

# Integrated Strategy on the Development and Promotion of Co-operatives

Promoting an Integrated Co-operative Sector in South Africa  
2012 – 2022



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## ABBREVIATIONS AND ACRONYMS

<b>AFRA-CA</b>	African Rural and Agricultural Credit Association
<b>AsgiSA</b>	Accelerated and Shared Growth Initiative of South Africa
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>BBSDP</b>	Black Business Development Supplier Programme
<b>BEE</b>	Black Economic Empowerment
<b>CBOs</b>	Community-Based Organisations
<b>CDA</b>	Co-operative Development Agency
<b>CCUL</b>	Cape Credit Union League
<b>CIPRO</b>	Companies and Intellectual Property Registration Office
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>CIS</b>	Co-operative Incentive Scheme
<b>COPAC</b>	Co-operative and Policy Alternative Centre
<b>COSATU</b>	Congress of South African Trade Unions
<b>CPAP</b>	Co-operatives Promotion and Awareness Programme
<b>CSPF</b>	Co-operative Special Projects Fund
<b>DFIs</b>	Development Finance Institutions
<b>DGRV</b>	<i>Deutscher Genossenschafts-und Raiffeisenverband</i>
<b>DTCC</b>	Dora Tamana Co-operative Centre
<b>ECDC</b>	Eastern Cape Development Corporation
<b>EICs</b>	Enterprise Information Centres
<b>EMIA</b>	Export Marketing and Investment Assistance
<b>ENP</b>	Enterprise Network Programme
<b>EPWP</b>	Expanded Public Works Programme
<b>ESOPs</b>	Employee Share Ownership Programmes
<b>FDI</b>	Foreign Direct Investment
<b>FET Colleges</b>	Further Education and Training colleges
<b>FSC</b>	Financial Services Co-operative
<b>FSDC</b>	Free State Development Corporation
<b>GDP</b>	Gross Domestic Product
<b>GEP</b>	Gauteng Enterprise Propeller
<b>GIM</b>	Group Inward Mission
<b>IBM</b>	Inward Buying Mission
<b>ICA</b>	International Co-operative Alliance
<b>IDC</b>	Industrial Development Corporation
<b>IDPs</b>	Integrated Development Plans

<b>IE</b>	Individual Exhibitions
<b>IFAD</b>	International Fund for Agricultural Development
<b>IIM</b>	Individual Inward Mission
<b>ILO</b>	International Labour Organisation
<b>IMS</b>	Integrating Manufacturing Strategy
<b>IP</b>	In-store Promotions
<b>IPAP</b>	Industrial Policy Action Plan 2010/11 – 2012/13
<b>ISO</b>	International Standards Organisation
<b>ITED</b>	International Trade and Economic Development Division
<b>JAICA</b>	Japan International Co-operation Agency
<b>Khula</b>	Khula Enterprise Finance Ltd
<b>LED</b>	Local Economic Development
<b>LIBSA</b>	Limpopo Business Support Agency
<b>LIMDEV</b>	Limpopo Economic Development Enterprise
<b>MAFISA</b>	Micro-Agricultural Funding Institute of South Africa
<b>MERS</b>	Micro-Economic Reform Strategy
<b>NAMC</b>	National Agricultural Marketing Council
<b>NCASA</b>	National Co-operatives Association of South Africa
<b>NDA</b>	National Development Agency
<b>NEDLAC</b>	National Economic Development and Labour Council
<b>NEF</b>	National Empowerment Fund
<b>NGOs</b>	Non-Governmental Organisations
<b>NIPF</b>	National Industrial Policy Framework
<b>NP</b>	National Pavilion
<b>NSASA</b>	National South African Stokvel Association of South Africa
<b>NAMC</b>	National Agricultural Marketing Council
<b>NUM</b>	National Union of Mineworkers
<b>NUMSA</b>	National Union of Metal Workers of South Africa
<b>NYDA</b>	National Youth Development Agency
<b>NYES</b>	National Youth Enterprise Strategy
<b>OIM</b>	Outward Investment Mission Assistance
<b>OSM</b>	Outward-Selling Mission
<b>PMR</b>	Primary Market Research
<b>PPPFA</b>	Preferential Procurement Policy Framework Act, No. 5 of 2000
<b>RIDS</b>	Regional Industrial Development Strategy
<b>SABC</b>	South African Broadcasting Corporation
<b>SACCOs</b>	Savings and Credit Co-operatives
<b>SACCOL</b>	Savings and Credit Co-operatives League
<b>SAHCA</b>	South African Housing Co-operative Association

