

# POVERTY RELIEF OR POVERTY ERADICATION?<sup>1</sup>

## ABSTRACT

The author challenges the reader to make two mindshifts: from a focus on *poverty relief* to an emphasis on *poverty eradication*; and from viewing the poor as the *objects of poverty alleviation* to accepting them as the *subjects of poverty eradication*. The case is argued and a practical approach towards poverty eradication is proposed.

## 1. THE CHALLENGE

### 1.1 “You will always have the poor among you ...”

What? Poverty eradicated? This is but a pipe dream, people will immediately retort. Should we not be more realistic and accept the fact that no one, no organisation, no government is able to eradicate poverty? Two matters should be mentioned in answer to this.

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1 I dedicate this paper to the memory of the late Rev ECD (Eddie) Bruwer. As pioneer missionary to and friend of the Tsonga people he gained a great deal of wisdom from the poor. In his book *Beggars can be Choosers* he integrated biblical principles and the practical philosophy of Africa. These guided his practical involvement with the poor, especially when he developed the response of the URCSA to the context of poverty through the organisation CAN (Church Aid in Need) which he founded. In later years (until his untimely death on 27 December 2008) his focus was to challenge the traditional mindset of dealing with the poor. We should not focus on the alleviation of poverty, he maintained, but the war against poverty must be geared towards its eradication. In a sense, the late Eddie Bruwer is the author and I the co-author of this paper. I am only trying to extract and formulate his main ideas

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In the first instance, this may be true for the world as a whole, and for any country or population as a whole. There will always be poor people. But it is not necessarily true for an individual. There are countless examples of people who, being born and having grown up in real poverty, have escaped it. Some of them were merely lucky; others have worked hard to claw themselves out of the pit of poverty, and others have received the right opportunity at the right time. The fact is that poverty is not inevitable; it is not necessarily the end reality. A poor person should not necessarily remain poor!

A second matter needs to be mentioned. It is a gross misuse of Christ's saying, quoted earlier (from John 12:8), to interpret it as a prophetic statement which is meant to limit our involvement with the poor. Such an interpretation simply does not fit with Jesus' own ministry. He was always focused on the needy. This same Christ told the parable of the Last Judgment, where those who were not of the habit of helping others in need were judged and sent into eternal punishment (Mt 25). Bruwer (2008:12)<sup>2</sup> reminds us of the context in which these words were uttered:

The context in which these words were spoken was a deep spiritual moment in Jesus' suffering. A woman – in a moment of inspiration and sheer adoration – knelt before Him, emptied a vase of precious oil on his feet, and dried it with her hair. Someone, he who was later willing to betray him, couldn't understand the holy moment, and in a materialistic way reacted by drawing the attention to the needs of the poor. His reaction became like a fly in the ointment ... he just didn't understand the moment. The quoted words were meant for him alone, in that setting. It should not be used as a general statement. In fact, the whole life work of Jesus was a testimony of his particular concern for the marginalised people of all times!

Rather than accept the inevitability of poverty, and our inability to do much about it, we should do everything in our power to act in the spirit of Him who clearly had compassion for the poor; He who said to his disciples: "You give them something to eat" (Luke 9:13).

## 1.2 Charity

It is understandable that the church – and all serious Christians – have throughout the centuries taken the famous statement of St. Paul in 1

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2 References to Bruwer will be mostly from the unpublished manuscript of a publication which he wrote in 2008 and which is provisionally entitled *Pela Nambu. Crossing the river.*

Cor 13:13 seriously: "... these three remain: faith, hope and love. But the greatest of these is love" (also translated as "charity"). Charity is certainly one of the key obligations of the Christian. Loving God and one's neighbour is the "fulfilment of the law" (Mt 22).

The expansion of Christianity during the early centuries was impressive, but it is well known that the works of charity which accompanied the witness and lifestyle of the first Christians was arguably the strongest factor causing this growth, and had the most lasting effects. Just as Christ "did not come to be served, but to serve" (Mk 10:45), saintly Christians have always served their fellow human beings in sacrificial ways. Yes, the established church and the officials often had other priorities, but there were always those whose prophetic lives breathed the essence of the gospel.

