature from published texts, electronic data bases and relevant websites ➢ Secondary data</td>
<td>Generation of appropriate knowledge claims</td>
<td>Synthesised text</td>
</tr>
<tr>
<td>2. Identify determining policy and CSR actions affecting Uitenhage’s development</td>
<td>From relevant national and municipal websites. Collection of information and documents from relevant municipal officials ➢ secondary data</td>
<td>Analyse and compare local to national Figures and information</td>
<td>Synthesised text</td>
</tr>
</tbody>
</table>
3. Identify and determine local level initiatives undertaken by local government and other stakeholders

Identifications and interview local officials and other interested other stakeholders (public and private), and collate written information
> primary and secondary data

Relate to objectives 1 and 2

Synthesised text

4. Evaluate the socio-economic efforts of selected representative development initiatives

Administration of questionnaire survey of three sample projects to project beneficiaries and project managers
> primary data

Analyse and identify similarities and differences

Synthesised text, as well as tables and graphs

5. Identify possible key issues which can inform developmental practice

Identify key issues evident from the case study

Identify common themes and issues

Synthesised text

2.7 Conclusion

As noted by Kitchin and Tate (2000), writing should not be regarded as ‘just the finishing-off phase’ but rather as an important and integral part of the research process (2000: 270). Furthermore Kitchin and Tate (2000) emphasise that writing assists to clarify one’s thoughts, and provides the early organisation of material on paper, and aids with the final report. Note taking, writing and reworking of work formed a critical part of this thesis. After each interview, observation, or reading, notes were taken, making for easier compilation of the final thesis. This strategy also prevented the loss of work, ideas, contacts or strategies. The data generated was analysed using a largely qualitative, comparative, evaluative approach and presented as objectively as possible.

As table 2.2 details, a number of research and analysis methods were used in order to achieve the objectives for this research. The research methods were largely qualitative, utilising interviews, questionnaires and the analysing of written texts to generate data, which was interpreted, analysed and presented in the form of synthesised text, supported by descriptive statistics as well as graphs and tables to illustrate key data. The literature provided the grounding for the research and allowed for comparisons and analysis, as well as for lessons to be identified.

This chapter has detailed the theoretical and practical techniques that were used in this study to understand both international and national development initiatives, and to provide details pertaining to the research undertaken in Uitenhage.
Chapter Three: Local development

3.1 Introduction

This chapter details the international literature context for the local development initiatives and practices that are being engaged in in South Africa. As Desai (2003) notes, South Africa cannot strictly be classified as a developed or developing country, as it has characteristics of both, with world cities as well as mass unemployment and poverty. As a result, a polarised economy has developed and each differing economy has adopted its own strategies of local development and economic survival. It is therefore necessary to detail responses adopted to socio-economic issues of both the developed and developing world in order to better understand the South African context in terms of its perceived dualistic economy.

It becomes clear that the major differences between developed and developing countries with regards to local development initiatives are their market-orientated versus basic needs provision and poverty-alleviation approaches (Nel, 2001; Nel and Rogerson, 2005). However, since South Africa has a polarised economy, its strategies have to be aimed at both. This Chapter also briefly discusses globalisation and development and the importance of clusters in localised development and their role in the global economy. South Africa and Uitenhage have strong automotive clusters which compete in international markets and the relevant context is therefore examined. Decentralisation has emerged as a common trend in international economies and is discussed within the Chapter. Furthermore, a number of responses to economic crises have emerged, including the formation of partnerships, particularly public-private, the establishment of development institutions and local economic development and corporate social responsibility initiatives; which are both examined in detail.

3.2 Globalisation and Development

There is little doubt that the world and the world economy have become more and more integrated, and enhanced globalisation and international competitiveness have become something for countries worldwide to aspire to achieve (Simon, 2005). However, there are contrasting views on the impact that globalisation has had on development. As Simon (2005) describes from a progressive development perspective, it could be argued that globalisation promotes the improvement of livelihoods for an increased portion of the world’s population. It is, however, debatable whether all actually do benefit according to Desai (2003).
Nel and Binns (2005) note that, along with globalisation, the role of the locality, both within national and global economies, is changing. This has resulted from a policy shift worldwide, whereby social and economic responsibilities are increasingly devolved to the local authorities. Within this context localities are becoming central to economic development and are taking on the role of important points of economic growth (Nel and Binns, 2005). It is has become widely accepted that localities in both developed and developing countries have to compete globally to develop their local economies if they wish to maintain or improve their economic status (Jenkins and Wilkinson, 2002). As a result, local governments have to be more pro-active and entrepreneurial in areas of urban development and the promotion of local economic growth and public-private partnerships (Jenkins and Wilkinson, 2002). Nel (2001) notes that this has accelerated the trend towards more widespread LED.

Development acquired a new dimension of morality in the 1960s and 1970s, partly as a result of the dependency theorists’ arguments about the causal link between ‘development’ in one part of the world and ‘underdevelopment’ in another (Sharp, 2006). These inequalities resulted in the need for social upliftment and an all-out fight against poverty. Sharp (2006) argues that CSR discourse is, in several significant respects, a modification of earlier development discourse. He continues to say that CSR discourse preserves some important continuity with that of mainstream development, particularly with regard to addressing poverty which business corporations are now involved in. The shifts are evident in CSR discourse – from working with the state to working in the spaces in which it fails to deliver, and from defining ‘development’ beneficiaries as ‘citizens’ to defining them as ‘stakeholders’. This in turn creates opportunities for new unintended consequences to flow from CSR interventions (Sharp, 2006).

Some authors have argued that globalisation is suggesting that the importance of location for economic activity is becoming increasingly irrelevant (Cairncross, 1997; Gray, 1998), whereas others view globalisation as increasing the importance of locations, which in turn is promoting greater regional economic distinctiveness, and the view that regional economies are the prominent feature underlying wealth creation and world trade (Krugman, 1997; Porter, 1998, 2000; Scott, 2001).
3.3 Clusters

3.3.1 Defining Clusters

In recent years there has been a growing interest in the role of specific locations and that of ‘clusters’ in particular, in the global economy (Porter, 1998, 2000; McCormick, 1999; Camagni, 2002; Martin and Sunley, 2003). A variety of approaches to clusters has been developed, both in theory and in practice, and as a result, a considerable debate has emerged around the actual definition and identification of clusters, as well as the factors driving their development. Porter (2000: 16) defines clusters as, “geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions in a particular field that compete, but also cooperate”. The geographic extent of clusters is not clearly defined and can range from a region or even a single city to neighbouring countries. Furthermore, clusters occur in many types of industries for example, restaurants, the medical industry, car manufacturers and antique shops (Porter, 2000). Porter (2000) identifies two general types of clusters, namely vertical and horizontal. Vertical clusters consist of industries linked through buyer-supplier relationships. Within such clusters are core companies which produce the end product, and supplier companies which contribute at earlier stages in the production chain coexist (Porter, 2000). Horizontal clusters consist of industries which may share a common market for end products, use a common technology or labour force, or require similar natural resources. Examples of such clusters include tourism clusters, or distribution clusters which might consist of trucking, air transport, transport services and wholesale trade industries (Porter, 2000).

3.3.2 Features of Clusters

Clusters have been identified as striking features of nearly every economy, from the national to the metropolitan, particularly in more advanced nations (Porter, 2000). As authors such as Bennett et al. (1999) and Porter (2000) note, despite growing globalisation, reductions in transport costs and technical advances, most inter-business relationships remain highly localised. Bennett et al. (1999) further maintain that the location and the relative concentration of businesses underlies the geographical distribution of incomes, savings and employment in the economy as a whole.

Porter (1998, 2000) suggests that localisation forces are part of a wider, more general trend of business cluster formation. Furthermore, it is argued that that clustered concentration offers major advantages for competing in the global economy, as a result of the subsequent local
networks of related and supporting industries, local demand conditions, supportive factor inputs, such as shared skills, training and support services, as well as the local competition (Bennett et al., 1999; Porter, 2000).

As Porter (2000) admits, the idea of specialised industrial location is not a new concept. Clusters have been part of the economic landscape for centuries, with geographic concentrations of trades and companies in particular industries being a well established feature (Porter, 2000). Bennett et al. (1999) note that the concept of clusters owes much to traditional concepts of agglomeration and urbanisation economies. These explain the location of business concentrations as a result of the advantages gained from reduced transaction and transportation costs and the increased potential for face-to-face contact (Bennett et al., 1999). McCormick (1999) notes the advantages of clustering, which gives rise to collective efficiency, thereby enhancing firms’ competitive advantage. Clustering also facilitates growth in small stages, through its supportive framework, furthermore, clustering makes it easier to respond to opportunities and crises.

### 3.3.3 Advantages of Clusters

McCormick (1999) and Porter (2000) identify a number of benefits resulting from clustering. Clusters increase the productivity of firms or industries as location within a cluster can provide superior or lower cost access to specialised inputs such as machinery, business services and personnel. A cluster enhances productivity not only through the acquisition and assembly of inputs, but also through facilitating complementarities between the activities of the cluster members. Porter (2000) details complementarities as complementary products for the buyer, for example in the tourism industry, the visitor’s experience is heightened by the quality of the hotels, restaurants, souvenirs, airport facilities and transportation, not only the quality of the single attraction, making the different parts of the cluster interdependent. The group location also offers marketing complementarities, allowing for joint marketing. Furthermore, linkages with suppliers, supply channels and downstream industries are also improved, allowing for improvements in productivity (McCormick, 1999; Porter, 2000). Clusters allow for easier access to institutions, they lower the costs of internal training and create incentives for companies to improve productivity as a result of the constant comparison. Cluster formation offers many potential advantages for innovation and upgrading, and a firm within a cluster can more easily and rapidly source needed elements, be it services or machinery (Porter, 2000).
Porter (2000) explains, competition and cooperation can coexist because they are on different dimensions, or because competition, at some levels, is part of reaping benefits at other levels.

However, as McCormick (1999) states, it must be noted that business activity does not occur in a vacuum. Social, political and economic institutions create distinct patterns of business operation and organisation. Despite this, Porter (2000) maintains that the formation of clusters is an important part of economic development. As he also states, “proximity in geographic, cultural, and institutional terms allows special access, special relationships, better information, powerful incentives, and other advantages in productivity and productivity growth that are difficult to tap from a distance” (Porter, 2000: 32).

3.3.4 International Examples of Clusters

Current economic maps of the world are characterised by the presence of identifiable economic clusters, from suppliers to universities to government agencies, which enjoy unusual competitive success in a particular field (Porter, 1998). The most famous examples are probably Silicon Valley and Hollywood, but clusters dot the international landscape (Porter, 1998). Silicon Valley in the United States of America (USA) is an example of a natural industrial cluster which developed without direct intervention and is world renowned for its computer industry cluster (Porter, 1998; Department of Economic Affairs, Environment and Tourism [DEAET], 2000; Bresnahan et al., 2001).

The wine cluster in California includes over 680 commercial wineries and several thousand independent wine grape growers (Porter, 2000). Numerous different suppliers support the industry of both wine making and grape growing including, suppliers of grapestock, irrigation and harvesting equipment, barrels and labels, specialised public relations and advertising firms and numerous wine publications aimed at consumer and trade audiences (Porter, 2000). Furthermore, a number of local institutions are involved and the cluster also has weaker links to other California clusters in agriculture, food and restaurants, and wine country tourism (Porter, 2000).

According to Cooke (2001), one of the biggest and most dynamic biotechnology clusters is in Boston, USA. The science base is exceptionally strong with the Massachusetts Institute of Technology (MIT), Harvard University, Boston University and Massachusetts General Hospital all in close proximity (Cooke, 2001). Leading scientists and academic entrepreneurs are located
there. There are 132 biotechnology firms in the greater Boston area, employing 17,000 people. Furthermore, there are numerous intermediary bodies supporting the industry at state level (Cooke, 2001).

While clusters often form naturally, such as in Northern Italy, Silicon Valley and Western Cape wine lands, stakeholders in an industry or region can accelerate the development of a competitive cluster. Within this context, the industry can devise a cluster initiative, in which case industry stakeholders can combine efforts to exploit available resources to the advantage of the cluster as a whole, thereby improving the competitiveness of the region (DEAET, 2000; Porter, 2000). As pointed out in DEAET (2000), small firms generally lack the capacity to appropriate many of the supporting activities, which illustrates the need to depend on the linkages and relationships, which a viable cluster can develop.

3.4 The Global Automotive Industry

The study area of this thesis has a strong export-orientated motor industry cluster, which employs a large portion of the workforce in the area. It is for this reason that the motor industry in the global context is discussed, which provides an international framework for the automotive industry in the case study.

According to Humphrey and Memedovic (2003), the auto industry is often considered as one of the most global of all industries as its products have spread around the world, and it is dominated by a small number of companies with worldwide recognition. However, they further note, in certain aspects, that the industry is more regional than global, despite the globalising trends.

The automotive industry used to be concentrated in developed countries, however, since the 1990s the spread of vehicle production has increased dramatically in the developing countries. This resulted from an oversaturated market as well as overcapacity, cost pressures and low profitability. According to Humphrey and Memedovic (2003) rapid growth in the developing world was driven by a few countries, particularly in Latin America (Brazil and Mexico), the member countries of the Association of the Southeast Asian Nations (ASEAN), in Eastern Europe, China and India. These emerging markets outweighed the growth of the developed countries and developing countries benefit from foreign direct investment. However, the geographical spread of vehicle output, has not been matched by the spread of ownership.
Globally the automotive industry remains concentrated, with a small number of companies accounting for a major share of production and sales (Humphrey and Memedovic, 2000; Camuffo and Volpato, 2002). For example, in 2001, 13 companies accounted for 87 percent of the world’s vehicle production (Humphrey and Memedovic, 2003). The global producers are looking for cheap production sites for the production of selected vehicles and parts, as well as opportunities for breaking into emerging markets.

According to Humphrey and Memedovic (2003), for the global automotive manufacturers, the benefits of globalisation depend on increasing the standardisation of models across markets. Many leading vehicle companies, such as VW, Nissan and Renault, are developing common models and are designing common platforms for a variety of vehicles in order to reduce costs (Cumuffo and Volpato, 2002; Von Corswant and Fredriksson, 2002; Humphrey and Memedovic, 2003). In the contemporary auto industry, as vehicles become more sophisticated and complex and with trade liberalisation in developing countries, components such as engines, gearboxes and electronic systems have switched from domestic production in developed countries to imports (Von Corswant and Fredriksson, 2002; Humphrey and Memedovic, 2003). As Von Corswant and Fredriksson (2002) state, to stay competitive, car manufacturers, as well as suppliers, have to continuously improve performance regarding production, for example, in terms of delivery precision, quality and cost, and through product development savings such as through time and cost savings and innovation.

Generally, the auto industry as a whole is becoming increasingly more global in its operations and consequently, car manufacturers are merging or have taken over other manufacturers in order to increase their production volumes and benefit from economies of scale (Camuffo and Volpato, 2002; Von Corswant and Fredriksson, 2002). For example, Daimler and Chrysler have merged, Ford has acquired Volvo and Jaguar and General Motors has acquired Saab. Another trend which is evident in the auto industry is the increasing incidence of outsourcing and a move towards just-in-time (J-I-T) processing (Camuffo and Volpato, 2002; Von Corswant and Fredriksson, 2002). J-I-T management and time-to-market responsiveness are now standard elements of competitiveness and productivity. A prerequisite for their successful implementation is geographic proximity (Porter, 2000; Camuffo and Volpato, 2002; Von Corswant and Fredriksson, 2002). The importance which proximity has in reducing the time taken to complete the production cycle is based on Toyota’s guiding principle that the source of competitiveness is the elimination of waste, which includes time and delivery effort (Morris and
Kaplinsky, 1997). By outsourcing certain activities to specialised suppliers, companies can concentrate on specialising in specific areas, furthermore outsourcing reduces the capital base, resulting in improved return on invested capital (Von Corswant and Fredriksson, 2003). Just-in-time (J-I-T) manufacturing in the auto industry, reduces the lifecycle of production, which decreases cost, development time and results in faster production. Von Corswant and Fredriksson (2002) identify the emergence of supplier and automotive parks and automotive clusters to improve the efficiency of J-I-T deliveries and smooth production. In this context, geographically proximate suppliers and users would provide the least waste alternative. Uitenhage has a similar set-up with Volkswagen as the established automotive manufacturer and a number of smaller suppliers which practice J-I-T production and the recent development of an automotive logistics park which aims to increase the efficiency of the automotive industry.

Now that clusters have been defined, their features and advantages discussed and international examples detailed, there is a shift in the literature review. The focus moves to localised development and associated responses.

3.5 The Need for Localised Development

One of the major reasons for the need for local development in the contemporary world is a continuous shifting of the international division of labour, as well as a global restructuring of industry, the impact of structural adjustment, the debt crisis and the marginalisation that has left many localities struggling to survive (Hansen and Hentz, 2001; Camagni, 2002). Worldwide, people are rejecting the technocratic view of modernization in favour of a mixture of development initiatives, and are finding new ways to integrate Western and indigenous systems (Simon, 2005).

In the developed world, during the 1970s and 1980s, global economic competition negatively affected local economies and often resulted in high rates of unemployment (Bradshaw et al., 1999; Pierson, 2001). Furthermore, with the advance of technology, transport and communications companies are able to relocate production to cheaper locations, often in developing countries, resulting in de-industrialisation and subsequent job loss (Pierson, 2001; Zhu, 2002). The resultant economic crises saw a shift in development strategies and the emergence of local economic development and growth (Glasmeier, 2000 in Nel and Rogerson, 2005).
Conversely, a push by the developed countries to liberalise trade and encourage neo-liberal economic models, as well as the consequences of structural adjustment programmes have had a number of negative ramifications on the South (Gooneratne and Mbilinyi, 1992; Pierson, 2001). The South suffers the consequences, including large debts, trade irregularities, deepening social problems and declining livelihoods of their populations (Gooneratne and Mbilinyi, 1992; Helmsing, 2003; Nel and Rogerson, 2005).

3.6 Responses to Local Economic Crises

The above mentioned crises that have affected both the developed and developing worlds have resulted in local stakeholders looking inward for solutions using local skills and resources. There have been a number of different strategies that localities have implemented in order to deal with economic hardships, including the formation of partnerships, the creation of local development institutions, the adoption of local economic development initiatives and, more recently, the implementation of corporate social responsibility actions. Each will be examined in turn in the next sub-sections as these theoretical constructs and practical experience provide important lessons to the instances of local development in this thesis’ chosen case study.

3.6.1 Partnerships

Miraftab (2004) details how, in the economies in the developed world, public-private partnerships were encouraged in the 1980s by the Thatcher and Reagan administrations, which also promoted privatisation within their neoliberal capitalist platforms, as primary strategies for urban development. During the last two decades, governments in the developing world, having followed this trend in adopting a priority placement on market superiority and government inadequacy, and a parallel emphasis on PPPs (Osbourne, 2000; Miraftab, 2004). According to Miraftab (2004), the motivation for establishing PPPs in the developing world merges with that for decentralisation, as economic decentralisation implies the adoption of a range of privatisation strategies. Decentralisation interlinks with PPPs as it encourages, and in many cases, forces local governments, who cannot provide solutions on their own, to partner with local stakeholders from other sectors to serve the needs of particularly disadvantaged communities (Krishna, 2004; Miraftab, 2004). Despite this, corporations and communities may share the same geographic space, but they operate in different worlds and have different views as to whether PPPs serve public good. This is clearly an area in need of more thorough research (Osbourne, 2000; Miraftab, 2004).
Googins and Rochlin (2000) maintain that four major trends emerged toward the end of the 20th century which are giving rise to a ‘partnership society’, namely the failure of communism and state economies, the rise of global capitalism, the decreased role of government, and the weakened position of civil society. Rathgeb (1997) and Googins and Rochlin (2000) note that over the past few decades, cross-sector partnerships have become a popular means for corporations and communities to work together to address social issues and, as such, a new developmental model is evolving whereby relationships between private, government and civil society stakeholders now play a central role in striving towards more sustainable communities. Krishna (2004) notes that an advantage of partnerships is that they enable resources from different stakeholders to be combined together for a common purpose. However, as Miraftab (2004) warns, PPPs promoted through state decentralisation are often dominated by the interest of the private sector and end up as a form of privatisation.

The term ‘partnership’ is now a dominant catchword in the vocabulary of public sector development (Linder, 1999; Nelson, 2001; Wettenhall, 2003). Langford (2002: 69) describes it as “one of the most misused words”. Despite the widespread emphasis on the importance of partnership, it can therefore be clearly surmised that there remains much ambiguity about what is meant by the term (Nelson, 2001). Pongsiri (2002) and Wettenhall (2003) describe this term as capturing its pre-eminence from the term privatisation which held similar dominance throughout the 1980s and 1990s. Wettenhall (2003) notes that liberal democracies throughout the world are using phrases such as, ‘public-private partnerships’, ‘new governance structures’, ‘holistic government’, in attempts to be seen to be improving socio-economic conditions. In this regard, partnerships are seen as an alternative to contracting out and privatisation. Kolzow and Larkin (1994 in Fourie and Burger, 2001), define a PPP as:

“An arrangement where both the public and private sectors share a commitment to pursue common goals that are determined jointly by the two sectors. Such a relationship should be a true partnership where parties combine in action to achieve a shared objective – although their roles will probably differ” (Fourie and Burger, 2001: 149).

Googins and Rochlin (2000) further maintain that no one sector should dominate public life, and furthermore, that no one sector has sufficient resources or capability to adequately deal with social issues. However, as Pongsiri (2002) and Bovaird (2004) point out, a major problem of partnerships is that they can often bring about fragmentation of structures and processes, which leads to a blurring of responsibilities and accountability.
Miraftab (2004) points out, the parallel trend, alongside neoliberal policies, favouring greater freedom of market forces and globalisation, is the enablement of communities, which is promoted by non-governmental organisations, community-based organisations, and small-scale, informal economies. Googins and Rochlin (2000) suggest that cross-sector partnerships are essential mechanisms through which corporations and communities can maximise their goals. As Miraftab (2004) notes, as government resources become more limited and responsibilities increase the assistance of the communities and their NGOs are sought. Other authors (Ribbot, 1999; Mohan and Stokke, 2000) consider community enablement as an alternative path to economic development that may counter the damage caused by neoliberal policies of privatisation. These authors not only consider this as a means of surviving the impacts of globalisation, but also as a way for communities to take charge of the own futures (Friedmann, 1992; Burkey, 1996; Chambers, 1997).

While the public/government sector has been actively involved with other sectors, corporations have only recently begun to participate in partnerships to tackle poverty and promote community development (Googins and Rochlin, 2000). This is becoming increasingly necessary in deprived communities, as Rathgeb (1997) states that partnerships can empower local residents, promote civic engagement, increase community awareness and create new innovative community programmes. The new environment of corporate responsibility has taken on the triple bottom line, further expanding measures of business success by incorporating financial gain, environmental sustainability and community well-being as being equally important in achieving business goals (Rathgeb, 1997; Googins and Rochlin, 2000). Demands for corporate social responsibility encourage businesses to partner, and non-profit organisations are motivated by demands for improved efficiency and accountability, while governments are encouraged to provide more benefits and services (Pongsiri, 2002; Bovaird, 2004; Selsky and Parker, 2005).

### 3.6.2 Development Institutions

Krishna (2004) maintains that development institutions play a key role in development, and assist in effectively connecting citizens with the state and the market. Not only do individual citizens benefit, but the country’s performance also benefits when all institutions contribute their efforts (Krishna, 2004).
Many PPPs present themselves in the form of development agencies that are the means through which these partnerships drive LED. These agencies are given the task of creating business opportunities and implementing employment creation schemes. Development agencies provide support in three major categories, namely resource and infrastructure development, financial incentives and enabling schemes (Rogerson, 1995; Roberts and Lloyd, 2000). The development of human resources has been identified as an important component in applied local economic development and, as a result, partnerships are starting to be formed with appropriate institutions (Theodore and Carlson, 1998). Development agencies play an important role in initiating businesses, providing support and advice and they contribute to the development of social capital. According to Rathgeb (1997) and Krishna (2004), local government’s stability and performance is improved when development institutions provide access and information to citizens and when they assist in bringing social capital to local projects.

Krishna (2004), in a paper for the World Bank, claims that development institutions at the local level should be robust, efficient, accountable, sustainable, equitable and democratic, not only at a particular moment, but continuously over long periods of time. He does however note that the exact nature of institutional arrangements required to achieve such objectives will differ in different situations. Furthermore, he stresses that stakeholder involvement is important to keep development institutions on track and to assist in delivering objectives.

The participation of public institutions and administrations gives developmental agencies political, institutional and programmatic links with the various levels of state policy. The representation of civil society, ideally, enables them to respond in a practical and satisfactory manner to the participatory needs of the population; and finally the private nature of their management allows for nationally efficient operations (Cunningham and Meyer-Stamer, 2005). However, authors such as Wettenhall (2003) and Krishna (2004), stress the importance of the accountability of development institutions, horizontally to other institutions, and vertically, upward to stakeholders and downward to the public if partnerships are to be successful. As McQuaid (1999) explains, PPPs are an effective way of overcoming market imperfections and can be directed at promoting the growth of private or community-driven small and medium enterprises (SMEs).
3.6.3 **Defining Local Economic Development (LED)**

As Bond (2003) notes, local economic development (LED) is a discipline still coming into its own, with various conflicting arguments and understandings of its nature. The World Bank defines LED as:

> “The process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all”


The UN-Habitat highlights the importance of participation and uses the following definition:

> “Local Economic Development is a participatory process where local people from all sectors work together to stimulate local commercial activity in a resilient and sustainable economy. It is a tool to help create decent jobs and improve the quality of life for everyone, including the poor and marginalised” (Trousdale, UN Habitat, 2003:1).

### 3.6.3.1 Drivers of LED

LED has gained widespread acceptance globally as a locality-based response to the challenges created by globalisation, devolution and local-level crises and is supported and encouraged by many national governments and major international agencies (Wong, 1998; Helmsing, 2003; Nel and Rogerson, 2005). One of the clearer representations of this theme is evident in the broad emphasis of the Millennium Declaration Goals and the associated recognition by international organisations of the need for both pro-poor development and pro-growth initiatives (Nel and Rogerson, 2005). LED tends to present itself either as direct, community-based, pro-poor interventions and/or as pro-market actions aimed at participating in a neo-liberal market (Scott and Pawson, 1999; Nel and Rogerson, 2005). Nel and Rogerson (2005) and Hambleton *et al.* (2002) have described this variance in local initiative as creating a bi-polar logic of localism and globalism, both of which are characteristics of contemporary society, economy and politics.

LED has emerged as a result of a number of overlapping issues: decentralisation of power to the local level; global that force local-level responses; and economic change within localities, both positive and negative (Nel, 1999; Helmsing, 2001; Nel and Rogerson, 2005). Literature reveals that the major goals of LED tends to be job creation, empowerment, the pursuit of economic growth, community development, and the establishment of the ‘locality’ as a sustainable
economic entity (Nel and Rogerson, 2005). The emergence of PPPs and cross-sectoral linkages
of local stakeholders, as detailed in the previous sub-section on partnerships, are increasingly
being utilised in LED initiatives (Fourie and Burger, 2001; Roberts and Lloyd, 2000; McQuaid,
1999).

The development strategy of LED has been widely practised in countries in the North for
several decades, however, in the South it tends to be a fairly new strategy (Nel, 2001). LED in
the South tends to reveal itself in a series of local-level responses towards self-reliance,
particularly in low-income or marginalised settlements (Rogerson, 1995; Nel and Rogerson,
2005). As Rogerson (1995) explains these are often manifested in neighbourhood-based micro-
enterprises, often belonging to the informal economy.

To stimulate LED, various organisations have developed methodologies to guide the design and
implementation of LED projects (Cunningham and Meyer-Stamer, 2005). Though the
methodologies vary, they share a basic paradigm, namely all are based on the assumption that
LED processes need to be based on careful and detailed local planning.

3.6.3.2 Pro-growth/Market-led LED
Generally speaking, LED in developed countries follows a more pro-growth approach,
responding to issues of globalisation, through business support and property-led development,
whereas in developing countries, LED tends to focus around poverty alleviation and the
promotion of community-based development, business development and locality development
(Nel, 2001; Nel and Rogerson, 2005). The market-led or pro-growth approach to development
aims to enable local economies to adjust more effectively to macro-economic changes and
emphasises the goals of promoting individual self-reliance, entrepreneurship, expansion of the
market, competitiveness, reduction of unemployment and sustainable growth (Scott and

3.6.3.3 Pro-poor LED
As defined by Nel and Rogerson (2005b),

“Pro-poor development implies specific interventions which provide employment and
economic opportunities for those living in poverty through a range of interventions
including public works programmes, small business and informal sector support,
sectoral targeting, training and targeted procurement amongst others” (Nel and Rogerson, 2005: 15).

They further note that given the high levels of urban poverty in Africa and the increasing prominence of decentralisation, it is inevitable that city governments, out of both economic necessity and moral imperative, must aim to improve both the formal market economy and to encourage the informal or lower end of the economic scale. Binns and Nel (1999) suggest that, in the South, instead of focusing on the globalised world, LED and local self-reliance are more realistic development options open to the poor, who have been ‘abandoned’ by the Western-dominated global economy and are often led by community groups and NGOs. Literature on LED in the South reveals that many of the development initiatives are community-based with an emphasis on people-centred development (Potter et al., 1999). It seems as though LED is generally a cost-effective and community empowering process, which can provide tangible benefits for communities (Nel, 2001). However, as detailed by Nel (2001), projects tend to have a lifecycle, starting off with enthusiasm, but should progress be slow or limited, despondency sets in and abandonment possibly results. This can often leave the community in a worse situation than before the project began.

3.6.3.4 The LED Debate

As has been described above, promoting LED has become a significant growth activity in both developed and developing countries. With high levels of unemployment and poverty comes a strong need to promote economic development and therefore there are good reasons to justify LED. As Cunningham and Meyer-Stamer (2005) and Nel and Rogerson (2005) note, the experience of the late 1990s reinforced the point that active measures are necessary to promote economic development in low- and middle-income economies. It can and should be emphasised that LED is a practical response to a visible need (Wong, 1998). However, Cunningham and Meyer-Stamer (2005) question the efficiency of LED, which, based on the experience of the industrialised countries, have warned that there is little evidence of the effectiveness of LED. Despite the enthusiasm with which communities have welcomed LED, Nel and Rogerson (2005) are also quick to note that LED results have been disappointing and promising beginning have not always been followed through. Somewhat pessimistically, not necessarily unwarranted, Cunningham and Meyer-Stamer (2005) ask whether introducing LED is worth the time and effort. Central to the debate surrounding LED is whether traditional types
of local strategies are in fact working, and whether they are generating pro-poor economic development, or simply more uneven development (Bond, 2003).

LED is often government-driven, especially within the context of decentralisation, with this sector playing a leading and central role. Yet, there needs to be the involvement of the private sector and civil society (Wong, 1998; Cunningham and Meyer-Stamer, 2005). Critics such as Pritchett and Woolcock (2004) highlight that the implementation of development programmes in developing countries is based on the assumption that governments consist of highly professional, competent and ethical staff, which is in most cases an unrealistic assumption. As Cunningham and Meyer-Stamer (2005) note, LED is highly discretionary and cannot rely on standard service delivery. As Pritchett and Woolcock (2004) also note, LED relies on decentralisation and participation. However, decentralisation has not necessarily led to the creation of truly democratic, participatory, bottom-up decision making processes within LED (Cunningham and Meyer-Stamer, 2005). The main problem arising from the decentralisation of responsibilities is that this is not necessarily accompanied by decentralisation of funds, and local authorities find themselves with increased responsibilities, but are under-funded (Cunningham and Meyer-Stamer, 2005; Nel and Rogerson, 2005). Cunningham and Meyer-Stamer (2005) emphasise that due to local authorities’ limited funds, they tend to focus on immediate, pressing problems, such as the lack of, or inadequate physical and social infrastructure, rather than poverty reduction, health and social-economic issues.

LED costs money, not only for its implementation, but also for the training of officials and consultants are frequently hired to promote and educate others about LED strategies (Nel and Rogerson, 2005). However, as Cunningham and Meyer-Stamer (2005) note, money is not necessarily assigned to such activities and LED often suffers, since it does not appear to be a quick solution. Furthermore, it is not guaranteed that local governments possess the communicative and organisational skills necessary to deliver services and skills in an effective way (Cunningham and Meyer-Stamer, 2005; Nel and Rogerson, 2005). Cunningham and Meyer-Stamer (2005) explain that the problem with LED is a deep-rooted one, entrenched in a political structure that is oriented towards specific interests and does not focus on the greater good of the communities. Moreover, corruption, the absence of law reinforcement, non-transparent decision-making processes, and underdeveloped public services in many countries undermine the trust of citizens (Cunningham and Meyer-Stamer, 2005; Nel and Rogerson,
Cunningham and Meyer-Stamer (2005) argue that LED is, to a large extent, about learning, not only to produce better products but also to produce them in an improved way. LED is also about local stakeholders learning about each other’s existence and goals, learning about the structure and evolutionary pattern of the local economy, learning about opportunities to stimulate upgrading of the local economy, and the tools necessary to do that (Boschma, 2004; Cunningham and Meyer-Stamer, 2005).

3.6.4 Defining Corporate Social Responsibility

Corporate citizenship, corporate social responsibility, corporate social investment (CSI), social accounting, responsible commerce and an array of other terms have emerged to signal a new emphasis on the role of business in society (Akpan, 2006). The relationship between business and society is being realigned (Fox et al., 2002; Appels et al., 2006). As Prinsloo et al. (2006), state CSR is located in a dynamic and often confrontational interplay between society and business. In this thesis, CSR will be used as an umbrella term broadly referring to the involvement of business in socio-economic development and its contribution to sustainable development. According to Hamann (2006) CSR refers to the expectation that if companies enhance their engagement with stakeholders, and if they assess and manage their triple-bottom line (social, environmental and economic impacts), and if they channel some of their capacities for value creation and innovation towards development objectives, then these efforts will make significant contributions to a better society.

Below are varying definitions of CSR, corporate citizen or related terms:

“The economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time” (Carroll 1979: 500)

“A concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” (European Commission, 2001: 8)

“Being a good corporate citizen means treating all of a company’s stakeholders (and the natural environment) with dignity and respect, being aware of the company’s impacts on
stakeholders and working collaboratively with them when appropriate to achieve mutually desired results” (Waddock, 2003: 3)

“The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life” (WBCSD, 2002:2)

“Corporate citizenship is about the contribution a company makes to society through its core business activities, its social investment and philanthropy programmes, and its engagement in public policy” (World Economic Forum, [Online].

As is evident from the above definitions, views differ from the legal to the social with little uniformity. These varying interpretations and versions of CSR make it a difficult concept to approach for research purposes. As identified by Hamann (2006), CSR has been a subject of debate in the business management literature for some time, but it also requires increased attention from sociologists, development scholars and others. Hamann (2006) further states that there is a need for attention to be given to the growing link between CSR and development, which is a relatively new and is not yet as established in the academic literature. This thesis therefore seeks to help address this gap in literature and relate CSR in South Africa to development considerations.

3.6.4.1 CSR Understandings

CSR has its origin in developed countries, and most academic literature on the topic is focussed in these areas. Since the late 1990s there has been a concerted move by international and national development agencies to add development to the list of business corporations’ social responsibilities (Sharp, 2006). As Sharp (2006) notes, in the process, some aspects of earlier development discourse have been carried over into the business case for CSR, and others have been radically modified. The concern to depict poverty as an original condition and a matter of where people happen to live in the world (in the South rather than the North) remains at least constant, and may even have intensified as business corporations start to take over certain development responsibilities from governments (Sharp, 2006). However, from the onset, it must be noted that the debate on CSR is complex, because the term is used in such a variety of forms and with diverse intentions. For instance, CSR has been discussed for a number of decades in North American literature, devoting much time to defining the term for statistical analysis, trying to prove a relationship between a company’s social performance and its financial performance (Carroll, 1999; Margolis and Walsh, 2003). Initiatives such as the UN Global
Compact claim that business should act responsibly and contribute to development, implying the CSR is simply ‘the right thing to do’, embracing aspects such as human rights, labour standards, the environment and anti-corruption (UN Global Compact). CSR can also be seen as a management doctrine, where accredited firms give advice on strategy and management systems and provide assurance statements meant to give credibility to companies’ sustainability reports (Henderson, 2005). CSR has also been considered as an object of critique, arguing that CSR gets in the way of the central core of business, which is to maximise profits (Friedman, 1970). The general argument in this case is that CSR would not necessarily be bad for profits, but that whatever the effects on enterprise profitability, it would make people in general poorer, or less wealthy, by weakening the primary role of the business (Henderson, 2005).

CSR has emerged as a result of a number of reasons. The expansion of the transnational economy has led to the growth of large corporations with immense turnovers and therefore the activities of such companies have far-reaching impacts not only on host countries and regions, but also for the local communities (Hamann and Acutt, 2003). As a consequence of globalisation and free trade, governments’ control over the private sector has diminished. Authors consider CSR as a means to help reduce this gap (Waddock, 2002; Hamman and Accutt, 2002). CSR has subsequently become a central issue in debates concerning free trade, economic policy and sustainable development, and, together with partnership creation, was a key issue at the World Summit on Sustainable Development in 2002 (Hamann and Acutt, 2003). CSR is therefore frequently considered a means of expressing the relationship between private capital and public interest.

3.6.4.2 CSR and Development
As was previously discussed earlier in this chapter, it is being increasingly recognised by politicians and academics that poverty reduction and sustainable development is seldom achieved single-handedly either through government action or community activity alone (Kivuitu et al., 2005, Visser et al., 2005). However, the potential contribution of the private sector towards meeting such objectives is receiving increasing attention (Kivuitu et al., 2005) and is becoming a clear component of local development initiatives, and in many respects, the discourse on CSR has become part of the global agenda for sustainable development. This arises from a growing realisation that the future of business success cannot be guaranteed unless it recognises and acts on its social, economic, cultural and environmental obligations (Moyo and Rohan, 2006). Thus, CSR is a call for the business sector to recognise and accept that the
sustainability of its operations also depends on the sustainability of society as a whole, and that it is therefore imperative that the sector should actively contribute to the welfare of wider community (Moyo and Rohan, 2006). The CSR movement is linked to the sustainable development agenda launched at the Rio Earth Summit in 1992, as well as to increasing anti-globalisation sentiments (Hamann, 2006). At the World Summit on Sustainable Development (WSSD) held in Johannesburg (2002) there was as much a focus on the role of business, as on poverty and the environment. As the WSSD recognised, partnerships between business, government and civil society are the key to progress in terms of international sustainable development, and the promotion of CSR was agreed on as a means of integrating the corporate sector into development (Department of Trade and Industry, United Kingdom, 2004).

Partnerships between civil society and businesses can be beneficial as businesses have important resources and capabilities that can be utilised for multiple development purposes (Hamann and Acutt, 2003). A number of prominent developmental issues are already central to the international CSR agenda, such as setting labour standards, human rights, education, health, child labour practices, poverty reduction, conflict and environmental impacts (Kivuitu et al., 2005). Particularly in developing countries, the private sector remains one of the best-placed institutions to make a significant contribution towards improving social and environmental conditions, largely due to their financial and human resources (Visser et al., 2005).

3.6.4.3 The Public Sectors Role in Strengthening CSR
Fox et al. (2002), in a report for the World Bank, discuss the range of roles that public sector agencies can play in providing an enabling environment for CSR. These authors identify four key public sector roles, namely mandating, facilitating, partnering and endorsing policy (Fox et al., 2002). However, Fox et al. (2002) do note that the contemporary CSR agenda is relatively immature and that the understanding of the term CSR has not yet evolved within many public sector agencies, in both developed and developing countries. The World Bank recognises that there is a significant opportunity for public sector bodies in developing countries to harness current enthusiasm for CSR activities and to deliver public goals and priorities (Fox et al., 2002). Trade and investment promotion are emerging as key drivers of pro-CSR activities by public sector agencies in developing countries.

Further, the World Bank recognises partnerships as central to the CSR agenda. Strategic partnerships can combine the necessary skills and inputs of the public sector, the private sector
and civil society in tackling complex social and environmental problems. In their partnership role, public sector bodies may act as participants, convenors or facilitators (Fox et al., 2002). Furthermore, political support and public sector endorsement of CSR through policy documents encourages CSR activities.

In theory, CSR considers private companies as important agents, especially with regards to partnerships with the government and civil society (Hamann and Acutt, 2003). CSR is also used as a tool in meeting the triple bottom line and strategies include promoting business activities to simultaneously create economic, social and environmental benefits, and work in partnership with the public sector, community bodies, unions, consumers and stakeholders (DTI, UK, 2004). Hamman and Accutt (2003) explain that CSR is meant to link the market economy to sustainable development.

In South Africa, for example, ‘Proudly South African’, is a non-profit company set up by the government-led National Economic Development and Labour Council (NEDLAC), involving a campaign to promote South African companies, products and services in order to support job creation and economic growth, but it also requires companies to demonstrate their commitment to social responsibility (Fox et al., 2002). A logo signifies to consumers that the company satisfies criteria on local content, quality commitment to fair labour standards and sound environmental practices (Fox et al., 2002).