<b>samaf</b>	South African Micro-Finance Apex Fund
<b>SARS</b>	South African Revenue Service
<b>SAWCO</b>	Sarmcol Workers Co-operative
<b>Seda</b>	Small Enterprise Development Agency
<b>SETAs</b>	Sector Education and Training Authorities
<b>SEZs</b>	Special Economic Zones
<b>SMMEs</b>	Small Medium and Micro Enterprises
<b>SOEs</b>	State-Owned Enterprises
<b>STP</b>	Seda Technology Programme
<b>SWEEEP</b>	Sector Wide Enterprise, Employment and Equity Programme
<b>TEO</b>	The Enterprise Organisation
<b>the dti</b>	Department of Trade and Industry
<b>TTF</b>	Technology Transfer Fund
<b>TV</b>	Television
<b>UN</b>	United Nations
<b>WEF</b>	Women Entrepreneurs Fund
<b>WES</b>	Women Enterprise Strategy

## EXECUTIVE SUMMARY

In 2001, Cabinet resolved that the mandate for the development and promotion of co-operatives be transferred from the Department of Agriculture to the Department of Trade and Industry (**the dti**), to ensure that co-operatives are given recognition and allowed to flourish in all sectors of the economy. Consequently, **the dti** has continued to play a leadership role in promoting co-operatives and co-ordinating all efforts pertaining to co-operatives development in South Africa. This also applies to the implementation of **the dti** Integrated Strategy on the Development and Promotion of Co-operatives (hereinafter referred to as 'the Strategy'), in relation to all other stakeholders at the national, provincial and local levels.

The Strategy is evidence of government's continued commitment to the promotion of co-operatives over the next ten years, i.e. 2012 – 2022. It sets out an implementation framework for the Co-operatives Development Policy of 2004 and the Co-operatives Act, No. 14 of 2005, as amended. It also ensures that government, through the utilisation of various partnership models, engages in joint initiatives with all relevant stakeholders, in an effort to holistically promote strong, viable, self-reliant, autonomous and self sustaining the co-operatives movement in the country. The strategy targets both existing and emerging co-operatives, covering the following market segments: survivalist, micro and small to medium co-operatives.

The Strategy is the result of an extensive consultation process with all relevant stakeholders, both within and outside of government. The key stakeholders consulted include all spheres of government (i.e. national, provincial and local levels of government); the co-operatives movement, organised labour and international organisations; Non-Governmental Organisations (NGOs); Community-Based Organisations (CBOs), youth organisations, disabled persons and women's rights organisations, local communities; as well as business and National Economic Development and Labour Council (NEDLAC) constituencies. Government and other NEDLAC constituencies also embarked on an international study tour to various countries, the results of which have informed the Strategy. **the dti** Baseline Study of Co-operatives in South Africa was carried out in March 2009, the findings of which have also been incorporated in this Strategy.

The Strategy is aimed at promoting co-operatives, in order to unleash their potential to create and develop income-generating activities and decent, sustainable employment;

reduce poverty, develop human resource capacities and knowledge; strengthen competitiveness and sustainability; increase savings and investment; improve social and economic well-being; and contribute to sustainable human development.