During the modern missionary era the western Christians (for the first time) got to know other peoples who, in their perspective, were poor and needy. They lacked all the "development" that the West has experienced since the Renaissance and the Industrial Revolution! They were therefore regarded as "un(der)developed" and "left behind" ... they were poor. It was the mission, rather than any other institution, which brought modern medicine, modern education, modern industry and agriculture to the people of Africa and elsewhere. They brought the best they had ... because they lived out the "charity" that their faith taught them.

The mission practised a "comprehensive approach" in which service went hand in hand with preaching. Not only the church building, but also the school and the clinic were erected. Not only the theologian, but also the medical staff, the farmer and the accountant came to serve the people. This was charity in practice. The people were lovingly served within their context of need.

"Development is the new name for peace", Pope Paul VI famously proclaimed towards the end of the 20<sup>th</sup> century. During the age of "development" all these charitable deeds were subsumed under that term. Development projects, and especially Community Development, became the new approach of mission.

Charity, also in the form of development, is commendable. But the value of charity that remains limited to the reaching out to people in need, putting bandages on those who are hurt in the accidents of life, is indeed limited. It leaves the person basically in the same situation s/he was previously. Putting on the bandages is not enough. Christian charity should also address the causes of the accidents. A more "political" or

structural approach may be necessary. Eddie Bruwer (2008:60) mentions the following about this:

Institutionalised charity services as we know them today (social services, hospitals and the like) have their roots in the Christian movement. However, although charity is dispensed, I am not aware of an integrated system that provides a pattern to release the poor from the burden of poverty. Sad to say, but much of our “street charity” is in actual fact misplaced, and contributes to an entrenchment of the culture of dependency.

Most interventions from outside (whether public or private) adhered to programmes of poverty alleviation – charity – and therefore leave no other option to the poor but to continue with their strategies for survival. The South African government’s well-meant billions of rands spent on social grants fall in this same category. Even projects aimed at job creation and self-reliance let people move from one temporary job to the next and from one subsidy to the following. Recipients remain dependent and miserable. They are constantly reminded of their sad state of dependency. The reality is that programmes are not translated into fruitful projects.

But there is another way of thinking about development. Note the following quote from Eddie Bruwer (2008:30):

The most basic meaning of the word *development* is to de-velop, which means to disclose or unfold. Light images (photos) were captured on a film in a camera. In order to see the images the film had to be “developed”. This “development” was a chemical process by means of which the images, which were already imprinted on the film (photographed) became visible. All the hidden images came out in the process of development. The image is a given ... the chemical process is just a medium to unveil it. The result is a series of beautiful, colourful pictures, full of surprises and happy memories. Human development may be regarded in the same way as a process through which the hidden potential of people is made visible, to be gladly and enthusiastically recognised by the very people concerned. There is as much nostalgia as there is hope. *Development* brings out the hidden potential in human beings.

He prefers to call this kind of development, the development that leads to transformation, the development that frees the person from the culture of poverty into a life of fulfilment, *liberating development*.

Bruwer is of the opinion that we need a paradigm change from a focus on charitable efforts to *alleviate* poverty to the *eradication* of poverty, and that the answer lies hidden within the poor themselves.

### 1.3 The informal and the formal economy

Mere charity keeps the poor where they are. It does not change the circumstances that keep them in the whirlpool that sucks them to the bottom. He quotes the Tsonga saying “*Vusiwana i vuloyi*” which indicates that poverty is like being bewitched ... you can do nothing about it. We know that the *culture of poverty* is very hard to break open. Something new, something incisive needs to happen.

Poor people have developed a way of surviving; they are at home in survival mode, an economy of survival. This survival system is also called the *informal economy*, in contrast to the so-called *formal economy*, the one that is prevalent in the global economy, with banks, shopping malls, chain stores, mines, factories, commercial services, etc. The informal economy is also sometimes called the *second economy* whereas the other capitalist one is called the *first economy*.