3.6.4.4 The CSR Debate

CSR is a highly topical and debated subject in the published literature and in the press, which has resulted in research into auxiliary roles and responsibilities of companies, as well as their relationship with government and other stakeholders (DTI, UK, 2004). Recent academic literature has moved towards a critical evaluation of CSR, but seems unclear about what its critique of the phenomenon is based on (Blowfield, 2005; Jenkins, 2005; Sharp, 2006). The intentions of CSR practitioners vary across a wide spectrum, from image management to wanting to do one’s bit, to wanting to ‘make poverty history’ (Sharp, 2006). Locke (2003) has identified four categories of CSR approaches, namely minimalist, philanthropic, encompassing and social activist. As can be seen, CSR is clearly under scrutiny from academics and the commercial sector, with regards to the motivation and responsibilities of companies. Numerous studies suggest a link between social initiatives and improved firm financial performance, as well as studies also now showing a link between social initiatives and positive responses by
consumers (Murray and Vogel, 1997, Brown and Dacin, 1997, Ellen et al., 2000, Sen and Bhattacharya, 2001, Hamann, 2006). Companies often now tend to market themselves through their CSR initiatives (Becker-Olsen et al., 2006, Irwin, 2003). Brands that have successfully meshed CSR initiatives with traditional brand management have used this ‘values-led’ branding to their benefit (Irwin, 2003). For example, a petroleum company, Shell, has integrated the brand slogan, “Waves of Change” into their advertising campaigns, whereby the company has committed itself to integrating the economic, social, and environmental aspects of everything it does, in an innovative manner, while balancing short- and –long-term goals (Shell, 2007).

However, authors such as Blowfield (2005) and Jenkins (2005) argue that there are features which limit CSR’s ability to address poverty, as one cannot assume that there will be any relationship between a company’s actions to reduce poverty and its profitability. Furthermore, other aspects such as failure to involve the beneficiaries of CSR, lack of human resources, and failure to integrate CSR initiatives into a larger development plan have all restricted the implementation and success of CSR activities in the past (Sharp, 2006). Companies continue to be questioned however by academics as to their motivation and underlying reasons for pursuing CSR (Waddock, 2002; Hamann and Acutt, 2003; Hamann, 2006). Those who support an extreme view argue that businesses should not be taking on CSR, as it interferes with its fulfilment of market driven responsibilities and therefore impairs performance (Hamann and Acutt, 2003; Marsden, 2000; Hamann and Kapelus, 2001; Henderson, 2001). Henderson (2001: 33) claims that CSR is deeply flawed and “rests on a mistaken view of issues and events, and its general adoption by businesses would reduce welfare and undermine the market economy”.

Hamann (2006) argues that rather than seeing economic, ethical and institutional approaches to CSR as distinct, it is important to realise they are interrelated, with an overarching role for the institutional dimension. Examples of legal guidelines for responsible corporate conduct include the Cadbury Report (United Kingdom), the King Reports (South Africa) and the Sarbanes-Oxley Act (United States) (Prinsloo et al., 2006). These legal guidelines, however, cannot function on their own without the support of an education strategy (Prinsloo et al., 2006). CSR education has to give business leaders a critical working knowledge of legislation in a global context. For example, the King II Report in South Africa (2003) expects that corporations will ‘operate as good corporate citizens’ (Prinsloo et al., 2006). Hamann and Acutt (2003), ascertain that CSR actions may need to be monitored by NGOs and other civil society groups to ensure
that CSR goes beyond glossy company reports. CSR continues to develop, and it still has a long way from reaching a census on what it means and its value (DTI, UK, 2004).

3.7 Conclusion
This chapter has highlighted the differences between different forms of local development and the characteristics of both the developed and developing worlds. An examination of clusters, globalisation and the automotive industry, as well as responses to economic crises provides a context for what South African localities are experiencing. South Africa’s polarised economy has resulted in South Africa following development paths which parallel those of the developed and developing worlds.

Concepts of partnership and cooperation between various sectors are considered essential for local development and the improvement of social capital. As Cunningham and Meyer-Stamer (2005) note, for both CSR and LED, mixed public-private participation and private administration have been shown to be success causing factors. Despite South Africa following the macro neo-liberal strategies of the north, much of the local development that is occurring on the ground has much in common with developing countries. The following Chapter details local development in South Africa and the development responses practiced in the country.
Chapter Four: Local development in South Africa

4.1 Introduction

Lewis (2002) identifies the most pressing problem facing South Africa as the absence of sustained economic growth and job creation, both of which are necessary to reduce poverty and to improve livelihoods. The transition to a multi-racial democracy in 1994, presented the new government with political, social and economic challenges. Since coming to power in 1994, the African National Congress (ANC) has, amongst other endeavours, attempted to enforce a decentralisation strategy in which local governments are expected initiate development strategies. However, since local governments often lack the financial capital and expertise, public-private partnerships (PPPs) have occasionally formed in response. Due to this polarised economy, both pro-poor and pro-growth development approaches have been applied (Rogerson, 2000, 2006; Niksic, 2004). This study seeks to assess the efforts of development initiators, both public and private alike and their effects on project beneficiaries. However, it must be noted that local development efforts have not always been successful and the results often limited (Nel 2001).

The potential of the private sector is being increasingly recognised internationally (Kvuitu et al., 2005; Visser et al., 2005). Similarly, the private sector in South Africa is being encouraged to play a strong participative role in their communities and CSR actions are high on their agenda. The CSR component often falls within the social component of meeting the triple bottom line (environment, economy, social). However, CSR is a highly debated topic (as discussed in Chapter Three), due to its varying definitions and underlying reasons for undertaking CSR, which will be discussed in this chapter.

This chapter details South Africa’s developmental status (backlogs, needs and actions) and associated development policy, as well as local responses to development needs in the country. Furthermore, as discussed in the previous chapter (Chapter Three), clusters form an important part of localised development. South Africa and Uitenhage have particularly strong automotive clusters, which contribute significantly to their respective economies. A key focus of the chapter is local economic development and corporate social responsibility which have emerged as popular development responses in South Africa, particularly due to the decentralised nature of local government. Both of which will be discussed in detail in this chapter.
4.2 South Africa’s Development Backlogs, Needs and Actions

South Africa has inherited a severe economic and employment crisis from the previous apartheid era and racial inequalities still exist (Nel 2001). As Cheru (2001) states, poverty in the country is intertwined with a number of social and economic issues. The burden of poverty is intensified due to limited access to basic services, poor housing, limited employment opportunities and inadequate infrastructure (Cheru, 2001). According to Sellars (2000), Lewis (2002) and the Mail and Guardian (M&G) (2007a), the biggest challenge facing South African localities is their inability to cope with the high levels of unemployment that are severely hindering both economic growth and poverty alleviation.

As described in the previous chapter, South Africa has a polarised economy, which has resulted from an unequal society, with a highly developed ‘first world’ segment and an underdeveloped ‘third-world’ segment (Cheru, 2001; Desai, 2003; M&G, 2007b). Naude (2004) and the Mail and Guardian (2007b) note that while South Africa’s post-apartheid economy has performed better than under the previous government, the post-apartheid government has failed to create sufficient employment opportunities, and income inequality may have even worsened. Cheru (2001) notes that racial and class differences usually coincide, with the majority members of the small wealthy sector being white and most of the members of the larger poor sector, black. Poverty figures from different sources pertaining to South African vary, from 56 percent of the population living in poverty to 36 percent (Cheru, 2001, M&G, 2007a; M&G, 2007b). Decades of apartheid have also resulted in skills shortages, particularly a major under-investment in the skills of the black majority (Lewis, 2002). In addition to race, poverty also has a gender dimension in South Africa, which Cheru (2001) stresses highlights the need to target more than ever African women in welfare initiatives, job creation, and training in small business development programmes.

4.2.1 Unemployment and Associated Problems

According to Lewis (2002) and the Mail and Guardian (2007a & b), despite the macro-economic achievements of South Africa, slow growth and current employment trends are cause for concern. According to an article in the Mail and Guardian, South Africa’s economy is battling to reduce high unemployment levels despite faster economic growth, with the government spending billions of rands on infrastructure as part of its goal to stimulate poverty reduction and reduce income disparities (M&G, 2006). Sellars (2000) states that the ongoing loss of jobs is nothing short of a national crisis and he describes the implications of the
unemployment crisis as catastrophic. Figure 4.1 shows the unemployment rates in South Africa, from 1996 to 2004. On the whole unemployment rates have increased in South Africa over this period (1996 to 2004). If employment is one of the most important determinants of inequality and poverty, then continued job loss will continue to undermine the government’s efforts to improve the welfare of South African citizens (Sellars, 2000). Furthermore, as Lewis (2002) and the Mail and Guardian (2007b) further note, the HIV/AIDS pandemic in South Africa threatens the sustainability of accrued wealth and the not insignificant service delivery achievements of recent years, thus creating an even larger challenge in long-term poverty reduction.

![Unemployment: South Africa](source: Stats SA, 2004)

**Figure 4.1: Graph depicting unemployment in South Africa from 1996 to 2004 as a percent**

In South Africa there are a number of problems described by Williams (2000) that hinder progressive spatial and non-spatial change, including, steady population growth, unemployment, lack of housing, poor health services, limited access to land, inefficient use of land, an inadequate transportation network, the absence of a coordinated environmental policy, inadequate educational and training services and a largely ineffective local government system.

While there are no ‘quick fixes’ for the difficulties facing the South African economy, there are a number of areas which have the potential to initiate change, and, over time, make a positive difference for growth and employment creation (Lewis, 2002).

**4.3 South Africa and Globalisation**

Prior to 1994, South Africa had been increasingly excluded from world politics after which point, the new government committed itself into integrating the country into the world
economy. As Naude (2004) explains, this was driven by extensive trade liberalisation, fiscal concentration, protecting the independence of the Central Bank in the Constitution, significant deregulation of the telecommunications and information technologies, and the country’s inclusion in a number of free trade agreements. South Africa committed itself to trade liberalisation through tariff liberalisation and the strengthening of bilateral relations with its main trading partners (Ballard and Schwella, 2000; Naude, 2004). Naude (2004) further identifies the following negative features of the post-apartheid economy, which resulted from trade liberalisation: weak economic growth and investment response, as well as continued high rates of unemployment. Furthermore, there is high income and spatial inequality, as well as the crime and conflict (Naude, 2004). As Ballard and Schwella (2000) note, globalisation is a continuous process, which has had implications for the South African local governments because of the impact of localised international trends and influences. The following section describes South Africa’s local developmental policy with its two parallel approaches, of pro-poor and pro-growth/market-led approaches.

4.3.1 Clusters and the Automotive Industry in South Africa
Clusters have become prominent features in localised development and have become major players in the global market. South Africa has strong automotive clusters, which not only contribute to local economies, but also to national coffers, as well as becoming increasingly competitive in international markets. Furthermore, Uitenhage has a strong automotive industry and is a major employer in the area. It is for this reason that automotive clusters are discussed again in this chapter.

Emerging clusters often require resources and assistance to enhance their regional prosperity. Examples of such industries include environmental technology, software and computer services and recreation goods (DEAET, 2000). According to DEAET (2000), stabilising clusters diversify the economic base of a region, while adding stability. They widen the scope of employment and examples of such clusters include the tourism industry, services, horticulture and fruit and vegetables (DEAET, 2000). Mature clusters consist of industries that are experiencing declining or low employment growth. However, despite this, they are the source of many high value-added employment opportunities, such as defence and transportation manufacturing, business services, financial services, computer and electronics manufacturing and medical services (DEAET, 2000).
South Africa’s Department of Trade and Industry (DTI) has played an active role in the formation and support of clusters. Due to the extensive range of cluster activities, a directorate within the DTI was established in 1997 to coordinate the various cluster processes and to act as a resource for information about cluster activities in South Africa (DTI, 1998b).

4.3.1.1 Autoclusters

According to Flatters (2002), the auto industry has been identified as a success story for South African industry and industrial policy. This is gauged mainly in terms of the recent growth of exports in the auto-cluster, both for assembled vehicles and components, as well as regarding increased foreign investments into this sector (Flatters, 2002). After the economic isolation of the apartheid era, and largely due to deregulation and trade liberalisation, many previous import substituting industries are slowly emerging as competitors in world markets (Flatters, 2002). However, as Barnes and Kaplinsky (2000) and Black and Mitchell (2002) note, South Africa’s industry is facing a new competitive market as trade barriers are dropped and they are forced to cope with external markets. In the case of the South African automobile assembly industry, with regards to globalisation, the local subordinate firms are being increasingly integrated into the operations of the parent companies (Barnes and Kaplinsky, 2000).

The first automobile assembly plants were established in South Africa in the 1920s and by the 1930s, some basic components were being sourced locally, such as batteries, glass and tyres. Local production increased and by 1958 over 60 percent of total local employment was in the tyre industry (Barnes and Kaplinsky, 2000). The components sector is currently an important source of output and employment in South Africa and also feeds into other industrial sectors (Barnes and Kaplinsky, 2000). By the late 1980s there were seven assembly plants, producing 14 different brands of vehicles. The high cost of production in relatively low volumes, resulted in the establishment of the Motor Industry Development Plan (MIDP). The South African motor industry is driven by government policies, along with the promotion of exports and the MIDP. The MIDP was initiated in 1995 and its main features were the abolitions of all local content regulations, gradual reduction of import duties, a duty free-allowance on components (equal to 27 percent of the value of vehicles produced for sale in the domestic market), and an extension on the existing incentives for exports (Barnes and Kaplinsky, 2000; Black and Mitchel, 2002; Flatters, 2002).
There are three major automotive sector clusters in South Africa. The Gauteng area around Pretoria and Johannesburg has the largest concentrations of Original Equipment Manufacturers (OEMs), these being BMW, Ford and Nissan/Fiat, and related component firms. The Eastern Cape is the second largest with three major OEMs, namely DaimlerChrysler in East London and the Volkswagen and Delta Motor Corporation in the Port Elizabeth-Uitenhage area. Kwa-Zulu Natal is the country’s third centre in the automotive hierarchy, which is dominated by the Toyota plant (Lorentzen et al., 2004). Clusters set the scene for the production sphere within which the automotive industry, in the case study, operates. A shift in focus now occurs to look at local development in South Africa.

4.4 Local Development Policy

South Africa has two parallel approaches to local development, one a welfarist approach, through decentralised and pro-poor LED and the other a neo-liberal approach, through the encouragement of market-led approaches (Nel and Rogerson, 2005). The new government has had to coordinate a process of social and political transformation, in a divided country, furthermore, the new government accepted globalisation by opening up the South African economy (Naude, 2004). As Nel and Rogerson (2005) note, this polarised nature has yielded mixed results. Since the first local government elections in South Africa (1995), the local governments have been overwhelmed by the need to try to meet their new responsibilities with limited resources (Cheru, 2001; Miraftab, 2004).

Since coming into power, the ANC has attempted to apply a strategy of decentralisation and has implemented numerous measures to rectify the legacies of apartheid with the government dedicating large amounts of money to the social sector (Cheru, 2001; Niksic, 2004). In the 1996 national Constitution (Republic of South Africa, 1996), local governments were instructed to pursue economic and social development, which was taken further in 1998, with the release of the Local Government White Paper (RSA, 1998). The concept of ‘developmental local government’, which encourages local governments to promote sustainable measures by working with their citizens in order to meet the social, economic and material needs of host communities was introduced (RSA, 1998: 17). Furthermore, since then, local governments are now expected to take on leadership roles, involving and empowering citizens and stakeholder groups in the developmental process through finding local solutions to ensure local-level sustainability (Cheru, 2001; Binns and Nel, 2002; Niksic, 2004; Nel and Rogerson, 2005). As a result, the notion of people-driven development has become central to the ANC policy and as
Williams (2000) notes, human development is a multi-dimensional process, which varies in space and time. Furthermore, decentralisation has left local leaders to find innovative ways to respond to poverty, to encourage development and to facilitate growth (Nel and Rogerson, 2005).

4.4.1 Local Government

Local governments are considered important agents in the Anti-Poverty Plan (Cheru, 2001). The White Paper on Local Government (RSA, 1998) established the grounding for an integrated developmental local government system, which is committed to working with citizens, groups and communities to more effectively meet their social and economic needs (Cheru, 2001; Binns and Nel, 2002; Tomlinson, 2003; Niksic, 2004). It is expected that developmental local government will lead to the promotion of local economic development, through which local government can play a more substantive role in job creation and stimulating the local economy through the provision of business-friendly services, local procurement, investment promotion, and support for small businesses and growth sectors (Binns and Nel, 2002; Tomlinson, 2003). Community empowerment and redistribution are also thought to be achievable through local developmental government activities (Binns and Nel, 2002).

In order to support LED, the South African government developed an LED Fund in 1999, which provided support for local level poverty relief schemes (Binns and Nel, 2002; Nel and Rogerson, 2005). This was a means of providing tangible support to local governments in their implementation of development projects where the main goals were to increase the number of jobs locally and alleviate poverty generally (Binns and Nel, 2002; Tomlinson, 2003). Binns and Nel (2002) note that the LED Fund did provide important support for initiating new community-based projects, but as these authors also point out, one of the major problems with the Fund was that it generated a predicament of expectation. Over eighty-five percent of the projects supported by the Fund, which predominantly consisted of micro and small enterprises and other community development ventures, proved not to be sustainable (Tomlinson, 2003). Furthermore, only a small percentage of the towns in South Africa received support, despite there being with exceptionally high unemployment rates, which are in need of support (Binns and Nel, 2002).

In 2000, the White Paper on Municipal Service Partnerships was released which encouraged partnership formation between municipalities and community-based organisations as a means of
promoting economic development, in order to strengthen democracy and empower civil society at the local level (Binns and Nel, 2002; Niksic, 2004). Despite the devolution of power and decentralised governance, severe capacity constraints and corruption has impeded the effectiveness of decentralisation (Williams, 2000; Cheru, 2001). Williams (2000) notes that 250 of the 850 municipalities in South Africa are in financial trouble, as their taxbases, especially in the townships, have been severely depleted since 1994.

The 2000 Municipal Systems Act (RSA, 2000), has strengthened the position and role of local government and requires municipalities to each develop an “Integrated Development Plan” (IDP), within which LED is considered an important element (Nel, 2001; Binns and Nel, 2002). The IDP document is meant to outline the economic, sectoral, spatial, social, institutional, environmental and fiscal strategies needed in order to achieve sustainable growth, equity and empowerment of the poor and marginalised (Department of Provincial and Local Government, 2000, in Nel and Rogerson, 2005). Tomlinson (2003) notes that IDPs essentially plan to assist local governments to cope with poverty and the scarcity of resources with regards to addressing poverty.

More recently the National Framework for Local Economic Development document (2006) suggests that LED is an important tool to achieve balanced local economic growth in order to achieve both increased competitiveness and poverty eradication; address service-delivery backlogs; encourage more participatory relations and reform and establish new intergovernmental relationships (Binns and Nel, 2002; DPLG, 2006). Community economic development, development of human capital, SMME development as well as investment attraction and place marketing are identified as key strategies which are likely to increase and transform local economics, promote job creation and redistribute incomes (Binns and Nel, 2002; DPLG, 2006).

SMMEs have received much attention due to their identified labour-absorptive capacity in a period of a shrinking public sector and private formal economy, and an increasing number of new labour-market entrants (Rogerson, 2000; Kesper, 2001). These enterprises are generally more labour intensive and can often even meet the demands of international markets. SMMEs in South Africa are expected to act as a driving force in social and economic transformation if they are supported by supply-side measures which are aimed at targeting enterprise constraints (DPLG, 2006). SMMEs are considered a means of addressing the problem of high
unemployment levels, of encouraging local competition, redressing the inequalities inherited from the apartheid era, contributing to black economic empowerment and playing an important role in people’s efforts to meet basic needs (Kesper, 2001; DPLG, 2006). However, in South Africa, this sector is largely under-developed and as Kesper (2001) notes, there is a severe disparity between reality and what policy models predict. The majority of SMMEs in South Africa are micro and survivalist enterprises, with little economic growth potential, while the medium-sized enterprises, which are responsible for the majority of SMME employment, are in the minority (Kesper, 2001). It must be noted that literature on established, successful SMMEs is sparse (Rogerson, 2000; Kesper, 2001). Lewis (2002) maintains that the success and growth of the SMME sector can potentially be a crucial element in South Africa’s transition to increased growth.

4.4.2 Integrated Development Plans (IDPs)

Integrated Development Planning is one of the key tools used by South African local governments as a response to its new developmental role (Pycoft, 2000). Integrated Development Planning (IDP) is a function of municipal management and is part of integrated system of planning and delivery (Pycoft, 2000; IDP, n.d). The IDP process is meant to arrive at decisions on issues such as municipal budgets, land management, the promotion of local economic development and institutional transformation in a consultative, systematic and strategic manner (Cashdan, 2000; IDP, n.d). With the participation of poor communities, IDPs should assist municipalities to develop an integrated and holistic strategy for poverty alleviation (RSA, 1998; Cashdan, 2000).

IDPs are legislated by the Municipal Systems Act 2000 and are five-year strategic development plans for municipalities, which serve as the main strategic management instruments (IDP, n.d). Furthermore, in line with the National Department of Provincial and Local Government’s guidelines and the Municipal Systems Act 2000 (MSA), the IDP approach has to conform with specific methodological principals (Cashdan, 2000). It has to reflect the priority needs of the municipality and its residents and ensure that available resources are used in an objective orientated manner (IDP, n.d.). The purpose of the IDP is to create more effective service delivery means by providing the framework for economic and social development within the municipality (Pycoft, 2000). Through this it is hoped that it will contribute toward the reduction and / or eradication of the development backlogs of the past. In addition, it
operationalises the notion of developmental local government and fosters a culture of cooperative governance (Cashdan, 2000; IDP, n.d.).

4.4.3 Macro-Policy

4.4.3.1 From RDP to GEAR

The ANC Government’s Reconstruction and Development Programme (RDP) (ANC, 1994), provided the framework for government policy from 1994 to 1996. According to Niksic (2004: 358), the RDP was quite ‘developmentalist’ and supported the popular side of decentralisation by encouraging public participation. Empowering people at the grass roots meant that the local government was particularly important in the developmental process.

The White Paper on Reconstruction and Development (RDP) (RSA, 1998) formed the underlying strategy of government to deal with the economic inequalities created by apartheid. The major goals of the RDP were to:

- Eliminate poverty and inequalities generated by the decades of poverty
- Raise living standards and develop human resource capacity
- Address imbalances and structural problems in the economy and labour markets
- End discrimination in business
- Establish a living wage
- Address economic imbalances in southern Africa and develop a prosperous and balanced region economy

The RDP was meant to provide the incentives and motivation for transforming public service activities, and direct expenditure towards those goals the government had set (Sellar, 2000; Cheru, 2001, Niksic, 2004). The RDP did achieve major accomplishments in the two years of its existence, particularly with regards to electricity and water supply, and almost 500 public works programmes were initiated, which provided temporary employment for 30 000 people (Cheru, 2001; Binns and Nel, 2002). However, the RDP did not meet its unrealistic targets and this demand-side stimulation programme was superceded in 1996, and replaced by Growth, Employment and Redistribution (GEAR), a supply-side approach, which supported neo-liberal approaches and put in place a new macro-economic strategy (Cheru, 2001; Williams, 2000; Niksic, 2004). This approach was driven by the view that economic growth should be translated into the redistribution of incomes and opportunities through relevant social

GEAR is a macroeconomic policy, which has largely focussed on addressing structural inequalities and eradicating poverty through market-led economic growth and concentrating government budgets on disadvantaged communities (Sellars, 2000; Cheru, 2001; Binns and Nel, 2002). As Cheru (2001) explains, the strategy emphasises the need for increased growth performance in order to sustain the government’s social and developmental programmes through fiscal discipline, strict monetary policies and the restructuring of state assets in order to increase the overall competitiveness of the economy. In order to achieve this aim, government supported cutting costs, accelerating a process of privatisation, lowering corporate taxes and promoting wage restraint by organised workers (Niksic, 2004). On the other hand, government also emphasised the importance of the redistribution of government expenditure in favour of meeting basic needs and improving services to disadvantaged people and poor communities (Cheru, 2001). The national government’s belief is that public spending on employment-intensive activities could and would contribute to job creation (Sellars, 2000; Cheru, 2001). Despite the government’s efforts, GEAR’s growth and employment strategy has not yet met its targets, and, on the contrary, hundreds of thousands of jobs were lost and the anticipated level of investment in the private sector has not materialised (Cheru, 2001, Niksic, 2004).

Even though job creation is a priority in South African policy, the rate at which jobs are generated is limited by overarching economics, a shortage of skilled workers and high unemployment among the unskilled (Cheru, 2001). The main objective of the government’s employment strategy is to increase the labour absorptive capacity of the economy. The Department of Labour has been granted the task of focussing mainly on skills development, removing structural obstacles to job creation and identifying significant employment generating opportunities (Cheru, 2001). As authors such as Cheru (2001) and Binns and Nel (2002) explain, employment creation has become the aim of a number of industrial support policies, tourism promotion, small business development and agricultural support. In addition to government institutions, the welfare sector in South Africa is large, with more than 10 000 organisations of civil society having an interest in welfare and development (Cheru, 2001). The government recognises the need to increase the capacity for partnerships with the non-governmental welfare sector. The National Development Agency channels funds to
organisations for programmes directed at meeting the development needs of the poor and to strengthening their capacity (Cheru, 2001).

The government is attempting to diversify the economy by promoting industrial development, tourism and small business development. In 1996, The White Paper on a National Strategy for the Development and Promotion of Small Business in South Africa was released. The Department of Trade and Industry has subsequently become responsible for promoting small business in the country and has established a LED unit which focuses on small business development. The DTI has developed an integrated small-enterprise strategy, which presents the way forward for small enterprise development in South Africa (DTI, 2005). The strategy is based on three pillars:

- Promoting entrepreneurship through campaigns, leadership training and awards
- Strengthening the enabling environment through more flexible regulations, better access to finance and markets, improved infrastructure facilities and business support
- Enhancing competitiveness and capacity at the enterprise level through skills training, more focused quality-, productivity- and competitiveness –support and the facilitation of technology transfer and commercialisation and incubation

(DTI, 2005: 4)

The DTI has pursued the integration of a wider group of institutions into the sphere of small-business development and, as a result, this has led to the establishment of as the following institutions: the Small Enterprise Development Agency (Seda), which localises support through a national network of access points; the South African Micro-Finance Apex Fund (Samaf) and a more focused approach by Khula to service medium-sized enterprises (DTI, 2005).

4.5 Local responses to development in South Africa

South Africa cannot strictly be classified as a developed or developing country, as it has characteristics of both, with world class cities as well as mass unemployment (Desai, 2003). South Africa essentially has a polarised economy and LED is promoted as a tool to reduce this gap (Desai, 2003). As Rogerson (2002) notes, some sectors of the economy are comprised of highly skilled professionals employed in the tertiary sector, whereas an increasing portion of South Africa’s population are forced to find work in a fast growing informal economy.

It is being recognised that people at the grassroots level have a great deal of initiative, skills and expertise when it comes to survival in poor social and economic conditions (Williams, 2000).
Williams (2000) argues that it is therefore in the interests of society at large to make the most of the experience and knowledge of the people on the ground and utilise this in development. This section focuses on local economic development in South Africa, LED policy, and practice and its evaluation.

4.5.1 Local Economic Development in South Africa

LED has emerged in South Africa as one of the major post-apartheid development options which is being carried out in localities with the encouragement of national government, articulating a strong community focussed and pro-poor emphasis (Nel, 1999; Nel and Rogerson, 2005b). As Nel (2001) notes LED endeavours have arisen from local economic crises and the initiatives of local leaders and the communities they represent. South Africa has not only had to deal with the oppression created by apartheid, but also had to respond to the challenges of neo-liberalism and globalisation. The need for targeted pro-poor LED in South Africa is evident by the high levels of poverty that require specific interventions (Nel and Rogerson, 2005b). Within this context, the national government has recognised local governments as important implementers of change and has mandated them to respond to the developmental needs in their specific localities, focussing on the poorest members of society (Tomlinson, 2003; RSA, 1998 in Nel and Rogerson, 2005). However, there are academics, such as Tomlinson (2003) who argue that LED is increasingly being used by central government to shift some of the responsibility of dealing with unemployment and poverty to the local level. LED is undertaken by provincial and local levels of government, as well as the private sector, and varies from pro-poor to pro-market initiatives, however as Nel and Rogerson (2005b) warn, previous experience has shown that its success cannot be guaranteed. Nel and Rogerson (2005b) note that that LED results have often been disappointing.

4.5.1.1 Local Economic Development Policy

South Africa parallels international LED policy and practise having incorporated LED, since 1994, into government policy as a means to counteracting poverty (Simon, 2000, Binns and Nel, 2002; Rogerson, 2002; Bond, 2003; Tomlinson, 2003). Strong community-focussed and pro-poor emphasis development policy thinking is expressed in the 1994 Reconstruction and Development Programme, the 1996 Constitution, the 1998 Local Government White Paper and the 2000 Local Government Municipal Systems Act, over and above a number of documents issued by the Department of Provincial and Local Government, which specifically encourage local governments to engage in pro-poor LED (Nel and Rogerson, 2005b). Local governments
have been restructured and their mandate has been reformulated through the national constitution (RSA, 1996) to enable them to achieve LED goals. Local authorities play a pro-active role in identifying actual or potential growth sectors and in directly supporting businesses through actions such as research, loans, grants, consultancy, premises, and technical infrastructure (Bond, 2003). The aim of LED in South Africa is to “create jobs, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents (DPLG, 2000: 1). The constitution states that local government must promote social and economic development (RSA Constitution, 1996). Binns and Nel (2002) note a number of key indicators which are prominent in descriptions of LED, notably that it is concerned with local level development, strong partnerships with the private sector or other development agencies are also evident in South Africa, and there is a strong emphasis on economic development and job creation. However, the main objective of LED in South Africa is the establishment of job creating enterprises, and, as a result, a significant number of SMMEs have developed (Nel and Humphrys, 1999; Rogerson, 2000; Rogerson, 2006). Furthermore, as part of the process of decentralisation, community based and small town initiatives also carry out LED actions. A key focus of the study will be on an assessment of the effectiveness of SMMEs with regards to job creation and the socio-economic upliftment of the beneficiaries, as well as the sustainability of such initiatives.

4.5.1.2 Local Economic Development Practice

As discussed in section 4.3, South African law and policy encourages local authorities to engage in LED (Nel, 2001). Local governments in South Africa have largely focussed on the implementation of pro-poor LED strategies that often have not involved the business sector (Binns and Nel, 2002; Nel and Rogerson, 2005). Tomlinson (2003) maintains that the role created for LED in South Africa is concerned with advancing small businesses in black communities and with relieving poverty. Binns and Nel (2002) also note that central government has paid much attention to community economic development as a strategy for poverty alleviation. Local governments have focussed on the poor and initiated limited, pro-poor development activities such as local sewing schemes, craft production, and farming cooperatives (Tomlinson, 2003; Nel and Rogerson, 2005).

Studies reveal that there are a variety of views with regard to the focus of economic development in various localities in South Africa. Perceptions range from considering economic development as essentially pro-growth in focus, to the view that it should be pro-
poor, or even a combination of the two (Nel and Rogerson, 2005b). For example, Johannesburg supports a pro-growth focus of seeing development as a tool for creating a favourable environment for investment; Kroonstad supports a pro-poor definition with the goal being to alleviate poverty through job creation; whereas Durban takes the middle ground approach, striving to build a globally competitive region from which all communities can benefit; and for Bloemfontein it is about having both market and pro-poor initiatives (Nel and Rogerson, 2005b).

In towns surveyed by Nel and Rogerson (2005b), they identified common themes which local municipalities tend to focus on with regards to economic development namely: economic growth and facilitation; economic growth and poverty alleviation; job creation; SMME support; and global links and exports. Furthermore they noted specific poverty responses namely:

- Informal sector support
- Support for disadvantaged groups through learnerships, training, housing programmes and public works
- Provision of free/subsidised services in terms of an indigent policy
- Social development
- Job creation/training/public works
- Infrastructure provision
- Business development
- Food packages/nutrition
- Housing policies
- Rural planning

(Nel and Rogerson, 2005b).

4.5.1.3 Local Economic Development: Evaluation

Nel and Humphrys (1999), Binns and Nel (2002) and Nel and Rogerson (2005b) note that while authority and responsibility have been devolved to lower levels of government, and local authorities are mandated to promote and initiate LED activities, the capacity and resources are often not present at the local authority level to take up this challenge. Numerous obstacles have been encountered, including a poor understanding of local economies, misdirected support for what turn out to be unsustainable community projects, and capacity and resource constraints (Nel and Rogerson, 2005b). In terms of LED implementation there is, to varying degrees, a reliance on external support to achieve goals (Nel and Rogerson, 2005b). As a result,
partnerships with NGOs and community organisations, as alternatives, are often sought. In addition, LED is not a quick solution to socio-economic crises and places large demands on scarce resources (Binns and Nel, 2002).

The establishment of pro-poor local development strategies are an important means of dealing with the widespread poverty left by the apartheid era (Nel and Rogerson, 2005a). However, literature reveals that LED has made slow progress. The widespread failure of many of these projects is being realised and reveals the limitations of such limited (focusing only of pro-poor approaches) LED approaches. As Hindson (2003) notes, the results have often been disappointing. There are a number of reasons for this and, as Nel (2001) states, there are practical limits to its application, where shortages of skills and human and financial resources in particular act as hindering factors. Meyer-Stamer (in Nel and Rogerson, 2005a) claims that LED is unlikely to make much of a difference with these hindrances acting against the promotion of economic development. Bond (2003) and Nel and Rogerson (2005b) question just how embedded pro-poor LED policies and practices are in South African cities.

Despite these views, there are areas in South Africa in which pro-market LED is being undertaken, particularly in larger metropolitan areas where noticeable results are being achieved. Many of these larger areas are the focus of interventions such as place-marketing, CBD renewal, business attraction, and convention centre development, such as in Johannesburg, Durban and Cape Town (Nel and Rogerson, 2005a; Gibb, 2007). Hindson (2003) agrees with this viewpoint and maintains that LED should focus on pro-market development and community development interventions should be utilised to deal with social issues.

4.5.2 Corporate Social Responsibility in South Africa
The concept of using CSR initiatives to build businesses in South Africa is relatively new, yet forms part of a wider global trend. As noted in the Journal of Corporate Citizenship (2005), CSR is fairly new in the academic field, which explains the relatively limited writing on the subject. According to Kihato and Hamann (2006), despite the importance of CSR for African societies, relatively few southern African academics have identified this as an area of inquiry, thus providing an additional motivation for this thesis. What is being increasingly recognised is that corporations have the ability to help alleviate socio-economic challenges (Irwin, 2003, Unknown, 2005). As noted by Heese (2005) and Sonnenberg and Hamann (2006), a major
inhibitor of CSR in South Africa is the failure to reach consensus on the key issues that would define CSR.

Southern Africa’s pressing development challenges relate to deepening poverty, high levels of unemployment and increasingly vulnerable livelihoods, high levels of urbanisation, severe housing backlogs and a lack of basic services, environmental degradation and the spread of HIV/AIDS and other diseases (Hamann, 2006). As noted by Hamann (2006), these challenges are not unique to the region, but they have a special character and severity, and this shapes the definition and implementation of CSR-related activities. CSR activities in southern Africa are dominated by priority issues such as skills development and HIV/AIDS. The notion of business targeted at the bottom of the pyramid is popular with large corporations, where leading companies are offering clear development benefits through investing in new ideas designed to create opportunities for the poor (WBCSD, 2005). However, Fig (2005 in Sharp 2006) shows that South African businesses are more resistant to the actual concept of CSR than they are to the notion that they have a part to play in development. This is because they are averse to the implication that they are, in any way, responsible for exploitation and oppression (for making people poor) during the apartheid era.

On the other hand, because responsibility for development is shifting from governments to businesses, the CSR discourse has no need to rely on the notion that poor people endure their poverty under generally fair, or inefficient governments (Sharp, 2006). Since businesses undertake their CSR and development interventions where there are gaps in the state’s attempts, they often can highlight the extent of government inability and corruption (Sharp, 2006).

4.5.3 Drivers of CSR
Legislation, globalisation, and stakeholder pressure are among the most significant drivers of CSR. However, as Hamann (2006) notes, CSR in southern Africa needs to respond to the development challenges particular to the region, rather than to the vision of sustainable development pursued in developed countries. In South Africa, the legislative reform since 1994 has been particularly significant for the development of CSR (Unknown, 2005). As noted in the Journal of Corporate Citizenship (2005), the policy framework to encourage CSR was already implied in the RDP, and apart from laying the foundations for CSR, the RDP addressed specific issues in more detail such as poverty alleviation, environment, health, safety, workplace empowerment, affirmative action and human rights, all of which are major elements of
contemporary CSR (Unknown, 2005). It is noted by Trialogue (2004), that although legislation is a driver of change; poor enforcement is a serious challenge. The state is not only an important role-player in enforcing or motivating CSR, but state institutions themselves may have much to learn from the principles and practices associated with CSR (Hamann, 2006). Furthermore, Hamann (2006) notes that although the capacity and quality of government remains a key focus of policy makers and analysts in sub-Saharan Africa, there are increasing expectations that the private sector has a vital role to play in achieving the Millennium Development Goals (MDGs). Hamann (2006) further states that the MDGs themselves require business involvement in ‘a global partnership for development’ (Hamann, 2006: 175).

4.5.4 CSR and Development in South Africa

CSR has the potential to play an important role in South Africa, particularly given the country’s apartheid history. Even though the economy has become reintegrated into the global markets, severe social problems such as poverty and disease persist (Appels et al., 2006). South African businesses are expected to play a prominent role in dealing with these problems, which creates particular challenges and opportunities for the institutionalisation of CSR.

Over and above the importance attached to the need for a growing private sector, and a strong informal economy, for increased employment opportunities and investments, there are ambiguities with regard to the private sector itself and the role it can or should play in sustainable development. However, public responsibility is encouraged among local authorities who are expected to adopt city-wide policies and programmes to address conflicts arising from increased urbanisation (Williams, 2000). A report co-published by the UN Development Programme suggests that it makes business sense for companies to contribute to the MDGs because this builds a sound business environment with healthy employees, prosperous consumers and reliable trading systems. Further, it enhances companies’ ability to manage costs and risks associated with social issues, such as HIV/AIDS and conflict, and provides potentially important business opportunities in relation to new markets, products, or services. Companies are encouraged to support the MDGs by means of their core business activities in the work and market places and along their supply chains, in their social investment and philanthropic activities, and through an engagement in public policy dialogue and advocacy (Hamann, 2006). Examples of these include Anglo American’s Comprehensive Small Business Outreach Programme, and the South African National Business Initiative’s support for government schools (Nelson and Prescott, 2003).
Furthermore, The Commission for Africa argues, “business must sign up to leading codes of
good social and environmental conduct, including on corruption and transparency, and focus
their efforts on coordinated action to tackle poverty – working in partnership with each other,
with donors, with national governments, and with civil society, including trade unions”
(Commission for Africa, 2005: 74). Similarly, the New Partnership for Africa’s Development
(NEPAD) has recently launched a project in conjunction with the African Business Roundtable
and the UN Office of the Special Advisor for Africa, focussed on involving the private sector to
assist in fast-tracking the MDGs in Africa (Commission for Africa, 2005). Parts of the business
community, particularly those led by multinational companies, support the image of business as
contributors to development. In a report focussed on the MDGs, the World Business Council
for Sustainable Development (WBCSD) argues, “business is good for development and
development is good for business” (WBCSD, 2005: 6).

The varying conceptions of the role of business in society and the CSR agenda between
international and national literature is apparent in the debate surrounding black economic
empowerment (BEE). As Hamann (2006) and Moyo and Rohan (2006) recognise, important
elements of BEE, such as human resource development, affirmative procurement and support
for small businesses represent important CSR related issues. Hamann (2006) further argues that
BEE corresponds to a negotiated definition of what CSR means in the South African context.
However, much depends on how BEE is implemented. Critics argue that it is primarily about
the creation of a black elite, with little benefit to the poor and vulnerable (Hamann, 2006; Moyo
and Rohan, 2006). The state and defenders of BEE describe it as broad-based and inclusive of
issues relating to the needs and interests of the poor (Hamann, 2006). As argued by Hamann
(2006), the role of the state in CSR is perhaps a particularly significant issue in developing
countries. BEE is a clear indication of how the state can play a crucial role in providing
incentives, pressures and benchmarks for CSR. In South Africa, the state is using its position as
the country’s largest buyer of products and services to force companies to comply with its BEE
requirements, particularly in sectors over which it does not have direct control (Hamann, 2006).

According to Aliber (2002), the private sector’s role in promoting income-generating projects
and SMMEs most likely surpasses what the local government is able to achieve. A large portion
of private company’s CSR spending falls into this category (Aliber, 2001). As Aliber (2001)
further notes, companies use different strategies for achieving these goals, including
contributing financial resources to grant-making institutions such as the National Business Initiative, linking up to development-orientated NGOs and CBOs, linking directly with government, as well as establishing their own programmes. Some companies appoint developmental professionals to assist them assess opportunities to make contributions or undertake training such as Anglo Gold, while others have created their own offices for providing services directly to the public (Aliber, 2001). However Hamann (2006) cautions against too much optimism or excessive reliance on business contributions to development.