The Strategy begins by outlining the strategic vision, mission, objectives and rationale for the promotion of co-operatives. It further outlines measurable indicators that will be utilised over the forthcoming decade, to measure progress and performance with respect to the implementation of the Strategy and overall development of co-operatives in South Africa.

Section 1 details the lessons learnt and international best practices, as drawn from countries with a record of co-operatives development, which may assist in addressing challenges presently facing co-operatives in the South African context. Social and economic contributions made by co-operatives around the world are also highlighted therein, with the intention of demonstrating the value, strength and relevance of this form of business in contributing towards South Africa's socio-economic development. The countries targeted for this exercise include Canada, Spain, Kenya, Bangladesh, India and Italy, all of which have enjoyed relative success in developing co-operatives as an alternative form of business, through the creation of a favourable legislative environment and provision of appropriate support measures.

Drawing strongly from **the dti** Baseline Study of Co-operatives in South Africa, Section 2 also provides a situational analysis of the dynamics of co-operatives development in South Africa. The research analysis clearly demonstrates that the development of co-operatives was negatively impacted upon by the apartheid regime. During this epoch, huge state subsidies were provided to white agricultural co-operatives, which controlled and dominated the agricultural sector in South Africa, while black-controlled co-operatives were neglected and, in certain cases, suppressed from development. Section 2 further shows that with the withdrawal of government subsidies, most of the agricultural co-operatives have either converted into companies or dissolved altogether.

While recognising the growth of co-operatives in numbers in the post-apartheid era, Section 2 nonetheless also demonstrates that most of the existing and emerging co-operatives remain vulnerable and weak, and face a number of challenges constraining their growth and development, which the Strategy seeks to address. This section also recognises that the Strategy has not been developed in a vacuum, but rather seeks to add value to the existing policy and institutional achievements that have been made to create an enabling environment for the development and growth of co-operatives.



Among others, these achievements involve the adoption of a Co-operative Development Policy, of 2004; the establishment of the Co-operatives Development Unit within **the dti**; transfer of the registration function from the Department of Agriculture to the Companies and Intellectual Property Registration Office (CIPRO) now Companies and Intellectual Property Commission (CIPC); and the promulgation and proclamation of the Co-operatives Act, No. 14 of 2005.

Section 2 further recognises that several government institutions at all levels, developed various support measures, which include, among other aspects, incentives, non-financial and financial support to bolster the development of co-operatives in various sectors of the South Africa economy. As a result, the Strategy will ensure streamlining of these support measures, thus encouraging the elimination of duplication and the closing of existing gaps for support granted to co-operatives.

Section 2 also highlights the fact that the Strategy is an additional policy instrument that is informed, linked and aligned to, as well as based on the following key legislative and several national policy frameworks, which seek to support the promotion and development of co-operatives in South Africa.

Among others, these policy instruments include the National Industrial Policy Framework (NIPF), Industrial Policy Action Plan (IPAP 2), Accelerated and Shared Growth Initiative of South Africa (AsgiSA), Women Empowerment Strategy (WES); Regional Industrial Development Strategy (RIDS), Integrated Strategy on the Promotion of Small, Medium and Micro-sized Enterprises (SMMEs); Broad-Based Black Economic Empowerment (B-BBEE) Strategy, National Youth Economic Strategy, Anti-Poverty Strategy, Micro-Agricultural Finance initiative of South Africa (MAFISA); Black Business Supplier Development Programme (BBSDP) and Export Marketing and Investment Assistance (EMIA).

Section 2 also recognises that, beyond government, extra-parliamentary stakeholders play a meaningful role in the promotion and development of co-operatives in South Africa. These stakeholders include NGOs, CBOs, organised labour, the co-operatives movement, institutions of higher learning (Further Education and Training (FET) institutions, universities, etc.), Sector Education and Training Authorities (Setas), traditional leaders, church organisations, international organisations (e.g. the International Labour Organization (ILO), International Co-operative Alliance (ICA), etc.) and the media, among other role-players. Where these extra-Parliamentary stakeholders are found not to be playing any meaningful role in the promotion of co-operatives, it is

envisaged that the Strategy will encourage, as well as enlist their participation and contribution.