The *first economy* represents the formal national and international world of markets and financial players. In this world there are accepted rules which govern relationships, and there are accepted formulas whereby economic status is calculated. The income and production of nations are the units of calculation. In the first economy prosperity is based on property (or capital), protected and controlled by internationally accepted systems of economic policies and law. Property/capital is wealth. This system of economy enabled countries to thrive and expand their influence, and its inherent aim is primarily to create more wealth (in terms of property/capital). It was this capitalist urge that drove the European countries to discover and claim new worlds during the colonial expansion. This same urge also led to the establishment of a refreshment station at what is now known as Cape Town, where the ships on their way to the riches of the East could load fresh food. This was also the beginning of trade with the local population. The capitalist economy, therefore, caused the first contact between the two worlds ... the world of the settlers (formal) and that of the indigenous people (informal). But the colonial first economy determined the price for Africa's products. This is still the case.

The *second economy* represents the way in which traditional Africa manages its affairs. This economy is interwoven with social interaction. It is not based on an institution such as a bank, but rather exemplified by a herd of cattle belonging to an extended family, and controlled by

the family head. Some call it “an Economy of Affection”. Africa’s wealth is its people, and its security is based on human co-existence and not on property. Although this economy was traditionally rural and agrarian, the essence of it survived in the unsophisticated but modernised grassroots of the South African scene (Bruwer 2008:17).

Naturally, it can be expected that even within a well-functioning formal economic system there will be a mix of relatively rich and relatively poor people, but ideally all workers as well as masters will be able to share in the fruits of the flourishing economy. It is equally true that even in an informal economy there are rich people who profit from the poor. But the point is that even these rich people will have their money invested in first-economy banks and other financial instruments!

It appears that prosperity, and the escape from a culture of poverty, can only be accomplished by becoming a functioning part of the first economy.

## 1.4 The gap

It is in the imbalance of society, when some have abundance and others want, that poverty becomes a structural problem. This is usually measured by the Gini Coefficient. In the “old” South Africa we became acutely conscious that our Gini number was one of the highest in the world, indicating an abnormally skew society. Unfortunately, this is still the case in the “new” South Africa. What changed in the past 17 years of ANC government is that this skewness is no longer that between White prosperity and Black poverty. The still extremely high Gini is now basically reflecting the gulf between Black haves and Black have-nots! The years of democracy have been one long wait for the poor, a passive observation of some getting rich, but of the majority remaining poor. Bruwer (2008:63) used the striking image of millions of able-bodied and intelligent people, with creative minds, who are waiting on the platform (of Freedom Park station), with valid boarding tickets (Human Rights), for their prosperity train to arrive. Train after train arrives, picks up some, but leaves the majority waiting on the platform.

The divide between the first and second economies constitutes an ominous structural gap. The revolutions in world history are scary reminders of what could happen when this gap becomes too glaring.

If this gap is our basic problem, and it is, the colonial era and the current dichotomy between the two economies can only finally come to rest when an economic equilibrium is found, that is when the two economies wedge into each other, and a normal spread between rich and poor is established – without the present gap (Bruwer 2008:62). The question is how? Neither

the power of the State and its safety nets, nor the trickle down of a thriving economy, nor even the magic solution of education and technology have been able to bring the two economies within touch of each other. The gap that matters most – The Gap! – remains intact. The challenge is to bridge this gap.

## 2. A PROPOSAL

The following section sketches a proposal, following the thoughts of Eddie Bruwer. It involves an approach to the erection of a bridge over the divide to enable poor people to cross over from the informal, subsistence economy to the formal economy with its possibilities. But this bridge will not be built *for them*, but *by them*.

### 2.1 “Pela nambo” ... Crossing the river

In order for poor people to escape poverty we need a way to link the informal economy with the formal one. The gap must be bridged. A bridge must be constructed. Basic to any bridge are sound foundations on both sides of the river. We will have to build a bridge with strong foundations in both the first and the second economies.