4.5.5 CSR and its Integration into Core Business

Despite the various initiatives emphasising a broader approach to CSR, such as the Global Reporting Initiative and the second King Report on Corporate Governance in South Africa, many CEOs are still prone to referring to their charitable foundations or similar departments when asked about CSR. A lack of integration into core business is apparent in the manner in which some companies call themselves good corporate citizens, referring to their education and health programmes, while at the same time continuing to neglect some of the negative consequences of their core activities (Hamann, 2006). Corporate managers have identified the creation of management systems that effectively coordinate the diverse and interrelated elements of sustainable development as a challenge. As argued by Anglo American’s sustainable development manager, “integration and coordination remain the biggest challenge, given that implementing the various sustainable development policies is too big for any one individual. So we need to find out how best to integrate, and also when it’s okay to let [different departments] operate in parallel (Hamman, 2006: 189). Another challenge, identified by Hamann (2006), is that the implementation of policy objectives is often restricted by ‘turf wars’ between departments, lack of coordination, multiple and overlapping reporting and performance management systems, and limited capacity. Furthermore, the achievement of CSR objectives, whether by companies acting individually or collectively, often requires collaboration with other stakeholders, including the state and civil society organisations. For instance, mining companies in South Africa and elsewhere are realising that they can deal effectively with the pressing social problems around many of the mines only if they make a systematic contribution to enhanced local governance and local economic development planning, in collaboration with local government, NGOs and others (Hamann, 2006).

German car manufacturers in South Africa (DaimlerChrysler, BMW and Volkswagen) are spending large sums of money on drugs, treatment and education to fight the HIV/AIDS
epidemic affecting their workforce (EP Herald, 2004; Weekend Post, 2005). Through the 
HIV/AIDS programme, the companies also hope to reduce costs related to lost production due 
to absenteeism; the hiring and training of new employees, as well as claims on insurance funds 
(EP Herald, 2004). However, CSR initiatives have been criticised for being generally directed 
towards those activities which benefit their corporate image and are not generally directed at 
areas like job creation and rural development (Irwin, 2003). These examples illustrate how 
public responsibility, as a central planning and development notion, is being utilised in a range 
of community-driven partnerships to serve as an effective means to improve living conditions at 
the grassroots level (Williams, 2000).

4.5.6 CSR Reporting in South Africa

Leaders in sustainability reporting in South Africa have moved towards systematic reporting, 
producing increasing quantitative data through which stakeholders can assess their progress, or 
lack thereof (Sonnenberg and Hamann, 2006). Where numerical data is inappropriate, reporters 
are beginning to explain, in a more systematic manner, their strategies and programmes for 
addressing key issues. This follows an international trend in South Africa (Sonnenberg and 
Hamann, 2006). However, the majority of companies still describe their sustainability activities 
in an ambitious, subjective, periodic manner, with emphasis on positive aspects. There is also a 
heavy focus on CSR as philanthropy (Sonnenberg and Hamann, 2006). As Sonnenberg and 
Hamann (2006) argue, this does not allow the reader to assess the overall extent to which the 
information provided represents the company’s overall performance.

For some years now, South African companies have been considering how to meet the 
emerging requirements of investors and civil society for companies to reveal more socially 
responsible behaviour, thereby embracing the triple-bottom line of environmental, economic 
and social sustainability (Johannesburg Stock Exchange [JSE], 2005; Sonnenberg and Hamann, 
2006). Based on this motivation the Johannesburg Stock Exchange developed a sustainability 
index, called the JSE Social Responsible Investment (SRI) Index, launched in 2004. Despite 
being the first such index in the developing world, it is also notable as it is sponsored by the JSE 
itself (JSE, 2005; Sonnenberg and Hamann, 2006). The index has three main objectives, 
namely to highlight companies from the JSE Share Index with good sustainability practices; to 
provide the basis for financial SRI products; and to satisfy the need to find an objective and 
accepted method of measuring the sustainability performance of companies (JSE, 2003; 
Sonnenberg and Hamann, 2006). The JSE SRI Index follows in the footsteps of similar
initiatives of the Dow Jones and FTSE (the London Stock Exchange). Parallel to the King II report on corporate governance, which encourages the triple-bottom line, the JSE SRI index has already contributed to exposing companies to corporate citizenship in South Africa (Sonnenberg and Hamann, 2006).

The JSE SRI index is based on a set of approximately 70 criteria or indicators grouped in the four main categories of: corporate governance, society, environment and economy (JSE, 2005; Sonnenberg and Hamann, 2006). Aspects such as policy, management and performance, and reporting and consultation are performance areas which are assessed within each category. Company performance is assessed against the criteria and inclusion in the index requires a minimum score. With regard to social sustainability, the JSE SRI states that “companies need to demonstrate the existence of implemented strategies to promote social upliftment, development and poverty reduction, while taking account of diversity, employment equity, empowerment, fair labour practices and health and safety” (JSE, 2005: 3).

However, in South Africa, CSR only represents about one percent of investments, and there is relatively little awareness of and support for CSR, compared to the United States, where CSR represents about 10 percent of funds, thereby having a more crucial impact on corporate management (Monks et al., 2004; Heese, 2005; Sonnenberg and Hamann, 2006). The Index has increased awareness of CSR among JSE listed companies. The Index, has for the first time, provided criteria that define the priorities of CSR in the South African context, thereby benchmarking corporate reporting, and, to a lesser extent, actual reporting (Sonnenberg and Hamann, 2006).

It must be noted that there are questions which arise with regard to the impact of sustainability reporting. Sonnenberg and Hamann (2006) identify the concern as being that the reports are not widely read. A major problem is that companies’ sustainability reports are generally not read by the communities affected by the company. This is particularly true of poor communities who have limited access to and understanding of formal text-based reports. Furthermore, according to Sonnenberg and Hamann (2006), the broader public and civil society organisations have as yet a limited awareness of the potential of sustainability reports to be an important resource in their interactions with companies.
4.5.7 The CSR Debate

Ashley and Haysom (2006) argue that poverty is widespread and conventional CSR, with its focus on poverty reduction, through education, health and targeted income support, is not up to the challenge (Rogerson, 2002), while macro-economic growth does not deliver benefits to the majority (Ashley and Haysom, 2006). Thus ‘pro-poor’ growth is also needed as was discussed in the local development section (3.6.3). However, as noted by Hamann (2006), despite glossy sustainability reports and emerging accounting systems, academics do not know whether CSR really makes a significant difference. Furthermore, social issues related to CSR ambitions, are difficult to measure, and this has had implications for their effective implementation. Companies’ assessments of their impacts often contradict that of local communities. As Hamann (2006) points out, it is not necessarily the case that companies are wilfully misrepresenting their impacts in a particular area, nor is it necessarily the case they are implementing token CSR activities to mask their true impact. Rather, the diverging assessments of companies’ impacts may also be due to the different perceptual lenses applied to the problem, or to the discourses of CSR and sustainable development that will inform the observer’s generation of information and its analysis (Hamann, 2006). If the impacts of CSR activity are difficult to assess at the local level, these difficulties are compounded at larger scales of analysis (Hamann, 2006).

4.6 Conclusion

This chapter has built on the context created by the previous chapter and has highlighted South Africa’s development backlogs, needs and actions. Cheru (2001) commends the efforts of the South African government to generate economic growth and reduce poverty through market-led solutions. However, in South Africa, a country which is marked by extreme inequalities and poverty, the most appropriate strategy would have to be a mixed economy approach in order to secure the foundations for long-term development, through the provision of basic services and the redistribution of income (Cheru, 2001). South Africa has a number of policies which guide development in the country. Through developmental local government, local municipalities are responsible for socio-economic development within their boundaries. It is evident that job creation is a major concern and priority for the majority of local municipalities. LED and CSR are two ways in which local governments and local businesses can and do strive to create sustainable development in their local areas.
The following chapter sets the scene for the case study and details key trends in the Eastern Cape, as well as the many challenges it faces. Uitenhage falls within the jurisdiction of the Nelson Mandela Bay Metropolitan Municipality and therefore the Metropole’s developmental plans are briefly discussed, which leads onto a section on Uitenhage and key development trends within that portion of the metropolitan municipality.
Chapter Five: Setting the Scene

5.1 Introduction
As introduced in Chapter One and discussed in Chapters Three and Four, the developmental role of local government in South Africa has merited attention in academic research in recent years (Nel, 2001; Niksic, 2004; Nel and Rogerson 2005), however less attention has been devoted to the role of the private sector. Within Uitenhage there is a strong corporate presence, a local desire and incentive to form local-level public-private partnerships and a significant development backlog. This chapter, which serves to set the scene for the case study, firstly details key provincial demographic trends and development plans in order to provide the context within which the NMBMM and Uitenhage operates. A brief description of NMBMM and its plans for the metropolitan area are documented. Detail of the automotive industry is given to emphasize the importance of this particular industry to the economy of NMBMM and its position as the biggest employer and industrial cluster. Despite this strong industrial base in the area, there are high levels of unemployment in Uitenhage and its population faces associated challenges (low levels of education, poverty, low living standards etc.). Uitenhage is a relatively old town in South African terms and a brief history of its origins and development are described, and recent demographic details are supplied. Uitenhage operates as an autonomous entity (in terms of the Metropolitan area’s economic planning), which sets the spatial context for this particular study (NMBMM IDP, 2006). Furthermore, the presence of several major firms in Uitenhage, which are potentially active in local development processes, provides a possible ‘laboratory’ setting to clarify and compare the development actions and impacts of both the public and private sectors within the context of a relatively small centre, as an investigation of this nature would be difficult to undertake on a larger scale.

5.2 The Eastern Cape: Key Trends
An overview of key trends in the Eastern Cape are detailed in order to provide the context in which Uitenhage exists. High levels of poverty and unemployment are rife in the Eastern Cape and therefore the need for development is apparent.

The population of the Eastern Cape was 6 436763 in 2001, with the majority of the population group classified as black (87.5 percent) (Stats SA, 2001). Figure 5.1 shows the age distribution of the population. There are relatively few young adults compared to the national patterns and over one-third of the population were under the age of 15, which may reflect the migration of
parents to more industrialised provinces (Stats SA, 2001). A relatively small percentage consisted of those aged 65 and older.

Figure 5.1: Age distribution in the Eastern Cape (Source: Stats SA, 2001)

Furthermore, the level of education amongst the Eastern Cape population is low as can be seen in Figure 5.2. In both the 1996 and 2001 censuses, almost three in ten people, amongst those aged 20 years and older, had started but not completed secondary school. The percentage of people with a grade 12 or higher qualification increased between 1996 and 2001, however the percentage of people with no schooling also increased from the 1996 to the 2001 census.

Figure 5.2: Level of education amongst the 20 year and older age group
(Source: Stats SA, 2001)

In 2001, there were 3.7 million people aged 15 to 65 years, of these 754 000 were employed, 908 000 were unemployed and 2 million people were not economically active, which is depicted in Figure 5.3 below. This latter category includes students, homemakers, the disabled, those too sick for work and anyone not seeking work (Stats SA, 2001). The African and Coloured
population groups had higher proportions of unemployment and not economically active than the other population groups. Across all racial sectors the percentages of unemployed people increased from 1996 to 2001. Furthermore, the 2001 Census does note however that employment was most probably underestimated, particularly in the informal and agricultural sectors, and the data should therefore be used with caution (Stats SA, 2001).

![Figure 5.3](image-url)

**Figure 5.3: Distribution of the population in the labour market, Eastern Cape**

(Source: Stats SA, 2001)

Poverty is widespread in the Eastern Cape, but is worst in the former homeland areas. The province is starkly divided between the poor, densely populated labour reserves, primarily in the eastern half of the province, the under-serviced townships and informal settlements, and the well-serviced, historically white urban centres and relatively affluent, sparsely populated commercial farming areas (PGDP, 2003). Estimates are that two-thirds of the province’s people live below the poverty line (PGDP, 2003). As the Provincial Growth and Development Plan notes poverty’s partners, illiteracy and unemployment, are serious developmental problems (PGDP, 2003).

### 5.2.1 Key growth and Poverty Challenges

The above mentioned statistics reveal that the key growth challenges facing the Eastern Cape are unemployment and low levels of education, resulting in the high poverty levels of the province.

Over the period from 1995 to 2001, the Eastern Cape Province’s real annual economic growth averaged 2.4 percent, however annual population growth was also about 2.4 percent, resulting
in a real economic growth per capita of nil (NMBMM IDP, 2006). There has been a significant turnaround in economic performance in the Eastern Cape in the new century. In 2000 and 2001, the Eastern Cape became the fastest growing provincial economy in the country, with a GDP-R growth of 6.2 percent and 5.3 percent respectively in the two years (PGDP, 2003). However, this reflects skewed expenditure on welfare and social programmes, as opposed to economic and commercial infrastructure which has resulted in a failure to attract or encourage significant new investments in all areas. Economic growth is beginning to recover in the parts of the province, with some of the highest growth rates being in the modern, export-orientated manufacturing sector (PGDP, 2003). However, this growth has not yet had a significant positive net effect on employment. The PGDP maintains that the challenge is to extend growth to the labour intensive sectors of the economy and to the District Municipal areas with the greatest concentrations of poverty (PGDP, 2003). Although two-thirds of the provincial population is non-urban, the Eastern Cape is only 20 percent food self-sufficient and despite this, public expenditure on agriculture in the province has continued to decline (NMBMM IDP, 2006). Agriculture is the province’s largest primary sector, however it is severely underdeveloped. Furthermore the effects of the spatial and social structure of apartheid continue to affect agricultural production. According to the NMBMM’s IDP, the cultivable land is not being effectively utilised to the benefit of the poor in the Province. Furthermore, the HIV/AIDS pandemic, which is expected to peak between 2008 and 2010, will place an even bigger strain on the poor and on the government’s limited resources (PGDP, 2003).

Development is uneven and spatially distorted (PGDP, 2003). The Eastern Cape faces serious unemployment challenges, largely due to the low labour absorptive capacity of the provincial economy. In addition, there are a number of uncertainties regarding the reliability of HIV/AIDS statistics and the resultant effect on the economic growth and dependency ratio. The rapid rise in the prevalence of HIV/AIDS in the Eastern Cape and its knock-on effect on employment and industry cannot be disputed. The provincial economy is over dependent on a few strong export-orientated manufacturing sectors, which have recorded some of the highest growth rates, but this has not translated into significantly more jobs (PGDP, 2003). These sectors are mainly based on the automotive industry and are largely concentrated in the NMBMM and Buffalo City. These development hindrances justify the need for local responses to socio-economic development, even within the core areas.
5.3 Nelson Mandela Bay Metropolitan Municipality (NMBMM)

The NMBMM is situated on the south-eastern coast of South Africa and is the largest single economy, as well as the only metropolitan municipality in the Eastern Cape (Matheus, 2006a, NMBMM IDP, 2006). NMBMM is the fifth largest metropolitan municipality in the country in terms of population (1.5 million) and the second largest in terms of area (1952 square kilometres) (Matheus, 2006b, NMBMM IDP, 2006). The municipality’s main urban area clusters consists of three centres, Uitenhage, Despatch and the city of Port Elizabeth, which are illustrated in Figure 5.4 below. (Matheus, 2006b). Uitenhage is situated 20 minutes car ride from Port Elizabeth and is known for its world-class manufacturing concerns. Kwanobuhle and Motherwell are the township settlements adjacent to the towns of Uitenhage and Despatch. Neighbouring Despatch is situated on the banks of the Swartkops River, between Uitenhage and Port Elizabeth and is primarily a residential town (Matheus, 2006b).

![Figure 5.4: Map illustrating the Nelson Mandela Bay Metropolitan Municipality](image)

(Source: Adapted from Chief Directorate Surveys and Mapping, 1994)

The largest contributors to employment are manufacturing and community services, however these have shown negative employment growth in recent years. While employment in the large industries is shrinking, the growing transport and finance sectors contribute little and often
negatively to employment (NMBMM IDP, 2006). The importance of the manufacturing sector can be attributed to the strong influence of key sub-sectors, the most important being the motor vehicle and related industries (NMBMM IDP, 2006). Other important sectors within the Metropolitan area include food and beverages, clothing, chemicals, rubber and plastics, as well as the metals, mechanical, wood, paper and printing sub-sectors (NMBMM IDP, 2006). With regards to education, only 29 percent of the population has a matric or higher qualification. There is also a high prevalence of HIV positive pregnant women, which is higher than both the provincial and national levels. Unemployment is high (46%) within the metropolitan area and 45 000 households are beneficiaries of the Assistance to the Poor (ATTP), which includes free basic services to the value of R157.00 per month (NMBMM IDP, 2006). Furthermore, the Municipality contributes to job creation and creates roughly 1355 jobs through SMMEs, BEE and cooperatives per annum (NMBMM IDP, 2006).

NMBMM has good infrastructure, including an airport with international status, port, and road and rail links which connects it to other major centres in South Africa and the rest of the sub-continent. The port of Port Elizabeth is an important component in this area’s development, playing a central role in both the export of local produce and the fishing industry (Mattheus, 2006b). The new Coega Industrial Development Zone and deepwater port of Ngqura are being developed 15km north-east of Port Elizabeth within the metropolitan boundaries. As the Office of the Executive Mayor states, “Within its area and the Eastern Cape, the NMBMM is a strategic developmental hub and a beacon of hope for the future economic prosperity of the Province” (NMBMM IDP, 2006). Tourism is a major contributor to the local economy, with 1.3 million tourists per annum visiting the metropolitan area since 2000, contributing 17 percent to the Gross Geographic Product (GGP) (NMBMM, 2006).

The large industrial presence in the NMBMM and Uitenhage itself, makes this sector a key potential role player in local development. The automotive industry forms the largest sub-sector in the metro and in Uitenhage in particular, and therefore is looked at in detail.

5.5.3 The Automotive Industry in the NMBMM

As mentioned in Section 5.4, the automotive cluster is the largest contributor to the gross geographical product of the NMBMM and is also the largest provider of employment in the region. The automotive cluster, auto component and engineering sectors contribute over R12 billion to the NMBMM and account for approximately 25 percent of overall local employment
The motor industry has also contributed positively to the country’s economy, and the Port Elizabeth Regional Chamber of Commerce and Industry (PERCCI) claims that, in recent years, this is largely due to the Motor Industry Development Programme (MIDP), which is an initiative of industry and government, aimed at promoting the competitiveness of the South African automotive industry abroad (discussed in Chapter 4). The MIDP has allowed the reduction of import duties, a duty-free allowance on components and extensions on existing incentives for exports (Barnes and Kaplinsky, 2000; Black and Mitchell, 2002; Flatters, 2002). The major companies forming the regional autocluster will be detailed in Sections 5.5.3.2 and 5.5.3.3.

5.5.3.1 The Automotive Industry Development Centre (AIDC)
The national Automotive Industry Development Centre (AIDC) was established in 2004 to assist the automotive sector grow South Africa’s international share of the global vehicle export share (Mattheus, 2006b). The AIDC is mandated by government to assist entrench the region as a hub of manufacturing quality by providing consulting services in the areas of logistics, production and process engineering, working towards shop floor improvement and human resource development (Mattheus, 2006b).

5.5.3.2 The Nelson Mandela Bay Logistics Park in Uitenhage
The Nelson Mandela Bay Logistics Park, a public-private venture, initiated by the NMBMM, situated in Uitenhage, is being developed and phase one is complete. The project is expected to create around 4650 jobs during construction over a period of three years (Mattheus, 2006b). Once complete, 160 permanent positions will be created in park management, security, maintenance, medical, catering etc. These Figures exclude all the new potential jobs created by attracting new business to the region through this scheme (Mattheus, 2006b). Schnellecke, a German logistics services company, the Mediterranean Shipping Company and G4S Security Services are all investing large sums of money into the Logistics Park. The Park is strategically situated in close proximity to Volkswagen (VW).

5.5.3.3 Major companies forming the regional automotive cluster
The following table (Table 5.1) indicates the major companies forming the regional automotive cluster.
Table 5.1: Major companies forming the regional automotive cluster

<table>
<thead>
<tr>
<th>Automotive company</th>
<th>Brief description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
<td>Part of the global Volkswagen Group’s network and employs about 6000 people. Exports largely to Asia Pacific region.</td>
</tr>
<tr>
<td>General Motors</td>
<td>Largest market is in South Africa and is biggest private sector employer in the Port Elizabeth region, employing 3400 people. In addition they have a number of suppliers and dealerships throughout South Africa. Exports to Britain, New Zealand, Australia, Europe, Middle East and Asia.</td>
</tr>
<tr>
<td>Ford Motor Company</td>
<td>Port Elizabeth is the only manufacturer of RoCam engines and ships engines to South America, Middle East and Europe.</td>
</tr>
<tr>
<td>Algorax</td>
<td>The tyre industry is also a major contributor to NMBMM’s economy, as well as that of the region and the country. There are three tyre plants within the metropolitan area which meets the requirements of the South African rubber industry.</td>
</tr>
<tr>
<td>Continental Tyre, Goodyear and</td>
<td>Three tyre manufacturing companies within the metropolitan area. Goodyear has a plant in Uitenhage.</td>
</tr>
<tr>
<td>Bridgestone Firestone</td>
<td></td>
</tr>
<tr>
<td>Automotive component manufacturers and</td>
<td>There are a number of automotive component manufacturers and suppliers within the NMBMM, including manufacturers of engine parts, leather components, automotive glass, wiring harnesses, exhausts, silencers, seat covers and many more. Dealerships also form an important part of retail.</td>
</tr>
<tr>
<td>suppliers</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Mattheus, 2006b)

These all form an integral part of the automotive industry and they are contributors to the local and national economy.

5.6 History and Demographics of Uitenhage

Uitenhage, founded in 1804, has a long history, being one of the oldest towns in South Africa. By 1875, the transport of produce to and from the town of Uitenhage and the harbour of Port Elizabeth necessitated the need for the construction of a railway line between the two towns. This link later became part of the main railway line to Cape Town and the branch line to the Great Karoo (Cummings, 2006). Railway repair facilities for the Eastern Cape were established in Uitenhage and it became a railway town in 1876 when railway workshops were established to provide for engine, carriage and wagon repairs (Terblanche, 2004). The railway workshops soon became the backbone of the town’s economy and were the biggest employers of labour, providing essential sources of growth and revenue for the town. As the railway network in South Africa expanded, Uitenhage thrived (Terblanche, 2004). However, rationalisation of the railways from the 1970s resulted in mass unemployment (Terblanche, 2004). On the positive side the opening of the VW plant in the town after World War II provided a significant boost to the town’s fortunes.
In 2000, Uitenhage and Despatch were incorporated into the greater Nelson Mandela Bay Metropole Municipality (NMBMM) in the Eastern Cape (Terblanche, 2004). Uitenhage is the automotive hub of the Eastern Cape and this region is currently responsible for the export of products including motor vehicles, automotive parts and equipment, as well as fruit products, leather and meat products. Volkswagen and Good Year are the two most important contributors to the local economy of Uitenhage and both also contribute to the social and economic upliftment of the Uitenhage area (Terblanche, 2004)

5.6.1 Demographics
According to Statistics South Africa (2004) Uitenhage has a population of roughly 225600, and has experienced a positive growth over the years, as is evident in Figure 5.5. Figure 5.6 shows the race composition of the population, with the majority of the population being black, followed by the coloured race group, and white group, with the Asian population group being the smallest minority. Uitenhage has a population density of 7.39 per square kilometer and a high percentage of people living in the urban areas (91.9%) (Statistics SA, 2004). Figure 5.7 depicts the population by age and gender, the cohorts 20 to 24, and 25 to 29 are the largest cohorts and also form the majority of the working class. These averages differ from the Eastern Cape ones shown earlier (Figure 5.1), probably due to migrants from elsewhere in the province entering Uitenhage in search of work. However, due to these large cohorts and the generally low absorptive capacity of the labour market, unemployment is high.

![Uitenhage - Total Population (1997 - 2004)](image)

Figure 5.5: Diagram showing Uitenhage’s population growth (1997 – 2004)
(Source: Statistics SA, 2004)
5.6.2 Education and Employment

Figure 5.8 illustrates the education levels of Uitenhage’s inhabitants. The majority of the population don’t have a matric certificate, with 6810 people having no education at all (Statistics SA, 2004). These results may be exacerbated by the fact that Uitenhage only has one small tertiary institution, and high poverty levels prevail.
Uitenhage has an unemployment rate of 45.8 percent, with the vast majority of the employed population being employees of the manufacturing sector. Due to the high unemployment rate, poverty levels are high, 5.3 percent of Uitenhage’s population live on less that $1 a day, and 10.9 percent live on less than $2 a day (Stats SA, 2004). Figure 5.9 shows the number of households by income category, with the majority of the households earning between R18000 and R30000 per annum. What the statistics however do not reveal is how many dependents each household has.
5.7 Challenges Facing the Uitenhage area

As identified by the Department of Economic Development, Tourism and Agriculture, despite the growth of the NMBMM’s economy, which is around 4 percent of the national Gross Domestic Product (GDP), the levels of unemployment and poverty are still unacceptably high which illustrates that growth is not evenly distributed (NMBMM IDP, 2006). The challenges which are common to a polarised economy include the uneven distribution of wealth, a low skills base as well as vulnerability of the local economy due to a single sector dependency.

Uitenhage has a high unemployment rate and consequent poverty amongst a large portion of its population. In the former ‘black’ areas, a large portion of families are supported by state old age pensions, and the minority, who do have jobs, have a large number of dependents. South Africa’s government is committed to alleviating poverty through job creation and has tried to enforce a number of policies to assist the process. The Nelson Mandela Metropole, under which Uitenhage falls, supports a number of development projects in the area. Furthermore, corporate companies either through corporate social responsibility or black economic empowerment (BEE) initiatives are to some degree creating job opportunities and supporting communities to start their own businesses and, in so doing, contribute towards South Africa’s fight against poverty, as will be detailed in subsequent chapters.

5.8 Conclusion

This chapter sets the scene for the chosen case study, related to the theories and issues discussed in the previous chapters (Chapters Three and Four). The Eastern Cape, NMBMM and Uitenhage area all suffer from high unemployment, low education levels and poverty. As will be shown there are a number of policies and strategies in place which variously attempt to actively alleviate poverty and decrease the gap between the two livelihood extremes in the area. This responsibility largely lies in the hands of the local municipality (NMBMM). Despite the strong automotive and related industries in the area, they are not able to absorb the high numbers of unemployed. The NMBMM, in its IDP, has a number of plans and strategies for the development of the area and it encourages partnership formation.

The Eastern Cape Economy is over-dependent on a few strong export orientated manufacturing sectors. The automotive industry is the strongest manufacturing sector in the province and Uitenhage is one of the central hubs. The automotive industry in Uitenhage is the single largest employer and provides twenty-five percent of employment in the metropolitan area.
The demographic trends in Uitenhage reveal some of the key challenges faced by the town namely: a rapidly growing urban area, with high levels of under-education and poverty, with 10.9 percent of the population living on less than $2 a day.

These demographic trends and challenges highlight the core areas where local development is needed. The following chapters will reveal the various businesses, industries and development institutions’ roles in local development. The strong industrial and corporate presence in Uitenhage adds an additional dimension to understanding how to embark on local development. However, first the broader development framework within which Uitenhage fits, will be discussed. The following chapter details the development policy and plans of the Eastern Cape, as well as the NMBMM, within which Uitenhage is situated.
Chapter Six: Development within the Region – Policy and Plans

6.1 Introduction

Uitenhage fits within the wider political and economic framework of the Eastern Cape, and this chapter aims at detailing the context within which development, in the case study area, operates. All local development planning is meant to be aligned with that at provincial level which, by implication, sets the framework for local development within Uitenhage. The wider provincial developmental plans for the Eastern Cape are set out in the Provincial Growth and Development Plan (PGDP) which details the plans for the province from 2004 to 2014 (PGDP, 2003). This document is largely designed to address the high levels of poverty and unemployment, as well as the large spatial inequalities in the Eastern Cape. The PGDP focuses on three major sectors in order to achieve its goals, namely, manufacturing, agriculture and tourism (PGDP, 2003).

Municipalities operate within the framework of the provincial policy, therefore the NMBMM functions within the boundaries of the Eastern Cape policy and programmes. This chapter looks at the NMBMM’s 2020 vision which is to establish a globally competitive city. Although the municipality has a strong economic growth focus, it is also committed to alleviating poverty and job creation, as well as uplifting social standards (NMBMM IDP, 2006). The NMBMM is dedicated to helping people help themselves through a parallel relief and developmental focus. The municipality is responsible for creating an enabling environment for the implementation of development and poverty alleviation programmes (NMBMM IDP, 2006).

In this chapter, the PGDP is discussed, as this sets the basis for which local development in Uitenhage is based. The NMBMM’s Integrated Development Plan (IDP) details the local municipality’s plans for development in this region. The Economic Development, Tourism and Agriculture (EDTA unit) of NMBMM is largely responsible for development in the area. It has initiated a number of key development projects to stimulate growth and attract private investment. The Department of EDTA also has a strong SMME support and BEE focus, with a number of facilitating and supporting institutions to assist small to medium businesses, with regard to start-up, finances, training and referrals being in place. Furthermore, in this chapter, NMBMM’s major developmental projects are detailed in order to establish the focus of municipal-led development in the metropolitan area.
6.2 Plans for the Development of the Eastern Cape

The Eastern Cape Province has instituted a number of policies and plans to facilitate development in the province. The provincial growth and development plan is the major plan which pertains to socio-economic development and which affects local development in places such as Uitenhage.

6.2.1 The Provincial Growth and Development Plan (PGDP) (2004 - 2014)

The PGDP is designed to deal with the spread and incidence of poverty and unemployment, as well as the spatial inequality in the province. It prioritises three major sectors, namely manufacturing, agriculture and tourism, as these are the sectors that are seen as having the capacity to make the biggest contribution to poverty eradication and to achieving more balanced growth and development. Manufacturing is seen as being the major sector in Uitenhage which can address unemployment and contribute towards eradicating poverty. The programmes identified build on existing governmental interventions, particularly those which seek to create jobs and fight poverty (PGDP, 2003).

The PGDP sets out a quantified vision statement for the growth and development of the Eastern Cape for the period 2004 to 2014. Essentially the PGDP aims to achieve the following by 2014:

- To maintain an economic growth rate of between 5 and 8 percent per annum
- To reduce the number of households leaving below the poverty line by 80 percent
- To establish food self-sufficiency (with particular emphasis on the O.R. Thambo and Alfred Nzo District Municipalities)
- To ensure all children will be able to complete a full course of primary education and proceed to the first exit point in a secondary education
- To improve literacy by 50 percent
- To eliminate gender disparity in education and employment
- To reduced the under-five mortality rate by two-thirds
- To halt and begin to reverse the spread of HIV/AIDS and tuberculosis
- To provide clean water to all by 2008
- To eliminate sanitation problems by 2014

(PGDP, 2003; NMBMM IDP, 2006).

There are essentially three basic strategies in the PGDP, namely the eradication of poverty and the creation of a sustainable socio security system; transformation of the agrarian economy and
establishment of food security; consolidation, development and diversification of the existing manufacturing capability and tourism potential (PGDP, 2003). There are a number of flagship programmes which the PGDP has initiated to assist these strategies (PGDP, 2003).

6.3 NMBMM Development Plans for the Metropolitan Area

The NMBMM’s 2020 vision is that of becoming a, “Globally competitive city that works together with the people” and its mission statement focuses on sustainable service delivery, socio-economic development, infrastructure development and local and regional development (NMBMM IDP, 2006: 8). Uitenhage is part of the NMBMM and therefore the developmental plans for the metropolitan area do apply to Uitenhage. The IDP attempts to place this vision and mission at the centre of its activities, including the buy-in from businesses, state departments, communities, community-based organisations and non-governmental organisations and parastatals (NMBMM IDP, 2006). The NMBMM’s IDP (NMBMM IDP, 2006), recognises that it is local municipalities which are ‘hands on’ when it comes to the implementation of government projects, programmes and policies (NMBMM IDP, 2006, 2). The document also recognises that the needs of the communities are unlimited, while available resources are limited. It is for this reason that the local municipality need to prioritise needs. The deepening of democracy through public participation, improving integration of communities into decision making, investment in human capital, the elimination of poverty and unemployment, and establishing sustainable settlements, are priorities of the NMBMM’s current term of office (NMBMM IDP, 2006). The municipality also feels strongly about providing support to prospective Small Medium Micro Enterprises, through a training service provider.

The following issues are amongst the short term issues which the plan seeks to addresses:

- Human Resources (job evaluation, skills development)
- Service Delivery (water and sanitation, upgrading roads)
- Eradication of the bucket system of sanitation
- Provision of Health Services
- Housing Delivery (speed up and improve)
- Soccer World Cup 2010 (upgrading of venues)

(NMBMM IDP, 2006)
Each Business Unit within the NMBMM has its own objectives designed towards achieving the Vision, however these all fit within the goals and objectives identified in the IDP. There are seven development projects, under the political supervision of the Executive Mayor’s Office which underpin the Growth Development Strategy and Vision 2020, and which include: the Njoli Square Development, Beachfront Development, Bayworld, the International Convention Centre, the Uitenhage Despatch Development Initiative (UDDI), the 2010 Soccer World Cup Multipurpose Stadium and the Chatty and Swartkops River Development (NMBMM IDP, 2006). These prioritised projects are aimed at creating opportunities for the advancement and promotion of Black Economic Empowerment (BEE), the encouragement of communities to establish their own cooperatives and SMME development initiatives (NMBMM IDP, 2006). The NMBMM essentially has three developmental clusters namely, Institution Building, the Economy and Social Clusters. The IDP states that, “Successful developmental local government, as envisioned by this IDP, will stimulate economic growth and play a key role in attaining the objectives of the Reconstruction and Development Programme (RDP)” (NMBMM IDP, 2006: 13).

As already mentioned, the Municipality has identified a number of developmental priorities namely, institutional transformation and development, service delivery and infrastructure development, socio-economic development, financial management and corporate governance, best practices and sound governance, safety and a sustainable environment and public participation (NMBMM IDP, 2006). However the priority area most relevant to the thesis is socio-economic development. The components of this focal area include economic development through encouraging low inflation rates, to reduce interest rates and the implementation of poverty alleviation programmes; job creation through the initiation of major economic developmental projects and the inclusion of local communities in tourism; the effective utilisation of cooperatives and SMMEs; the extended public works programme (a national government hands-on intervention to focus resources to the previously disadvantaged communities); sector development and investment attraction (NMBMM IDP, 2006).

The NMBMM IDP has had to align its goals alongside the provincial vision. The integrated poverty alleviation draft policy states that the NMBMM is committed to “helping people help themselves” (NMBMM IDP, 2006: 38). The municipality has therefore shifted from a pure poverty relief focus to a relief and developmental focus. It intends to ensure the outcomes of all interventions are sustainable and will therefore decrease their vulnerability. The municipality is
responsible for creating an enabling environment for the implementation of developmental and poverty alleviation programmes; championing, coordinating, integrating and aligning programme action; as well as forging relevant partnerships (NMBMM, IDP, 2006).

As mentioned, each Business Unit within the NMBMM has its own objectives aligned towards achieving the Vision. To ensure effective and efficient community based planning, the Office of the Executive Mayor promotes community consultation by means of expos and road shows, effective community participation, the strengthening of the ward committee system, and ongoing monitoring of programmes. A total budget of R4.5 million has been allocated for effective community based planning (NMBMM IDP, 2006). This unit also identifies and develops critical developmental projects and ensures the financial sustainability of the metropolitan municipality.

The Business Unit, where the majority of the responsibility lies for socio-economic development within the NMBMM, is the Economic Development, Tourism and Agriculture (EDTA unit). This unit acknowledges that, “It is the successful private enterprises and productive public-private partnerships that create wealth in local communities” (NMBMM IDP, 2006: 130). The key role of the EDTA is to influence the transformation of the economic environment for all sizes of enterprises to enable them to be successful, as well as to ensure the profitable participation of the local communities in local economic activities (NMBMM IDP, 2006). Within the vision for 2020 are a number of key development projects which it is hoped will act as catalysts to stimulate economic growth by attracting private investment in other sectors, such as tourism, which can address economic imbalances in the region through an even spread of projects in all geographic locations (including in the townships) (NMBMM IDP, 2006). However, as the EDTA notes, enterprise growth is constrained by the limited availability of sustainable business opportunities/markets. This unit has identified the need to generate sustained business opportunities and therefore it is envisioned that, project generation coupled with the creative use of the Metropolitan’s Supply Chain Management Policy will benefit and support SMME development and BEE. Furthermore, dedicated programmes targeting SMMEs, such as skills development and transfer, access to technology, access to production facilities, and investment in systems, particularly financial systems, mentorship and assistance with marketing services are offered using an ‘incubate-grow-exit’ approach (NMBMM IDP, 2006: 131). The EDTA notes that due to the competitive nature of the region, the focus is on high value products whether in the agriculture, tourism or information,
communication and technology sectors (NMBMM IDP, 2006). The ultimate vision for the Business Centre is to position the metropolitan area as a competitive world-class business and investment destination in Africa through the provision of business support services to all types of businesses and investors. Through this it is hoped that a number of benefits will be secured for the area, such as increased investment, trade, economic growth and diversity, increased employment, an increased tax base and improved infrastructural investments. The EDTA envisages, that collectively, these factors will strengthen the present competitiveness and robustness of the Metropolitan area’s economic environment (NMBMM IDP, 2006).

### 6.3.1 SMME Support including that of the NMBMM

The Nelson Mandela Bay Metropolitan Municipality (NMBMM) IDP emphasises support for small, medium and micro-enterprises (SMMEs) as the key agents for economic development and the strengthening and supporting of SMMEs is a top priority for the Municipality. Small businesses have been identified as being labour-intensive, require little capital and make use of available local resources (SMME guide, 2006). The Municipality’s philosophy is that by channelling these resources to the small business sector, particularly in a growing and developing economy like South Africa’s, employment opportunities can be maximised and people can be given the opportunity to contribute to the development of the economy (SMME guide, 2006). The NMBMM, through the EDTA unit, has realised the significance of the SMME sector and the role that it can play in creating jobs and eradicating poverty. The Municipality has adopted a SMME strategy which facilitates access to research and information, access to finance, training and development, infrastructure facilitation, access to markets and access to opportunities (SMME guide, 2006).

With regard to access to training, the Municipality has agreements with three service providers, the Community Self Employment Centre (Comsec), for advice and incubation, Nelson Mandela Metropolitan University (NMMU) for business skills training and the Small Enterprise Development Agency (Seda) for support systems for manufacturing companies (SMME guide, 2006). The Municipality hosts a number of events and trade shows in order to facilitate market opportunities. These are often run in partnership with Port Elizabeth Regional Chamber of Commerce and Industry (PERCCI). With regards to access to finance, some projects are funded by the municipality and discussions have been initiated with financial institutions to promote the financing and supporting of SMMEs (SMME guide, 2006).
There are a number of public and private institutions (detailed in Table 6.1) that are also committed to assisting SMMEs to develop sustainable and profitable businesses. Many of these institutions offer different services and assistance:

**Table 6.1: Public and Private Institutions which assist SMMEs**

<table>
<thead>
<tr>
<th>Institution</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism Enterprise Programme (TEP)</td>
<td>Identifies, facilitates and fosters commercially viable business transactions between industry players and tourism SMMEs. Able to assist with marketing, the development of business plans and proposals, certification and licensing and identification of services.</td>
</tr>
<tr>
<td>Business Partners</td>
<td>A public company which tailors investment and value-added solutions to meet the specific needs of independent entrepreneurs. Have a variety of support services from mentorship and start up capital, to finance.</td>
</tr>
<tr>
<td>Khula Enterprise Finance</td>
<td>Established to give access to finance for people wanting to start small to medium sized businesses, but who are not in the financial position to secure a loan from a bank</td>
</tr>
<tr>
<td>Comsec</td>
<td>Involved in small business development and consulting and offers a broad range of business development services.</td>
</tr>
<tr>
<td>The Department of Trade and Industry</td>
<td>Particularly two divisions (The Enterprise Organisation and Trade and Investment in South Africa) assist SMMEs. The assistance is mainly financial which tourism businesses can access. Furthermore SME Development Programme offers cash grant incentives to assist tourism related enterprises on a reimbursement basis.</td>
</tr>
<tr>
<td>National Empowerment Fund (NEF)</td>
<td>Provides finance for economic empowerment transactions for historically disadvantaged people with regards to entrepreneurial support, small firm expansion capital, and BEE transformation for medium-sized firms.</td>
</tr>
<tr>
<td>Industrial Development Corporation</td>
<td>Tourism unit finances large capital expenditure in tourism in the form of loans.</td>
</tr>
<tr>
<td>Umsobomvu Youth Fund</td>
<td>Set up by the South African Government to address the challenge of high youth unemployment in the country. This fund operates in the form of vouchers allowing clients to buy business support services.</td>
</tr>
<tr>
<td>Small Enterprise Development Agency (Seda)</td>
<td>Provides a national delivery network to support and promote cooperative enterprises and works in line with the Department of Trade and Industry’s Integrated Small Enterprise Development Strategy.</td>
</tr>
<tr>
<td>All commercial banks</td>
<td>Offer loans to approved clients through their small business units.</td>
</tr>
</tbody>
</table>

(Source: SMME guide, 2006)

SMME development is deemed to be critical in Uitenhage in order to generate new employment opportunities and reduce unemployment and poverty. The services and assistance these institutions provide are of actual and potential value to SMME development in Uitenhage.
6.3.2 Major Economic Development Interventions of the NMBMM

According to the NMBMM IDP, there are a number of developments which have been proposed for the metropolitan area as part of realising the Vision 2020, which could have significant effects on the economy. The main aim of these projects is to attract investments, improve the quality of life for the residents, create a sense of well-being, ensure social and economic upliftment and general economic development (NMMB IDP, 2006).