Section 3 identifies five core principles that are integral to the implementation of the Strategy. It also highlights four strategic pillars, which constitute the core component of the Strategy and aim to promote the development of co-operatives, while addressing the identified challenges still confronting existing and emerging co-operatives in South Africa. These challenges include, among others, the lack of critical skills among co-operative members; limited co-operation among co-operatives; limited access to finance and markets by co-operatives; lack of compliance with legislation among co-operatives; and lack of monitoring and evaluation of co-operatives development.

These four strategic pillars entail the provision of strategic support programmes for co-operatives. The first pillar involves increasing the supply of non-financial support services to co-operatives, which will be implemented through the Co-operative Development Agency. The Co-operative Development Agency is one of the institutions that will be established under the Co-operatives Amendment Act, 2012 and operate under the direct supervision of **the dti**.

The second strategic pillar involves creating demand for co-operatives' products and services by their benefiting from opportunities created by existing bilateral agreements; through the ten products for targeted procurement; and ensuring that co-operatives participate in **the dti**'s Export Marketing and Investment Assistance (EMIA) scheme and preferential procurement opportunities arising from B-BBEE legislation and regulations.

The third strategic pillar involves improving the sustainability of co-operatives through the creation of enterprise networks and business infrastructure support. The Enterprise Networks Programme (ENP) aims to promote the vertical and horizontal integration of co-operatives, resulting in the creation of secondary sector co-operatives and shared services that support the growth of primary co-operatives. The ENP will also be implemented through the Co-operative Development Agency and municipalities.

The fourth and last pillar aims at increasing the supply of financial support services to co-operatives. While various support programmes will be utilised to support co-operatives financially, co-operatives will also be encouraged to develop their own financial system, through the formation of co-operative banks, as envisaged in the Co-operative Banks Act, No. 40 of 2007. As per the other pillars, this one will be implemented through the Co-operative Development Agency.

Section 3 outlines cross-cutting support programmes, which include the Co-operatives Promotion and Awareness Programme (CPAP); and the Co-operative Agency, envisaged to provide co-operative education and training, knowledge and assist with the curriculum development and standards on co-operative education and training. Finally, it includes action research, co-ordination, monitoring and evaluation of the Strategy.

In order to translate government's Co-operative Development Policy into practice and ensure its maximum impact on the promotion of co-operatives development, this detailed Strategy is accompanied by a comprehensive implementation framework, aimed at guiding all stakeholders on their prospective roles in giving effect to co-operatives development in South Africa.

Monitoring and evaluation of the Strategy will be carried out at three-, five- and 10-year intervals. This will be done via the generation of statistics by the Office of the Registrar; evaluation by the Inter-departmental and Provincial Co-operative Committees and the Advisory Council.

## REGULATORY FRAMEWORK

The Strategy is governed by national legislation and other regulatory instruments, chief among which are as follows:

- Co-operatives Act (Act No. 14 of 2005);
- **the dti**: A Co-operative Development Policy for South Africa, 2004; and
- The Co-operative Regulations, 2007.

## VISION

The vision of the Strategy remains consistent with that of the Co-operatives Development Policy (2004) and is as follows:

*To move towards a growing, self-sustainable and integrated co-operative sector, supported by all stakeholders, contributing to economic growth, poverty reduction and employment creation, as well as assisting in bringing about economic transformation and an equitable society in South Africa.*

## MISSION

The mission of the Strategy is as follows:

- Strengthen the potential benefits of co-operatives by raising the value and profile of co-operatives in the whole economy and designing support programmes suitable for this end;
- Foster human capital development, with a special focus on co-operative principles, business management and technical skills;
- Foster a culture of co-operation, self-help, self-reliance and solidarity among co-operative beneficiaries and other stakeholders through conducting awareness programmes;
- Work towards self-sustainability of the co-operatives movement in the medium- to long-term, which will be achieved through partnership models, the provision of tailor-made support programmes and by consistently capacitating all stakeholders during the formation years and beyond; and
- Conduct leading-edge research to inform the development, evaluation and monitoring of performance on co-operatives.