The important thing to realise is that we are not dealing with a vacuum on the one side, and everything at the opposite end of the economic equation. There is solid rock at both ends. Everybody has something to offer. But the foundation on the side of the poor will have to be built on what they possess and control, and not on something that they do not have. To quote Bruwer (2008:63):

The solution to the problem of the gap has to be found where the people are, what they are and what they have to offer. My submission is that we need a paradigm shift. For as long as we categorise people as the *objects of poverty alleviation* and not as the *subjects of poverty eradication* they will remain dependent, struggling and frustrated. Categorising people under headings such as ‘have-nots’, ‘the poor’ or, even worse, ‘poorest of the poor’ are negative, derogative and detrimental, and not helpful. People become what you call them.

Let us pursue the image of the bridge a little further. We said that the poor must be able to cross the bridge over the chasm that separates their informal economy from the capitalist formal economy. A bridge is anchored on both sides of the divide. A similar kind of rock supports the foundations

on both sides of this economic bridge: one could say it is *capital*. That is the main reason why there is no bridge at present: the capital is only on one side of the bridge. The other side seems to lack it. But is it so?

“The poor is in actual fact not so poor”, says the Peruvian Hernando de Soto, tipped by the magazine *Time* as one of the 100 most influential people in the world for 2004. De Soto refers to property which actually belongs to the poor, but which, for different reasons, the poor have not used to generate wealth. He maintains that there is hidden, unexploited capital in the hands of the poor.<sup>3</sup> It is not necessary for the poor to come empty-handed to negotiations regarding their own economic development. As the late President Nyerere of Tanzania once said: “The poor cannot be herded into development like cattle. They can walk tall”. There *has* to be a way to bring the responsibility (opportunity?) for their own destiny back to the people, irrespective of financial status. People must be enabled to take control over their own lives and become the masters of their own future in a pro-active, responsible and organised way. To quote Bruwer (2008:63):

If the real problem is The Gap, and the foundation for sound economic development is capital (so it seems), we will have to begin looking for the *Poor Man’s Capital*. This means that we will have to uncover the hidden potential of the Second Economy, and transform

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- 3 In another reference to the work of Hernando De Soto, *Time Magazine* (May 2011) again refers to the way in which his ideas brought renewal in the development process (this time in Lagos, Nigeria) by mobilising the poor for development. For more on De Soto, refer to the *Wikipedia* article on him. The article also mentions the praise accorded to him by a number of US Presidents such as Reagan, Clinton and Bush, among others. The main message of de Soto’s work and writings is that no nation can have a strong **market economy** without adequate participation in an information framework that records ownership of property and other economic information. **Unreported, unrecorded economic activity** results in many small entrepreneurs who lack legal ownership of their property, making it difficult for them to obtain credit, sell the business, or expand. They cannot seek legal remedies to business conflicts in court, since they do not have legal ownership. Lack of information on income prevents governments from collecting taxes and acting for the public welfare. “The existence of such massive exclusion generates two parallel economies, **legal** and **extralegal**. An **elite minority** enjoys the economic benefits of the law and **globalisation**, while the majority of **entrepreneurs** are stuck in **poverty**, where their assets – adding up to more than US\$10 trillion worldwide – languish as **Dead capital** in the shadows of the law”. To survive, to protect their assets, and to do as much business as possible, the extralegals create their own rules. But because these local arrangements abound in shortcomings and are not easily enforceable, the extralegals also create their own social, political and economic problems that affect society at large.



it into capital. Then the poor can be ready for participation, not only in small survival projects, but properly funded economic enterprises.

## 2.2 The poor man's capital

The foundation for the bridge on the side of the prosperous first economy will rest on the capital and expertise that is available on that side of the chasm. What about the other side?

Bruwer finds the answer in the establishment of a capital-strong *Development Fund* that can act as the foundation for the bridge on the side of the poor. And where does the capital for this Fund come from? From the poor themselves. He proposes three sources in the poor community from which this Fund could be funded.