Table 6.2: Major economic development projects in the NMBMM

<table>
<thead>
<tr>
<th>Major Economic Development</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coega integrated development zone (IDZ) and Port of Ngura</td>
<td>Being established to create a free port/development zone. This development has many potential positive spin-offs for Uitenhage. Uitenhage is situated in close proximity to the port development and already, a storage area for large export containers is being provided in Uitenhage.</td>
</tr>
<tr>
<td>Madiba Bay Safari World Development</td>
<td>A proposed recreation/tourism initiative. The idea is to create an area of 5130 hectares where all the different biomes of the Eastern Cape exist and include various experiences and a range of entertainment and tourist facilities, as flagship project for tourism within the Eastern Cape.</td>
</tr>
<tr>
<td>Greater Addo Elephant National Park</td>
<td>The proposed extension of the Park, of which phase one is underway, will include a terrestrial and marine zone, and will become the third largest conservation area in South Africa and the only one in a malaria-free environment. This project will not only have the potential to create a number of jobs, but will also attract tourists to the Metropolitan area, and have positive benefits for the area with regards to its general marketing.</td>
</tr>
<tr>
<td>Motherwell urban renewal programme (MURP)</td>
<td>The budget for local economic development and job creation is more than R100 million. Apart from infrastructural development there are other economic development projects ranging from urban agriculture, to tourism, trading facilities, and small business incubators, having a value of around R11 million.</td>
</tr>
<tr>
<td>The Statue of Freedom</td>
<td>It has been proposed that a 56m statue in honour of Nelson Mandela be built in the metropole, which is aimed to attract tourists to the area.</td>
</tr>
<tr>
<td>The one-stop business centre and international conference centre</td>
<td>Aims to create an entrepreneurial cluster that would be able to compete in the global context. The long-term benefits are expected to benefit SMMEs and investors, positively contributing to the economy. The conference centre is hoped to have constructive spin-offs for the transport, catering and accommodation sectors, as well as boosting tourism opportunities.</td>
</tr>
<tr>
<td>Uitenhage Despatch Development Initiative (UDDI)</td>
<td>A public-private partnership initiative aimed at facilitating job creation, poverty reduction and economic regeneration for the impoverished areas of Uitenhage and Despatch. The key focus areas are the automotive logistics park, the railway technoscience park, urban renewal programme, and skills and development placement. Its estimated that 8000 jobs will be created during the construction phase and another 3000 post-construction.</td>
</tr>
</tbody>
</table>
Regeneration of the inner city project and the Gateways and beautification project

<table>
<thead>
<tr>
<th>Regeneration of the inner city project and the Gateways and beautification project</th>
<th>Aims at improving the image and desirability of investing in the area.</th>
</tr>
</thead>
</table>

(Source: NMBMM IDP, 2006)

These projects and the overall strategy of the NMBMM were developed from the identification of the following challenges facing the metropolitan: the need for economic growth, unemployment, poverty, education and skills challenge, safety and security, pose as various geographic challenges (NMBMM IDP, 2006).

6.4 Conclusion

This Chapter has briefly examined the broader context within which development planning in the case study area operates, namely the Eastern Cape Provincial Growth and Development Plan. It also detailed NMBMM’s policy’s and plans relating to local development. As this case study examines local development in Uitenhage, from the standpoint of various implementing agents, it is important to have an understanding of the policy on which it is based. This chapter highlighted the commitment of both the province and local municipality to not only develop the area through economic means, but also to deal with the spread and incidence of poverty.

The NMBMM has a number of support measures for SMMEs and BEE, largely through the Department of EDTA. The municipality is committed to helping people help themselves through having a relief and development focus. The municipality is responsible for creating an enabling environment for the implementation and development of poverty alleviation interventions. The local government has initiated a number of projects which have not only created jobs, but also encouraged investment in the metropolitan area. The NMBMM’s role in development is not only focussed in Port Elizabeth, but also in Uitenhage and the same services are available to Uitenhage residents. Uitenhage also benefits from spin-offs from other projects in the metropolitan area, such as the Coega development. Furthermore, the NMBMM has specific projects developed specifically for Uitenhage, most notably the UDDI which will be discussed in Chapter Eight.

This chapter has detailed the policy and plan held by the NMBMM development in the local area. The following chapter (Chapter Seven), looks at various corporates in Uitenhage and to what extent they contribute to local development through their corporate social responsibility (CSR) actions.
Chapter Seven: Corporate Social Responsibility

7.1 Introduction

Uitenhage has a strong industrial presence which is highly focussed on the automotive industry, including both the manufacturing of cars and associated components. Figure 7.1 below, shows the industrial area of Uitenhage and the location of the key automotive industries.

![Map showing Uitenhage's industrial area and the major automotive industries](image)

Figure 7.1: Map showing Uitenhage’s industrial area and the major automotive industries
(Source: Adapted from Chief Directorate Surveys and Mapping, 1994)

Uitenhage has played a significant role in the development of the Eastern Cape’s motor manufacturing hub, as the town houses both Goodyear and Volkswagen. Smaller automotive suppliers which have plants in the town include Johnson Controls, Bel-Mec, Mario-Levi, Valeo, Kromberg and Schubert and Hella (Terblanche, 2006). Futhermore, these industries employ the majority of the local industrial workforce, thereby making these industries important socio-economic assets. Not only do they form the backbone of Uitenhage’s economic base, and are important contributors to the financial state of the province, but also they have the potential to make an impact on the socio-economic livelihoods of the community. As discussed in Chapter Five, Uitenhage has high levels of unemployment (estimated at 60%) (Rachleff, 2001) and this study focuses on the development strategies that have been implemented in response in Uitenhage, to both capitalise on the area’s strengths and to help address unemployment and development backlogs. It must be noted that the corporates and development institutions, along
with the local municipality play very different roles within the community and therefore the chapters detailing their respective foci differ with regard to content and structure. CSR within large corporations is often criticised for its underlying motives, including using CSR as a marketing tool to promote business, and for the degree to which they meet the social aspects of the triple bottom line (business, environmental and social), which is strongly encouraged worldwide to promote sustainable business practices.

This chapter looks at the role industries play in Uitenhage and their contribution to local development. All the major firms in the automotive industry in Uitenhage are looked at, as well as a selection of smaller local firms. It must be noted that there are often a number of supplying firms located in close proximity to major industries, such as the automotive industry, however many vehicle suppliers are located in Port Elizabeth and therefore outside the scope of the study. This chapter will show how important industry is for local employment and the economy of the area, and it will also indicate the industries contribution towards community upliftment and the ways in which firms are partially helping to address the high levels of unemployment and poverty in the area. Due to the fact that South Africa does not have a national policy for CSR related activities, companies have adopted their own individual CSR philosophies. Various ways in which companies approach CSR will become evident in the following discussion. Details of companies’ general nature of business will be briefly noted, prior to detailing their CSR philosophy and projects. A number of smaller local businesses are also detailed in this chapter. These firms were chosen based on their degree of involvement with regards to socio-economic development in Uitenhage. The local newspaper, UDD News, was the major informer of this information. It must be noted that a local institution, the Eastcape Midlands College (EMC), an unlikely role player in development, plays a significant role in enhancing the education of the community and facilitating CSR. This chapter concludes with a CSR matrix which highlights the major sectors which CSR initiatives in Uitenhage are focussed on. While this chapter serves to detail the level and nature of CSR involvement, Chapter Ten will discuss and evaluate CSR initiatives.

7.2 Industry

Figure 7.1 depicts the broad formal employment sectors in the Uitenhage area. The figure confirms that Uitenhage has a very strong industrial base, with a concentrated automotive component, including automotive and related production plants (i.e. Volkswagen and Goodyear) and a number of suppliers (Johnson Controls, Bel-Mec, Mario-Levi, Valeo,
Kromberg and Schubert and Hella, as well as a number of smaller companies) (Terblanche, 2006). Of the total number of formally employed people, 32.8 percent of the population are employed in the manufacturing sector, which is high, compared to the national average of 13.6 percent (Stats SA, 2004).

The table below (Table 7.1) further indicates the strength of the manufacturing sector and its high growth rate compared to the national average. This is largely due to the success of the automotive industry. The manufacturing sector has an annual growth rate of 3.1 percent, compared to the national average of 2.5 percent. 19.2 percent of the formally employed population are involved in the transport equipment sector, 6.4 percent are employed within the fuel, petroleum, chemical and rubber products sectors, and 6.5 percent are involved in the sale and repairs of motor vehicles, totalling 32.1 percent of the population employed in the automotive and related sectors (Stats SA, 2004). Due to the strong industrial presence in Uitenhage and its large employment potential, this sector plays an important role with regards not only to its impact on the economy, but also on the socio-economic livelihoods of the Uitenhage community. However, Henry Murray of the NMBM Economic Development, Tourism & Agriculture Department, has warned that the strong reliance of Uitenhage on one sector for economic growth and development is worrying (Murray, pers. comm., 2006). He would like to see a diversification with regards to production to reduce dependence (Murray, pers. comm., 2006).
Table 7.1: Table depicting the average annual growth of various sectors

<table>
<thead>
<tr>
<th></th>
<th>Average annual growth (%)</th>
<th>National</th>
<th>Uitenhage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-2004</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Agriculture</td>
<td></td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>2 Mining</td>
<td></td>
<td>0.8%</td>
<td>0%</td>
</tr>
<tr>
<td>3 Manufacturing</td>
<td></td>
<td>2.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>4 Electricity</td>
<td></td>
<td>0.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>5 Construction</td>
<td></td>
<td>3.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>6 Trade</td>
<td></td>
<td>4.2%</td>
<td>4.6%</td>
</tr>
<tr>
<td>7 Transport</td>
<td></td>
<td>6.5%</td>
<td>5.9%</td>
</tr>
<tr>
<td>8 Finance</td>
<td></td>
<td>5.2%</td>
<td>5.2%</td>
</tr>
<tr>
<td>9 Community services</td>
<td></td>
<td>0.9%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Total Industries</td>
<td></td>
<td>3.1%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Taxes less Subsidies on products</td>
<td></td>
<td>1.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Total (Gross Domestic Product - GDP)</td>
<td></td>
<td>2.9%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

(Source: Stats SA, 2004)

7.3 Major Manufacturers in Uitenhage and their CSR Involvement

7.3.1 Volkswagen South Africa

Volkswagen (VW) was established in Uitenhage in 1946 and the first VW Beetle was produced in 1951 (Terblanche, 2006). VW has since become one of the major passenger car manufacturers in South Africa. VW employs more than 6000 workers, while the Volkswagen network includes over 1000 suppliers and over 122 franchised dealerships nationwide (Volkswagen SA, 2006). VW pays out over R600 million in salaries and wages, and R5.5 million per annum in rates, taxes and licence fees locally, while 16 percent of the Port Elizabeth’s Harbour traffic are VW containers and around 3500 flights from the Port Elizabeth airport are used by VW employees annually. This shows how important Volkswagen South Africa is to Uitenhage and the metropolitan area, as well as to the country. VW has a strong internally focussed CSR policy and ensures that all employees receive relevant development opportunities and extensive education and training, in programmes ranging from basic literacy and skills training to assistance with tertiary education (Volkswagen SA, 2006).

VW South Africa is the biggest private sector employer in the Eastern Cape, with more than 6000 workers in the factory and thousands of associated jobs in linked suppliers (Volkswagen SA, 2006). In order to initiate and maintain investment in the region, create further employment and uplift the community, Volkswagen spends approximately R18 million on Corporate Social Responsibility initiatives per annum and is one of the biggest private sector contributors to community development in the Eastern Cape (Volkswagen SA, 2006). In addition to internal programmes, VW also has a number of small business support and social awareness projects.
and campaigns aimed at reaching the community at large. VW has contributed to the social and economic upliftment of Uitenhage, and the factory itself has been a major catalyst in attracting investment to the area (Terblanche, 2006). This investment has created further jobs and a stronger economy through agglomeration, which, as Terblanche (2006) notes, in turn helps to ensure higher standards of living.

7.3.1.1 Volkswagen’s CSR philosophy

Volkswagen’s primary vehicle for overseeing CSR is its Community Trust. The Volkswagen Community Trust was established in 1989 with the aim of ‘helping communities to help themselves’. The trust’s vision indicates VW’s commitment to CSR:

“In partnership with Uitenhage and surrounding rural areas, the Volkswagen Community Trust strives to create an environment which will enable individuals and communities to achieve their full worth capacity and competency in managing their own development through projects that promote the acquisition of appropriate education and relevant skills” (Terblanche, 2006: 227).

VW provided the original funds for the start-up of the trust in 1989 (R7 million) from savings made in operating costs and has since donated on average R2 million to the trust annually (Volkswagen SA, 2006). In 2005, just under R1.8 million was donated specifically towards community development, education and youth development in the NMBMM (Volkswagen SA, 2006). The main areas of focus of the trust are education, health and job creation projects. VW’s Community Trust sponsors a number of education projects and through their bursary scheme, the trust sponsors a number of bursaries, largely to the children of VW employees. VW SA considers science and technology education support as important investments, particularly in line with South Africa’s economic needs, when it comes to building a sustainable economy. With regards to the automotive industry emphasis is also placed on providing bursaries in these fields (Terblanche, 2006).

7.3.1.2 VW’s CSR Projects in the NMBMM and Uitenhage

Due to Volkswagen wide range of support of organisations, from non-governmental organisations, to government departments, schools, children’s homes and sport bodies, all projects cannot be discussed in detail. A break down of the areas in which VW focuses its involvement and the number of beneficiaries assisted will be detailed and a few key projects
will be discussed. The following table (Table 7.2) depicts the categories which the VW Community Trust invests in, the number of organisations within that category, the number of beneficiaries benefiting from the CSR initiatives and the amount invested. It is evident that the large majority of VW’s donations are allocated to education and bursaries.

Table 7.2: Breakdown of Community Trust Investment in the NMBMM in 2005

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of organisations</th>
<th>No. of beneficiaries</th>
<th>Total investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>6</td>
<td>± 10 000 learners in different skills</td>
<td>R140 400.00</td>
</tr>
<tr>
<td>Bursaries</td>
<td>10</td>
<td>180 bursars</td>
<td>R920 000.00</td>
</tr>
<tr>
<td>Annual Donations</td>
<td>5</td>
<td>± 50 000</td>
<td>R369 986.00</td>
</tr>
<tr>
<td>Health and Environment</td>
<td>3</td>
<td>± 10 000</td>
<td>R109 470.00</td>
</tr>
<tr>
<td>Youth Development</td>
<td>3</td>
<td>± 1000</td>
<td>R146 250.00</td>
</tr>
<tr>
<td>Vehicle subsidy</td>
<td>2</td>
<td>1 Special school, 1 association for physically disabled</td>
<td>R30 000.00</td>
</tr>
<tr>
<td>Small Donations</td>
<td>90</td>
<td>± 70 000</td>
<td>R56 600.00</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>119</strong></td>
<td><strong>± 14 1680</strong></td>
<td><strong>R1,772 706.00</strong></td>
</tr>
</tbody>
</table>

(Source: Moss, pers.comm., 2006)

VW’s Community Trust gives a number of annual donations, these are to organisations which include the CANSA Association (R50 000), the Community Chest of NMBMM (R154 000), Missionvale Care Centre (R50 000), Oosterland Youth Centre (R55 986) and the SOS Children’s Village (R60 000) (Moss, pers. comm., 2006). VW also funds a number of education facilities, and the Bursary Trust had a budget of R920 000 in 2005, East Cape Midlands College received R95 000 for various projects in 2005, and a number of schools received funding. With regards to health and the environment, Phaphamani Rape Crisis Centre received R46 970, the Ubuntu Education Fund (R35 000) and the Association for the Physically Disabled received an amount of R27 500 (Moss, pers. comm., 2006). Youth development is channelled largely through sport development, arts and culture, and life skills.

In 2005, a total of R385 706 was invested in the Uitenhage-Despatch area, excluding bursaries and small donations, through 11 organisations, which represented 48 percent of the total
The remaining funds were distributed within the greater NMBMM area. With regards to job creation, VW generally tends to partner with other institutions, such as UDDI and USEC. A few of these projects will be briefly discussed.

VW has partnered with the Uitenhage Despatch Development Initiation (UDDI) in a number of projects. Over 5000 jobs were created in Uitenhage by VW and automotive suppliers since the introduction of the UDDI Automotive Cluster. Over 913 unemployed young people received skills training and 72 percent were placed in jobs as part of the Regional Skills pool. 212 jobs were created by the first phase of construction of the Nelson Mandela Bay Logistics Park. Over 100 jobs were created in small community based job creation projects. However, although this initiative created a large number of jobs in the area, the motive behind this development has to be questioned, as this is more aligned with normal business than CSR.

The following projects, are a sample of the initiatives supported by VW. They are the larger, more successful ones, and all involve partnering with development instigators. VW partners with institutions such as UDDI and USEC, to develop job creation projects into community businesses.

The VW Community Trust, in partnership with Standard Bank, invested in a project, a pilot clothing and textile incubator project, initiated by the Uitenhage Self-Employment Centre (USEC). The model followed promotes, assists and supports community job creation projects to develop into viable community cooperative entities. This project, the Greater Uitenhage Sewing Cooperative (GUSCO) has created employment for 27 local community women. The GUSCO project participants underwent a structured development and training programme designed by USEC, and was assigned a fulltime business mentor to assist in business development and implementation of activities within the project. This project will be discussed in greater detail in Chapter Nine.

Another community project established through a partnership with USEC is the Khayamnandi Brick making project in Despatch. The project has created 15 jobs and has the potential to expand, with a commitment to supply bricks and blocks to local housing development initiatives within the metropolitan area. This project will be discussed in greater detail in Chapter Nine.
The VW Community Trust, in partnership with the Department of Education, NMBMM and the Department of Agriculture, initiated a Gardening Project in 2005 at 20 schools in Uitenhage. The project is targeting learners and parents to help schools’ nutrition programmes, to fight poverty within communities (Moss, pers. comm., 2006). This project benefits more than 200 community members and more than 10 000 learners at the combined schools. Educators are monitoring the projects, with the assistance of parents. EMC runs a similar garden project at Uitenhage schools, with the aim to provide crop production skills to learners and teachers.

7.3.1.3 VW’s National CSR Involvement

VW also has a number of national campaigns which it supports. *One Hour for the Future* is a campaign which aims to raise funds for less privileged children in countries home to VW factories worldwide (Volkswagen SA, 2006). Volkswagen SA also has a strong HIV and Aids awareness workplace programme (Volkswagen SA, 2006). Volkswagen South Africa also sponsors the *Arrive Alive* website. Furthermore, VW complies with all the Volkswagen Group requirements with regards to local legislation in terms of environmental protection (Volkswagen SA, 2006).

Volkswagen South Africa will invest more than R400 million in training and skills development nationally between now and 2010, in a project called *People for the Future* (Volkswagen SA, 2006). Mr Toastmann, Managing Director of VW SA, said, “It is simply not good enough to simply invest resources in technology, facilities, equipment and processes. We have to invest in people”. VW is in the process of planning a *Future Skills Project* which will be aimed at combating the national industry skills shortages by creating strategic partnerships with the Department of Labour, Merseta, and the Volkswagen Dealer network and colleagues (Volkswagen SA, 2006). Mr Toastmann emphasised, “Volkswagen of South Africa is not only committed to building People’s Cars to meet People’s needs, but also to building People for the Future” (Volkswagen SA, 2006).

It must be noted however, that much of VW’s national CSR involvement is in-house, promoting, encouraging and protecting the lives of their employees.
7.3.1.4 Brief Overview: Sector involvement and comments

Table 7.3: Volkswagen’s CSR sector involvement

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

The above table (7.3) gives an overview of which the general CSR sectors which VW’s CSR falls into. VW has a very strong involvement in education, particularly through its bursaries. 52 percent of CSR donations are in the form of bursaries. Youth development is largely through sport development, arts and culture and life skill programmes. Training and skills development is largely in-house, developing the skills of their own employees. Job creation occurs mainly through partnering with other organisations such as USEC, UDDI and the East Cape Midlands College. Volkswagen does not have a hands-on approach to job creation, but uses other organisations as conduits. VW usually provides funding for projects and is not directly involved with the projects or beneficiaries. It is evident that VW is ploughing large sums of money into the Uitenhage area, however they are the funders and not the instigators and facilitators of development in the area.

7.3.2 Goodyear

Goodyear is the world’s largest tyre company and traces its South African history back to 1912, with the import of the first Goodyear Tyres. The Goodyear Tyre and Rubber Holdings regional headquarters is situated in Port Elizabeth, and as a group of companies employs approximately 4800 people in the country and 88 000 people worldwide (Goodyear, 2005). In 1945, Goodyear announced its intention to build the first Goodyear plant in Africa, in Uitenhage. The first tyres were produced on the site in 1947. The company has grown and is now producing 13 to 15 times more tyres daily than it did 50 years ago (Terblanche, 2006). The Uitenhage plant is responsible for supplying all Goodyear products in Sub-Saharan Africa, and also exports to the Middle East, certain areas of Asia, Western and Eastern Europe and North America (Goodyear, 2005; Terblanche, 2006). Goodyear has enabled Uitenhage to export products world-wide and its Uitenhage plant has been meeting the rubber product needs of a wide range of industries. The factory manufactures passenger, truck, tractor, and earthmover tyres, re-treading and repair materials, as well as conveyor belting, power transmission belting and Plioband adhesive (Goodyear, 2005; Terblanche, 2006).
7.3.2.1 Goodyear’s CSR Philosophy

According to Ward, Goodyear’s CSR spokesperson, Goodyear lives up to its goal of operating as a socially responsible corporate citizen (pers. comm., 2006). Goodyear defines Corporate Social Responsibility (CSR) as:

- Addressing the socio-economic challenges of the communities in which a company operates via good corporate citizenship, through donations of money/services/products.
- To help achieve sustainable social, economic and environmental development as well as attract foreign investment.  

(Ward, pers. comm., 2006).

Goodyear views the overall aim of CSR as a means to achieve sustainable social, economic and environmental development and to eventually attract foreign investment (Haywood, pers. comm., 2006). It is an undertaking that benefits both recipients and business. However, with this goal, Goodyear could be criticised for using CSR for corporate gain. Figure 7.3, displays the Goodyear philosophy towards CSR, “Working towards the greater good of all our people”, in which Goodyear contributes towards the greater community. Goodyear’s focus is aligned with the following areas amongst previously disadvantaged communities, as specified in the Broad Based Black Economic Empowerment (BBBEE) Act (BBBEE Act No. 53, 2003), namely: development programmes, education, training, health, environment, sport development and arts and culture. The objectives of this company’s CSR policy are to achieve mutual benefits for both recipients and business and to enhance the company’s reputation through publicity, exposure in the community, improved community and employee relations and an improved socio-economic environment (Ward, pers. comm., 2006).

![Goodyear's CSR Philosophy Advert](Weekend Post, 2005)
Not only does Goodyear contribute towards the economic transformation of the country and NMBMM by implementing its black economic empowerment initiatives, but also towards the social development of its people (Goodyear, 2005).

7.3.2.2 Goodyear’s CSR Projects

CSR is a relatively new venture for Goodyear, officially starting in 2006. According to Hayward (2006), “Goodyear has ploughed back into the PE/Uitenhage/Despatch community via various projects”. These projects include: St. Francis Hospice, Oosterland Youth Care Centre, City Mission, Community Chest, FAMSA, Missionvale, Adopt-a-Station, YMCA Computer Studio, and miscellaneous events. The following table, Table 7.4 details the organisation supported and amount donated, as well as providing a brief description of the organisations’ work and Goodyear’s input in the Uitenhage-Despatch area in 2005.

Table 7.4: List of Goodyear’s CSR projects in the Uitenhage-Despatch area

<table>
<thead>
<tr>
<th>Name of project/Organisation</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Francis Hospice</td>
<td>Goodyear sponsored the costs of palliative care for the Uitenhage area</td>
<td>R20 000</td>
</tr>
<tr>
<td>Oosterland Youth Care Centre</td>
<td>Oosterland Youth Care Centre in Desptach takes care of 120 children, placed at their centre by the Children's court, who have been abused, neglected, orphaned, abandoned, or are destitute. Goodyear has sponsored the Ikhaya Lephutha House which houses 12 girls and the money was used for food, clothing, education, toiletries etc.</td>
<td>R30 000</td>
</tr>
<tr>
<td>City Mission</td>
<td>The City Mission is a non-profit community organisation who works with the underprivileged and disadvantaged children, AIDS sufferers, the aged and poverty stricken. The money was used to purchase bales of e-pap and was distributed to the needy.</td>
<td>R21 000</td>
</tr>
<tr>
<td>Community Chest</td>
<td>The Community Chest, in the Uitenhage area acts as an umbrella body for non-profit organizations and fundraises on their behalf.</td>
<td>R10 000</td>
</tr>
<tr>
<td>FAMSA</td>
<td>FAMSA focuses its services on family preservation through counseling, education, awareness and community development. Goodyear supports the training and supervision of Family Foundation Volunteers to assist in the satellite office in Kwanobuhle, Uitenhage (transport costs, stationary, volunteer starter pack)</td>
<td>R10 000</td>
</tr>
<tr>
<td>Missionvale</td>
<td>Missionvale is an integrated community outreach centre focusing on education, skills development, job creation, health and welfare, with special emphasis on HIV/AIDS. Goodyear financed the building of a school.</td>
<td>R100 000</td>
</tr>
<tr>
<td>Adopt-a-Station</td>
<td>Goodyear adopted a police station in Kwanobuhle, Uitenhage, where various skills are resources were ploughed back into the police station to ensure it runs professionally and effectively.</td>
<td></td>
</tr>
<tr>
<td>YCMA Computer Studio</td>
<td>The Uitenhage YMCA recognises the need to develop the youth and community into computer literate individuals. Goodyear purchased a computer and various other computer accessories</td>
<td>R5000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>This money was used in the purchasing of tickets to charity golf days, charity dinner functions etc.</td>
<td>R8440</td>
</tr>
</tbody>
</table>

(Source: Ward, pers. comm., 2006)
The above table illustrates that Goodyear does involve itself in a number of projects, largely relating to the underprivileged. However, their CSR involvement is purely in the form of donations to organisations who assist and empower people in the community. Goodyear as a result does not have a hands-on approach with regards to CSR involvement. When asked how many beneficiaries benefit from their CSR initiatives and the number of new jobs created, Haywood replied, “It is very difficult to say, we do not have specific figures” (pers. comm., 2006).

Goodyear follows a professional approach to ensure that all donations are made in line with specific criteria and that results are measurable and sustainable (Hayward, 2006). The CSR committee meets on a monthly basis and identifies and investigates key projects and funding for applications under R50 000 are approved at this session. Projects exceeding this amount are referred to a higher committee for approval. There are a number of criteria which the committee bases their decisions on. The projects must involve disadvantaged communities, they must promote development, empowerment and growth, they must be sustainable, the projects must be located in areas where Goodyear offices are situated and they must publicise and present positive exposure for the company. Finally, the proposed projects must fit into one of the four key focus areas as already noted (education, health and welfare, community development and job creation and/or sport development).

Haywood (pers. comm., 2006) mentioned, in the interviews, some of the business benefits of CSR, these include, tax reduction and the enhancement of the company’s marketing efforts and reputation via additional publicity, exposure and improved community relations. Internally it is seen to have a positive effect on employee morale, loyalty and pride (Hayward, pers. comm., 2006).

7.3.2.3 Recent Shifts in Goodyear’s CSR
During the research investigation, Goodyear started to move away from conducting its own CSR actions in-house and has started to outsource this to national social investment companies, GreaterGood South Africa and the South African Social Investment Exchange (SASIX). GreaterGood South Africa, initiated in 2004, is a professional non-profit organisation that provides independent research and social investment options to a wide range of people (individuals, corporate donors, trusts, foundations and the general public who want to support social development in South Africa (GreaterGood, 2007). They operate with an investment,
rather than charity mindset. This company supports over 650 causes, in all provinces and development sectors, allowing individuals and businesses to support authentic non-profit organisations through a variety of methods, including time, skills, loyalty points, surplus and used goods as well as monetary donations (GreaterGood, 2007). GreaterGood recognises that there are increasing demands on businesses to practice good corporate citizenship through substantial and meaningful investments in the socio-economic development of South African communities. GreaterGood therefore aims to assist companies in making the best corporate social investment decisions to facilitate the effective execution of CSR programmes, so that they actually yield returns in terms of improvement of livelihoods (GreaterGood, 2007).

SASIX was developed by the GreaterGood South African Trust, and is the country’s first social investment stock exchange, in which selected non-profit and social profit projects are listed and offered to the public as investment opportunities with social return (SASIX, 2007). SASIX aims to connect non-profit organisations needing funds with corporate social investors, private donors, trusts, foundations, international donors, and the general public, who want to support development in South Africa. Once an individual or company has purchased shares in a project, the progress of the project can be monitored on the website via regular progress reports, with a final project performance report comparing actual results with those anticipated (SASIX, 2007). The concept of social investment exchange reflects a shift in thinking, from the idea of CSR as businesses’ way of giving something back to the communities, to an idea of social investment in accountable development projects with measurable achievements, particularly with regards to social upliftment (SASIX, 2007). Investment opportunities are currently available in the following sectors: early childhood development, enterprise development, orphans and vulnerable children, and food security (SASIX, 2007). On the ground this means that Goodyear’s local impact in Uitenhage has been reduced given that these organizations operate nationally.

### 7.3.2.4 Brief Overview: Sector Involvement and Comments

**Table 7.5: Table showing Goodyear’s CSR sector involvement**

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodyear</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

As can be seen in the above table, Table 7.5, Goodyear involves itself in a number of spheres within the Uitenhage area. However, involvement is largely from a financial assistance point,
through monetary donations. Goodyear does not involve itself in the projects and organisations themselves and employees do not give of their time. In terms of Goodyear’s definition of CSR, they aim to use CSR to meet the triple bottom line and attract investment. The company’s CSR actions appear to be for their own benefit and promotion and public image, rather than for the good of the community. Goodyear appears to be utilising CSR as a window-dressing tool, especially now that it is outsourced. With Goodyear opting to outsource their CSR, it means less investment in Uitenhage in practise.

7.4 Smaller Manufacturers in Uitenhage and their CSR Involvement
The following companies are smaller automotive manufacturers within Uitenhage and generally all have a strong affiliation with Volkswagen.

7.4.1 Hella
Hella commenced operations in Uitenhage in 1967 and its product range consists of headlights, general lights, horns, injection moulded plastic parts and merchandise items which are supplied to Daimler Chrysler, Delta, Ford, Nissan, Toyota and Volkswagen (Hella, 2006). Hella has 525 employees in Uitenhage.

7.4.1.1 Hella’s CSR Philosophy
With regard to their CSR, Human Resource Manager, Stoltz said that Hella is not in the same league as Volkswagen and just does not have the budget that VW does. “However, we do what we can to support the community and give regular donations and support to the local schools”, said Stoltz (pers. comm., 2006). Much of Hella’s CSR is involved with education and assisting the local schools with equipment and training. Hella currently is involved with support to seven schools in the Uitenhage area (Stoltz, pers. comm., 2006).

When questioned as to how Hella goes about its CSR, Stoltz explained that they do not have a set budget for CSR activities (Stoltz, pers. comm., 2006). People approach Hella on an ad hoc basis, the situation is assessed and Hella does what it can to assist within its budget. Hella also identifies schools and needs within schools and assists where possible.

7.4.1.2 Hella’s CSR Involvement
Hella purchases the weekly Herald Supplement aimed at matric students, detailing coursework for Biology, Science and Mathematics, for a school in Kwanobuhle, Uitenhage. In addition the
company donates prizes to this school for matric scholars for outstanding work (Stoltz, pers. comm., 2006). In this way scholars are rewarded for their hard work and dedication to their studies, reported Stoltz (pers. comm., 2006). Hella supports two schools for the physically and mentally challenged. Stoltz explained that they try to support these two schools to enable scholars to become self-sufficient and give some of them work from the factory (pers. comm., 2006). The learners trim off-cuts from plastics, for which they are remunerated by Hella. However, this initiative has to be questioned whether this is CSR or purely cheap labour. Furthermore, Hella donated a television, hi-fi and video recorder to the one school to enhance their learning facilities (Stoltz, pers. comm., 2006).

Hella has partnered with the Department of Education to run an AIDS Awareness Campaign in the local schools. Counsellors and story tellers visited the schools and educated the children about HIV/AIDS, how it is transmitted and how to take precautions (Stoltz, pers. comm., 2006). For example children were taught to be weary of blood and the safety measures that they could practices, for example, to wear gloves when helping someone with a cut (Stoltz, pers. comm., 2006). In another Aids Awareness Campaign, Hella partnered with Good Year, Volkswagen and General Motors, when the Nelson Mandela Metropolitan University (NMMU) produced a theatrical road-show which was taken to the schools to educate the learners about HIV/AIDS (Stoltz, pers. comm., 2006).

Other education projects Hella has facilitated and been involved in, include the education and training of twenty teachers for three schools in the area, the painting of a school, fixing of lights and windows, and the donation of books for school libraries (Stoltz, pers. comm., 2006). Hella has also donated old computers to a school. Stoltz continued to say that schools are visited on an ad hoc basis to monitor facilities (pers. comm., 2006). Stoltz said that they do not like to give cash donations as these are difficult to monitor. They would rather purchase and donate the equipment or supplies (Stoltz, pers. comm., 2006).

With regard to employment, Hella trains and employs unemployed people. Learners undergo learnerships and are then employed by the company. Stoltz explained that Hella also believes in looking after their own employees (Pers. comm., 2006). Employees can apply for learnership programmes to advance their qualifications. Hella has a budget for training and money is made available to enhance the education of the employees. Should they successfully complete their courses, the costs are written off, however, should the employees not complete their studies, the
money must be paid back (Stoltz, pers. comm., 2006). There are also bursaries available for employees’ dependents, at both school and tertiary levels. Internal training and development within Hella is ongoing (Stoltz, pers. comm., 2006).

Hella also has an in-house HIV/AIDS awareness campaign. Counsellors and story-tellers educate the Hella employees about HIV/AIDS, its transmission, precautions and treatment (Stoltz, pers. comm., 2006). There is regular HIV testing which employees are encouraged to undertake. Some employees have come forward to admit their status, and Stoltz explained that they are more sensitive towards those who have made known their HIV positive status with regard to time-off and sick leave (pers. comm., 2006).

Stoltz claimed that Hella is pro-active with regard to its CSR, but do not use it as a marketing tool. They engage in CSR because they believe in it and want to help the community, particularly through education (Stoltz, pers. comm., 2006).

7.4.1.3 Brief Overview: Sector Involvement and Comments

Hella does not have a CSR department or person who solely in charge of CSR activities, nor a defined CSR budget. CSR initiatives fall under the Human Resources Department and the company assists the community whenever possible.

Table 7.6: Table showing Hella’s CSR sector involvement

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hella</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

As the above table, Table 7.6 depicts, Hella’s CSR sector involvement includes, education, youth development, training and skills development, health and welfare and ad hoc donations. Hella’s CSR is strongly focussed in education and the company provides support to a number of schools through equipment donations, training and building maintenance. As Stoltz said, “It is impossible to say how many people have benefited from our CSR, as so many people are indirectly affected” (Stoltz, pers. comm., 2006). Much of the equipment has a long life span and therefore enhances the learning of children for a number of years.

Hella’s health and welfare involvement is largely through HIV/AIDS awareness, both within the company and in the community. With regards to employment and education, Hella trains
and employs previously unemployed people through their learnership programmes and bursaries are made available to the children of employees

It is evident that Hella does not directly involve its employees in development initiatives and does not have the scale of financial input that Volkswagen and Goodyear do. This can be attributed to the fact that Hella is a much smaller company. They do however make financial and equipment donations largely to schools in Uitenhage. Hella does not generally use other institutions as conduits for their CSR activities, which could also be attributed to their limited budget.

7.4.2 Kromberg and Schubert
Kromberg and Schubert (K&S) is a supplier in the automotive industry and supplies Volkswagen (VW) with wire harnessing. K&S has been in the Uitenhage since 2005, and employs about 1400 people of which eighty percent are women.

7.4.2.1 Kromberg and Schubert’s CSR Philosophy
K&S does not have a specific CSR philosophy nor an extensive CSR involvement in Uitenhage, but they do make donations and help the community within their budget limits. Le Roux, human resource manager, explained that K&S does not have a specific budget for CSR actions or a person specifically dedicated to CSR, but as needs arise, the budget is assessed and donations made as seen fit (Le Roux, pers. comm., 2006). As K&S only have one client (Volkswagen) they do not see the need to use CSR as a marketing tool or to boost their public image. CSR generally falls under the Human Resource Department at K&S. Mostert, sales analyst, said that they don’t like giving money to people as they have no control over its use, but prefer to give material donations (Mostert, pers. comm, 2006). Furthermore, should they give money to development institutions or projects much of the money is spent on administration costs.

7.4.2.2 Kromberg and Schubert’s CSR Involvement
K&S supported ten organisations in 2006, namely the Cancer Association of South Africa, RH Godlo Primary School, Booyens Park Primary School, the Uitenhage under 20 rugby team, Operation Hunger, Business Against Crime, Johnson Controls Community Project, Muirite Striders Road Running Club, the Uitenhage Cricket Club and the Uitenhage Rotary Club (Mostert, per.comm. 2006). These organisations generally received monetary donations or
equipment. The sports teams have received clothing and the schools have benefited from donations of computers, furniture and photocopying machines (Mostert, pers. comm., 2006). K&S hosts an annual road race and in 2006, it attracted 800 runners. The money generated from this race was donated to the Muirite Striders Road Running Club, to assist them in helping underprivileged athletes. K&S’s CSR involvement is generally carried out through these organisations which seek to assist the underprivileged (Le Roux, pers. comm., 2006). With the support from K&S, these institutions are able to extend their reach into the community and assist a wide range of people, through sport, education, and health and welfare, thereby making it difficult to identify the number of people benefiting from K&S’s CSR initiatives (Le Roux, per. comm. 2006).

Mostert and Le Roux expressed the view that HIV/AIDS is a major problem in the country and a HIV/AIDS awareness campaign has been launched at K&S for its employees (pers. comm., 2006). K&S has a clinic on site with a full-time nurse and a part-time doctor. There are currently a number of posters displayed around the site and condoms are freely available. The Human Resources Department is currently working on a strategy to further develop the Aids Awareness campaign (Mostert, pers. comm., 2006). K&S encourages blood donating and the South African Blood Services visits the site every two months to enable people to donate. Mostert expressed that this also aids in the HIV/AIDS awareness campaign with people being encouraged to know their status (pers. comm., 2006). K&S not only supports and promotes the health of their employees, but also believes in looking after their employees. After heavy rains and flooding in the Uitenhage area (2006), employees were given food parcels to assist them and their families through the difficult time (Le Roux, pers. comm., 2006). It must be noted that much of what K&S considers CSR, is in fact in-house, for the benefit of their own employees.

Stipulated in K&S’s recruitment policy is that preference is given to unemployed people when factory employment opportunities arise. In 2006, 428 previously unemployed, new recruits were employed.

K&S has identified a school in Kwanobuhle township that they have taken under their wing and assist where they can. They gave the school a photocopying machine, computers and furniture (Le Roux, pers. comm., 2006). Unannounced visits are made to the school in order to monitor the state of the equipment and as Mostert explains, “it gives the school an incentive to look after the things” (pers. comm., 2006). The company has also donated T-Shirts and rugby jerseys to
local schools. Other schemes that K&S support are Operation Hunger, Business Against Crime and the Cansa Association. “People request support and we support as the budget allows” said Le Roux (pers. comm., 2006).

7.4.2.3 Brief Overview: Sector Involvement and Comments
Although Kromberg and Schubert do not have a particular CSR philosophy, nor dedicated personal or budget, they do make *ad hoc* donations and assist organisations within their confined financial budget. Furthermore they do not report on their CSR activities.

Table 7.7: Table showing K&S’s CSR sectoral involvement

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kromberg &amp; Shubert</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Table 7.7 shows that K&S’s general sector CSR involvement, largely focuses on training and skills development, health and welfare and *ad hoc* donations, however K&S’s CSR is largely in-house, through looking after the needs of their own employees, particularly through their HIV/AIDS awareness campaign. Additional evidence of this can be seen in the handing out of food parcels after the 2006 floods in Uitenhage to staff.