## OBJECTIVES

In its Co-operative Development Policy, government acknowledges that a genuine, autonomous and economically-viable co-operatives movement, and its membership, have vast development potential to contribute towards the country's socio-economic challenges. Aligned to this Policy, the Strategy therefore endeavours to pursue the following objectives:

- Grow all forms and types of co-operatives and the co-operatives movement, as well as increase its contribution to the country's GDP growth rate, economic transformation and social impact.
- Promote co-operatives as a vehicle to assist in creating decent employment and reducing poverty through income-generating activities;
- Support co-operatives in developing their human resource capacities; understanding co-operative principles and values through the provision of technical, collective entrepreneurship, management and co-operative education and training;

- Strengthen co-operative sustainability, through the provision of access to information, access to markets, business development support services, business infrastructure and institutional finance;
- Increase savings and investment, through the promotion and support co-operative banks and financial services co-operatives;
- Foster co-operation among co-operatives, through supporting the creation of the vertical structure of co-operatives and conducting awareness campaigns;
- Raise the profile of co-operatives as a dynamic and effective business organisation that can be utilised by individuals and communities to empower and uplift their social and economic well-being through awareness campaigns;
- Raise the profile of co-operatives as an institution that allows the agglomeration of small-scale economic activities (i.e. consumer co-operatives, co-operative banks, etc.) into massive activities, market linkages (i.e. marketing and supply co-operatives), mobilisation of captive markets (i.e. increase membership that uses the service/product of the co-operative), as well as the enabling of vulnerable groups to compete with big market players, via feasibility studies, market research intelligence and awareness campaigns;
- Aggressively promote closed co-operatives, which constantly attract high levels of membership as captive markets, enabling them to be highly sustainable and have huge potential to contribute towards substantial economic and social impact; and
- Promote co-operatives as an effective vehicle that contributes to the development of rural and peri-urban areas of the economy, as well as improve primarily the economic and social well-being of the following targeted groups: black people, women, the youth and people with disabilities.

## **RATIONALE FOR THE DEVELOPMENT OF CO-OPERATIVES**

Government has acknowledged that co-operatives have potential benefits over other types of enterprises, hence the focus on their development, which is shaped and influenced by the following aspects:

- *Economies of scale*: Through the co-operatives, independent entrepreneurs, rural and urban households, as well as workers, can use joint purchasing (bulk-buying) and marketing strength.
- *Economies of scope*: Through shared services, co-operatives and other forms of entities, natural and juristic entrepreneurs and co-operatives, can enjoy the benefits of shared services of labour, and joint production facilities, which

facilitate the division and specialisation, thereby enhancing productivity and sustainability.

- *Increased bargaining power:* The co-operative enterprises combine the supply and demand of goods and services of its members, and thus increase their bargaining power in the market place.
- *Community participation and development:* Co-operatives have the potential to mobilise and develop the entire community, and encourage a culture of saving within communities. Via this method, investment is circulated among the co-operatives and remains within the community. Co-operatives are naturally inclined to promote education and training among their members, as these factors cascade down to the entire community. Social services, which would otherwise not be easily accessible to the community, can also be more easily accessed.
- *Member participation and motivation:* The active participation of members in the management of a co-operative is likely to reduce costs and thus enhance cost-effectiveness.
- *Membership value (as compared to shareholder value):* The overarching objective of any co-operative is to provide services to its members. A co-operative thus aims to preserve their self-employment. The production process in a co-operative is therefore generally more labour-intensive than in other forms of businesses, which tend to be capital-intensive.
- *Representation of interests:* Through the (officially registered) co-operative, members can better defend their interests than if they were acting as individuals, in particular when the co-operative is part of a vertical structure.
- *Stability:* Because of risk-sharing between members, co-operatives are tendentially more stable than individual enterprises.
- *Innovation:* One important reason for members to join a co-operative is to learn from others in order to innovate jointly.
- *Legal protection:* By joining a co-operative, small-scale producers obtain legal protection and limited economic liability.