### 2.2.1 Source 1: From Stokvel to a Capital Fund

The culture of pooling resources (“*tsima*” in Tsonga – ‘a work party’) – to assist one another in certain agricultural or building tasks, and afterwards to celebrate together – is one of the oldest ways in Africa to accomplish tasks. It is an example of an African economy of affection with its intrinsic purpose to support one another, and to celebrate it.

The well-known African concepts of *Stokvels* and *Societies* (“*Umgalelo*”, “*Makgotla*”, “*Mogodisano*” and “*Gooi-Gooi*” or “*Oorgooi*”) has its origin in the late 19<sup>th</sup> century Eastern Cape. At that time, African farmers pooled their funds from one stock-fair (*stokvel*) to the next to enable one of them at a time to buy better cattle in order to improve their own livestock and ultimately challenge the competitive market. The system has expanded to other sectors. By 1990 it was reported that some R200m a month circulated in this way, and that maybe 30% of the adult black population participated in this monthly exercise of pooling resources. (In the meantime this amount could have escalated to many more millions of Rand per annum.) The system is reliable. Because of its social structure of togetherness, the payment rate is calculated as very high (98%), any financier's dream.

The informal economy is flexible. The smallest form of Stokvel is the “*Gooi-gooi*” (“*Oorgooi*”) where workers regularly pay a certain amount into a common fund, and each, in turn, gets the opportunity to be at the receiving end of a larger pooled amount. Even among very poor people there are food-buying stokvel-style clubs that enable them to buy in bulk at a cheaper price. Its success lies in the value of human relationships within small face-to-face structures. More sophisticated Stokvels are

closely related to saving clubs or cooperatives, where decisions are made by committees or boards.<sup>4</sup>

Considering the spectrum in which the Stokvel system is already being applied, it can be regarded as the most natural bridge from the informal economy to the formal economy. It should be possible to elevate this known and popular structure to a next level of operation, namely to be applied in the generation of new business opportunities. It should be possible to establish a community-based organisation, built on the concept of a Community of Communities, that will be able to mobilise capital coming from 'small people', in a communal effort towards self-determination.

Bruwer worked out a workable model<sup>5</sup> whereby thousands of people could take hands in stokvel-type groups. The small groups function in the way they are used to, but the members are also members of the larger organisation. Apart from the individuals' regular contributions to their own (small) local funds, a percentage can accrue to the central Development Fund. This Fund would grow not only as a result of these regular contributions, but also in other ways, namely through discounts for the members negotiated by the large organisation with a variety of businesses, and through the profits accrued from the economic ventures of the Fund.

We should move away, he says, from the romantic (and, to a certain extent, true) Schumacherian notion of "small is beautiful" to a realisation that "big is powerful". A movement of hundreds of thousands of people, each individual with a kind of "smartcard" membership card in his/her hand,<sup>6</sup> can definitely negotiate discounts in various businesses. And if some of that discount can be channelled away to the Development Fund

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4 For further information on Stokvels, see Prof JNJ Kritzinger's article in *Mission Studies* 1 (1&2) 1996: "African Cultural Resources in the Struggle against Mammon".

5 As an Addendum to his (unpublished) book he introduced the *Pela Nambu Foundation*, an organisation established in 2008, which unfortunately stalled when he passed away.

6 Bruwer realised that this Organisation had to make use of modern technology. It is a fact that by far the majority of people, even in the deep rural areas, make use of cellphone technology. Increasingly this also includes the use of cellphones in financial transactions. The cellphone, combined with the debit- or cashcard, could be used to transfer money to the stokvel-type group funds, as well as to buy (at discount) at certain shops. The card account is immediately updated, and the necessary transfers made.

(and it can be done through Smartcard technology and software), that Fund can grow by leaps and bounds!<sup>7</sup>

It goes without saying that this Fund will have to be administered and overseen in a way that is consistent with the ideals of the Organisation. This will receive attention later on.

### 2.2.2 Source 2: Sweat Capital, the revaluation of labour

The relative undervaluation of raw materials, as well as the manual labour of the poor (the Poor Man's share), on the one hand, and the escalating appreciation of the value of property, shares, dividends and profits on manufactured products, and the remuneration for the work involved (the Rich Man's share), on the other, are indicative of the post-colonial legacy of the rich/poor divide in society. It is clear that the poor man's contribution was considered of inferior value and he therefore had to be remunerated at a lower scale.