K&S clearly does not consider CSR as a marketing tool, as reported by Mostert and Le Roux, from their human resource department (pers. comm., 2006). K&S personnel do not see the need to use CSR as a marketing tool and therefore are not extensively involved in CSR initiative and do not report on initiatives (Le Roux, Moster, pers. comm., 2006). K&S do not directly involve themselves in community development, but use other institutions and organisations as conduits. Although the company considers this as advantageous, due to the fact that these organisations have a more far-reaching impact, others would criticise this on the basis of limited involvement and not being true corporate citizens.

7.4.3 Schnellecke
Schnellecke is an international company specializing in world-wide transport and logistics solutions (Schnellecke, 2007). Schellecke Uitenahage, which opened in 1995, is located adjacent to Volkswagen and serves as their major transporter of parts and assembled cars.
7.4.3.1 Schnellecke’s CSR Philosophy
Schnellecke does not appear to have a CSR philosophy, nor do they practice a defined approach to CSR. According to Swart, from Public Relations, they do not support any organisations or give back to the community in any manner (Swart, pers. comm., 2006).

7.4.3.2 Schnellecke’s CSR Involvement
Swart, the Public Relations Officer said that they made a donation to the Uitenhage Self Employment Centre (USEC) a couple of years ago, but she doesn’t know details of what was done with the money (Swart, pers. comm., 2006). According to Dinie, CEO of USEC, Schnellecke did provide finances for a project, run by USEC in 2004, but they haven’t received anything since (Dinie, pers. comm., 2006).

7.4.3.3 Brief Overview: Sector Involvement and Comments
Schnellecke does not appear to active with regards to CSR involvement in Uitenhage. The public relations officer, did not want to comment any further on reasons for not practising CSR nor getting involved in the community.

Table 7.8: Table showing Schnellecke’s CSR sector involvement

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schnellecke</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Table 7.8 above clearly shows that Schnellecke is not actively involved in CSR initiatives in Uitenhage.

7.4.4 Johnson Controls
Johnson Controls is an international company, with over 136 000 employees worldwide in over 1 000 locations, which specialises in automotive interiors, building efficiency and power solutions (Johnson Controls, 2007). For buildings it offers products and services that optimise energy use and improve comfort and security; and for power solutions it provides automotive batteries, along with engineering and service expertise (Johnson Controls, 2007).

Johnson Controls’ employs some 1000 people in Uitenhage and this branch manufactures complete seats for Volkswagen. The just-in-time plant is located near the customer’s vehicle assembly plant, Volkswagen. Seats are assembled, loaded on a truck, in a sequence that
matches the cars coming down the assembly line, and are delivered to the customer within 90 minutes (Swanepoel, pers. comm., 2007).

### 7.4.4.1 Johnson Controls’ CSR Philosophy

Johnson Controls’ overarching company vision is to create “A more comfortable, safe and sustainable world” (Johnson Controls, 2007). Furthermore it is the company’s objective to conduct business in such a many which reflects good corporate citizenship. In the light of this, Johnson controls has launched a ‘global cause programme’ called Blue Sky in 2005. This provides a strategic approach to community involvement and philanthropic efforts, while furthering business goals (Johnson Controls, 2007). The Blue Sky programme is focussed on the employees and their involvement in their local communities. The ultimate goal of Blue Sky is to improve the lives of employees, their communities and the world we live in (Johnson Controls, 2007). They believe in a hands-on approach, getting their employees involved in community upliftment rather than purely giving out donations.

### 7.4.4.2 Johnson Controls’ CSR Involvement

Johnson Controls initiated their Blue Sky Programme in order to involve their employees in the communities which surround them. The Blue Sky programme is voluntary and employees can volunteer to get involved in community initiatives to uplift local people, which is done in their own time and with funds generated by them explained human resource officer, Swanepoel (Swanepoel, pers. comm., 2007). The Johnson Controls’ Uitenhage plant has identified and adopted three nearby organisations in the town, the House of Restoration, Masiphathisane and Moria Creche. Daily meals of E-pap, a nutritious meal supplement is distributed to the children of these crèches. Furthermore, employees give of the time and talents to support the staff and upgrade the buildings and infrastructure of the crèches (Swanepoel, pers. comm., 2007). Employees also donate clothes, toys, furniture and blankets to the children. “Employees get sponsors, hold golf days, sell boerewors rolls and old clothes in order to raise funds for the crèche” said Swanepoel, (pers. comm., 2007). Furthermore, with left over leather and foam from the factory, the employees make mattresses for the crèches after hours.

With regard to the Masiphathisane Project, fundraising to build a low cost structure for the children started in 2005, and funds were raised through raffles, a Valentine’s dance, boerewors sales, jumble sales, hamburger sales and a golf day, all organised and run by the Blue Sky team. The building of the crèche was completed in February 2007 and the painting was done by the
Johnson Controls Blue Sky Team. Planting of trees outside the crèche is scheduled for Arbour Day 2007 in order to beautify the grounds (Swanepoel, pers. comm., 2007). Furthermore, the Blue Sky team managed to get a local farmer to donate 100 litres of milk a month to this crèche in order to enhance the nutrition of the children.

The fundraising for the upgrading of the Moria Crèche are underway. Employees donate a fixed amount on a monthly basis, of their own salaries, in order to build up the financial capital for this project (Swanepoel, pers. comm., 2007). Furthermore, the Blue Sky team are involved in ongoing initiatives to raise funds (eg. raffles etc) (Swanepoel, pers. comm., 2007).

“The Blue Sky team really does involve themselves in the children’s lives at the crèche. They give them birthday and Christmas presents and take them on outings” said Swanepoel (pers. comm., 2007). On a recent outing they took the children to a touch farm and gave them party packs (Swanepoel, pers. comm., 2007).

Five employees of the Blue Sky team are involved in the House of Restoration Project, where they donate a portion of their salaries to help people in the community who need counselling (alcohol abuse, drug abuse, physical abuse) (Swanepoel, pers. comm., 2007).

With regards to in-house CSR, Johnson Controls has a strong HIV/AIDS and health awareness campaign, where educators and medical staff educate the employees about HIV/AIDS and other health issues such as tuberculosis and nutrition. Furthermore, voluntary HIV/AIDS counselling and testing is available and Swanepoel said that each person that gets tested gets a T-Shirt (pers. comm., 2007). Johnson Controls also offers financial assistance with regard to tuition. Should the employees successfully complete the courses, the money is written off, if not, the employees have to reimburse the company (Swanepoel, pers. comm., 2007).

7.4.4.3 Brief Overview: Sector Involvement and Comments

Johnson Controls prefers to get their employees involved in community development and upliftment, than hand out donations. Employees are encourage to give up their time and money voluntarily to help those less fortunate in their surrounding communities. The employees of Johnson Controls are the instigators of CSR and take these actions on themselves. They do their own fundraising, donate portions of their salaries and give of their time to assist primarily the underprivileged children in their local communities. Table 7.9 below shows the general
CSR sector involvement of Johnson Controls: education and youth development largely through their involvement in the crèches and training and skills development, mainly through in-house activities.

**Table 7.9: Table showing Johnson Controls’ CSR sector involvement**

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnson Controls</td>
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</tr>
</tbody>
</table>

### 7.5 Local Businesses

The following sub-sections detail the involvement of local businesses in development initiatives in Uitenhage. The Eastcape Midlands College (EMC), a local education college, is an unlikely role player in development but has an extensive involvement in Uitenhage, particularly in the fields of education, youth development and job creation. This institution is playing a key role in Uitenhage’s CSR as it is being used as a conduit by many businesses to conduct their CSR initiatives.

#### 7.5.1 Eastcape Midlands College (EMC) CSR Philosophy

Eastcape Midlands College (EMC), an education college in Uitenhage is actively involved in community upliftment through education. EMC does not have funds for community development, but approaches companies for sponsorship in order to run programmes in the community. As such EMC acts as a conduit for corporate CSR funds. The college strongly believes that learners with entrepreneurial and computer skills are better equipped for the workplace (Steffens, pers. comm., 2006). Steffens stressed that EMC does not involve themselves in community work for the recognition, but because of their strong belief in giving back to the community and assisting the community help themselves through knowledge (Steffens, pers. comm. 2006). “Our achievements are through hard work and dedication. We are not paid for this work” (Steffens pers. comm., 2006). Steffens believes that the large corporates should not be the only ones involved in corporate social responsibility, but so too should the local businesses. EMC partners with established businesses to fund education programmes in the area, mainly in entrepreneurial and computer skills. Steffens also emphasised that they monitor all their projects closely and have check lists which the beneficiaries are regularly assessed in terms of (pers. comm., 2006).
7.5.1.1 Eastcape Midland’s CSR Involvement

Eastcape Midlands College (EMC) is involved in a number of upliftment and development projects in Uitenhage, however only the major projects will be discussed in this thesis.

1. Innovative Youth Programme

This project was initiated in 2003 and is aimed at grade 11 learners and equips students from local schools with entrepreneurial skills. EMC approached a number of companies for sponsorship in order to run this programme annually. The major contributing sponsor is Volkswagen South Africa, with additional corporate contributions as sourced from the Cacadu District Municipality, Standard Bank and Sanlam. It is evident that EMC is used as a conduit for the pursuit of CSR initiatives by many of the big corporates. Smaller contributions were also received from individuals in the area. Steffens emphasized how important it is for companies to join hands to form partnerships to make a bigger and more effective difference in the communities. “We could not run these courses without the sponsors” said Steffens (pers. comm., 2006). Steffens (pers. comm., 2006) explained that the major motivation behind this programme is the high unemployment rate in the area. The entrepreneurial course teaches learners to be innovative, how to draft a business plan and prepares learners to be self employed. Steffens explained that EMC does not want the learners to end up on the street or to turn to crime and it shows learners that they can create jobs for themselves and do not need to rely on others for employment opportunities (pers. comm., 2006).

EMC appoints and trains facilitators at six selected schools to run the courses at these schools in the area, after hours. With the funds sourced from the sponsors, EMC remunerates the teachers. This is a year-long course whereby the learners acquire entrepreneurial skills, learn how to draft a business plan and are prepared for self-employment. A business plan competition is simultaneously run, whereby the learners submit their proposals and outstanding business plans are rewarded with cash prizes. There are a number of criteria which the business plans have to meet, with marketability and feasibility being important. Over 1500 learners have been involved in this programme since its initiation in 2003. At the end of the course, the learners write a national examination which is recognised as a matric subject. Steffens explained that the learners can use this subject to boost their matric mark (pers. comm., 2006). Furthermore, some universities award a credit for Business Management I to those learners who have successfully completed the programme.
Steffens said there have been a number of success stories from this programme. Learners are grateful for the opportunity to become entrepreneurs and have expressed their gratitude to EMC (pers. comm., 2006). Not all learners have become self-employed, however some are now working for corporates, but have realised that without the understanding of business and business management acquired, they would not be in the position they are in today. Steffens says it is difficult to track what the learners have gone on to do since leaving school, however companies and some learners have expressed their gratitude and have praised EMC for the skills they have provided them with (pers. comm., 2006).

2. *Umsobomvu School to Work Programme*

This project was initiated in 2005/2006 and is connected to the government’s Umsobomvu Youth Fund. EMC tendered for this project and won the tender with the aim to provide an automotive component skills programme to the unemployed in the area. This project was designed with the largest employer in the area, the automotive sector. Students had to be between the ages of 18 and 35 and unemployed to apply. The applicants were screened and 45 were chosen to be enrolled in the course. Students not only received automotive component skills, but also entrepreneurial and computer skills, as well as an internationally recognised certificate. All 45 people were placed at various automotive component companies in Uitenhage, in permanent positions.

3. *Umsobomvu Graduate Development Programme*

This project started in 2006 and is aimed at graduates who have a tertiary education qualification but who are unable to find work. Steffens explained that having a qualification or degree does not guarantee a job. The programme is designed to give people entrepreneurial skills, computer skills, and life skills and also ensures that graduates are successful in getting their driver’s licences, in order to increase their employability prospects. Many students do not have computer skills and Steffens feels strongly about all students receiving computer literacy skills before they enter the workplace. This programme was also sponsored by the government’s Umsombomvu Youth Fund. 50 graduates were selected for this programme. The college took on the responsibility of placing these students at various companies in the community. Steffens explained that the career paths the students followed varied greatly, some of the positions the students obtained were in human resources, management, crop production and teaching.
4. Telkom Foundation Garden Project and Computer Programme
This project started in 2005 and is funded from the Telkom Foundation as well as by Randwater. This aim of this project is to provide crop production skills to learners and teachers. The project is run at five schools in the community. Steffens noted that poverty is a major problem in Uitenhage and with the recent cut in the government school feeding scheme, food provision has become a major issue (pers. comm., 2006). The schools received irrigation equipment and seeds and teachers and learners received crop production training. The schools produce cabbage, green-peppers and beetroot. The schools now supply the local Fruit and Veg City retail outlet, allowing the school to generate an income which can be ploughed back into the school (Steffens, pers. comm., 2006). The same schools also received computer laboratories, each equipped with 20 computers. EMC has trained the teachers so they could enhance the learning of their scholars.

5. Telkom Foundation Furniture Project
This project was also initiated in 2005 and assists with the refurbishment of furniture for schools in Uitenhage. Telkom supplies EMC with their old furniture which EMC restores and refurbishes for the schools. Steffens said that EMC is dedicated and works hard to make a difference in the community and assist with the education and employment in the area. “However, sometimes disappointments arise when we feel that the schools do not appreciated what we do, or don’t make full use of the facilities. We really do go out our way to help”, said Steffens (pers. comm., 2006).

6. Youth Access Centre (YAC)
This project is also supported by the Umsombomvu Youth Fund and is aimed at learners and members of the community who have experienced traumas such as rape or abuse. YAC provides support for them, assists with finding employment as well as helping with those who wish to start their own businesses. The centre is open daily from 08:00 to 17:00. Steffens said that there is a tremendous need for centres such as these in the area.

7.5.1.2 Brief Overview: Sector Involvement and Comments

Table 7.10: Table showing EMC’s CSR sector involvement

<table>
<thead>
<tr>
<th>Sector</th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastcape Midlands</td>
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<td>✓</td>
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</tbody>
</table>
Eastcape Midlands College (EMC) is actively involved in community upliftment in Uitenhage, as can be seen in its wide sectoral involvement in the above table, Table 7.10. Although EMC does not have a CSR portfolio, or specific CSR personnel, they are committed to making a difference in the Uitenhage community through their core business activity, education. Their successes can be attributed to the hard work and dedication of the EMC employees. They have a hands-on approach to development and actively involve themselves in development initiatives. The College does not have a budget for CSR activities, but seeks sponsors and donations for the running of projects. It must be noted that EMC is used as a conduit by many large corporations to carry out their CSR actions, including Volkswagen and Goodyear, which these companies then report on in their CSR reports.

7.5.2 Cuyler Hospital and its CSR philosophy

Cuyler Hospital in Uitenhage is part of the Netcare chain of hospitals. Kennedy, a nurse at the hospital who is also involved in the Cuyler Place of Hope, explained that Netcare’s philosophy is to focus on a few important projects in order to get more mileage out of their sponsorship (pers. comm., 2006).

7.5.2.1 Cuyler Hospital’s CSR involvement

Cuyler Hospital supports Cuyler Place of Hope which is aimed at helping and supporting HIV/AIDS victims. They provide counselling for these victims. Kennedy said that they have a very restricted budget and don’t have much to spend on sponsorship, but do give small donations to organisations such as Round Table, should their budget allow, which is done on an *ad hoc* basis (pers. comm., 2006).

7.5.2.2 Brief Overview: Sector involvement and comments

As the Table 7.11 indicates, Cuyler Hospital is largely involved in the sector of health and welfare. As Cuyler Hospital’s core business is in the medical field, which is evident in the above table. Their CSR initiatives are focussed around health and welfare, particularly those associated with HIV/AIDS. They generally do not give donations to other organisations, but focus all their actions and efforts on the Cuyler Place of Hope. This initiative is their own and they do not use other organisations as their implementing agents.

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training&amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
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</thead>
<tbody>
<tr>
<td>Cuyler Hospital</td>
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</tbody>
</table>

*Table 7.11: Table showing Cuyler Hospital’s CSR involvement*
7.5.3 Checkers’ CSR Philosophy

Van Dyke, the branch manager of Checkers, said that he is limited in terms of what he can invest or contribute to as a company (pers. comm., 2006). Furthermore, they do not have a specific CSR philosophy, but Van Dyke said that he does believe in giving back to the community (pers. comm., 2006). As Checkers Uitenhage is a branch of Checkers South Africa, should people require sponsorship, a letter has to be written and submitted to Head Office, which scans the needs and decides whether or not to support the cause, as well as the amount to allocate. Van Dyke said that they do not give money, but recipients will be given vouchers to use in the Uitenhage Checkers, which will then be accounted for by Head Office.

7.5.3.1 Checkers’ CSR Involvement

As Checkers has fresh food and bakery sections, when these foods pass their sell-by date or lose their freshness, they are given to a soup kitchen in Uitenhage, Joe’s Soup Kitchen. This soup kitchen receives food from Checkers on a daily basis, which enables it to feed a number of underprivileged people. Furthermore, in December of each year the store offers a gift wrapping service, where gifts can be wrapped for R5 and the proceeds are given to a chosen charity in the area (van Dyke, pers. comm., 2006).

Van Dyke said that donating can be difficult, as once you give to one person, word gets around and ‘everyone’ comes to ask for support (pers. comm., 2006). “We don’t give to political parties or churches as there is a lot of politics in these areas” (van Dyke, pers. comm., 2006).

7.5.3.2 Brief Overview: Sector Involvement and Comments

The Uitenhage Checkers branch does not have a CSR philosophy of its own, and since the store manager does not have the authorisation to give freely to the community, it has very little involvement in local development. The following table, Table 7.12 shows the sectors in which Checkers’ CSR falls, namely health and welfare and ad hoc donations.

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checkers</td>
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<td></td>
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<td></td>
<td></td>
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</tbody>
</table>

This said, Checkers does contribute, in a small way, towards poverty alleviation through its food donations. They do not have a hands-on approach, but use the soup kitchen as a conduit.
for the CSR. Checker’s CSR is mainly charity giving, with no empowerment for the community.

7.5.4 Spyros Kwikspar

The owner of the Spyros Kwikspar is actively involved with the Institute for Crime Prevention and Rehabilitation of Crime Offenders (NICRO). The programme is dedicated to diverting crime offenders away from the prison system.

Yeromelou explained that she strongly believes in giving back to the community and tries to budget and give at least 10 percent of her time to worthy causes and over 10 percent of the stores profits back to the community, through feeding schemes, AIDS awareness programmes and to children’s homes (pers. comm., 2006).

7.5.4.1 Brief Overview: Sector Involvement and Comments

Table 7.13: Table showing Spyros Kwikspar’s CSR sector involvement

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training&amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spyros Kwikspar</td>
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<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>

As the above table shows, Spyros Kwikspar is largely involved in health and welfare, mainly through the South African National Institute for Crime Prevention and the Reintegration of Offenders (NICRO). This business shows real dedication towards development in Uitenhage through the giving back to the community of at least 10 percent of the manager’s time. This potentially, in relative terms, is far more than the larger corporations, which generally only give financial donations.

7.5.5 Fruit and Veg City’s CSR Philosophy

Mr. Giddy, store owner of Fruit and Veg City, claimed that Uitenhage has a “large underpoverished, poor community” (pers. comm., 2006). According to Giddy, “Uitenhage is an exceptionally poor town, which depends heavily on Volkswagen” (pers. comm., 2006). He explained that this can be seen in the store’s sales. Volkswagen employees get paid fortnightly and sales reflect this pattern. Furthermore, state old age pensions are paid out in the first week of the month which is also reflected in the increase in sales figures. Giddy said that many families are dependent on old age pensions which has major social implications (pers. comm., 2006). Giddy said he felt that the situation would only worsen with the HIV/AIDS pandemic.
with more old age pensioners having to support an increasing number of persons (pers. comm., 2006). He acknowledged the great need for all companies to contribute and give back to the community (Giddy, pers. comm., 2006).

Mr Giddy said the only reason Fruit and Veg City enjoys economic success is because of the support of the host community and therefore he likes to give back to the people who support him (Pers. comm., 2006).

7.5.5.1 Fruit and Veg’s CSR Involvement

Fruit and Veg City, as a corporate group, was involved in a campaign in October 2006 to assist in eradicating hunger (Giddy, pers. comm., 2006). For every packet of apples sold, R1 was donated to the ‘Feed the Children Scheme’. As a group, Fruit and Veg was hoping to raise R5 million (Giddy, pers. comm., 2006).

Giddy explained that as they work with fresh produce with a short shelf-life, much waste is generated (pers.comm., 2006). Fruit and Veg City aspires to having the freshest, best quality produce in their stores and therefore foodstuffs which have blemishes or which have passed their sell-by date have to be disposed of. The food which is no longer suitable for sale in the store is given to needy community members. Fruit and Veg currently supports about 60 people on a weekly basis. Food that is not fit for human consumption is also given to local pig farmers for animal food. Giddy explained that since the provincial school feeding scheme has been terminated, children are not receiving a nutritional meal during the day (pers. comm., 2006). Fruit and Veg City therefore gives donations in the form of food for school functions. Gift vouchers and hampers are also donated to organisations, often for raffles, in order to raise funds.

Fruit and Veg has an agreement with the NMBMM with regard to its community garden projects in Uitenhage (Giddy, pers. comm., 2006). Fruit and Veg has agreed to purchase their produce, as long as it meets the standard. Should Fruit and Veg not require all the produce, it is taken to the local markets (pers. comm., 2006).

Giddy said that he is a compassionate man and wants to help those in need, however word has spread and this has become a problem as he is now inundated with requests for donations and food (Giddy, pers. comm., 2006).
7.5.5.2 Brief Overview: Sector involvement and comments

Fruit and Veg City, as a corporate group has a CSR philosophy of giving back to the community through assisting the underprivileged. Fruit and Veg City Uitenhage also supports organisations and schools within the Uitenhage area, by assisting with food donations, vouchers and hampers which are used for raffles in order to raise funds. In addition, Fruit and Veg supports local community garden projects through purchasing of their products. The table below highlights these CSR sectors, namely health and welfare and *ad hoc* donations.

Table 7.14: Table showing Fruit and Veg’s CSR sector involvement

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training&amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit and Veg City</td>
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<td>✔</td>
</tr>
</tbody>
</table>

7.6 Discussion

Areas in which companies are focussing their CSR activities in Uitenhage, are plotted in the table below, Table 7.15. However it must be noted, that many businesses pass on the responsibility of CSR to other organisations, which then become conduits for their CSR actions. For example USEC, UDDI and EMC are used as conduits, which emphasises their importance in local development and the degree to which corporates have a ‘hands off’ approach. The area in which most CSR activities are focussed are in education, in the form of bursaries, financial assistance, books, equipment and donations. As education is the cornerstone of building a stronger, sustainable economy, along with government's goal of education for all of South Africa’s youth, this is obviously a valuable and worthwhile investment. Youth development, often through various sports, goes hand in hand in developing the youth, bettering livelihoods and creating a stronger youth in South Africa. Similarly, training and skills development is vital in developing the country’s economy and strengthening the skills base. Job creation does not seem to be a major area of investment. This differs from the focus of the development institutions, which will be discussed in the following chapter (Chapter Eight). Job creation requires large investment, financial, and human resources and time, which many companies do not have, or do not prioritise. It is far more manageable to allocate bursaries and donate equipment, than it is to share their human resources. Like job creation, community development is an area which requires large financial and human resource input, and time and therefore is not a popular option with regard to CSR activities. As mentioned earlier, many companies pass on the responsibilities of job creation to other companies, but still claim
recognition as part of the CSR initiatives. Goodyear’s near-complete devolution of responsibilities, shows how corporations do not have the time and resources to conduct CSR initiatives and do not prioritise them in their everyday business. Another popular area of focus is health and welfare, particularly with regard to HIV/AIDS awareness campaigns, voluntary testing and counselling, however this is mainly with their own employees. HIV/AIDS is a serious epidemic in South Africa which is severely affecting businesses. HIV/AIDS awareness has become an important part of the operations of companies, which have become particularly active in the prevention and treatment of the disease. Feeding schemes fall under health and welfare and the smaller businesses which are in the food retail business do regularly give food donations to the community and feeding schemes. However, a large portion of CSR activities occur as ad hoc donations. This is largely due to the fact that besides Volkswagen and Johnson Controls, and to an extent Goodyear, industries and businesses in Uitenhage do not have a prescribed CSR philosophy, nor a dedicated team which work solely with CSR initiatives and rather respond as the need arises.

Table 7.15: Table showing CSR sector involvement in Uitenhage

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Youth Dev.</th>
<th>Training &amp; Skills dev.</th>
<th>Job Creation</th>
<th>Health and Welfare</th>
<th>Ad hoc donations</th>
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<tr>
<td>Volkswagen</td>
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<tr>
<td>Good Year</td>
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<td>Hella</td>
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<tr>
<td>Kromberg &amp; Shubert</td>
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<tr>
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<td>Spyros Kwikspar</td>
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<tr>
<td>Fruit and Veg City</td>
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</tbody>
</table>

7.6.1 Sectoral Grouping of CSR activities

As mentioned above (section 7.6), in order to ascertain the key focus areas of CSR activities in Uitenhage, activities were categorised as follows: education and youth development, training and skills development, job creation, health and welfare, and ad hoc donations. The following sub-sections (7.6.1.1 to 7.6.1.6) will discuss each focal area in turn.

7.6.1.1 Education and Youth Development

Education is a major area of CSR focus in Uitenhage. Volkswagen, through their Community Trust, have the largest impact of all the companies in Uitenhage. Fifty-two percent of VW’s
CSR finances are allocated to bursaries, a total of R920 000 was allocated to 180 recipients in 2005 (Moss, pers. comm., 2006). Beside bursaries, a further total of R140 400 (0.8 percent) was invested in education, and allocated to six education institutions. Although VW does give donations to other areas within the NMBMM, the majority of the funds are given to organisations and people within Uitenhage. By the end of 2005, 1000 students had received assistance from the VW Community Trust, and 40 percent of those supported are now currently employed in formal and informal sectors (Moss, pers. comm., 2006). The courses which were undertaken by the bursars include financial management, computers, engineering, and business studies.

Much of Hella’s CSR involvement is also in education and they are assisting local Uitenhage schools with equipment and training (Stoltz, pers. comm., 2006). Hella has been involved in the education and the training of 20 teachers for three schools in Uitenhage, as well as making donations of computers, audio-visual equipment and books. Kromberg and Schubert has also donated computers and furniture to local schools and has sponsored various sports teams.

Eastcape Midlands College (EMC) is a local institution which is heavily involved in the development of education in Uitenhage. Unlike the other companies, EMC runs its own programmes, for which they seek sponsorship. The VW Community Trust gives annual donations to EMC to assist them with their programmes. Programmes coordinated by EMC include computer literacy, business skills and entrepreneurial skills training. EMC also has a graduate placement programme, whereby trainees are placed at various companies in Uitenhage.

Johnson Controls has a ‘hands-on’ approach to developing and supporting the youth through sponsoring various crèches in the Uitenhage area. VW’s youth development includes donations and sponsorship of sport. Kromberg and Schubert also support sports teams, through the donation of T-Shirts and rugby jerseys.

7.6.1.2 Training and Skills Development
All the industries in Uitenhage develop and further the training and skills of their own employees. Employees can also apply for learnership programmes and funds to advance their qualifications. Internal development and training is ongoing. However, companies also employ unemployed people, whom they train and employ through various programmes. EMC runs
training programmes for the community, providing participants with valuable skills, relevant to
the needs in the Uitenhage market.

7.6.1.3 Job Creation
VW partners with other institutions, such as USEC and the NMBMM to create jobs. For
example, through the Greater Uitenhage Sewing Cooperation (GUSCO) and the Khaymnandi
Brickmaking project.

Goodyear has also partnered with USEC on a BEE Supplier Development Programme, which is
aimed at developing the business and management competencies and capabilities of
participating SMMEs (Dinie, pers. comm., 2006).

7.6.1.4 Health and Welfare
All the industries interviewed have strong HIV/AIDS awareness campaigns, whereby
employees are educated about the disease. Furthermore, voluntary testing is made available.
EMC has started a Youth Access Centre which members of the community can use for trauma
counselling. The Uitenhage Netcare branch created Cuyler Place of Hope which is aimed a
helping and supporting HIV/AIDS victims in Uitenhage. Hella is involved with HIV/AIDS
awareness campaigns at various schools in Uitenhage. Various local industries have also
partnered with NMMU to produce a theatrical road show and educate school children in
Uitenhage about HIV/AIDS.

EMC and the VW Community Trust, in partnership with the Department of Education,
NMBMM and the Department of Agriculture have developed gardening projects at various
schools in Uitenhage. These projects are aimed at fighting poverty and providing learners and
teachers with crop production skills.

Uitenhage Checkers, Fruit and Veg City and Yeromelou Quickspar all donate food to the
community, either directly or through feeding schemes. VW also supports children’s homes
and feeding schemes through monetary donations.

7.6.1.5 Ad hoc donations
The majority of the companies in Uitenhage conduct their CSR through ad hoc donations.
People approach them with their needs; the companies evaluate them and decide whether or not
they can assist. Donations include replacing broken school windows, painting of schools, providing education equipment, support for sports clubs and various other fund raisers. Companies however generally do not like to give monetary donations. The supermarkets often donate goods from their stores which are often raffled to raise funds.

7.7 Comments

Although CSR is becoming popular as a theory and a corporate philosophy, and the South African government is pushing for companies to become more socially responsible, this is not yet evident in practice in the study area. The *ad hoc* nature of CSR activities does not yet seem to be making a significant difference within the local communities with regards to poverty alleviation. Furthermore, the lack of supervision and assessment of job creation projects has often led to their downfall, which became evident on the visitation of projects and interviews conducted with the project beneficiaries as discussed in Chapter Eight. Jobs may have been created, but only for a short period of time and the sustainability of projects is low, as commented on by many companies. It is for this reason that Goodyear is moving towards supporting an outsourced company to conduct their CSR activities. The debate identified in the literature regarding the reasons behind undertaking CSR activities also comes to the fore. Some organisations, as well as authors, argue that companies are engaging in CSR initiatives purely for the advertising, to favourable portray their company to investors, stakeholders and clients. As one of the USEC staff commented, for “Many of the companies CSR is purely window dressing” (Anon. 01, pers. comm., 2006). The CSR activities undertaken by the businesses and industries in Uitenhage are generally pro-poor in nature, which is evident from the large number of donations. Furthermore, a large portion of the CSR activities are in-house, which does not promote broader-level development and sustainable job creation in Uitenhage.

7.8 Conclusion

This Chapter has examined various industries and local businesses in Uitenhage and their involvement in CSR activities in order to illustrate examples of the theories developed in the previous chapters. Volkswagen and Johnson Controls are the only companies with a strong CSR plan and dedicated teams which are focussed on the development of the surrounding community. The other industries do not have CSR formally planned into their budgets and the financial operations of the company. They tend to make more *ad hoc* donations of equipment, education apparatus and sponsorship when it is financially possible. People generally approach these companies and ask for assistance. Companies on the whole have a hands-off approach to
CSR, often using other organisations as conduits, for example VW uses EMC, USEC and UDDI to execute job creation projects.

East Cape Midlands College is the local institution which is, by far, the most involved in community development, having a strong education focus. The smaller businesses generally give donations from their stores to worthy causes. Donations are often used for raffles to generate more income. Due to the ad hoc nature of many of the CSR activities, both by industries and local businesses, many of the projects are not followed up after the initial donation. However, some of the companies do make unannounced random visits to the schools to evaluate the state of the donated equipment in order to ensure that it is being looked after.

This chapter has illustrated the involvement of industries and local businesses in local development within Uitenhage. The following chapter (Chapter Eight) examines the role of the development institutions which were briefly mentioned in this chapter. UDDI and USEC act as facilitating bodies for SMME development, business support and other activities. A more indepth discussion and evaluation of development role players and their interventions will follow in Chapter Ten.
Chapter Eight: Local Development Institutions in Uitenhage

8.1 Introduction

As highlighted in the previous chapter, industries and businesses are playing various roles in the socio-economic development of Uitenhage. It is evident that many corporations make equipment or monetary donations to the local schools and other needy institutions. This chapter reveals how the metropolitan and local development institutions in parallel, play very different roles with regards to local development. As was highlighted in the literature, local municipalities are responsible for the creation and stimulation of local economic development (LED). By virtue of their mandate, the institutions discussed in this chapter have a much more integrated and involved part to play in local development than the corporations. They are not an outsider giving donations to needy benefactors, rather local development is their core focus. This chapter examines the approach to local development adopted by the NMBMM, as the local municipality, as well as the two development institutions established to address local developmental challenges. The demographic trends highlighted in Chapter Five, indicate that high levels of poverty and unemployment are key developmental challenges as identified by local and provincial governments as noted in Chapter Six. Chapter Six pointed out the commitment of the provincial and local government to alleviating poverty and creating jobs. In this chapter the plans and projects formulated for the study area are discussed. The major implementers of local development are the NMBMM and the two local development institutions, namely the UDDI and the USEC.

As the Nelson Mandela Bay Metropolitan Municipality (NMBMM) is responsible for LED in Uitenhage, specific projects that they have been initiated in order to stimulate growth in the Uitenhage area will be discussed. Furthermore, as the metropolitan municipality does not have adequate finances and human resources to initiate development on its own it therefore partners with various public and private partners. The NMBMM has a number of different focus areas ranging from urban agriculture and SMME development to tourism and large scale development projects such as the Automotive Logistics Park.

The Uitenhage Despatch Development Initiative (UDDI) and the Uitenhage Self-Employment Centre (USEC) are the two primary development institutions in Uitenhage, and are major role players in development initiatives in the area. Figure 8.1 below shows the locations of the development institutions as well as the key developmental projects which will be discussed in the following chapter (Chapter Nine).
The NMBMM channels many of its development initiatives through these two local development institutions as they are based in Uitenhage and are facilitators of development. They offer a number of services from consultation, to skills development and training, and the initiation of projects and project management. The various sectors supported and a range of projects will be discussed in this chapter in order to illustrate the differing roles the various stakeholders play in local development in Uitenhage. Chapter Nine will discuss three key, selected projects, in order to further illustrate the importance of partnership-based support of major interventions in local level socio-economic development. The level of involvement of these institutions in the socio-economic development of Uitenhage will become evident. These are dedicated teams working together to establish and promote sustainable development in the area.
8.2 NMBMM’s General Development Responses in Uitenhage

As discussed in Chapter Six, NMBMM aims to create a globally competitive metropolitan area, focussing on sustainable service delivery, socio-economic development, infrastructure development and local and regional development (NMBMM IDP, 2006). The metropole also recognises the role local governments play in development. As Uitenhage falls within the NMBMM, it has an important role to play in the development of the town. The Economic Development, Tourism and Agriculture (EDTA) Department, is the department largely responsible for development in the area. Job creation through SMMEs is a major focus of the EDTA Department. However, the metropole also supports a few larger, flagship programmes, which promote larger scale employment, which will be discussed in this Chapter. It must be noted that the NMBMM channels all its development projects in Uitenhage through the UDDI.

The NMBMM focuses attention on the enhancement of local economic development in the area under its jurisdiction. A number of projects have been initiated throughout the metropolitan area to alleviate poverty and create employment (Kwenaite, 2006). Kwenaite, head of the EDTA department, states that creating and improving opportunities for communities, empowering informal and early-stage businesses, as well as improving and encouraging job creation are all top priorities for the Municipality (Kwenaite, 2006).

Amongst the prioritised development projects of the NMBMM in the area is support of the UDDI, particularly in terms of the UDDI undertaking the development of the Automotive Logistics Park, and the Science Centre. The Nelson Mandela Bay Automotive Logistics Park is one of the major LED projects located in the Uitenhage area. Murray, of the EDTA, said that Uitenhage has a development backlog compared to Port Elizabeth and the metropole wanted to stimulate job creation in Uitenhage as a result (pers. comm., 2006). The five to ten year vision is that 2000 to 3000 jobs will be created by the project. The development of the Automotive Logistics Park in Uitenhage is focussed on developing and servicing the automotive industry and the NMBMM envisages investing R40 million of the expected R180 million project. It is hoped that this project will not only make a considerable contribution to the efficiency of South Africa’s automotive industry, but will also positively impact the socio-economy of the Metro (Kwenaite, 2006). The automotive industry relies on a number of suppliers in their manufacturing process, from engine parts to car interior and accessories. VW is based on just-in-time manufacturing and therefore the suppliers need to be close at hand and easily accessible. VW alone has a 1000 suppliers and the Logistics Park is aimed at facilitating production and
easy delivery from small suppliers to the automotive manufacturers (Murray, pers. comm., 2006). Through this project, the Metro hopes to improve the competitiveness of the auto industry with the following outcomes in mind: the creation of sustainable employment in the metro, revitalisation of the motor industry in Uitenhage and Despatch, making a contribution to economic growth, attracting new auto-industry related businesses to the metro, and the creation of a sustainable world-class facility in support of the auto industry within the metropolitan area (Kwenaitie, 2006). The Logistics Park project is underway and the first tenants are operating from the site. A further R300 million in capital investment will see the project through to completion and it is anticipated that 3000 employees will eventually work from the park (Kwenaitie, 2006).

The Uitenhage Science Centre is another major project in Uitenhage. The Science Centre is aimed at rehabilitating and redeveloping the old railway workshops in Uitenhage, in order to create an edutainment, recreation and tourism hub in the centre of the central business district (CBD), which has the potential to catalyse urban renewal in the area (NMBMM IDP, 2006). The project is envisaged to cost R46 million, of which the metropolitan municipality foresees financing R40 million over four years. With funding from NMBMM and prominent government departments, the UDDI completed a feasibility study into the establishment of a Science Centre in Uitenhage. The old steam engine workshop was chosen for the site and preliminary site clearance is underway (Kwenaitie, pers. comm., 2006). This project, as well as the Automotive Logistics Park, will be discussed in more detail in the section on UDDI projects, as this agency has been tasked to implement these projects.

The NMBMM has formed a partnership with the provincial Department of Agriculture to coordinate and enhance service delivery and the Metro has since become increasingly involved in urban agriculture. This is also highlighted as one of the key strategy plans in the IDP. An Agri-Fair, coordinated by the Economic Development, Tourism and Agriculture (EDTA) Department, is an annual event organised as an information and marketing day for farm products, where urban farmers are given the opportunity to display and sell their produce. Agricultural experts are invited to address and advise emerging farmers on farming techniques (Kwenaitie, 2006). The Nelson Mandela Bay Agri-Forum was launched in February 2006 at a poultry farm in Uitenhage. This forum serves as an umbrella body for all emerging farmers’ associations within the Metro and acts as a platform for addressing all the needs of farmers within the NMBMM (Kwenaitie, 2006). The Metro is currently trying to assist the Uitenhage
and District Farmers Association (UDIFA), which consists of small and large stock (cattle and goats) farmers who are temporarily farming on the outskirts of Uitenhage, to find suitable land for livestock farming. These farmers have received training in stock production and business skills and also receive water grants (Kwenaita & site visit, 2006). The metropole has also initiated urban agriculture which allows poor disadvantaged communities to secure food and enter into an economic activity as part of the development of a long-term vision to build agriculture into a strategic economic sector (NMBMM, 2006). The municipality has budgeted R50 million for this 5 year programme. All these projects fall under the responsibility of the EDTA Business Unit.

Kwanobuhle Youth Service Centre (KYSC) is an initiative undertaken by the NMBMM, through the UDDI, which aims to help alleviate poverty, create jobs and formalise informal youth businesses within the Uitenhage area and primarily in the Kwanobuhle township (Kwenaita, 2006). Business skills training, which included a six-month mentoring component has been completed. The centre was completed in 2005, with 15 direct jobs being created for the local community during the construction phase (Kwenaita, 2006). This centre consists of five kiosks, where SMMEs can trade from. The carwash currently employs 10 youths and the tyre fitment centre, seven, all of whom were previously unemployed (Kwenaita, 2006)

The metropolitan development budget has also allocated funds (R13 million over four years) for the revitalisation of the Uitenhage CBD. The revitalisation of Uitenhage’s city centre consists of the upgrading and improving of the Uitenhage centre and adjacent area. The Metropole also supports the SMME sector programme of UDDI, which is a programme within the UDDI which focuses on business start-ups and SMMEs, and will be discussed in more detail in sub-section 8.4.4 of this chapter.

8.3 Development Institutions’ Plans for Uitenhage

At the onset of this research there were essentially two local development institutions in Uitenhage, namely the Uitenhage Despatch Development Initiative (UDDI) and the Uitenhage Self-Employment Centre (USEC). However, over the course of this study, USEC was absorbed by UDDI. UDDI essentially functions as the local development agency for the NMBMM. UDDI and USEC, their goals, activities and involvement in development are discussed below and are treated separately, as amalgamation is recent and they did differ in focus and impact over the years.
8.3.1 The Uitenhage Self-Employment Centre (USEC)

Volkswagen South Africa started the VW Pre-Employment Centre in 1994 as a job creation centre, focussing on the training of unemployed people, as well as providing for the development and support of small, medium and micro enterprises (SMMEs). In 1998, the self-employment centre became an independent entity, called USEC and was registered as a Section 21 company, and received funds from the Metro, the renting of outbuildings and from stakeholders from various initiatives (Terblanche, pers. comm., 2004). USEC employed a total of nine staff in 2005.