Specifically, the rationale for the Strategy entails the following:

- To close the existing gap with respect to the promotion and development of co-operatives in South Africa;
- To accelerate the implementation of the National Co-operatives Policy and the Co-operatives Act, as amended;

- To provide and streamline support programmes, and increase capacity for their roll-out; and
- To strengthen the institutional framework for the implementation, co-ordination, monitoring and evaluation of co-operatives development in the country.

## MEASURABLE INDICATORS AND TARGETS

The implementation of the Strategy and progress on the development of co-operatives in South Africa will be monitored and evaluated through the following indicators, delineated by forms, types, sectors and targeted groups, as well as by measuring inputs, outputs and outcomes:

- Growth in their value, number and contribution to South Africa's GDP growth rate (i.e. growth of existing and new entrants in all relevant sectors of the economy and reduction of the mortality rate of co-operatives);
- An increase in the number of jobs created within co-operatives;
- An increase in membership of co-operatives and people using co-operative services and products;
- Improvement of capacity, management and technical skills among the co-operatives, to enhance their sustainability;
- Improvement of co-operatives' compliance with all applicable legislative framework (e.g. co-operative principles and values, member education and participation, and submission of all types of required audits to the Registrar);
- An increase in co-operatives' access to markets, information, business infrastructure, as well as financial and non-financial assistance, to achieve their sustainability;
- An increase in the contribution of co-operatives towards the reduction of poverty;
- An increase in the contribution of co-operatives towards assisting other vulnerable and weak types of businesses to access markets and build economies of scale and scope; and
- An increase and extension of the horizontal (i.e. economic value chain) and vertical (i.e. co-operative networks) structures of co-operatives.

Targets are issues of an operational nature; hence, each of the support programmes cited in the Strategy will have their own internal targets, articulated in their respective business plans, and monitored and reviewed accordingly.



# **SECTION 1: INTERNATIONAL BEST PRACTICE AND EXPERIENCE**

The government, in partnership with various stakeholders, embarked on a comprehensive Baseline Study of Co-operatives in South Africa, which comprises an international benchmarking section and a national survey designed to inform the development of an effective co-operative strategy for South Africa. Among other sources, this comprehensive research drew from local and international lessons and best practices on the promotion of co-operatives development. It further demonstrated how this sector was performing within local and global contexts. The international component of the Study confirmed that co-operatives are indeed playing a meaningful role in the economic and social development of many societies around the world and that this form of business could also benefit South Africa. **the dti** Baseline Study of Co-operatives was also coupled with a study tour to various key strategic countries. This study tour was carried out through NEDLAC and focused on the successful application of co-operatives development policies, which are pertinent to the South African context.

### **1.1. Co-operatives as a Global Driver of Economic Growth and Social Development**

Co-operatives have a long and successful tradition around the world and have proven to be amazingly flexible in meeting a wide variety of social and economic human needs. International experience shows that countries which have achieved economic development also have a vibrant and a dynamic co-operative sector, contributing substantially to the growth of their economies. For example, in Kenya, co-operatives contribute 45% of the Gross Domestic Product (GDP) and 31% of the total national savings and deposits. Co-operatives control 70% of the coffee market, 76% of the dairy market and 95% of the cotton market.<sup>1</sup> In New Zealand, 22% of the country's GDP is generated by co-operative enterprises. In addition, co-operatives are responsible for 95% of the dairy market and 95% of the export dairy market. They hold 70% of the meat market, 50% of the farm supply market, 70% of the fertiliser market, 75% of the wholesale pharmaceuticals and 62% of the grocery market.<sup>2</sup> In Spain, the co-operatives movement produces more than €70 billion in turnover and the majority of these co-operatives are worker co-operatives.<sup>3</sup>

In contrast with other forms of business, co-operatives tend to mobilise and integrate more people and communities into the mainstream economy. According to the International Co-operative Alliance Report, international co-operative movements represent over 800 million members, more than the total population of the entire

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<sup>1</sup> ICA Report, 2006.