In the present restructuring of South Africa, the focus is rightly on job creation in order to benefit the poor. However, in the ghetto communities of the small rural towns the competition for jobs is severe.

- The privileged ones who secured permanent jobs, especially in the expanded new local governments, too often perceive this as the ship that has arrived for themselves and their family, a position that must be exploited for their own good. They soon (and rightly so) become targets of jealousy and indignation.
- Job opportunities in temporary labour-intensive projects for the improvement of infrastructure – the main vehicle to bring jobs to the suffering masses – are per definition temporary (*“malekeleke”*, just licking, they say). Even the fortunate ones who hold temporary jobs are constantly subject to insecurity, knowing that, upon completion of the job, there is unemployment with all its implications. There is a total lack of continuity.

The real winners are the entrepreneurs and the contractors who are cashing in during the process of implementation of these job-creation construction projects. The temptation of instant wealth has become a problem and many are tempted to profit from these projects in a fraudulent way (*“tenderpreneurship”*).

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7 In this instance, I will not give all the intricate calculations that led to the expectation of a multi-million Rand Fund within a short period of time.

It is necessary to reconsider the value of manual labour (work). It should be put on par, or close to that, with intellectual (professional) work, and even that of venture work (capital management). If the intrinsic value of work could be recognised as an essential basic element in any project – which it is – and given equal value to the contribution of the entrepreneur or professional planner of the project, then it has to become normal for the labour segment of the project to tender on the same level as the developers, and to share in the ultimate profits attached to the project. The contractor for a project must usually go out and seek labour. Why could workers – structured and organised in a professional and legal way – not be given the opportunity to tender, while finding partners in development to bring on board the needed expertise for the specific tender? Such a process will at the same time exert pressure on manual workers to become professional in their own right, like the guilds in Europe some centuries ago.

It is difficult to perceive any other approach to the mobilisation of the masses out of poverty but to have the workers united in *structured co-operatives* under one connecting banner. It can work. Fortunately, legislation is in place to make such a process possible and the Department of Trade and Industry is committed to assist in many ways – including subsidies. The biggest challenge is to allow structures to develop according to the context. In other words, avoid a new ideology to be forced onto the people. Africans have an inborn cultural tendency to work together, and this has to be exploited and allowed to develop. It is clearly necessary that the participants will have to internalise the concept.

To summarise: a well-structured and interconnected co-operative system will enable workers at community level to:

- Establish a community-based co-operative as a workers' arm of the community-based trust;
- Organise and introduce a well-structured continuous action training process in order to build an ethos of unity, participation, hard work, skills development and entrepreneurship among the potential workforce for the relevant situation;
- Contribute regularly through all joining individuals and mini-structures to the community-based trust fund;
- Initiate economic activities (mini or macro) and tender for sustainable work opportunities as a collective (e.g. construction, farming, hospitality industry, etc.);

- Contribute profits to the collective community-based trust fund for the development and financing of new ongoing initiatives for sustainable development;
- Make use of smartcard technology for the community-based trust fund, as well as the central office of the organisation to simplify administration and strengthen collective business opportunities;
- Look for partnerships with the private sector to strengthen projects and to double the potential through a 50/50 sharing concept of entrepreneurship (to be elaborated on later).

### 2.2.3 Source 3: Property as collateral

According to Hernando de Soto,

... The property system is much more than ownership: it is in actual fact the hidden architecture that organises the market economy of the West. Without legal systems that clear property title assets to be used to guarantee credit of contracts such property has little value in the global economy.<sup>8</sup>

The link between property and prosperity is obvious. In the understanding of the poor South African peasant, his/her RDP government-subsidised house has become the surest (perhaps only) share in the victory in the war against apartheid. This shelter cannot be taken away. It goes without saying that a house – or a farm for that matter – by itself can be as empty as a bucket without water or useless as a car without driver and gas. Yet, if property can be used to produce, or to secure more capital, this asset can become the door to a better life for all who have been privileged by the gift of a free house or the return to the place of their birth.