USEC was endorsed by the government as a Local Business Centre, servicing the Uitenhage Despatch area of the Nelson Mandela Metropole. In conjunction with regional and local government, industry, business and communities, it sought to enhance the establishment of small, medium and micro enterprises and facilitate the development and training of people involved in such ventures (Dinie, pers. comm., 2006).

USEC supported the growth of the SMME sector from a conceptual to a maturity phase, through the provision of a range of services and programmes (Dinie, pers. comm., 2006). USEC was an institution that pooled ideas, finance and entrepreneurial knowledge, networks and research, in order to offer new and existing businesses extensive professional assistance, within a network of business support organisations (Dinie; Povey, pers. comm., 2006).

USEC’s primary focal areas included SMME/cooperative advisory services, providing a resource centre and business referral and information network; business support services (business monitoring and counselling, incubation programmes, micro enterprise development programme, an outreach programme for SMMEs/cooperatives, and a cooperative development programme); access to markets (tender information and advisory desk, an SMME database, a business linkages programme, supplier development); business skills training programmes and access to finance through a referral network (Dinie, pers. comm., 2006).

8.3.1.1 Training and development

USEC offered a number of courses, to which the mentors and project managers recommended clients, according to which were deemed to be the most beneficial to individual clients. Van Neel, USEC’s training facilitator explained that each client was assessed and treated as unique, and a combination of suitable training courses recommended (van Neel, pers. comm., 2006).
However, many clients did not take up the opportunity, as they were usually new or struggling businesses which could not afford to take time off work (van Neel, pers. comm., 2006). “It is difficult to get people to go on courses as they are reluctant to give up potential working hours” said van Neel (pers. comm., 2006). It is for this reason that most courses ran for one day (8 hours) only. “Another major hindering factor is money” said van Neel (pers. comm., 2006). Courses cost around R200 per person, per day. Many of the people could not afford to attend courses, however people often got sponsored and training formed part of the budget (van Neel, pers. comm., 2006). According to van Neel, not all people are literate which makes training very difficult and the varying levels of education also complicated course training (van Neel, pers. comm., 2006).

USEC offered the following courses:

- Time management
- What is an entrepreneur?
- Effective communication skills
- What is a business plan?
- Conflict management
- Generate your own business idea
- Basic stock control
- Basic record keeping
- Basic financial management
- Leadership skills
- Start your own business
- Tendering course
- Basic buying skills
- Competitiveness
- Customer care
- HIV/AIDS
- Personal financial management
- Effective financial management
- Start and improve your own business
- What is a business idea?
- Implement your business idea

(van Neel, pers, comm., 2006)

As an example of throughput, in the period from September to December 2005, a total of 32 people attended training courses, which are detailed in Table 8.1 below (van Neel, pers. comm., 2006). The tendering course was the most popular with 15 people attending, 6 people attending the time management course, 6 people attended the financial management course and 5 people attended the basic record keeping course (van Neel, pers. comm., 2006).
Table 8.1: Number of people attending courses over the period September to December 2005

<table>
<thead>
<tr>
<th>Course</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tendering</td>
<td>15</td>
</tr>
<tr>
<td>Time management</td>
<td>6</td>
</tr>
<tr>
<td>Financial management</td>
<td>6</td>
</tr>
<tr>
<td>Basic Record Keeping</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
</tr>
</tbody>
</table>

(Source: Van Neel, pers. comm., 2006)

8.3.1.2 Key Projects and Programmes

USEC also got involved in a number of key projects and programmes, these generally ranged from about six months to two years in length (Dinie, pers. comm., 2006). USEC had a close network and programmes were made known to various employers and institutions in order to ensure employment opportunities (Dinie; Poverty. pers. comm., 2006). For example, the Department of Trade and Industry would notify USEC where skilled jobs were needed and fund USEC to train previously unemployed people with those particular skills. Those who completed the courses successfully would then be placed in employment (Dinie, pers. comm., 2006).

USEC had a number of partnerships, both with the public and private sectors. Some of the major partners included, local government (NMNM), and various departments at national government level, the National Development Agency (NDA), the VW Community Trust, Nelson Mandela Municipality University (NMMU), the Eastern Cape Development Community (ECDC) and the Coega Development Corporation (Dinie, pers. comm., 2006). A brief description of the key projects and programmes undertaken by USEC can be found in the table below, Table 8.2.

Table 8.2: Key projects and programmes undertaken by USEC from 1999 to 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>USEC was funded by Ntsika Enterprise and VW Community Trust to initiate a project revolving around ‘Women in Development’. Khayamnandi, a brick making initiative, was developed. Later, NMNM joined the initiative and provided sponsorship. Women were chosen from the community and trained to make bricks. USEC not only organised the training, but also mentored the project.</td>
</tr>
<tr>
<td>1999-2001</td>
<td>USEC acted as a recruitment and training centre, where a number of 6 month long practical courses were run, such as carpentry, electrical, upholstery, which USEC organised and arranged for specialists to run. The participants were then placed in various companies. There were seven main sponsors of this programme.</td>
</tr>
<tr>
<td>2001</td>
<td>USEC’s proposed to develop a youth programme, providing entrepreneurial skills to the youth. The proposal was approved by the USEC board and sponsors were</td>
</tr>
</tbody>
</table>
sought. Students were recruited from local schools and mainly received computer training.

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>USEC ran a Vocational and Development Training Programme (VDP), which was coordinated for grade 12 learners. These students were specially trained for specific jobs at VW and were subsequently placed there after successful completion of training.</td>
</tr>
<tr>
<td>2003</td>
<td>USEC got involved in the Startup Entrepreneurial Promotions Business Plan Competition (STEPS), a business plan competition to promote entrepreneurship. This programme was sponsored by Goodyear, Ntsika, Schnellecke, Hella, the VW Community Trust, Standard Bank, MTN and the NMMM. This local government initiative aimed to offer current and prospective entrepreneurs support in developing their business ideas into feasible and marketable business plans and to start or expand an existing project. People benefited from a range of supporting elements, including capacity building programmes and access to business advice, support and information networks. People submitted their ideas, and from these 100 applicants were chosen, who were then assisted in developing business plans. These plans were evaluated by a panel of judges and 20 were shortlisted. The winners of this competition received money towards the improvement or initiation of their respective businesses. USEC played a mentorship role, assisting, guiding and advising individuals with their business plans and in initiating their respective businesses.</td>
</tr>
<tr>
<td>2004</td>
<td>USEC organised the ‘Small Business Overdrive’, where SMMEs were brought together and could display and sell their wares. USEC assessed the individual enterprises and gave advise on how to improve their ventures. Aspects such as profit, sales, marketing, as well as other problematic issues were addressed.</td>
</tr>
<tr>
<td>2004</td>
<td>USEC developed the idea of a skills based training programme, and once the proposal was approved by the USEC board, sponsors were sought. This project was sponsored by a German company and a ‘Master Builder’ programme was initiated. This was a skills based training programme, where people were trained in various trades. Sixty of the 100 students passed and were placed at the Coega Development Corporation, and the Provincial Hospital to assist with upgrades, to assist with RDP housing and some are now self-employed.</td>
</tr>
<tr>
<td>2004-2005</td>
<td>Two major projects were taken on, Project Rave and the organisation of the Agrifare. Project Rave (Retrenchees and Victory to Entrepreneurs), was a government initiative to contribute to economic growth and employability through enabling owners of existing SMMEs to complete needs-based business performance improvement programmes in the wholesale and retail sector, and to assist retrenchees to take part in business start up programmes with the objective of starting their own businesses in the wholesale and retail sector. USEC focussed on business performance improvement by identifying existing SMMEs and providing mentorship programmes. As USEC did not have the capacity to run such a programme on its own, it collaborated with Comsec, a development institution in Port Elizabeth. Together they assisted 60 participants, with businesses ranging from grocery shops, to clothing and taverns. USEC organised and gave lectures and enterprises received individual mentorship. On completion of the programme, successful participants received certificate.</td>
</tr>
<tr>
<td>2005 &amp; 2006</td>
<td>USEC organised an Agrifare to show case the small agricultural project of emerging farmers. Potential buyers and contacts in the industry were invited to attend the exhibition. In addition various seminars were conducted to assist farmers in improving farming techniques, production and sales.</td>
</tr>
</tbody>
</table>

(Source: Dinie, pers. comm., 2006; Ngxonono, pers. comm., 2006; Povey, pers. comm., 2006);
8.3.1.3 Achievement Summary

As Table 8.3 indicates, in 2005, 61 people were assisted with the starting up of businesses, 76 people in existing businesses received support and advice, and a total of 293 consultations took place (van Neel, pers. comm., 2006). Five new start-up businesses were taken on, under mentorship. Table 8.4 depicts an overview of the breakdown of assistance provided by USEC in 2005. A total of 257 jobs were created through SMMEs and projects, in a variety of fields, including services, low technological manufacturing, agriculture, tourism, information technology and education (Povey, pers. comm., 2006). Sixteen companies were assisted to register their companies as closed corporations (CCs) and 10 companies were assisted with the development of business plans (Povey, pers. comm., 2006). These results look impressive, but it is difficult to gauge USEC’s impact, over its lifespan, on local development in Uitenhage, due to a lack of data. USEC did not keep a record or a monitoring system on the progress and status of assisted individuals and projects which makes it difficult to comment on the sustainability of projects and results. However, research conducted by the researcher revealed some statistics on the sustainability of projects. Table 8.5 below, indicates USEC’s project profile for 2006, their potential employment figures as well as their current (2007) status. It must be noted that although potential employment figures may look impressive, it must be noted that five out of the nine projects are no longer operational.

Table 8.3: Table indicating USEC’s achievements for the year 2005

<table>
<thead>
<tr>
<th>Visitors’ Log Book</th>
<th>Enquiry Desk</th>
<th>Start-up</th>
<th>Existing</th>
<th>Consultations</th>
<th>Total Clients Services Rendered</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>32</td>
<td>15</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>February</td>
<td>38</td>
<td>1</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>March</td>
<td>42</td>
<td>18</td>
<td>5</td>
<td>1</td>
<td>54</td>
</tr>
<tr>
<td>April</td>
<td>49</td>
<td>6</td>
<td>10</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>May</td>
<td>53</td>
<td>19</td>
<td>6</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>June</td>
<td>34</td>
<td>15</td>
<td>5</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>July</td>
<td>32</td>
<td>17</td>
<td>7</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>August</td>
<td>45</td>
<td>9</td>
<td>20</td>
<td>29</td>
<td>58</td>
</tr>
<tr>
<td>September</td>
<td>55</td>
<td>7</td>
<td>20</td>
<td>24</td>
<td>48</td>
</tr>
<tr>
<td>October</td>
<td>71</td>
<td>29</td>
<td>4</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>November</td>
<td>46</td>
<td>17</td>
<td>7</td>
<td>22</td>
<td>29</td>
</tr>
<tr>
<td>December</td>
<td>13</td>
<td>7</td>
<td>10</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>TOTAL</td>
<td>510</td>
<td>144</td>
<td>57</td>
<td>74</td>
<td>288</td>
</tr>
</tbody>
</table>

(Source: Dinie, Povey, pers. comm., 2006)
Table 8.4: Table indicating breakdown of assistance provided by USEC

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total job creations</td>
<td>257</td>
<td>SMME’s + Projects</td>
</tr>
<tr>
<td>CC. Registrations</td>
<td>16</td>
<td>January - November 2005</td>
</tr>
<tr>
<td>Business Plan</td>
<td>10</td>
<td>SMME</td>
</tr>
<tr>
<td>Business Profile</td>
<td>10</td>
<td>SMME</td>
</tr>
</tbody>
</table>

(Source: Dinie, pers. comm., 2007)

Table 8.5: Table indicating USEC’s Project Profile in 2006 and their current status

<table>
<thead>
<tr>
<th>Project</th>
<th>Potential employment</th>
<th>Mentored by</th>
<th>Current Status (2007)</th>
<th>Some reasons for collapse given by mentors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khayamnandi Brickmakers</td>
<td>15</td>
<td>USEC</td>
<td>Operational</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Makukhanye Sewing Coop</td>
<td>13</td>
<td>USEC</td>
<td>Operational</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Mayenzeke Bakery</td>
<td>4</td>
<td>USEC</td>
<td>Not operational</td>
<td>• Problems with business premises&lt;br&gt;• Problems with baking ovens</td>
</tr>
<tr>
<td>Khulani aloe</td>
<td>21</td>
<td>USEC</td>
<td>Not operational</td>
<td>• Costly price of transportation of raw materials</td>
</tr>
<tr>
<td>Ukhuselo Services</td>
<td>6</td>
<td>USEC</td>
<td>Not operational</td>
<td>• Did not manage to secure sufficient contracts to sustain staff</td>
</tr>
<tr>
<td>Xanadu</td>
<td>16</td>
<td>USEC</td>
<td>Not operational</td>
<td>• Lost contract to supplier, Good Year</td>
</tr>
<tr>
<td>TIC</td>
<td>2</td>
<td>USEC</td>
<td>Operational</td>
<td>Not applicable</td>
</tr>
<tr>
<td>GUSCO</td>
<td>27</td>
<td>USEC</td>
<td>Operational</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Dan’s Timbercraft</td>
<td>14</td>
<td>USEC</td>
<td>Not operational</td>
<td>• Lost timber supplier</td>
</tr>
</tbody>
</table>

(Source: Dinie, Mvandaba, Nyezwe, Povey, pers. comm., 2007)

8.3.2 The Uitenhage Despatch Development Initiative (UDDI)

UDDI is a facilitating body that has been established to promote sustainable development in the region. It is a joint venture between government, labour and community and aims to strengthen the Uitenhage and Despatch area as a major global player and to reduce unemployment in the area (UDDI, 2006). The primary aim of the project is to create an environment for “citizens to flourish, in an internationally renowned centre of business and living, an area of key industrial growth in which people want to live, work and do business” (UDDI, 2006, no page).

UDDI offers a number of services namely: economic development facilitation, business advice, business referral, proposal development, project management and consultation, technical skills
training, business plan development facilitation, and research and it hosts a development database (UDDI, 2006).

The funding for the running costs of UDDI and some projects is largely provided by the metropolitan authority. However, UDDI also receives funding from various other sources in order to carry out development projects and to cover project management fees. UDDI employs ten people who inform, develop and help set up SMMEs and undertake larger projects such as the Science Centre and Automotive Logistics Park.

The mission of the UDDI is:

- To stimulate economic growth and development in Uitenhage, Despatch and surrounding areas, and to make the area a key point of growth in the NMBMM
- To create new jobs and reduce unemployment in this area through the protection of current jobs
- To stimulate the development of SMMEs and new business start-ups

(UDDI, 2006, no page).

There are a number of business units within the UDDI (automotive industry, science and technology, skills and development, SMME and special projects). These will each be briefly discussed in turn.

**8.3.2.1 The Automotive Industry Unit**

As has been noted in Chapter Five, the automotive industry plays a major role in the local economy of Uitenhage and Despatch, as well as the metropolitan area as a whole. This unit seeks to address the needs of the industry as well as to encourage new automotive operations and the expansion of existing ones. This unit aims at maintaining and improving Uitenhage’s position as the hub of the Eastern Cape automotive manufacturing industry and as the automotive centre of the Metro, with a strong focus on technology, black economic empowerment, and emerging suppliers to the local industry (Simpson, pers. comm., 2006).

The Logistics Park is the major project of this unit. As has been mentioned, the initial scoping has been done for a Logistics and Light Assembly Plant in Uitenhage, the first stage is complete and five suppliers are operating from the site. 150 temporary jobs were created in the construction phase, and a further 150 permanent jobs have been created for on-site work, including building maintenance, cleaning, security and gardening (Murray, pers. comm., 2006). The Logistics Park is based on the concept of shared facilities, such as security, transport, and
storage. The park will match the global trend of locating major automotive suppliers in close proximity to their key customers in order to facilitate just-in-time (JIT) production (Simpson, pers. comm., 2006).

8.3.2.2 The Science and Technology Unit
The idea with this focal area is to create a science and technology park in the old railway sheds. Since Uitenhage is historically an industrial town and is currently home to many major automotive technologies, the focus of the centre will be on automotive and transport technology (Simpson, pers. comm., 2006). Special attention will be given to supporting the school curriculum with specialised exhibits and the second phase of the programme will focus on technical laboratories for senior learners. Simpson added in an interview that HIV education will also be an important element of the programme (Simpson, pers. comm., 2006). It is hoped that this will give Uitenhage the opportunity to host the National Science Week, which could bring in 40 000 learners to the town (Simpson, pers. comm., 2006).

UDDI will manage the project on behalf of the NMBMM, who is supporting the project with research funding, site preparation and the ceding of land for the centre. Provincial government has also made a significant contribution to the programme through covering research costs and development funding (UDDI, 2006). The initial feasibility report and feasibility study are complete and clearing of the site has begun (2007).

8.3.2.3 The Skills and Placement Unit
The Skills and Placement unit aims to identify, secure and where necessary, provide relevant skills and competencies to individuals and/or groups, to enable them to perform business functions and/or gain potential employment (de Klerk, pers. comm., 2006). As part of its programme, the Skills and Placement unit has established a project called the Regional Skills Pool, which conducts the training and programmes. Since 2003, it has trained nearly 1000 unemployed people in manufacturing skills (de Klerk, pers. comm., 2006). An important element is to link trainees to potential employers as soon as they complete their training, which de Klerk (pers. comm., 2006) says has been very successful, with more than 70 percent of trainees being placed in technical fields in the region.
8.3.2.4 The SMME Unit

In 2006, UDDI merged its operations with the Uitenhage Self-employment Centre (USEC). The merger resulted in the old USEC site becoming the UDDI’s innovation campus, which is a division which pools ideas, financial capital, entrepreneurial knowledge, networks and research in order to offer new small businesses extensive professional assistance from a network of business support organisations (Dinie, pers. comm., 2006). According to Kwenaite of the Metro’s Economic Development, Tourism and Agriculture Unit, the integration of the two structures was done to better mobilize resources in order to have improved outreach and impact in the SMME development arena in the Uitenhage-Despatch area (Kwenaite, pers. comm., 2006). Furthermore, a SEDA Enterprise Information Centre (EIC), which forms part of the broader SEDA provincial unit, was added. According to Kwenaite, the UDDI SMME Unit and the SEDA EIC, with their clear and distinct roles, complement each other (Kwenaite, pers. comm., 2006). SEDA’s EIC provides information to start-up businesses and SMMEs. They have produced a number of questionnaires and information packages aimed at informing new businesses and SMMEs, evaluating them and assessing their potential. Furthermore, UDDI receives remuneration from SEDA, which assists in their running and project costs (Povey, pers. comm., 2006). The new entity (present innovation campus) aims to develop a dynamic entrepreneurial environment that becomes a platform for innovation and technological advancement in business development, promoting Uitenhage and Despatch as a first-class region for SMME development (Dinie, pers. comm., 2006). The old USEC staff are experienced in the initiation of development projects and have the practical expertise to compliment the EIC. The innovation campus has been set up to become a model of how to promote and support company start-ups. As the initiator of new businesses, it is the central source that promotes SMME development from a conceptual phase to maturity phase in the area (Dinie, pers. comm., 2006). Not only does this unit provide services to walk-in clients, but it also designs, develops and implements community driven business initiatives in partnership with both the public and private sectors (Kwenaite, pers. comm., 2006).

8.3.2.5 The Information and Research Unit

The information office is responsible for disseminating business information to stakeholders as well as to the local community. All businesses can register their businesses with the UDDI database for any business opportunities that may arise (Nyezwa, 2006, pers. comm., 2006). Information such as current affairs, changes to business legislation, upcoming events, business opportunities etc. is also available, on request from the UDDI information office.
8.3.2.6 Special Projects Unit

There are a number of special projects which have been initiated by UDDI, such as mushroom cultivation, toilet paper manufacturing, composting, a piggery project, agri-tourism, and bee-keeping (UDDI, 2006). These projects and the number of people employed within the projects can be found in the table below, Table 8.6.

Table 8.6: Table indicating UDDI’s special projects in 2005

<table>
<thead>
<tr>
<th>Project</th>
<th>Potential employment</th>
<th>Funded by</th>
<th>Facilitated by</th>
<th>Current Status (2007)</th>
<th>Some reasons for collapse given by mentors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mushroom Cultivation</td>
<td>10</td>
<td>NMBMM</td>
<td>UDDI</td>
<td>Not operational</td>
<td>• Waiting for land</td>
</tr>
<tr>
<td>Toilet paper manufacturing</td>
<td>25</td>
<td>NMBMM</td>
<td>UDDI</td>
<td>Not operational</td>
<td>• Costly price of raw materials • Transportation of materials • Needed more training • Management problems</td>
</tr>
<tr>
<td>Composting</td>
<td>6</td>
<td>NMBMM</td>
<td>UDDI</td>
<td>Not operational</td>
<td>• Waiting for land</td>
</tr>
<tr>
<td>Piggery</td>
<td>25</td>
<td>NMBMM</td>
<td>UDDI</td>
<td>Not operational</td>
<td>• Area has been fenced in, but project hasn't started yet</td>
</tr>
<tr>
<td>Agri-tourism</td>
<td>55</td>
<td>NMBMM</td>
<td>UDDI</td>
<td>Operational</td>
<td>• Still in early stages, wanting to expand</td>
</tr>
<tr>
<td>Bee-keeping</td>
<td>6</td>
<td>NMBMM</td>
<td>UDDI</td>
<td>Not operational</td>
<td>• Fire chased bees away</td>
</tr>
</tbody>
</table>

(Source: Ngxonono, Mvandaba, Nyezwa, pers. comm., 2007)

8.3.2.7 Achievements

UDDI’s larger projects, such as the Science Centre and Logistics Park, have created a significant number of jobs during the construction phases and sustain a comparatively smaller amount over the long term. It is the SMME unit which has achieved impressive results for a relatively small development agency, since the amalgamation with USEC, which is evident in Table 8.6. A total of 131 jobs were created and a total of R2,548,00.00 generated over the period from March 2006 to January 2007. However, these figures must be considered with caution. Although the figures look impressive, their sustainability is questionable. The above table (Table 8.6) shows that the majority of projects initiated in 2005 by UDDI are no longer operational due to various factors. Similarly, research into USEC’s SMME’s shows parallel trends as noted earlier in the chapter (Section 8.3.1.3, Table 8.6).
Table 8.7: Table indicating projects, the number of jobs created and the monthly income of the projects (March 2006 – January 2007)

<table>
<thead>
<tr>
<th>Project</th>
<th>No. of jobs</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 2 Z Marketing</td>
<td>5</td>
<td>R 6,000</td>
<td>R 6,000</td>
<td>R 6,000</td>
<td>R 8,000</td>
<td>R 12,000</td>
<td>R 14,000</td>
<td>R 15,000</td>
<td>R 18,000</td>
<td>R 20,000</td>
<td>R 25,000</td>
<td>R 16,000</td>
</tr>
<tr>
<td>Lavelo Isoto Cleaning CC</td>
<td>6</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 20,000</td>
</tr>
<tr>
<td>GUSCO Co-op</td>
<td>26</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 30,000</td>
<td>R 30,000</td>
<td>R 20,000</td>
<td>R 60,000</td>
<td>R 30,000</td>
<td>R 30,000</td>
</tr>
<tr>
<td>TIC CC</td>
<td>3</td>
<td>R 25,000</td>
<td>R 25,000</td>
<td>R 25,000</td>
<td>R 25,000</td>
<td>R 25,000</td>
<td>R 25,000</td>
<td>R 25,000</td>
<td>R 30,000</td>
<td>R 50,000</td>
<td>R 25,000</td>
<td></td>
</tr>
<tr>
<td>Xanidu PTY (Ltd)</td>
<td>17</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
<td>R 60,000</td>
</tr>
<tr>
<td>High Standard Laundry CC</td>
<td>6</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
</tr>
<tr>
<td>Phindimandi Servcies CC</td>
<td>5</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
</tr>
<tr>
<td>Ainstains Gym</td>
<td>4</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
</tr>
<tr>
<td>Rosedale Cleaners</td>
<td>4</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
<td>R 4,000</td>
</tr>
<tr>
<td>Khayamandi Women's Co-op</td>
<td>12</td>
<td>R 8,000</td>
<td>R 8,000</td>
<td>R 8,000</td>
<td>R 8,000</td>
<td>R 8,000</td>
<td>R 8,000</td>
<td>R 8,000</td>
<td>R 8,000</td>
<td>R 8,000</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td>The Food Factory</td>
<td>8</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 12,000</td>
<td>R 10,000</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td>Mawele's Trading (Catering)</td>
<td>5</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 15,000</td>
<td>R 20,000</td>
<td>R 10,000</td>
<td>R 15,000</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td>Rainbow Guesthouse</td>
<td>6</td>
<td>R 12,000</td>
<td>R 12,000</td>
<td>R 12,000</td>
<td>R 12,000</td>
<td>R 25,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
<td>R 5,000</td>
</tr>
<tr>
<td><strong>Total number of jobs created</strong></td>
<td><strong>131</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Dinie, Mafani, Mvandaba, Povey, pers. comm., 2007)
8.4 Discussion

The development institutions do appear to be more involved with local development in Uitenhage, than the larger industries and businesses. This is most likely due to the fact that they have a major focus on the promotion of local development and SMME development in the town. These institutions have dedicated teams, trained to assist people in business development and associated skills training. Dedicated project managers assist project beneficiaries with the start up and running of their projects and are available to give advice and support when needed. There is a close relationship between the project beneficiaries and the project managers. A close eye is kept on the incubator projects and a close relationship is maintained between the institutions and these projects. However, there are only four SMME project managers and their manpower and time resources are limited, therefore they cannot be at the beck and call of the projects 24/7. This has often led to the decline and degeneration of projects. Often project beneficiaries have very little financial and market knowledge and run themselves into debt quickly if not carefully managed. The skills and training provided by these institutions is aimed as assisting people in the operating of businesses and in associated relationships, such as referrals to relevant people and business links. However, a large portion of the clientele are walk-in clients, who are given advice or counselling or are referred to another company and are not seen again, as there is no follow-up process. Therefore it is questioned as to what degree that these people are actually helped. There are a number of problems these institutions experience, largely with regards to funding, having limited staff and land issues, as the land surrounding Uitenhage is either privately owned, or owned by the government. The government owned land is often sold to the highest bidder, resulting in problems when acquiring land for community projects. These issues often severely hinder the effectiveness of UDDI and USEC.

Development institutions are only reaching a small percentage of the community. Many members are given once off advice and their projects never get off the ground. A severe lack of funding and commitment to projects has resulted in the high failure rate, as evident in Tables 8.5 and 8.6 (five out of nine USEC SMME projects and five out of six UDDI SMME projects are not longer operational). However, it must be noted that there are success stories, some of which will be discussed in the following chapter.
(Chapter Nine), as well as the longer term projects such as the Automotive Logistics Park and the Science Centre.

8.5 Conclusion

This chapter has highlighted the role of development institutions in Uitenhage. It is evident that the metropolitan municipality and the development institutions have a similar philosophy with regards to local development, which is mainly aimed at reducing poverty and unemployment through sustainable job creation. These bodies act as facilitators and instigators with regard to development, whereas industries and local businesses tend to act as supporters of development initiatives, assisting with donations, finances and education, as well as working through other institutions to carry out their CSR work.

The UDDI and USEC act as facilitating bodies for local development in Uitenhage. They aim to create new jobs, and reduce unemployment primarily through stimulating SMMEs. The UDDI has a number of units, namely the automotive industry unit, the science and technology unit, the skills and placement unit, the SMME unit (which has recently merged with USEC), the information and research unit and the special projects unit. Each of these aims at stimulating local economic growth in their various sectors, through the provision of a number of services, such as counselling, advice, referrals and project management. USEC played a similar role in Uitenhage, promoting the growth and development of SMMEs, and also providing counselling and advice services, and referrals. USEC also had a strong project management focus, supports training and incubator projects, and USEC was also involved in a number of larger key projects on an annual basis.

This chapter has detailed the local development facilitating bodies in Uitenhage and the services they offer to the community. The following Chapter looks at three multi-stakeholder projects, in order to examine the role various stakeholders play in development as well as to see the nature of three illustrative projects which are being initiated in Uitenhage. These examples were chosen on the basis that they are well established projects, with success stories to tell.
Chapter Nine: SMME Development Projects

9.1 Introduction

There are multiple projects which have been initiated in Uitenhage, including the Automotive Logistics Park, the Science Centre (as discussed above) and a number of SMMEs have been supported. In this chapter the focus is not on the major projects, but rather on smaller SMMEs, the support of which has been a core focus of UDDI and USEC previously and hence this aspect is critical to understand in an assessment of local development in Uitenhage. Due to high SMME failure rates and logistical constraints it was not possible to research all SMMEs which have been assisted to some degree in the town. Instead, three SMME projects have been chosen as examples of projects initiated in Uitenhage. They were chosen on the basis that they are larger SMMEs and therefore are larger employers resulting in more significant spin-offs for beneficiaries and the community. Furthermore, the chosen projects have been running for sometime and appear to be fairly successful – thus avoiding the challenge of limited data which smaller, less sustainable firms, which have either folded, or not been in operation long enough to assess, would otherwise have presented. As noted above the failure rate of SMMEs is high, but this is not an uncommon trend nationally, and it is useful to look at more successful local firms to see if USEC/UDDI support has made a substantive difference. These three projects demonstrate the successes and complexities of initiating and operating development projects in Uitenhage, and they are important local examples as they involve a number of supporting stakeholders, both public and private in initiatives which not only create jobs, but also appear to be reasonably sustainable. The findings of this chapter are primarily based on a questionnaire survey (see Appendix 1), which was administered to the direct beneficiaries of the projects, as well as the project managers. The questionnaire aimed to determine the nature and demographics of the business, the level of assistance the projects received, both with regards to their start-up, as well as continued support and any partnerships that may have been developed. This was followed up with questions probing the interviewees’ views on the assistance they received. Respondents were asked to detail the development of the project as well as identify problems the project faces or foresee facing in the future. The questionnaire revealed the management and salary structure of the projects, as well as the marketing methods used. The questionnaire contained a socio-economic impact section, where respondents were questioned about their prior education and skills status, as well as how they have developed or furthered their
education and skills since the initiation of the projects. In order to gain a sense of the greater socio-economic impact of the projects, interviewees were asked to describe and detail what they can now do financially since the project’s initiation. Respondents were also asked to evaluate their project and to comment on its success or failure. Recommendations, informed from literature readings, from successes and failures of past projects, as well as input from the project managers for each project, are also made.

The Greater Uitenhage Sewing Cooperative (GUSCO) is a joint initiative between Standard Bank, the Volkswagen Community Trust and USEC (now UDDI), which employs 27 women who manufacture bags for Woolworths. The Khayamandi Brickmakers project is a joint initiative between the Volkswagen Community Trust, the NMBMM and USEC (now UDDI), which employs 15 people who manufacture bricks for low cost housing in the area. The Kwanobuhle Youth Services Centre (KYSC) was a pilot project developed as a conceptual model by the NMBMM and UDDI, the success of which will determine the rollout into other areas of the metropolitan area. This project consists of eight SMMEs operating from kiosks within a shared infrastructure. Each of these projects will be assessed in turn.

9.2 Greater Uitenhage Sewing Cooperative (GUSCO)

9.2.1 Nature of business
Prior to 2003, there were three community sewing projects operating in the Uitenhage Despatch area, which were struggling economically and battling to break into the market (Povey, pers. comm., 2006). USEC decided to intervene and bring all three groups together in order to form one strong cooperative, which were merged and established as an incubator programme in 2003. Members of the project have mixed past experience ranging from domestic sewing to industrial sewing (Anon 1 pers. comm., 2006; Povey, pers. comm., 2006). The Volkswagen Community Trust in conjunction with USEC and UDDI, agreed to help develop the group to become an independent enterprise. GUSCO is currently manufacturing bags for Woolworths and is compliant with all their regulations. Woolworths supplies the material, inners and tags to make the bags, however GUSCO has to finance the delivery of the bags to Port Elizabeth depot on a weekly basis (Mvandaba, pers. comm., 2006; Povey pers. comm., 2006). GUSCO is located on the same premises as the old USEC (Innovation Campus) and rents the building from Volkswagen (Povey, pers. comm., 2006).
9.2.2 Partnerships and Assistance

GUSCO is an incubator project, which has formed from the combination of three separate groups, which is now a registered cooperative (Mvandaba, pers. comm., 2006). Headman Mvandaba, of USEC (now UDDI), is the project manager of GUSCO, however Tony Povey, also of USEC (now UDDI) has played an important role in the development of this project. From the outset USEC took over the major oversight, advisory and implementory role in the project (Mvandaba, pers. comm., 2006).

Standard Bank was the main sponsor for the project, allocating R50 000 to the project which was used to set up the project and buy equipment such as industrial machines, tables and computers (Povey pers. comm., 2006).

The project members all attended the PE College Industrial Sewing Course where they learnt to sew on industrial machines. Training modules, conducted by USEC, such as communication, conflict management, entrepreneurship and time management were also attended and are detailed in Table 9.1 (Anon. 1, pers comm., 2006; Mvandaba, pers. comm., 2006). There is a technician on site, who is able to quickly and efficiently fix minor problems on machines. This is a time and money saver, as machines do not have to be sent away, or professionals called in to fix problems (Anon. 1, pers comm., 2006).

<table>
<thead>
<tr>
<th>Courses</th>
<th>Facilitated by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Sewing Course</td>
<td>✔ PE College</td>
</tr>
<tr>
<td>Communication</td>
<td>✔ USEC</td>
</tr>
<tr>
<td>Conflict Management</td>
<td>✔ USEC</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>✔ USEC</td>
</tr>
<tr>
<td>Time Management</td>
<td>✔ USEC</td>
</tr>
</tbody>
</table>

(Source: Mvandaba, pers. comm., 2006)

USEC has assisted with the drawing up of a business plan and mission statement and is also active within the functioning of the project (Anon. 1, pers. comm., 2006). As GUSCO is situated on the same premises as USEC, help is easily available, should the project experience problems, which can be quickly seen to. Advice is close at hand and members often ask for assistance, such as negotiating with their clients, dealing with transportation problems and stock issues (Anon. 1, pers. comm., 2006; Mvandaba pers. comm., 2006). A one year's contract has been signed with Woolworths with the option to renew. As long as GUSCO maintains its high standard and production levels do not
decrease, the contract will be renewed.

Figure 9.1: Figure illustrating USEC’s developmental partners

Members of GUSCO realise that the project could not have developed without assistance (Anon. 1; Anon. 3, pers. comm., 2006). The major sponsor (Standard Bank) made the project financially possible, and the advice, direction and securing of contracts through USEC, as well as the skills training made this project possible.

9.2.3 Views on Assistance Received

Interviewees, including the project manager and project beneficiaries (based on a 100 percent sample), acknowledge the financial assistance of Standard Bank and the Volkswagen Community Trust, as well as the important role of USEC in terms of mentorship and skills training (Anon. 1; Anon. 3, pers. comm., 2006). Without the combination of assistance from these three companies, GUSCO could not have been as successful as it is. Furthermore, the members of GUSCO recognise the importance of the contract with Woolworths, and its value (Anon. 1; Anon. 3; Anon. 4; Anon. 7, pers. comm., 2006).

However, one of the interviewees pointed out that while development assistance has played a vital role, USEC still plays a big role in the daily functioning of the cooperative and project beneficiaries feel that they cannot operate entirely on their own. “We are being watched closely and are too scared to make mistakes” (Anon. 4, pers. comm., 2006). It was also pointed out, that they are not making sufficient profit to expand, and will therefore always be dependent on assistance, should they wish to expand their business (Anon. 6, pers. comm., 2006).
9.2.4 Demographics
Twenty-seven women form the registered cooperative (Anon. 1, pers. comm., 2006; Mvandaba, pers. comm., 2006). Numbers have remained fairly constant with only three leaving the project (1 deceased, 2 left) since it started. Only two of the members were employed prior to the project (the others were unemployed). There are six trainees, which are called in when there is absenteeism, in order to prevent a decline in the production rate (Anon. 1, pers. comm., 2007). Education levels vary, however the majority of the members fall into the grade ten to twelve school level completion bracket. Some members are attending night school.

9.2.5 Project development
Initially GUSCO made overalls, however these were time consuming and labour intensive to make (Povey pers. comm., 2006). GUSCO members were then trained to make the bags and samples were taken by USEC to Cape Town for inspection. The bags were approved and production of bags started in July 2005. The factory building, work conditions and quality have been approved by Woolworths and firm regulations are adhered to in production (Anon. 1, pers. comm., 2006; Mvandaba pers. comm., 2006).

Woolworths supplies the majority of the material required to make the bags (Mvandaba, pers. comm., 2006). GUSCO has to purchase the cotton, plastic tags, and boxes to package the bags. GUSCO manufactures around 5000 bags a week, which are sold directly to Woolworths for R3.70 each (Anon. 1, pers. comm., 2006; Mvandaba, pers. comm., 2007).

GUSCO's future aim is to increase production and supply Woolworths with more bags. Members believe the project has been a success, as twenty-seven people are now employed, working together and manufacturing bags of a high quality for a reputable company (Anon. 1, pers. comm., 2006).

9.2.6 Problems Experienced
The absence of transportation to move the fifty boxes which need to be delivered weekly and the reality that GUSCO has to pay for the transportation of the bags is seen as a major challenge (Anon 1 pers. comm., 2006). Absenteeism and the breaking of
machines are other factors hindering production. However, trainees have been trained and are called in during absenteeism, to prevent a decline in production. The technician on site does assist with minor machine problems, which is a time and money saver and also assists with production (Mvandaba, pers. comm., 2006).

Difficulties experienced with the racial integration of workers from two different communities and associated conflict has caused much tension at GUSCO and slowed production (Povey, pers. comm., 2006). However, members have attended conflict management courses and the situation has since eased.

9.2.7 Management and Salary
A board of directors was elected at the onset of the project and consists of capable project members who exercise control and oversee the running operations of the cooperative (Anon. 1, pers. comm., 2006). All board members are part of the cooperative and are project beneficiaries. Stock ordering and control, management, transportation of bags, finances, salary payments are all controlled by the board (Anon. 1, pers. comm., 2006).

Salaries are equally distributed, however money is deducted for absenteeism. As one of the board members said, 'No work, no pay" (Anon. 3, pers. comm., 2006).

9.2.8 Marketing
GUSCO has signed a year's contract with Woolworths, with an option to renew. As long as GUSCO maintains a good relationship with its buyer and produces bags of a high standard and meets the demand, the contract should be renewed (Mvandaba, pers. comm., 2006). Without the contract, GUSCO does not have a market and marketing, rightly or wrongly, is not a current focus of members.

9.2.9 Social impacts - Education and Skills
All women had some prior skills in sewing, which ranged from basic domestic sewing to industrial sewing. The survey revealed that the level of education among the women is fairly high ranging from grades ten to twelve. The graph (9.2) below illustrates the level of education of the women of GUSCO.
All the interviewees agreed that the skills and training they have received has been beneficial (Anon. 1-7, pers. comm., 2006). GUSCO members have not only attended practical sewing courses, but also communication, time and conflict management, entrepreneurial and business management courses run by USEC. The one interviewee explained how skills and training have assisted her, “I did not realise that you needed to know so much to run a business, not only business skills but also things like time and conflict management” (Anon. 5, pers. comm., 2006). Another interviewee replied, “I am now more informed than I used to be and can do more than I used to” (Anon. 7, pers. comm., 2006). Others described the skills as helping them become more tolerant and better equipped to work in a group (Anon. 4, pers. comm., 2006). In addition, the interviewees agreed that they are now more employable, as they now have experience in industrial sewing, have formed a successful cooperative and manufacture bags for a reputable company (Anon. 2, pers. comm., 2006).

GUSCO members feel they have benefited from the training and courses they have attended and can now work on industrial machines (Anon. 6, pers. comm., 2006). GUSCO members generally feel that they are now more employable since being involved with the formation of a cooperative and are capable to work in a group (Anon. 3, pers. comm., 2006). The courses they have attended all contribute to the credibility of their claims.
9.2.10 Socio-Economic Impacts

As the vast majority of the members were previously unemployed, the constant monthly income has contributed significantly to their livelihoods. Many have a number of dependents (between three and six) and are the only breadwinners in the family. Money is largely spent on everyday activities and necessities such as food, service payment, transport clothes and school fees, as one lady said, “I could not fend for my family before, now I do everything I can financially” (Anon. 6, pers. comm., 2006). The interviewees were questioned as to how their lives have improved since they started working at GUSCO. The responses were very positive, as with a stable income, and their livelihoods have improved. Some of the responses to the question in the questionnaire, “In what ways has your life improved since you started work on the project”, are detailed in the table below (Table 9.2).

Table 9.2: Table depicting results from questionnaire

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Question: In what ways has your life improved since you started work on the project?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anon 1</td>
<td>“I can now pay municipal charges, school fees, taxi fare and buy lunch”</td>
</tr>
<tr>
<td>Anon 2</td>
<td>“I can now afford to support my family which I could not do before”</td>
</tr>
<tr>
<td>Anon 3</td>
<td>“I can better feed my family and send lunch to school for my children”</td>
</tr>
<tr>
<td>Anon 4</td>
<td>“My parents used to support me and my family until I got a job, now I can support them”</td>
</tr>
<tr>
<td>Anon 5</td>
<td>“I spend my money on making my house beautiful”</td>
</tr>
<tr>
<td>Anon 6</td>
<td>“I pay all my accounts”</td>
</tr>
<tr>
<td>Anon 7</td>
<td>“I am the only breadwinner and have to pay for all my family’s expenses”</td>
</tr>
</tbody>
</table>

Members of GUSCO have personally gained a number of benefits, not only have they secured a steady income, but they have gained experience and enhanced their personal skills. Another major personal gain is conflict management as GUSCO is essentially a merger of three groups with different backgrounds and members have had to learn to be tolerant and work together with people who are different to themselves.

9.2.11 Project Evaluation

There were no major changes the interviewees would like to make regarding how the project is being run. A few minor changes mentioned were, enhanced commitment from each member and expansion, together with diversification of items produced (Anon. 3, 5, pers. comm., 2006). The interviewees felt that GUSCO should expand, employ more people and not only manufacture bags, but enter other markets such as uniforms and clothing (Anon. 3, 5, pers. comm., 2006).
All interviewed members agree that GUSCO has been a success. Not only have they formed a cooperative, but have secured a contract with a big, highly regarded company (Anon. 1, pers. comm., 2006). In addition, they receive a monthly salary for their work, which has improved their livelihoods. Furthermore, interviewees think the project is sustainable. Reasons for this include, “the bags are in high demand” (Anon. 3, pers. comm., 2006), “we are flexible and can vary our goods if we need to” (Anon. 5, pers. comm., 2006). As one member said, “We have the machines – we can adapt and make different things if we need to” (Anon. 6, pers. comm., 2006). However, GUSCO is still very dependent on and relies heavily on USEC for assistance. There are no ‘break-away’ plans as yet.

All interviewees plan to stay with the project, as one lady said, “I have a job and get a salary, I don’t need to look elsewhere” (Anon. 2, pers. comm., 2006). The questionnaires reveal that they enjoy working at the project. “As long as GUSCO has contracts and I get money, I will stay”, said another member (Anon. 7, pers. comm., 2006). The one member did however say that if she did want to start her own sewing business, she does not have the finances to do so (Anon. 4, pers. comm., 2006).

9.2.12 Recommendations
GUSCO needs to maintain a good relationship with Woolworths in order to ensure renewal of the contract. GUSCO has not marketed itself as it only has one customer and therefore needs to keep this relationship healthy by continuing to produce good quality products and meeting targets and deadlines. Furthermore, GUSCO is still very much an incubator project and is heavily assisted by USEC (now UDDI). USEC (now UDDI) needs to begin to lessen its involvement in the project and perhaps new premises sought. Project members need to learn independence.

9.3 Khayamnandi Brickmakers
9.3.1 Nature of Business
Khayamnandi brick making project, which manufactures bricks for the local community, was set up by USEC with the financial assistance of other stakeholders, namely the NMBMM and the VW Community Trust (Povey, pers. comm., 2006). This project was initiated in 2000, as a result of identified market needs. There is a need for
cheap building material for low cost housing, as well the need for a local supplier for municipal RDP housing projects (Povey, pers. comm., 2006). Bricks are manufactured by hand and as the cooperative does not own a vehicle, one has to be hired for delivery, which is costly (Anon. 8, pers. comm., 2006). The bricks are of a high standard and have been approved by Labco, a civil engineering materials testing company. Inside wall bricks are sold at R4.00 each and outside construction bricks sold at R4.50 each (Anon., 8, pers. comm., 2006).

According to the chairperson, the project was her idea, “To start a project for struggling women”, however three males have been incorporated into the group of 15 women to assist with heavy manual labour tasks (Anon. 8, pers. comm., 2006). She wants to assist in the fight against poverty. In addition, she wants to prove that women are capable of participating in a male dominated world, "I want to show the world that women can do a man's job" (Anon. 8, pers. comm., 2006).

**9.3.2 Partnerships and Assistance**

USEC (now UDDI) is involved with the mentorship programme and has aided with the supply and organisation of equipment explained Povey, the project manager in an interview (Povey, pers. comm., 2006). This is essentially a VW Community Trust Project, which has provided USEC with financial resources to ensure its success. The major sponsors for this project are the Nelson Mandela Metropolitan Municipality (NMMM) and the VW Community Trust (Povey, pers. comm., 2006). The initial goals, developed by USEC, to be achieved by February 2006, along with the partners were as follows:

- technical training and support
- business management and entrepreneurial support
- training and development
- project evaluation and mentoring (weekly, monthly and quarterly)

(Povey, pers. comm., 2006)

Khayamnandi brick makers realise the importance of partnerships, particularly through the sponsorships which they have received. Without access to land, fencing, electricity and equipment, the project could not have been successful (Anon. 8, pers. comm., 2006). However, participants are negative and rather aggressive towards USEC. They
say they have not received any assistance from USEC (Anon. 8, 9, 10, pers. comm., 2006). According to the chairperson, USEC was supposed to give them monetary assistance, which they allegedly have not received (Anon. 8, pers. comm., 2006). However, as Dinie, CEO of USEC said, they do not give monetary assistance to any organisation, they provide support services instead (Dinie, pers. comm., 2006). USEC has been used as a delivery tool by the VW Community Trust, however its role in the project has clearly not been recognised (Dinie, pers. comm., 2006; Povey, pers. comm., 2006). Khayamnandi is still being assisted, however all the goals set out by USEC have not been achieved, particularly not the project evaluation and mentoring.

9.3.3 Views on Assistance Received
Despite the preceding, members of Khayamnandi recognise the importance of assistance in development, as one interviewee said, “If it were not for assistance we would not have had the finances or the skill to start this project” (Anon. 11, pers. comm., 2006). Project members received start-up assistance, skills training, equipment donations, as well as the use of the site and its fencing (Anon. 8, pers. comm., 2006; Povey, pers. comm., 2006). However, they await the laying of another cement slab to dry bricks in order to increase production (Anon. 8, pers. comm., 2006). 100 percent of the interviewees recognise the assistance given by the VW Community Trust and the Nelson Mandela Bay Metropolitan Municipality (NMBMM). Members acknowledged the benefits of external assistance, as without this, many community and rural projects would not get off the ground. “We need a boost to start” said an interviewee (Anon. 10, pers. comm., 2006).

9.3.4 Demographics
Khayamnandi employs 15 people (3 males and 12 females), the age of whom is depicted in Figure 9.3 below. The project members are largely in the 40 – 50 age bracket which is depicted in Figure 9.4 below. All members were previously unemployed, with varying levels of education, from illiterate to grade 12.
Sex Breakdown of Khayamnandi Members

Figure 9.3: Graph depicting the sex breakdown of Khayamnandi Members

Age demographics of Khayamnandi members

Figure 9.4: Graph illustrating the age demographics of Khayamnandi members

9.3.5 Project Development

The production of bricks has increased since the project was initiated, from 500 bricks a day in 2000 to 990 bricks a day in 2006 (Anon. 8, pers. comm., 2006; Povey, pers. comm., 2006). The major problems experienced at Khayamnandi are the lack of transportation for the delivery of bricks, and the need for a new concrete slab to be thrown for the manufacturing of bricks to take place on. Currently bricks are made by hand and the concrete mixture is mixed in an electric mixer, the mix is then placed in metal moulds, stamped down and left to dry on concrete slabs (Anon. 8, pers. comm., 2006). The bricks take about 8 days to dry thoroughly. This slows down production as there are only 3 drying slabs. Khayamnandi has in its possession an electric brick
making machine and three-phase electricity necessary to run it, however they do not have a big enough concrete slab for the corresponding drying process this would require (Anon. 8, pers. comm., 2006). The machine is not currently in use and is standing in a container on the premises.

9.3.6 Project Problems
As the bricks are manufactured outside, production is affected by the weather. Bricks cannot be made in wet weather, and extreme heat makes working conditions difficult for members, slowing down production (Anon. 8, pers. comm., 2006). Khayamnandi has in their possession a brick making machine, but is not in use. Transportation is another problem, as the cooperative does not own a vehicle and has to hire one to deliver bricks, which is costly (Anon. 8, pers. comm., 2006).

9.3.7 Management and Salary
Khayamnandi is a registered cooperative and is managed by a board of 6 members, each with their own portfolios. However, the chairperson is the dominant figure and appears to be running the project on her own - she talks about "my vision" and "my staff" (Anon. 8, pers. comm., 2006). The members distribute money equally among themselves, depending on the amount of bricks sold.

9.3.8 Marketing
Khayamnandi currently only supplies bricks directly to local consumers in Khayamnandi. Recently (February 2006), the cooperative has started to supply bricks for the construction of RDP housing (Anon. 8, pers. comm., 2006; Povey, pers. comm., 2006). This ensures a greater turnover and increases the viability of the project. However, the current production rate does not meet the demands of the RDP housing scheme. Should the project obtain the concrete slab, which is under negotiation with the municipality, production levels will increase dramatically, making the cooperative more profitable (Anon. 8, pers. comm., 2006). RDP houses require about 900 outside bricks and 500 inside bricks each.
9.3.9 Social impacts

9.3.9.1 Education and Skills

All members interviewed were unemployed prior to the project and had no experience in brick making. Education levels vary greatly within this project, from a number of members being illiterate and others having completed grades varying from grade 3 to grade 12, which is depicted in Figure 9.5 below.

![Graph depicting the level of education of Khayamndi Members](image)

*Figure 9.5: Graph depicting the level of education of Khayamndi Members*

All members have since been trained in brick making. Only 20 percent (3 members) of the group have attended courses in basic general business management, run by USEC, and have found them beneficial, using these skills in the running of the project. The survey revealed mixed feelings as to whether the members regard themselves as more employable. 70 percent of the members said that they are too old to be employable on their own and are therefore grateful for being part of Khayamndi (Anon., pers. comm., 2006). However, the others said they think they are more employable, as one lady said, “I have gained an important skill, which is more than I had before” (Anon. 11, pers. comm., 2006).

Education levels are low, with the majority of the members being illiterate. This poses problems for the project, as it is difficult to run a business with limited knowledge and ability. However, some are making an attempt to improve their education levels, with three of the employees attending the local night school. None of the members had any prior knowledge of brick making and were specifically trained for the project.

In 2001, members attended a one week training course run by USEC on marketing,
management and customer care. USEC, with financial aid from the VW Community Trust, organised for the members of Khayamnandi to attend practical training at Humansdorp College. Three members were attending a 6 month periodic training course at the UPE Small Business Unit during the time of the questionnaire survey (April 2006). Table 9.3 below outlines the various courses attended by Khayamnandi Members, who the courses were facilitated by and the percentage of the group who attended the various courses.

Table 9.3: Table indicating the various courses attended by Khayamnandi Members

<table>
<thead>
<tr>
<th>Courses</th>
<th>Facilitated by</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brick manufacturing</td>
<td>Humansdorp College</td>
<td>100%</td>
</tr>
<tr>
<td>Basic business management</td>
<td>USEC</td>
<td>20%</td>
</tr>
<tr>
<td>Business management</td>
<td>UPE Small Business Unit</td>
<td>20%</td>
</tr>
</tbody>
</table>

9.3.9.2 Socio-Economic Impacts

The members of Khayamnandi were all previously unemployed and therefore their livelihoods have improved as they have acquired a skill and now receive a steady income. Their salaries are profit based and wages vary between R100 and R150 a week, depending on sales (Anon. 8, pers. comm., 2006). The majority of their money goes to assisting their parents, buying food and paying of their children’s school fees. Money is not spent on luxuries, but is used for survival. Some of the responses are detailed in the table below (Table 9.4). Interviewees support between one and seven people each financially, despite their low wages (between R100 and R150 a week).

Table 9.4: Table indicating results from questionnaire

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Question: In what ways has your life improved since you started work on the project?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anon 8</td>
<td>“I spend my money on groceries and school fees”</td>
</tr>
<tr>
<td>Anon 9</td>
<td>“I can now pay school fees, buy clothes, pay for service charges and I pay money to the burial society”</td>
</tr>
<tr>
<td>Anon 10</td>
<td>“I can support myself”</td>
</tr>
<tr>
<td>Anon 11</td>
<td>“I can now afford to send myself to night school”</td>
</tr>
<tr>
<td>Anon 12</td>
<td>“I help my parents”</td>
</tr>
</tbody>
</table>

When asked what they have gained personally from the project, answers were generally business orientated, such as “I have learnt how to start and run a business” (Anon. 9, pers. comm., 2006), “I have learnt to be tolerant” (Anon. 10, pers. comm., 2006), “I have learnt to work in a group and cooperate” (Anon. 12, pers. comm., 2006) and “I have learnt to communicate with different people” (Anon. 8, pers. comm., 2006).
9.3.10 Project evaluation
Khayamnandi members said there was nothing they would change about how the project is being run (Anon. 8-12, pers. comm., 2006). They would however like a bigger concrete slab in order to make more bricks and as they could then obtain an increase in turnover and salary. All interviewees revealed that they think the project is a success, mainly because they are earning a salary (Anon. 8-12, pers. comm., 2006). They also agreed that the project is sustainable due to the large number of RDP houses scheduled to be built in the area (Anon. 8, pers. comm., 2006).

Khayamnandi members plan to stay with the project in future. They are grateful to have a job, earn money and enjoy working together and making bricks (Anon. 8-12, pers. comm., 2006).

9.3.11 Recommendations
The Khayamnandi cooperative needs to focus on new marketing areas. It has only recently begun supplying RDP contractors and should try to establish formal contracts with these clients. Furthermore, the project has the potential to dramatically increase their production rates, however cannot do this due to having an inadequate drying area. Khayamnandi members need to push for this slab or seek other sponsorship so that they can utilise their brick making machine. This will help them meet the increasing demands for bricks in the area, largely due to the present RDP housing construction in the area. Moreover, only a small portion of the cooperative have attended business management and skills training (20 percent). Training would facilitate greater business understanding in the cooperative.

9.4 Kwanobuhle Youth Services Centre (KYSC)
9.4.1 Nature of Business
Kwanobuhle Youth Services Centre (KYSC) is an initiative undertaken by the Nelson Mandela Bay Municipality through the UDDI. The Centre consists of eight Kiosks, with access to shared infrastructure, from which SMMEs can trade and showcase their products. It includes a car wash, tyre fitment centre, learner driving school, catering services, florist, internet cafe, shoemaker and a newspaper distribution outlet. However, some of these businesses are no longer operating from the premises. Reasons for this will be detailed in Section 9.4.6 of this Chapter. The following table (Table 9.5) briefly
details the nature of business of each of the businesses operating from the KYSC.

**Table 9.5: Table detailing nature of business of KYSC occupants**

<table>
<thead>
<tr>
<th>Business</th>
<th>Nature of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Wash</td>
<td>Washing and polishing of interior and exterior of cars</td>
</tr>
<tr>
<td>Tyre fitment</td>
<td>Sale of retreads and tyre fitment</td>
</tr>
<tr>
<td>Learner driving school</td>
<td>Teaching of theoretical learner’s licence and practical driving lessons. Office situated in KYSC</td>
</tr>
<tr>
<td>Catering Services</td>
<td>On-site catering service</td>
</tr>
<tr>
<td>Florist</td>
<td>Fresh flowers sold from KYSC</td>
</tr>
<tr>
<td>Internet cafe</td>
<td>Photocopying, faxing and internet services provided for the public</td>
</tr>
<tr>
<td>Shoemaker</td>
<td>Resoling and fixing of shoes</td>
</tr>
<tr>
<td>Newspaper distribution outlet</td>
<td>Magazine and newspaper outlet as well as sweets and coldrinks.</td>
</tr>
</tbody>
</table>

**9.4.2 Partnerships and Assistance**

The project is aimed at alleviating poverty, job creation and formalising informal youth businesses within the Uitenhage area (Mvandaba, pers. comm., 2006). This project is a pilot project of the NMBMM through the UDDI. The NMBMM funded the building of the centre as well as some equipment for two of the businesses, namely the tyre fitment centre and the car wash (Anon. 13; 14, pers. comm., 2006; Mvandaba, pers. comm., 2006). The success of this project will determine its rollout into other areas of the metropolitan area. Business skills training run by USEC, which included a six month mentoring component was completed by some of the businesses. The following table (Table 9.6) illustrates which courses the businesses attended.

**Table 9.6: Table depicting the various courses KYSC businesses attended**

<table>
<thead>
<tr>
<th>Business</th>
<th>Tendering</th>
<th>Financial Management</th>
<th>Time management</th>
<th>General management</th>
<th>Business planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carwash</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tyre fitment</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Internet cafe</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

In addition to these courses, all businesses receive mentorship from their project manager, Headman Mvandaba, of USEC. Mvandaba visits the projects on a regular basis and discusses businesses issues with the various businesses and gives them advice. The project manager often refers them to appropriate people in the targeted sphere and links them to other businesses (Mvandaba, pers. comm., 2006). He also assists with identifying suppliers, stock control as well as business proposals and company profiles (Mvandaba, pers. comm., 2006).
9.4.3 Views on assistance received
All the interviewees acknowledge the importance of the role both the NMBMM and the USEC have played. Without these institutions, the youth centre would not exist. As one of the carwash beneficiaries said, “Without this building, we would still be washing cars in the parking lot” (Anon. 15, pers. comm., 2006).

However, the SMMEs have received varying degrees of assistance. Some of them attended training courses, others have received equipment, they all have received mentorship and are aware that USEC is there to assist them should the need arise.

9.4.4 Demographics
The eight businesses operating from KYSC employ 35 people in total (Table 9.7). Furthermore, 15 temporary new jobs were created for local community members during the construction of the centre which was completed in 2005 (Mvandaba, pers. comm., 2006).

Table 9.7: Table indicating number of people employed at KYSC

<table>
<thead>
<tr>
<th>Business</th>
<th>Number of people employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Wash</td>
<td>7</td>
</tr>
<tr>
<td>Tyre fitment</td>
<td>6</td>
</tr>
<tr>
<td>Learner driving school</td>
<td>5</td>
</tr>
<tr>
<td>Catering Services</td>
<td>4</td>
</tr>
<tr>
<td>Florist</td>
<td>3</td>
</tr>
<tr>
<td>Internet cafe</td>
<td>3</td>
</tr>
<tr>
<td>Shoemaker</td>
<td>3</td>
</tr>
<tr>
<td>Newspaper distribution outlet</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

9.4.5 Project development
KYSC is essentially a NMBMM flagship project, which falls in line with the metropolitan’s development philosophy of job creation through the support of SMMEs. The infrastructure provided allows SMMEs to operate and trade from a facility. Mvandaba explained that businesses wanting to operate from the KYSC had to apply and submit their business plans to the USEC. Some applicants approached USEC for assistance with their business proposals which they received (Mvandaba, pers. comm., 2006). Eight SMMEs were chosen to operate from the KYSC premises. Despite members of the tyre fitment centre, and some members of the car wash (those which worked on their own washing cars in parking lots), all successful applicants were...
previously unemployed. All projects were assisted by USEC to register their companies as closed corporations (CCs).

### 9.4.6 Problems experienced

A number of problems have been experienced by the KYSC SMMEs, largely financial. As the Mvandaba, the project manager explains, “They simply do not have the capital to support them through difficult times” (Mvandaba, pers. comm., 2006). Besides the driving school, all the other SMMEs have experienced financial difficulties. They battle to buy stock, pay rent on time and settle debts and they do not make sufficient profits to cover their operating costs (Mvandaba, pers. comm., 2006). Rent is payable to USEC and costs between R200 and R300 a month depending on the size of the kiosk.

During the course of this research, two of the SMMEs ceased operating from the KYSC. The internet café closed as it ran into irreparable financial problems. They failed to generate enough profits to pay their equipment suppliers which they had obtained on a rental basis. The project manager said that, “The company came and confiscated all the equipment, forcing the internet café to close down” (Mvandaba, pers. comm., 2007).

The flower shop experienced a similar fate as it could not secure sufficient business to cover running costs. Mvandaba explained that the shop could not always source fresh flowers and furthermore there are already a number of florists in Kwanobuhle and they could not break into the market (Mvandaba, pers. comm., 2007).

### 9.4.7 Management and Salary

All the surviving SMMEs are now registered SMMEs and manage themselves. All the enterprises have people acting as managers who are responsible for the general running of the businesses and payment of salaries. With the exception of the driving school and the tyre fitment centre all beneficiaries receive the same salaries. Five of the enterprises were willing to disclose their financial figures. The table below (Table 9.8) indicates the average monthly income of the SMMEs.
Table 9.8: Table indicating the average monthly income of KYSC SMMEs

<table>
<thead>
<tr>
<th>SMME</th>
<th>Number of jobs</th>
<th>Average monthly income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Wash</td>
<td>7</td>
<td>R8000.00</td>
</tr>
<tr>
<td>Tyre Fitment Centre</td>
<td>6</td>
<td>R9000.00</td>
</tr>
<tr>
<td>Driving School</td>
<td>5</td>
<td>R5000.00</td>
</tr>
<tr>
<td>Newspaper distribution outlet</td>
<td>4</td>
<td>R4000.00</td>
</tr>
</tbody>
</table>

9.4.8 Marketing

None of the KYSC SMMEs actively market their businesses, but rely on word of mouth marketing. As an interviewee from the driving school explained, “It’s too expensive to advertise, we just have to wait for the clients to come to us” (Anon. 16, pers. comm., 2006).

9.4.9 Social Impacts – Education and Skills

The majority of beneficiaries have between a grade eight and matric school qualification. The highest qualification of a diploma in business management belongs to one of the beneficiaries from the driving school. The SMMEs operating from the centre are generally not highly skilled and none of the projects received technical training.

Those that did attend business training courses feel that they were beneficial. As one of the beneficiaries from the newspaper distribution outlet said, “I did not know much about running a business before I went on the courses, now we are running our own business” (Anon. 17, pers. comm., 2006). They greatly value the opportunity they have been given to operate from the centre and an interviewee from the catering company said, “A lot of people are jealous of me because I have such a nice building to work from” (Anon. 18, pers. comm., 2006).

9.4.10 Socio-Economic Impacts

The majority of beneficiaries of KYSC were previously unemployed and greatly value their jobs. They each support between four and nine family members on their salaries, which is spent on everyday living expenses including food, transport, school fees, service fees and clothes.
9.4.11 Project evaluation
When asked whether the pilot project was a success and whether or not it should be replicated in other areas, all interviewees had positive responses. The project manager said that they were happy with the development and outcomes of the project and would recommend its replication (Mvandaba, pers. comm., 2006).

9.4.12 Recommendations
SMMEs should have to prove they are capable of running successful businesses, perhaps they should initiate their businesses and run them for a period of time under mentorship and then present their results to the selection committee. Furthermore, feasibility studies are very important in order to ascertain whether there is a market for their product or services and whether or not their businesses are sustainable, which would decrease the chances of them collapsing. Moreover, it would be greatly beneficial for all project beneficiaries to attend training courses, particularly business and financial management, so as to increase their business knowledge and assist them to run better businesses.

9.5 Discussion
The above three SMME projects are examples of the development projects which have been initiated in the Uitenhage area by local agencies. These three projects were chosen for research on the basis of them being among the more successful and larger SMMEs development projects supported and they therefore involve a larger number of beneficiaries. Furthermore, these projects have been running for a few years and hence have provided a degree of sustainability, compared to smaller projects, which as noted above, have often not survived.

The stakeholders of the projects have varying roles to play in the projects’ development, with the private sector largely playing the role of ‘financial supporter’ and the development institutions filling the role of ‘facilitator’. The private sector does not have a hands-on approach and has little to do with the running of the projects. Once the funds or equipment is handed over, the only contact they have with the project is the reading of reports sent by the development institutions.
The projects have all received financial assistance, skills training and, in some cases, practical training. This has allowed the projects to be initiated and turned into businesses, however, many of the project beneficiaries still expect to be given money or equipment in the future, should they run into trouble or wish to expand. They value the support they have received, however the majority consider themselves to be development projects and/or charity cases and expect to be given what they need instead of purchasing their equipment themselves. There is an attitude of ‘We need and therefore should be given’. This is a problem, as many of the projects tend to give up and collapse during difficult times, as funds and assistance is focussed on the initial start-up phases of the SMMEs.

The development institutions have limited human and financial resources and therefore cannot always continue to be as involved in the projects once they are up and running. Mentoring tends to occur on ad hoc visits or if the project beneficiaries contact them. This is often a large adjustment to be made by the beneficiaries as they became used to being assisted with help at hand and often feel despondent when left on their own, for example in the case of the Khaymnandi Brickmakers. With regard to the incubation project, GUSCO, this project is situated on the same premises as USEC and is still heavily aided with the daily running of the project. A ‘break away’ needs to be initiated so that this project can operate on its own.

Project failure has resulted from insufficient feasibility studies being conducted and often an inadequate market. Furthermore, SMMEs often do not make large enough profits to build up capital and run into financial trouble. In some cases SMMEs do not make enough to cover their running costs, resulting in their deterioration and closure. This disillusions the project beneficiaries and they return to being unemployed.

9.6 Conclusion
This chapter has examined three multi-stakeholder local development projects in Uitenhage. As previous chapters have shown, there are a number of stakeholders who are involved in local development, both public and private. However, as these projects show, the development institutions play varying roles, from financial supporter to being the initiator and developer. It is largely the private sector and in Uitenhage’s case, the local municipality which acts as funders, and the development institutions which
provide the hands on support, through mentorship, skills and training. Should they lack the required skills, they organise courses to be taken at other institutions, such as the practical courses of brick making and industrial sewing for Khayamnandi and GUSCO respectively.

Although funds were provided by the private sector and local government, it has been the development institutions which have facilitated the development of the projects. On the whole, the project beneficiaries realise this and are grateful for the support and assistance they have received. They realise that without this support their SMMEs would not exist. The projects employ between 15 and 35 people each and therefore do contribute to employment in the area as most of the project beneficiaries were previously unemployed. Although the projects manage themselves they do receive mentorship from the development institutions.

The projects have experienced a number of problems, largely with regard to finances. The project beneficiaries live from hand to mouth and rely heavily on their wages as they have a number of dependents to support. They largely spend their money on day-to-day living expenses such as food, school fees, municipal charges, transport and clothes. The small turnovers and limited profits are shared out amongst themselves and not left to accumulate and form capital for the SMMEs, which has resulted in the collapse of some of the other SMME projects.

This chapter has illustrated some of the local development projects which are in Uitenhage. The following chapter, (Chapter Ten) discusses the findings of the thesis and relates it back to academic literature. Chapter Ten will also draw this thesis to a close.
Chapter Ten: Discussion and Conclusions

10.1 Introduction

Although this chapter serves as the conclusion to this thesis, it is also an assessment of the case study and therefore views of external people (town councillors and a social worker) are included. As discussed in the methodology chapter (Chapter Two), this information was gathered for the purposes of evaluation and not as core data. This chapter aims to draw together the academic literature, theories and the case study, and furthermore to determine to what degree the original aims and objectives, set out in Chapter One of this thesis, have been met. Literature reveals that South Africa contains elements of both the developed and the developing worlds and therefore literature pertaining to both these spheres had to be considered, moreover South Africa is implementing policies and strategies which contain similarities to both spheres. South Africa has a polarised economy, characterised by a highly developed first world sector and an underdeveloped third world sector (Cheru, 2001; Desai, 2003). The third world sector is plagued by underdevelopment, inadequate basic services and infrastructure, under-education, unemployment and poverty (Sellars, 2000; Cheru, 2001; Nel, 2001). Through various policies and strategies, the current government is trying to rectify the political, social and economic challenges created by the apartheid government (Rogerson, 2000, 2006; Niksic, 2004). Government has recognised its role in development, and has set in motion a process of developmental local government, which encourages a hands-on approach to development by local governments. Furthermore, the characteristically first world sector in South Africa, primarily through large corporations, is being encouraged to assist with development and give back to their surrounding communities through CSR initiatives. In Uitenhage various instigators and implementers of local development, through local level development and CSR, are evident and associated developmental projects have been assessed in this study, which will be revisited in this chapter.

In this chapter the role of the various stakeholders in development are overviewed, including the roles of industry, local small businesses, government and development institutions. These stakeholders have differing underlying motives for initiating local development, but none the less all contribute to the socio-economic well-being of the town. Thereafter, the results and success of development initiatives are looked at in
terms of overall unemployment levels. Like many towns in South Africa, Uitenhage is plagued by high levels of poverty and unemployment, and the impacts of development initiatives in this context are reviewed. A number of recurring themes became obvious through the research and are highlighted in this chapter, including, reasons for initiating development; types of development initiatives and sector involvement pursued; who the beneficiaries are and overall contribution to socio-economic upliftment; and partnership formation and the role of development institutions. A number of aims and objectives were set at the onset of the research, these are revisited and the degree to which they were achieved will be discussed. Final issues are discussed in the closing statements, followed by the conclusion.

10.2 The Role of Various Stakeholders in Local Development: An Overview

There are a number of stakeholders involved in local development in Uitenhage, both public and private, including industry, small business, the NMBMM and the two local development institutions, namely USEC and UDDI. Although they may all contribute to development to varying degrees, they have different motives and goals, which naturally generates very different outcomes. Their level of involvement within development also differs. The following sub-sectors (10.2.1 to 10.2.3) look at the different roles the various sectors play in local development as proposed in objective 3 of the thesis, which sought to identify and detail local level economic initiatives undertaken by local government and other stakeholders in Uitenhage.

10.2.1 The Role of Industry in Development

Uitenhage has a strong industrial automotive focus, with Volkswagen (VW) playing a key role in the economic functioning of the town. Many of the other industries in the town are related to VW, either as suppliers, servicers, or transporters. Despite government canvassing for corporations to get more involved in development, either as a cluster, or individually through CSR, there seems to be only limited evidence of this in Uitenhage. Firstly, the companies in Uitenhage on the whole, with the exceptions of VW and Johnson Controls, do not have formal CSR policies or philosophies and secondly, they do not have dedicated and specific personnel to initiate and carry out CSR initiatives. They therefore largely give ad hoc donations in the form of old equipment and furniture and make gestures such as replacing school windows, and supporting sport teams. Goodyear, has even started moving away from conducting
their own CSR and has given this responsibility to Greater Good and Sasix, whereby they only have to make a financial donation. Although these companies may want to give back to the communities, they often do not have the financial budget, nor the human resources to initiate projects. However, Johnson Controls has partially overcome this problem with their Blue Sky Programme, whereby employees volunteer to give of their time and personal finances to help the less fortunate in their surrounding communities.

The company with a specific CSR philosophy and team dedicated towards community development is VW, through their Community Trust. VW has the largest budget for CSR initiatives, however the greater portion of the annual budget is allocated to bursaries. Although the Community Trust does involve itself in community projects and job creation, they do not have a hands-on approach. They generally use the local development institutions as conduits for their job creation projects.

On the whole, although industry does give back to the community and may help with community upliftment, they play a relatively small role in Uitenhage’s development on the whole, in relation to the prevailing high unemployment and poverty rates. With the exception of VW, they do not focus on job creation, but have a charitable donation stance instead. There appears to be a general lack of commitment by industries to conduct CSR, and it appears to be more of a hindrance than anything else (Hamann and Acutt, 2003; Henderson, 2001). There is generally little interest shown as industries on the whole do not follow-up donations or revisit projects they supported. The companies who do not advertise their CSR activities, such as Kromberg and Schubert and Hella, are not practising CSR for marketing purposes, but are minimalist in their actions, which take the form of charitable giving. Those companies, such as Goodyear and Volkswagen, which promote their CSR work and their support for sustainable development and meeting the triple-bottom line (business, environment and social spheres) could potentially be criticised for window dressing, especially since they often use other agencies on their behalf (Becker-Olsen, 2006; Hamann, 2006). As seen from a consumer or outsider’s perspective they appear to be involved in community development and the improvement of the socio-economic standards of the surrounding communities, however, a closer look reveals that they do not in fact have a hands on approach, but use other companies as conduits to conduct their CSR activities, which
they claim as their own and promote in order to enhance their company profiles (Sen and Bhattacharya, 2001; Hamann, 2006). As a senior spokesperson from a local agency explained,

“The problem with corporates and their CSR is that there is no monitoring or evaluation of the projects. Much of CSR is window dressing and they do it because they have to and it looks good, not because they want to. These corporates often do not have a specialised unit or person dedicated to CSR. It becomes part of someone’s portfolio and is therefore not a priority and is sidelined” (Anon. 01, pers. comm., 2006).

CSR in Uitenhage in relation to literature on this theme will be discussed in more detail in section 10.4.2 of this chapter.

10.2.2 The Role of Local Small Businesses in Local Development in Uitenhage

The smaller local businesses which were investigated do not have specific CSR philosophies, nor the financial budget to fund or initiate large projects. However, having said this, EMC approaches other companies for sponsorship to carry out development initiatives. Being an education institution they believe strongly in enhancing education skills, along with entrepreneurial skills, which gives community members the chance to potentially become self-employed and generate an income for themselves. The smaller businesses generally give material or food donations from their stores to those who approach them.

With the exception of EMC, the local businesses tend to give donations from their own store and do not initiate new projects or involve themselves in job creation projects. Their contributions are generally small, however note must be taken of Spyros Kwikspar, whose manager strongly believes in giving back to the community. She gives ten percent of her time and company earnings back to the community. EMC, although they do not have the funds to initiate local development projects, instead obtain sponsorships to run educational and gardening projects in the community. Although these are small companies, this shows the dedication and commitment some local businesses have towards local development and contributing to poverty alleviation, education and job creation.
The impact of development initiated by local businesses is limited in Uitenhage relative to the scale of need, nature and extent of intervention, and does not significantly contribute to the overall development of the town. Smaller firms just do not have the financial capacity that the larger industries in Uitenhage have and therefore give ad hoc donations, when their budgets allow. Combrink, from the local newspaper in Uitenhage, UDD News said that, “Most of the private businesses that do contribute to community projects don’t actually have specific departments or staff for handling such ventures due to them being small businesses. These guys (businesses) just help when the need arises and often do not want any publicity. So it is often these people that really make a difference in communities. Unfortunately there are many who get involved in projects to blow their own trumpet – I guess that’s how life is –always two sides to a story” (Combrink, pers. comm., 2006). However, despite this, due to Uitenhage’s high unemployment and poverty rates, these small gestures do not make a major impact on the overall socio-economic status of the people in Uitenhage.

10.2.3 The Role of Government and Development Institutions in Local Development

Although developmental local government promotes a hands-on approach to development and encourages local governments to initiate developmental initiatives in their areas, the NMBMM does not involve itself fully in the development promotion of Uitenhage. The NMBMM has been criticised for sidelining Uitenhage and focussing primarily on Port Elizabeth as the focus for its development initiatives. The NMBMM does support and fund projects in Uitenhage, however it uses the local development institutions, primarily UDDI, to initiate, develop and monitor the projects. The larger projects which the NMBMM supports and contributes financially to are the Automotive Logistics Park, and the Science Centre. The metropolitan authority also supports a number of other smaller projects, such as the Kwanobuhle Youth Services Centre. The NMBMM supplies the funding for specific projects which the development institutions develop and monitor. Although the NMBMM are indirectly responsible for promoting development and job creation in Uitenhage, they are not directly involved in project implementation.

USEC and UDDI, the two developmental institutions in Uitenhage are the most involved development stakeholders involved in local development. Their sole purpose
is to promote sustainable development in Uitenhage. The former USEC, which has now been absorbed by UDDI and forms the SMME unit, is largely responsible for the promotion and development of SMMEs. They provide a number of services to assist start-up SMMEs and improve existing ones. Their mentorship and advice systems resulted in the creation of 131 jobs in 2006. Although many of these projects are small, only employing a couple of people, they none the less have created jobs for previously unemployed people, who now support a number of people from their income. There are a number of lessons which can be gained from the development institutions successful projects, which include the importance of hands-on, focussed and integrated approaches. The development of incubator projects have shown positive results, where project beneficiaries have been heavily aided in the early stages of the project. However, as discussed in Chapter Seven, their sustainability is questionable. UDDI also has a number of larger, more long-term projects, including the Automotive Logistics Park and the Science Centre, which can sustain a large number of jobs and will heighten employment opportunities during the construction phases in particular. Furthermore, these projects are designed with multiple stages, and therefore the employment period for construction workers is exended.

As the core function of the development institutions is to generate employment opportunities and promote development, it seems obvious that they would be the ones to be the most involved in development within Uitenhage. However, their success is restricted and hindered due to their limited financial and human resources. Many of the smaller assisted projects are not managed thoroughly enough, as follow-up visits are infrequent, which often contributes to the projects demise and disintegration. Some of the projects which were listed as projects under USEC and UDDI mentorship, such as the mushroom cultivation, toilet paper manufacturing, composting, piggery and bee-keeping, no longer exist, despite them still being on their books. The current number of listed beneficiaries are therefore not a true reflection of the number of jobs created by the institutions. It is for this reason that institutions and businesses do not like to affiliate themselves with them. According to one interviewee, “We do not like to partner with USEC and UDDI, due to their high failure rate” (Anon. 19, pers. comm., 2006). Furthermore, projects such as Kyamandi Brick makers also perceive USEC in bad light, as they believe that if USEC assisted them more and were there to support them, they would be far more successful. Although the development institutions
statistics may look good, many of their clients are walk-in clients and only receive once-off consultations or are referred to another organisation and it is therefore not known if they are successful thereafter.

10.3 Local Development and Job Creation
As detailed in Chapter Five of this thesis, Uitenhage has a population of 225600, with a large concentration of people in the in the 20 to 39 age cohorts, who form the basis of the working class (Stats SA, 2004). Furthermore, the education levels in the town are generally poor with the majority of the population having a matric certificate or lesser qualification and 6810 people having no education at all (Stats SA, 2004), which contribute to the high unemployment rates in Uitenhage. Uitenhage has an unemployment rate of 45.8 percent, resulting in 103325 people being unemployed (Stats. SA., 2004). This high unemployment rate has resulted in high poverty levels, with over ten percent of the population living on under two dollars a day (Stats SA., 2004). The above figures illustrate Uitenhage’s socio-economic challenges of low education levels, high unemployment and poverty. Although the public and private institutions and corporations in Uitenhage are attempting to address these backlogs through development initiatives and corporate social responsibility, it is debatable whether they are making a significant difference to the socio-economic standards of the poorer communities in the town. For example, in 2005 USEC was responsible for the creation of 257 jobs, and the SMME sector of UDDI initiated 131 jobs over a year (2006 – 2007). Although these figures are impressive, they do not make a major impact on the unemployment levels (103325 unemployed people) in Uitenhage. Furthermore, the development institutions do not produce progress and sustainability reports on the various projects to monitor their progress. A number of the projects were successfully initiated, however many are no longer active, due to a number of reasons, including mismanagement, lack of commitment and poor marketing, and corruption. Five out of six SMME projects initiated by UDDI are no longer operational and five out of nine USEC SMME projects are no longer functioning. Furthermore, the larger projects, such as the Automotive Logistics Park and the Science Centre, do create a large number of jobs during the construction phase, however these jobs are not sustainable. Filita (pers. comm., 2007), a social worker in Uitenhage said that despite the best efforts by the public, private and NGO’s in Uitenhage, he does not see a difference in the levels of unemployment and poverty in Uitenhage.
Filita, confirmed the high unemployment and poverty rates. He said that the high unemployment and poverty rates in the town, have resulted in a number of households being dependent on old-age pensions (Filita, pers. comm., 2006). Furthermore, there are a number of families which take orphan children in for foster care in order to generate an income. Filita explained that a family gets R520.00 a month per child for foster care, but families cannot take in more than six children. Furthermore, many families rely on child support for income. Parents who are not working or earn less than R1000.00 a month, are entitled to a child grant of R190.00 per child (Filita, pers. comm., 2006). There are feeding schemes in Uitenhage, however a family can only receive food parcels for a period of three months. Filita said that the feeding schemes are not effective in addressing overall poverty in Uitenhage, as there are so many people in need of food, and the feeding schemes are only able to relieve them for a period of three months (Filita, pers. comm., 2006). There are a number of soup kitchens in Uitenhage, but Filita said that although they try their best, they are not able to feed the large numbers of poor people in need of food (Filita, pers. comm., 2006).

Although concerted efforts are being made by the public and private sectors in Uitenhage to address the development backlogs of poverty and unemployment, they are unfortunately not impacting significantly on the larger socio-economic conditions of the poorer communities in Uitenhage.

10.4 Recurring Themes and Key Issues
There are a number of themes which reoccurred and became evident during the case study research of this thesis and these will be discussed in the following sub-sections, 10.4.1 to 10.4.4, which fulfils objective two.

10.4.1 Reasons for Initiating Development
There are a number of reasons for initiating development in Uitenhage. The reasons for this will be looked at from the perspectives of the various stakeholders, namely the NMBMM, the development institutions and the corporate sector.
10.4.1.1 NMBMM

The South African government has instituted policy making local governments responsible for initiating development and creating sustainable development in the areas under their jurisdiction. Local government is mandated to initiate develop and address the high unemployment rates in their local areas, thereby reducing unemployment rates on a national level (Cheru, 2001, Niksic, 2004, and Nel and Rogerson, 2005). However, authors such as Sellars (2000), Cheru (2001), Lewis (2002) and Naude (2004) note that despite the efforts by local governments, the post-apartheid state has failed to generate sufficient job opportunities to address the high unemployment rates in the country.