To implement property as an economic asset, however, needs skills for which the poor have not been prepared. What Bruwer is suggesting is not that individuals use their RDP (subsidised) houses as guarantees for collateral loans, but that they are used in collective bargaining. When pooled property is used as collateral within the context of a well-structured

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8 This 'hidden asset' of the poor in Mexico, according to De Soto, is estimated at 7 times the value of the national oil monopoly. The poor are in actual fact not so poor. What they lack is easy access to the property mechanisms that could legally fix the economic potential of their assets. They will then be able to secure further capital. (Cf. the Internet article of Hernando de Soto: "Listening to the barking dogs: property law against poverty in the non-West".)

community-based organisation (with all the safeguards that go with it), it becomes another matter!

A principle that may be valuable to re-visit lies in the well-known African concept of pooled property in the herd of cattle of an extended family. A subsidised house (or a piece of land) is after all a public gift, a gift from the people of our country, to our people in need. Individuals could be requested to avail their properties to a pool to be used as collateral in order to secure or generate capital for labour-intensive development via the proposed community trust. In return, such owners will become shareholders and workers in the ongoing process of sustainable local development programmes of the community-based trust.

The effect can be significant. As an example, a pool of 100 subsidised houses (@ R20 000 each) represents a capital value of over R2 million to be used as security for a loan to the community trust fund. Such pooled assets could further be doubled with investor money from a trusted partner, a partner who can be sure that he deals with a reliable anchor partner with vested interests. With such venture capital-significant investments in projects can be made.

## 2.3 The need for partnerships

Let us revisit the image of the bridge. We have dealt with the capital foundation on the one (the poor) side of the bridge. Let us call it the Pela Nambu Development Fund. Now we have to examine the other (capitalist) side, because a bridge needs to be anchored on both sides of the river.

For the process of successful grassroots development to work, there should be competent, reliable and benevolent business partners (NB: not donors) on the other side. Internal processes and structures ensure stability. External partners secure growth. Neither the “top-down” approach (meaning from rich to poor, where the rich envisage, manage and eventually hand over), nor the “bottom-up” process (where all initiative is expected from the side of the poor) is the answer. A new approach is needed. The answer probably lies in the notion of *partnership*. Partnership between players from both sides of The Gap is necessary.<sup>9</sup> Real partnership is a process of sharing. There are different types of partnerships.

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9 It may not be advisable for the Government, whether national, provincial or local, to become an operational partner in grassroots economic development. Government's task is that of enabling development to take place through implementing good policies, and taking care of efficient infrastructure. Good governance acts like a nest in which “economic breeding” happens.

- Training partnerships

Training is needed at all levels and must involve the whole community. In the partnership it is essential that in every budget provision should be made for the different aspects of training. However, all training should be informed by a common ethos for development. This ethos must become the ABC for the training, known and embraced by every participant. In doing this together the partners will already embark on a significant training process themselves!

- Contracting and business partnerships

Pela Nambu scouts for business opportunities and franchises and then finds enterprises on “the other side” to form 50/50 partners with Pela Nambu co-operatives to establish and professionally run the businesses concerned. Pela Nambu workers’ co-operatives will enter into partnerships with engineering/building firms and other enterprises seeking opportunities in the second economy.

Working in partnership means sharing the financial responsibility. The ideal would be that all capital funding should be handled on a 50/50 basis between the partner and the community-based workers co-operative in co-operation with the community-based trust. The poor man’s capital, as explained earlier, can take the proverbial beggar to the level of choice.

It is a combined enterprise, and this must be reflected in the operations. The basic overall aim should be to establish a stable, sustainable and profitable enterprise. Since the shareholding is 50/50, all operational decisions of principle should be taken by consensus – i.e. the partners should bear with one another in order to allow for tolerance and growth towards mutual understanding and knowledge of the enterprise. A good partnership will have to develop like a successful marriage, where the partners retain their individuality, but also act as one. Not only should the costs be shared, but co-operative business needs co-operative business decisions in order to ensure success at both short- and long-term activities.