Local government is mandated to carry out local development, however, they often lack the experience and expertise in such fields, and projects are often not a great success (Nel and Rogerson, 2005). In the case of the Nelson Mandela Bay Metropolitan Municipality (NMBMM) they do not possess the human capacity to carry out development projects in Uitenhage and therefore use the UDDI as a conduit for development (Murray, pers. comm., 2006). The NMBMM does not have a hands-on approach to development in Uitenhage. The municipality has been criticised for neglecting the Uitenhage-Despatch area. At a broader level, in an article by Matavire, in the EP Herald, it was reported that residents, politicians and businessmen were unhappy with the service delivery in their areas, which has allegedly deteriorated significantly since the formation of the metropolitan municipality in 2000 (Matavire, 2005). Furthermore, councillors in the town said that residents believed that development was concentrated in Port Elizabeth and very little was earmarked for Uitenhage (Matavire, 2005). Williams (2005) said “Uitenhage and Despatch are being neglected at a growth level. People’s needs are not being met” (Williams in Matavire, 2005).

Through the UDDI, the NMBMM has partnered in cornerstone development initiatives, including the Automotive Supplier Park, the Kwanobuhle Youth Centre, and the Science Centre, as well as a number of smaller scale agricultural projects. It must be stressed that although NMBMM may have provided the finances to initiate these projects, however they have not had a hands-on approach to development in Uitenhage.
7.4.1.2 Development Institutions
The development institutions sole purpose is to initiate development and promote sustainable development in the Uitenhage-Despatch area. They have no other business but to initiate development and are not driven by profits. The development institutions are often used by other organisations and institutions as conduits for development initiation. However, the development institutions do not have much input into the type of development projects developed. For example, large corporations and the metropole dictate what projects are to be developed in the area as they provide the finance for the projects.

However, due to staff constraints, projects are not always adequately managed and given sufficient guidance, which often leads to their demise. Furthermore, the development institutions cannot help everyone that comes through their doors, due to financial and human resource constraints (Povey, pers. comm., 2007). They often have to refer people to other institutions which may be able to help them. Povey (pers. comm., 2006) said the biggest challenge with the development of SMMEs is their sustainability. Often new businesses do not have the experience in the business world and quickly run into debt and do not have the financial resources to carry themselves through financially difficult times. As more investment is channelled into the larger projects, so too are human resources and such projects are carefully managed. These projects are far more sustainable than the SMMEs.

7.4.1.3 The Corporate Sector
The major issues which hinder South Africa’s development, as discussed in Chapter Four, are poverty, high levels of unemployment, lack of basic services, environmental degradation and the spread of HIV/AIDS and other diseases (Hamann, 2006). Furthermore, it is being increasingly recognised that the corporate sector has the financial capability to help alleviate socio-economic challenges hindering the country’s development (Irwin, 2003, Sonnenberg and Hamann, 2006). Uitenhage has a large industrial presence, which is highly focussed on the automotive industry. However, due to the lack of consensus on the key issues defining CSR, many companies do not have a CSR philosophy (Heese, 2005). Therefore, they focus on immediate pressing challenges such as skills development and HIV/AIDS awareness. However, these are often in-house and do not always impact on the communities at large.
As noted in Chapter Four, legislation, globalisation and stakeholder pressure are some of the major instigators of CSR practice. Companies are encouraged to meet the triple-bottom line (economic, environmental and social) and often use their CSR activities to meet the social mandate of the triple-bottom line. The large corporations generally do not have a strong motivating drive behind their CSR actions and do not apply an integrated approach. They often use other institutions as conduits or hand out bursaries or monetary donations which have no strings attached. Companies on the whole do not initiate development, and they often act as silent financing partners. Companies who use CSR purely to superficially meet the triple-bottom line can be accused of window-dressing.

The smaller businesses do not have the financial capacity the larger ones have and therefore are not in the driver’s seat to initiate development. Many want to give back to the communities and make a difference in some small way, which is mainly in the form of charitable donations.

10.4.2 Types of Development Initiatives and Sector Involvement
There is a strong focus on job creation through SMMEs, encouraged and assisted by the development institutions, and a few major development projects, namely the Automotive Supplier Park and the Science Centre. The development institutions and the metropole are the only organisations which actively initiate and promote job creation. Whereas, the corporations appear to have a strong focus on education and HIV/AIDS awareness, these are often largely in-house and therefore do not benefit the broader communities of the town. As the corporate sector generally does not have dedicated personnel for CSR activities and for the initiation of development, these actions are generally sidelined and easier options are taken. Firstly, their own staff is taken care of and in-house training and HIV/AIDS awareness and counselling is made available. Other than this, corporations often identify a school and take it under their wing, donating them old equipment and often providing funds for building maintenance. As CSR initiatives are generally not built into the budget of companies, they normally do not have large amounts of disposable funds, and therefore give *ad hoc* donations where their budgets allow.
10.4.3 Beneficiaries and the General Contribution to Socio-Economic Upliftment

Projects are generally pro-poor in focus, with the exception of the major cornerstone projects (the Automotive Supplier Park and the Science Centre). Project members of SMMEs are often united into cooperatives and profits divided equally among them. The projects are small-scale and do not generate much money, however it is a regular income with which they support a number of beneficiaries from their small incomes. The questionnaire survey revealed that money is largely spent on everyday activities such as food, transport, school fees and bills. The local development projects do not contribute significantly to the general socio-economic livelihoods of the poorer communities in Uitenhage, as the job creation rate does not measure up to the high levels of unemployment. A worrying factor is the sustainability of SMMEs, which often collapse over a short period due to a lack of business knowledge, market problems and limited finances. Project beneficiaries do not have the financial capacity to sustain their businesses through financial difficulties. SMMEs generally do not allow their profits to accumulate as they live from hand to mouth and depend heavily on the small income from the projects. Project beneficiaries did however note that they did benefit from the skills training and business courses they attended. As Nel (2001) notes, there are practical limits to the application of LED, where skills, human and financial resources shortages can act as hindering factors. The development institutions are short staffed and often cannot give the SMMEs sufficient guidance and support, which are then often referred to other organisations for support.

10.4.4 Partnerships and the Role of Development Institutions

As previously discussed, the sole purpose of development institutions is to initiate development, however they often do not have the financial resources and expertise to carry out projects and therefore partner with other sectors, including government and the private sector. Similarly, the corporate sector does not have the human resources to carry out their own CSR initiatives and therefore uses other institutions as conduits for their initiatives. Despite the varying underlying reasons for participating in CSR, the private sector often partners with development institutions or NGOs to carry out development projects on their behalf. This is the case in Uitenhage, where the development institutions partner with government and the corporate sector, largely to access sources of funding in order to initiate developmental projects. Partnerships allow resources from various stakeholders to be combined for a common purpose.
The relationships within partnerships are however not equal as the corporate sector are generally silent partners and purely provide financial backing. Despite this, the importance of the corporate sector must not be underestimated. One of the biggest challenges for the development institutions is the financing of projects and more buy-in and investment from the corporate sector is needed to give the development institutions a greater capacity to initiate projects and create jobs. Corporations are able to give back indirectly to the communities without directly involving staff, and the development institutions are able to increase their job output, through development, due to this funding. As discussed in Chapter Three, Googins and Rochlin (2000) note that cross-sector partnerships have become a popular mechanism for communities and the private sector to work together to address social issues and create sustainable development. Demands for CSR encourage businesses to partner, and the limited and strained resources of government encourage the public sector to partner (Pongsiri, 2002; Bovaird, 2004; Selsky and Parker, 2005).

In Uitenhage, the development institutions are largely responsible for the socio-economic development of the town, through creating business opportunities and employment creation schemes, however, without finances they are powerless (Rogerson, 1995; Krishna 2004). As noted by Rogerson (1995), many public-private partnerships present themselves in the form of development agencies and often are the drivers of LED.

10.5 Local Development in Uitenhage Revisited: A Reflection on Local Development Theories
The following subsections; 10.5.1 and 10.5.2 reflect on the literature and theory pertaining to LED and CSR, in order to place the case study within the international literature context, which fulfils objective one.

10.5.1 A Reflection on LED Literature and Theory
With high levels of unemployment, there is a real need to promote economic development and LED more specifically. As defined by the World Bank and detailed in Chapter Three of this thesis, LED is defined as the process through which public, business and non-governmental sector partners work together achieve economic growth and employment generation (World Bank, 2003). Therefore CSR forms an integral part
of local development. As discussed in Chapters Three and Four, LED has gained international recognition as a locality-based response to development challenges (Wong, 1998; Helmsing, 2003; Nel and Rogerson, 2005a). In South Africa, it has been through the decentralisation processes since 1994, that LED became the task of local government. However, local governments often do not have the expertise and resources to initiate such development. As Cunningham and Meyer-Stamer (2005) explain, local governments tend to cope by taking existing institutions and procedures and attempting to combine them in a new way to address LED challenges. Local government has become a key actor in initiating local development in South Africa and elsewhere (Nel, 1999; Helmsing, 2001; Nel and Rogerson, 2005a). In the case study, the NMBMM recognises its role as a key driver in initiating sustainable development.

There are generally two types of LED, pro-poor and pro-market actions (Scott and Pawson, 1999; Nel and Rogerson, 2005a). However, LED in an area does not have to be either pro-poor or pro-market, it can be a mixture of both, which was evident in the case study of Uitenhage. With regards to the case study, the larger projects such as the Automotive Logistics Park and the Science Centre tend to be more pro-market orientated and the smaller community projects, for example, GUSCO, Kyamnandi Brickmakers and the Kwanobuhle Youth Services Centre tend to more pro-poor in nature. Nel and Rogerson (2005a) note the major goals of LED tend to be job creation, empowerment, the pursuit of economic growth and community development, which reveal themselves in the types of projects and initiatives the NMBMM involves itself in and supports. The aim of LED in South Africa is essentially to “create jobs, alleviate poverty and redistribute resources and opportunities to the benefit of all local residents” (DPLG, 2000: 1). However, as Cunningham and Meyer-Stamer (2005) point out, results have been poor, as in many developing countries, local governments do not have past experience in LED.

LED in South Africa has a strong focus on the development of SMMEs (Nel and Humphrys, 1999; Rogerson 2000; Rogerson, 2006), which was evident in the case study of Uitenhage. Nel and Rogerson (2005b) recommend that if pro-poor LED is to be pursued, greater effort and the targeting of resources will be required to attain targets, either through direct interventions or through ensuring that pro-growth interventions have direct impacts on poverty alleviation and job creation. This will also
require the development of closer links and joint interventions with a range of stakeholders, including public, community, NGO and private (Nel and Rogerson, 2005b).

However, although the responsibility for initiating local development has been devolved to local level government, they simply do not have the resources, finances and often expertise to carry out development initiatives, which results in the formation of partnerships as a result. As McQuaide (1999) points out, PPPs can be directed at promoting the growth of private and/or community-driven SMMEs. This is evident in local government partnerships with the local development institutions and the private sector in Uitenhage, particularly with regards to the role of the latter as funders and investors. However, there tends to be a dictatorial relationship between local government and development institutions. In the case study, local government dictates what projects are to be carried out by the local development institutions, and there is very little hands-on involvement of the local municipality as the development institutions have become the development agents for the local government. Furthermore, no regular consultation takes place between the NMBMM and the communities. As Nel and Rogerson (2005b) note, there is a real need to engage more directly with communities and other stakeholders in the development process. The actual community members need to be consulted before development initiatives are rolled out in order to get commitment and dedication from the community, which has not been evident in Uitenhage. Furthermore, as discovered by Nel and Rogerson (2005b) in their research, monitoring and evaluation processes are poorly developed, which is true for both the local government and development institutions in the case study. The fact that so few municipalities undertake monitoring and evaluation impacts negatively on the ability to improve the nature and focus of interventions and to motivate for additional funding resources based on the results gathered (Nel and Rogerson, 2005b).

Authors such as Cunningham and Meyer-Stamer (2005) question the efficiency of LED and whether introducing LED is worth the time and effort. Furthermore, as the majority of LED in South Africa is pro-poor in nature, critics such as Bond (2003) question whether pro-poor development is in fact generating development, or the opposite – more uneven development. As Nel and Rogerson (2005b) state, expressing the need to respond appropriately to poverty does not necessarily always translate into substantive
action on the ground. National and local governments may recognise the need for
development, however this often does not become a reality. Furthermore, despite the
fact that addressing poverty is central to the economic and LED vision of many
municipalities, in reality attaining these goals is constrained by factors such as staff and
funding shortages, absence of targets and the bias towards pro-growth interventions
which may not see the ‘trickle-down’ effect to the poor (Nel and Rogerson, 2005b).
Although the local government has been instrumental in the initiation of some projects
in Uitenhage, these have not contributed significantly to addressing the unemployment
and poverty issues in the area. As Hindson (2003) notes, LED results in South Africa
have been disappointing.

10.5.2 A Reflection on CSR Literature and Theory

As Hamman (2006:199) states, “The need for research (into CSR) is also apparent
because existing research on CSR and the role of business in development is scarce and
inconclusive, particularly in the African context”, and it is this gap and debate that this
research has contributed towards. Furthermore, as Sharp (2006) notes, CSR is a global
business trend that is becoming more prevalent in South Africa’s private sector and it
therefore presents itself as an important topic for inquiry. Furthermore, as Sonnenberg
and Hammann (2006) state, companies are only starting to familiarise themselves with
the meaning of CSR in South Africa, which is evident in the case study as many
companies did not have a specific CSR philosophy.

According to Waddock (2002), businesses can help build/rebuild an economic base in
disadvantaged communities by providing both resources and jobs for residents. Social
investors, through CSR, place capital at risk in such ventures to help the community and
may, or may not, expect market returns from the venture. Some investors may be more
concerned with ‘making a difference’ in society and therefore be willing to accept less
than market rates of return. However, the case study revealed very different results and
as Sonnenberg and Hamann (2006) explain the reason there may be hesitation of South
African companies to invest in the communities, is that the investing public in South
Africa has low levels of awareness, or is not concerned about the meeting of the triple-
bottom line and the integration of social and environmental issues in investment
decision-making. Furthermore, these authors suggest that CSR is often considered as a
luxury with little relevance in South Africa or Africa (Sonnenberg and Hamann, 2006).
Although the South African government endorses CSR initiatives, they are not always practiced by businesses. As reported in *The Business Day* (2004), while many CEOs and senior company executives endorse the CSR agenda, many do not show sufficient committed leadership, neither through internal hands-on involvement in citizenship issues, nor through external advocacy and industry leadership.

Lock (2003) in Ashley and Haysom (2006) identify four approaches to CSR which are depicted in the table below, along with their associated characteristics (Table 10.1).

**Table 10.1: Table showing the four main approaches to CSR**

<table>
<thead>
<tr>
<th>CSR Approach</th>
<th>Minimalist</th>
<th>Philanthropic</th>
<th>Encompassing</th>
<th>Social Activist</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of support</strong></td>
<td>Basic stakeholder support</td>
<td>Project-specific</td>
<td>Looks beyond the immediate business stakeholder group to the broader community</td>
<td>Approach is the foundation of the business</td>
</tr>
<tr>
<td><strong>Issues addressed</strong></td>
<td>Addressing aspects that are generally human resource oriented</td>
<td>Related to specific issues relevant to the particular organisation</td>
<td>Embedded in company values and management style</td>
<td>Business is the catalyst for change</td>
</tr>
<tr>
<td><strong>Nature of giving</strong></td>
<td>Tokenistic Donations and gifts</td>
<td>Seeds to lead change</td>
<td>Seeks to effect change in others</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Lock, 2003 in Ashley and Hayson, 2006)

It is evident that the industries and businesses in Uitenhage fall largely under the categories, minimalist and philanthropic, as CSR is heavily focussed within their own companies and looking after the needs of their own employees. Furthermore, causes which they support are primarily human resource oriented and support is in the form of donations and gifts, particularly of old equipment and furniture, or food in the case of the smaller business. Even for big industries, such as VW, which have a large CSR budget, CSR actions are largely in the form of bursaries and monetary donations. It must be noted that VW does support projects and set up USEC, however there is limited CSR outside the minimalist category. They generally do not involve themselves in the projects and little is given towards job creation. This finding accords with the view of Newell who declares that most CSR initiatives are not intended to tackle issues of poverty and social exclusion, but aim at less ambitious goals of performance enhancement and image management (Newell, 2005 in Sharp, 2006). Hamann (2006) has identified that CSR actions in Southern Africa are dominated by priorities such as skills development and HIV/AIDS, which is true in the case study of businesses in the
Uitenhage area. As noted by Irwin (2003), CSR initiatives have been criticised for being generally directed towards those activities which benefit their corporate image and are not generally directed at areas like job creation and rural development. The lack of regulatory enforcement in South Africa, may be one of the reasons why South African companies do not commit themselves to objective targets and do not report their performance against such targets (Sonnenberg and Hamann, 2006). Furthermore, companies generally do not describe the ways in which these targets will be achieved (Sonnenberg and Hamann, 2006). However, there are companies which look beyond their immediate business stakeholder group to the broader community, such as Johnson Controls through their Blue Sky Programme, whereby employees give up their own time and financial resources to assist those in their surrounding communities who are less fortunate than themselves.

Those who do report on their CSR initiatives are often biased towards their own efforts in order to create a positive corporate image. All the companies interviewed in the case study do their own reporting, and therefore reporting can be selective and only focus on the positive aspects. As Sonnenberg and Hamann (2006) point out, CSR reporting is normally limited exclusively to positive information that does not provide the reader with insights into all aspects of involvement. Furthermore, information which would allow for comparative analysis of performance is very uncommon (Sonnenberg and Hamann, 2006). However, information that requires legal disclosure, such as employment equity, health and safety, receives quantitative and objective coverage from the majority of companies. An exception is HIV/AIDS which is given significant attention, despite the absence of regulation (Sonnenberg and Hamann, 2006). This was true for all industries interviewed in the case study, which all have active HIV/AIDS awareness campaigns and encourage their employees to be tested, through free HIV/AIDS testing drives.

The underlying motives of engaging in CSR are questioned by critics (Waddock, 2002; Hamann and Acutt, 2003; Hamann, 2006). Prinsloo et al. (2006) recognise that the business case for CSR is often challenged by sceptics from both insider and outsider perspectives, who accuse CSR of being merely ‘window dressing’, or ‘green washing’. As mentioned previously, companies have been criticised for using their CSR initiatives as marketing tools through brand marketing (Irwin, 2003; Becker-Olsen et al., 2006).
The case study revealed that large international companies do in fact utilise their CSR initiatives to promote their companies and stress their meeting of internationally recognised standards, such as the triple-bottom line. However, they themselves are often not the implementers of their CSR initiatives, but use other institutions as conduits and therefore are not including CSR actions in the core activities of the business.

Although CSR is supported by developers and academics worldwide, and it is acknowledged that the private sector has a role to play in development, the case study does not fully reveal this to be the case to any significant in Uitenhage. It has been recognised by politicians and academics that poverty reduction and sustainable development cannot be achieved by government alone (Kivuitu et al., 2005; Visser et al., 2005). Furthermore, it is noted that CSR plays an important role in South Africa, particularly given the country’s apartheid history. As Kivuitu et al. (2005) acknowledge, it is the private sector which is receiving increasing attention and becoming an important component of local development initiatives. Moreover, discussions at the 2002 World Summit on Sustainable Development (WSSD) recognised the importance of partnerships between business, government and civil society in creating sustainable development, and CSR was agreed on as a means of incorporating the corporate sector into development (DTI, UK, 2004). Visser et al. (2005) claim the private sector is one of the best placed institutions to make a significant contribution towards improving social and environmental conditions. The case study revealed that the private sector does partner with government and development institutions to initiative development, however partnerships are not balanced. The corporates tend to act as silent partners, acting as funders rather than engaging in a hands-on and involved manner. However, although corporations may have the potential to initiate development as a result of their large financial base, this was not conclusively proved through the case study. Aliber (2002) states that companies use different strategies to initiate development through promoting income-generating projects and SMMEs, including contributing financial resources to grant-making institutions, linking up to development-orientated NGOs and CBOs, linking directly with government, as well as establishing their own programmes. Despite this, Hamann (2006) states that even though these appear in sustainability reports and other reporting systems, academics do not know whether CSR really makes a difference. Similar conclusions were drawn in the case study, since although companies are
contributing in some way to development, the overall socio-economic status and livelihoods of impoverished community members does not appear to have improved, based on the scale of unemployment in the town, the comments by a social worker and Uitenhage councillors.

10.6 Aims and objectives revisited

This thesis was driven by an overarching aim which sought to investigate and evaluate the nature and socio-economic effects of localised, public and private development initiatives in Uitenhage, initiated in response to prevailing developmental backlogs. In order to achieve this aim, a number of objectives were developed, including:

- identifying international and South African literature relating to LED and CSR
- identifying determining policy pertaining to CSR agendas and development in Uitenhage
- identifying local level economic initiatives undertaken by local government and other stakeholders and to evaluate the socio-economic effects of these
- to evaluate the socio-economic effects of selected representative development initiatives
- and the final objective was to identify possible key issues which can inform development practice.

The findings corresponding to these objectives as evidenced in the discussion in this chapter and earlier chapters. The table below, Table 10.2 gives an overview of the objectives, with a brief description of how they were achieved and which chapters the results can be found in. Final summations and comments will follow in the next subsection (10.6).

Table 10.2: Table detailing aim and objects, how they were met and which chapters they occur in

<table>
<thead>
<tr>
<th>Aim</th>
<th>Content</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>To investigate and evaluate the nature and socio-economic impacts of localised, public and private development initiatives in Uitenhage, initiated in response to prevailing developmental backlogs.</td>
<td>Critical analysis and representation of international and national literature relating to both LED and CSR, providing the context for local level development.</td>
<td>Chapters 3 and 4</td>
</tr>
</tbody>
</table>
2. Identify determining policy and CSR actions affecting Uitenhage’s development

Relevant policies and actions relating to the broader region, Eastern Cape and NMBMM, were detailed.

Chapter 4 and 6

3. Identify and determine local level initiatives undertaken by local government and other stakeholders

Through interviews with industries, local businesses, the NMBMM and development institutions, development initiatives were identified and detailed.

Chapters 7, 8 and 9

4. Evaluate the socio-economic effects of selected representative development initiatives

Questionnaire survey of three sample projects revealed the socio-economic impacts of development initiatives (Chapter 9) and further discussed in Chapter 10.

Chapters 9 and 10

5. Identify possible key issues which can inform developmental practice.

Key issues identified from the case study

Chapter 10

10.6.1 Findings

From a review of documented literature regarding LED and CSR, in order to achieve Objective One, it became apparent that these these are both popular approaches in development discourse and are also prominent activities in the case study. Developed and developing countries have begun looking inward for solutions to economic and social crises, through using local skills and resources. This has resulted in the formation of partnerships, the creation of local development institutions, LED initiatives and recently CSR as localised actions to address local challenges. South Africa, has a polarised economy, and the government and business sectors have not engaged sufficient interventions to fully address the high levels of unemployment in the country (Sellars, 2000; Lewis, 2002). South Africa is currently plagued by unemployment, and poverty. (Nel, 2001; M&G, 2007a)

South Africa’s government encourages decentralised and localised governance, and the concept of making local municipalities responsible for initiating sustainable development and job creation. The national government has provided an extensive policy framework for local development and has played an important role in encouraging an attitude of entrepreneurship. In order to fulfil Objective Two, the policy and actions which guide both LED and CSR within the Uitenhage region were analysed. The national policies which have laid the foundations for local development include the White Paper on Local Government (RSA, 1998), the White Paper on Municipal Service Partnerships, The Municipal Systems Act (2000) and the National framework for Local Economic Development (2006). The major provincial framework within which local development functions is the Provincial Growth and Development Plan (PGDP 2004 – 2014) which is aimed at dealing with the spread and incidence of
poverty and unemployment, through developing three major sectors, namely manufacturing, agriculture and tourism (PGDP, 2003). The NMBMM’s IDP, which broadly falls within the context of the PGDP, acknowledges its responsibility to initiate sustainable development and has a strong focus on the development and assistance of SMMEs. Furthermore, there are a number of public and private institutions which are dedicated to transforming SMMEs into sustainable and profitable businesses.

The need for local development in Uitenhage is similar to that in the rest of the country where the formal sector, despite having a strong automotive sector, is unable to provide sufficient jobs for the potential working class. This is revealed in the high rate of unemployment and poverty in the town, resulting in many of the community members relying on grants from the government. Interviews with various development stakeholders, both public and private, revealed what is being undertaken locally to address the development challenges in Uitenhage and promote sustainable development and fulfilled Objective Three. The development institutions are the major instigators in development and often partner with the public and private sectors for financial assistance. The metropole channels its support through the development institutions and has been criticised by citizens and councillors for neglecting development in the town. The larger industries in Uitenhage generally have a strong in-house focus on skills development and HIV/AIDS awareness and testing. They do however give ad hoc donations to schools and other charities and to some degree there is support for larger projects. It is questionable whether CSR in the town is true CSR or whether it is just charitable giving. The smaller local businesses do not have the financial resources of the larger corporations, but do give of the time and resources where possible.

Objective Four and Five were achieved through the administration of questionnaires to project beneficiaries. Socio-economic benefits derived from projects included stable income, although in many cases it was a small amount, however it does assist the beneficiaries and their families with everyday expenses such as food, transport, clothes, school fees and other bills. Furthermore, many of them received business skills training. All interviewees agreed that the training was beneficial in the running of their projects and businesses. The sustainability of the community projects and SMMEs is often uncertain however. The project beneficiaries often do not have the business experience and financial security to see them through rocky times and, furthermore,
they rely heavily on the development institutions for back-up and advice, which often leads to their collapse.

The project beneficiaries were in agreement that without developmental assistance they would not have been able to start their own businesses. They value the assistance gained from the developmental institutions, however some project beneficiaries feel they have been neglected and assistance has dwindled, leaving them to fend for themselves. The town councillors feel that development assistance is not being channelled into the right areas. They believe top-down development initiatives are being imposed on the communities from local government and other stakeholders and the people of Uitenhage are not involved in the decision-making processes of what projects are initiated.

A number of key issues were identified through the research into local development in Uitenhage and meet Objective Five. These lessons can be used to inform developmental practice both in Uitenhage and other areas, which will be discussed in the following section.

10.7 Key Issues
In this town of Uitenhage, various stakeholders have attempted to initiate sustainable development and contribute in some way to the alleviation of poverty, under-education and unemployment. There are numerous key features and strategic lessons which may be drawn from, the various development initiatives which have been started in Uitenhage.

10.7.1 Commitment from all Stakeholders and Common Goals
It is vitally important for all stakeholders to have a common goal and to be committed to the projects. In many cases, the participants in projects did not have a say in the project development, but were purely selected to participate in the projects. This weakens the commitment and dedication of project beneficiaries as they were not involved in the project development from the beginning and often get involved in something they do not have passion and drive for. Furthermore, the roles of various stakeholders need to be defined within a broader framework and overall goals set. For example, an overall development goal needs to be set for a specific area and all
involved stakeholders need to work together towards that common goal. Greater local buy in and support is needed. The formation of an LED forum where all affected stakeholders are included and can provide input into development needs and appropriate responses would assist to consolidate LED efforts and channel them along appropriate paths. Furthermore, all affected parties would be aligned in the same direction, aiming to achieve common goals. For true local development to occur, much more concerted effort is needed, as *ad hoc* donations and neglect of projects are not going to build sustainable development.

10.7.2 Problems of Devolution

As noted in the literature and is evident in the case study, problems with regard to the initiation and monitoring of local development do arise with devolution. National government has devolved sustainable development responsibilities to local governments and as these institutions often lack the expertise, and human and financial resources, these responsibilities are often devolved further to development institutions. The local governments distance themselves from local development as they do not have a hands-on approach and often become estranged to the needs of and wants of local communities as a result. What is needed is an involved local government which has a holistic, integrated approach to development.

10.7.3 Partnerships

As noted by academics, partnerships allow for the pooling of resources, greater capacitating development implementers. Should corporations not wish to engage in an integrated hands-on approach to development, it would be better to give development institutions consistent financial backing to initiate development, rather than give *ad hoc* donations. Furthermore, as noted in the opening theoretical chapters of this thesis, all sectors of the community need to be brought into the development process. Previous traditional forms of development that were dominated by external top-down approaches failed to reach their target groups. It is for this reason that there is a push to include both the recipients and agents of development in the developmental process. This is happening to an extent in Uitenhage through the actions of the development institutions, however the local government is still imposing developmental projects on the communities of Uitenhage.
10.7.4 National policy
There are various policies guiding LED in South Africa, as well as structures and funds to support its development. However, policy is lacking regarding the corporate sector’s role in development through CSR. As is evident in the case study, companies do not have specific CSR philosophies and policies, which often results in ad hoc donations being opted for. National guidelines for CSR would encourage corporates to engage in and promote LED, thereby contributing more effectively to sustainable local development.

10.7.5 Involvement in CSR
Currently CSR initiatives are not fully committed to contributing to development and the upliftment of local communities through CSR. It should not just be lip-service or window dressing used to meet the triple-bottom line and to promote corporations in the business world. Ad hoc donations are not going to significantly influence the lives of local communities and, furthermore, these donations seldom generate sustainable development. As noted in the case study, large amounts of money does not need to be ‘thrown at the problem’ (poverty and under-development), and even small firms can make a difference, as was noted with the Eastcape Midlands College and their various skills development and entrepreneurship projects. Corporations have a number of skills to offer communities and the development of sustainable projects can have far reaching effects within communities.

10.7.6 The Sustainability of Projects
Many SMMEs have collapsed after a short running period, largely due to a lack of markets, mismanagement, lack of experience and financial capital. Proposed projects need to be fully evaluated and assessed with feasibility and market studies being conducted prior to their initiation. Before time and financial resources are put into a project their potential sustainability needs to be assessed. Much time, effort and money goes into the starting of a business and beneficiaries’ hopes are raised with the prospect of a job and a steady income. Furthermore, in order to address the unemployment issue, the sustainability of projects is key, as is on-going support and monitoring.
10.7.7 Entrepreneurial Mentality
The development institutions and Eastcape Midlands College are working hard to encourage the entrepreneurial mentality of the community members in Uitenhage. Local residents are being encouraged to create their own employment as jobs are scarce. Other than teaching students the skills to become independent entrepreneurs, the frame of mind needed to become successful is also beginning to take root as more and more residents are seeking advice from the development institutions. Furthermore, the questionnaires revealed that the project beneficiaries believe that they are now more employable and better equipped to start their own businesses after the business skills training they received. Promoting an entrepreneurial mentality will manifest itself in an entrepreneurial culture which is conducive to the establishment of sustainable development.

10.8 Closing Statements
Although the local government, development institutions and the corporate sector are involved in and contribute to local development, more needs to be done in order to make a difference on a larger scale. Uitenhage is plagued by unemployment, poverty and low education levels and evidence gathered to date suggests that the general socio-economic livelihoods of the communities of Uitenhage has not altered significantly through the various development initiatives. The job creation levels of projects may look impressive on a smaller scale, but on the bigger scale, these do not make a significant impact on the unemployment levels of the town. More needs to be done in Uitenhage on the whole. Common goals need to be set and all stakeholders need to get on board, instead of just giving out ad hoc donations.

Furthermore, the corporate sector has a strong presence in Uitenhage and has the potential to contribute more significantly to socio-economic development through their CSR endeavours. Specific CSR philosophies and budgets for social development would steer the CSR initiatives towards the initiation of comprehensive development initiatives and job creation instead of the current approach of ad hoc donations and charitable giving. Instead of giving monetary donations to various organisations, rather donate to development institutions, who are positioned to support SMMEs and further enhance job creation projects. However, some would argue that this would defeat the
object of CSR, as corporations would not be acting in a socially responsible manner and giving back to the communities.

10.9 Conclusion

This research investigation set out to investigate and evaluate the socio-economic impacts of localised development initiatives in Uitenhage, initiated in response to prevailing developmental backlogs. It can be stated that the aims and objectives of this thesis have been met. In terms of predicting the future success of the socio-economic development of Uitenhage, based on international and national evidence, the town potentially can achieve significantly more. There are a number of involved stakeholders who take local development seriously and with the increasing popularity of CSR and the strong corporate presence in Uitenhage, it could go from strength to strength. As success stories circulate around the town and become models to imitate, so should local socio-economic development increase and the socio-economic livelihoods of the communities improve.

There are a number of key lessons which can be learnt from the case study and which, if developed, would result in better informed local development practices and contribute significantly towards sustainable development, both in Uitenhage and other towns. These include, amongst other things:

- The formation of a LED forum, which includes stakeholders from all affected parties and from all sectors (both private, public and civil)
- Greater local government involvement in development
- The formation of strong partnerships between all sectors
- Thorough market research, prior to project initiation and on-going monitoring and support of projects

Local development policy in South Africa has developed remarkably since its initiation just over a decade ago. The South African government has devolved local development to local level government, which follows international trends. Local governments are responsible for the initiation of job creation and sustainable development in their local areas. There are a number of policies guiding LED which provide parameters for the initiation of local development. South Africa’s LED policy is on a par with
international trends. However, as noted by Nel and Rogerson (2005b), LED policy is impressive on paper, yet it has often failed in practice. This is largely due to the lack of resources, finances and expertise at the local level which has resulted in the formation of partnerships with other sectors. In many cases, the local government has further devolved the responsibilities of local development to development institutions and become removed from the local developmental process, often just dictating what projects are to be developed with little public participation.

With regard to CSR in South Africa, it lags behind international CSR policies and actions. South Africa does not have a national CSR policy nor guidelines to steer corporations in a uniform direction. As a result, CSR reporting in South Africa is minimal. Corporations have an in-house approach looking after their own employees first and often does not contribute significantly to the wider communities in terms of local development, but often give *ad hoc* donations to charities and projects. Companies in South Africa generally do not have a hands-on approach with regard to their CSR actions. International literature reveals that CSR has an important role to play in local development, however this sphere is underdeveloped in South Africa.

Uitenhage shows that there are a number of stakeholders with regard to initiating local development, each contributing something different to the development realm. As the case study has shown, these roles often vary, with some stakeholders acting as funders and others as implementers. However, together they have the potential to create a more comprehensive and sustainable development endeavour. It is important for all stakeholders to share common goals in order for local development initiatives to make a significant impact on the high unemployment and poverty levels in Uitenhage.
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Appendices

Appendix 1: Project Manager/Owner figure Questionnaire

Appendix 2: Local Business Interview Guide

Appendix 3: Project Beneficiary Questionnaire

Appendix 4: Councillor Questionnaire
Rhodes University, Grahamstown
Geography Department
Uitenhage Development Initiative Questionnaire
2006

General Profile

General
Name:________________________________________________________________________
Contact Details:________________________________________________________________
Company/Project Name:________________________________________________________
Project Address:________________________________________________________________

Development Projects in Uitenhage
What locality based development initiatives are taking place in Uitenhage?
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________

What is your role in broader local development?
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________

What is the general economy of the town like? Has it inclined or deceased over the last 5 to 10 years? Is the town growing and growing?
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
Details of project developments:
When was the project started? ___________________________________________________

What is the core business of the project? ___________________________________________
______________________________________________________________________________
______________________________________________________________________________

What caused it to develop? ______________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Who initiated the project? _______________________________________________________
______________________________________________________________________________

What support and from whom was it received to help initiate the project? _________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Partnerships
Who are the key participants in the project? _________________________________________
______________________________________________________________________________
______________________________________________________________________________

Are partnerships important in the initiative? Describe what partnerships and what the purpose and achievements of such developments are. ________________________________
______________________________________________________________________________
______________________________________________________________________________

Have participants (eg. sponsors, suppliers, buyers) joined or left the project since it was initiated? If yes, why. __________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
Assistance
What assistance has been provided to date and by whom? (Skills, monetary, advice, training, implements, infrastructure)
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
How long was the project aided for? _____________________________________________
What was invested in the project? _____________________________________________
____________________________________________________________________________
Is assistance still being provided and to what extent? _______________________________
____________________________________________________________________________
Could the project have developed without external assistance? ______________________
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
What are your views of the role of developmental assistance and who should provide it (eg. NGOs, government etc)?
____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________
Goals and achievements
What were the original goals of the project? _______________________________________
____________________________________________________________________________
How were they agreed and by whom? _____________________________________________
____________________________________________________________________________
____________________________________________________________________________
What has been achieved to date? _________________________________________________
____________________________________________________________________________
____________________________________________________________________________
What are your future plans for the project? _________________________________________
____________________________________________________________________________
What are the main successes of the project?
____________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

What are the main weaknesses of the project?
____________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

What problems have been encountered?
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Is there anything that you would like to change about the way the project is being run?____
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Social impacts
Employment, education and skills
What was the employment status of the employees prior to the project? _________________
______________________________________________________________________________
______________________________________________________________________________

What level of education do the employees have? _______________________________________
______________________________________________________________________________

Did the nature of the pre-existing skills base affect the direction that the project took?
Yes □ No □
Describe:_____________________________________________________________________
____________________________________________________________________________
What skills have the employees gained from the project? ______________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Have people learnt new and relevant skills for employment? (Have people become more employable?)
Yes ☐ No ☐
Describe: ___________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Final comments
Do you think the project has been successful? Why. ________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
Do you think the project is sustainable? ________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

What are the future plans for the project?
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Any other comments? __________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

Many thanks for your time and cooperation, it is much appreciated.
Local Businesses Interview Guide

- Name
- Business name
- Contact details

1. What do you specialise in/ line of business?
2. Details of company’s CSR philosophy and policy
3. What type of causes or initiatives do you support?
4. What is the process people go through in order to receive your support?
5. What kind of assistance do you provide?
6. What areas do you focus your CSR actions on?
7. What are the general size of your donations?
8. On average how many people or businesses do you support in a year?
9. Are new jobs being created or do you give to existing initiatives and charities?
10. Are your donations/assistance monitored?
11. Do the beneficiaries/ organisers have to report back to you?
12. What is your motivation for giving back to the community?
   a. Public image/publicity
   b. Want to help/ give back to the community
   c. Have to help – law/ been instructed to by higher authorities

11 What is the general economy of the town like? Has it decreased or inclined over the last 5 – 10 years? Is the town growing and expanding?
Rhodes University, Grahamstown
Geography Department
Uitenhage Development Initiative Questionnaire
2006

General
Name: _______________________________________________________________
Gender:  Male     Female
Age:  
   20 – 30 □  30 – 40 □  40 – 50 □  50 – 65 □
Project name: _________________________________________________________
How long have you been employed by the project/company? _____________
_____________________________________________________________________
What is your role in the company? _________________________________
_____________________________________________________________________

Social
Education and skills
What was your employment status prior to the project? _________________
What was your level of education prior to the project? _________________
What skills did you have prior to the project? _______________________
_____________________________________________________________________
What skill training have you received since the project was initiated? _____________
_____________________________________________________________________
Have these skills and training been beneficial?
Yes □  No □
Describe: _____________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Do you think you are now more employable?
Yes ☐ No ☐
Why?________________________________________________________________________
________________________________________________________________________

Socio-economic impacts
In what ways has your life improved since you started work on the project? Give examples (eg. pay school fees) ____________________________________________
________________________________________________________________________
________________________________________________________________________
How many people do you support financially? ____________________________
________________________________________________________________________
Do you get a set salary or is monetary distribution based on sales? (i.e. profit based wages)
________________________________________________________________________
What have you gained personally from the project? _________________________
________________________________________________________________________

Views on assistance to your project
What assistance has been provided to date and by whom? ______________________
________________________________________________________________________
________________________________________________________________________
Do you think this project could have succeeded without external assistance? Why?

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

What are your views of benefits and costs of this developmental assistance?

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

Project evaluation

Is there anything that you would like to change about how the project is being run?

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

Do you think the project has been successful?
Yes [ ] No [ ]

Why? _________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

Do you think the project is sustainable?
Yes [ ] No [ ]

Explain ________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

Do you plan to stay with the project or set up your own business or find other employment?

Why? _________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________
Many thanks for your time and cooperation, it is much appreciated.
Rhodes University, Grahamstown
Geography Department
Uitenhage Development Questionnaire
2007

GENERAL

Name: __________________________________________________________

Position: _______________________________________________________

Area: _________________________________________________________

DEVELOPMENT ISSUES

What are the major developmental challenges facing Uitenhage in general?

________________________________________________________________

________________________________________________________________

________________________________________________________________

Please comment on the general socio-economic status of Uitenhage with regards to income levels, poverty and unemployment.

________________________________________________________________

________________________________________________________________

________________________________________________________________

What are the major developmental challenges in your area? (eg. poverty, unemployment, lack of infrastructure, crime)

________________________________________________________________

________________________________________________________________

________________________________________________________________
Is anything being done to address these challenges? If yes, what are they and by whom are they being undertaken?

Are UDDI and USEC and other agencies active in your area with regards to development? If yes, what projects are they involved in?

Is the Nelson Mandela Bay Metropolitan active in your area with regards to development? If yes, what projects are they involved in?

With regards to the metro’s IDP goals of inner city regeneration and beatification, have you noticed a difference? What?

Many thanks for your time and cooperation, it is much appreciated.