Partnership in administration means that a policy for administration will have to be put in place with sound job descriptions and short- and long-term goals. It goes without saying that this is also an area where training is crucial.

- Banking partnership

A suitable partner will be needed to facilitate Pela Nambu branded debit card/Cellphone banking for the use of the allocation of royalties

as arranged with designated businesses. The banking partner will also cooperate in establishing legal mechanisms enabling Pela Nambu members to offer property as collateral for investment loans.

- Retail partnerships

The retail partners will collaborate in setting up loyalty programmes that will give Pela Nambu members discounts on basic commodities (loyalty scheme) with other possible joint initiatives to include in-store cellphone contracts, electricity payments, pension pay-outs, etc.

- Co-operative partnerships

The co-operative movement is gaining international momentum. To ensure best practice and a culture of excellence, a constant process of action training will be inculcated in the programme through partnerships with selected international co-operatives.

- Government

Although Pela Nambu will not venture into formal partnerships with government, it needs legal protection. It must, therefore, be informed by government policy in order to ensure legal compliance and protection while it develops its own independent position; and wants to plug into government programmes to ensure that all that the state can offer should be at the disposal of its members.

## 2.4 The need for a centre

The organisation must have a face. Therefore, the first task is to establish a company without financial gain (The Pela Nambu Foundation) to act as a broker of links and as a catalyst between the economies. The central organisation should provide a leadership forum for collaborative problem-solving; and be a vehicle for first-economy enterprises to participate in the eradication of the Gap. It should be an administration hub for the mobilisation of the second economy in initiating the formation of a Pela Nambu Organisation that would unlock the “Poor Man’s Capital”; and act as the protectors of the intellectual property of the organisation.

When acrobats perform potential dangerous tricks, they have a safety net underneath. When certain chemicals are mixed, a reliable catalyst is needed to ensure the required outcome. A wheel with many spokes needs an axle to allow the wheel to turn. A good carpenter can make a nice table out of loose pieces of wood and a good cook can mix ingredients well to bake a nice cake.



The secret of this proposal lies in its mix. This organisation needs a sound, credible and reliable centre to safeguard and balance the interests of diverse elements, and especially those of the vulnerable second economy. Many projects have failed mainly because of the lack of a sound central administration. Any process of transformation is per definition unstable and vulnerable, it needs a stable structure to facilitate the process.

Therefore, a central office, associated with and connected to a reliable existing institution (such as a commercial bank), with a sound track record and sufficient resources at its disposal, is an absolute prerequisite for the success of the proposed organisation. If this central office could develop links to similar established initiatives, it would be an added asset. Connectedness has become a keyword.

This central organisation and administration should belong to the members, but it should provide *credibility* and *security*. Too often in the past the poor has been taken for a ride on wonderful schemes promising instant prosperity. These failures have just strengthened their resolve never to trust outsiders again.

### 3. CONCLUSION

The paper argues for a mindshift from a focus on *poverty relief* to *poverty eradication*; and for a move away from viewing the poor as the *objects* of poverty alleviation towards understanding them as the *subjects* of poverty eradication.

It views the fundamental problem as the gap that exists between the formal (first) economy and the informal (second) economy in which the poor are trying to survive. In order to leave behind the culture of poverty, the poor will have to enter the world of the first economy. The gap needs to be bridged.

The paper proposes a bridge with foundations in both economies:

- (a) an *organisation* based among the poor that will *mobilise the potential capital of the poor* (as described above) through *stokvel*-type groups into a *Development Fund* which
- (b) can form *partnerships* with reliable businesses of the first economy whereby the poor can benefit.

A strong central organisation with a reliable central office will provide the drive, expertise and security to the members of the organisation, enabling them to experience the fruits of the growth in the economy.

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*Keywords*

Poverty relief

Poverty eradication

Community

*Sleutelwoorde*

Armoede verligting

Armoede uitwissing

Gemeenskap