<sup>2</sup> *Ibid.*

<sup>3</sup> NEDLAC Study Tour Report, 2004.

European continent.<sup>4</sup> Four out of every ten Canadians are members of at least one co-operative.<sup>5</sup> In Quebec, 70% of the population constitute members of co-operatives, while in Saskatchewan, 56% of the population constitute members.<sup>6</sup> In the US, more than 100 million people or 40% of the population comprise members of co-operatives. In Italy, the number of people employed by co-operatives rose by 60,1% in the 1990s, which is against a general average of 9,1%.<sup>7</sup> In Germany, one out four people is a member of a co-operative, with more than 20 million people being members.<sup>8</sup> In Japan, one out of every three families is a member of a co-operative.<sup>9</sup> In Singapore, 50% of the population constitute members of co-operatives.<sup>10</sup> In Kenya, one in five people is a member of a co-operative and 20 million Kenyans directly or indirectly derive their livelihood from co-operatives.<sup>11</sup> In Malaysia, 24% of the population are members of co-operatives. In Spain, the co-operatives movement represents two million workers and another 10 million people, who derive their livelihoods from co-operatives.<sup>12</sup> In Bangladesh, 45% of residents receive their electricity through service co-operatives.<sup>13</sup>

Co-operatives, as a form of business, tend to contribute enormously to the world's economic growth and development, as compared to other forms of business. For example, the revenue of the world's top 300 co-operatives exceeds US\$1 trillion, equal to the world's tenth-largest economy. Co-operatives cover 25% of the world's market in insurance and supply 33% of the world's dairy products.<sup>14</sup>

Co-operatives have contributed to the world's economic growth, driven not by profit but rather by a desire to bring fairness, equity and justice to the marketplace. Co-operatives help people obtain goods and services that they may not otherwise be able to afford on their own, by pooling together their purchasing power. Co-operatives help build stronger communities. Since most co-operatives are community- and regionally-based, investment in and surplus revenue from the co-operative stays within the local community. Every rand invested in the local co-operative has a significant multiplier effect within the community. As many as 100 million people are employed in co-operatives, while three billion people secure their livelihoods through co-operatives.<sup>15</sup>

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<sup>4</sup> www.ica.coop, April 2008.

<sup>5</sup> www.coopscanada.coop, April 2008.

<sup>6</sup> *Ibid.*

<sup>7</sup> www.ica.coop, April 2008.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> NEDLAC Study Tour Report, 2004.

<sup>13</sup> ILO Report on Social Economy, 2006.

<sup>14</sup> ICA G300 Report, 2006.

<sup>15</sup> ICA Report, 2006.

Internationally, it has also been proven that co-operatives are more stable and durable than private businesses. For example, in Canada, the *Direction des Coopératives*, of the Quebec Ministry of Industry and Commerce, estimates that the survival rate of co-operatives, after a five-year period, with public and private sector support in place, is 64%, compared to 36% for private firms. After 10 years, the survival rate of co-operatives is 46%, compared to 20% for private firms.<sup>16</sup> During economic crises, co-operatives tend to be more resilient than other forms of business.<sup>17</sup>

## 1.2. International Best Practice

International studies reveal that countries which have created an environment conducive to promoting co-operatives, by developing legislative instruments, supportive programmes and delivery institutions, grow rapidly and contribute positively to economic development, employment creation, economic ownership by local communities, and human resource development. Canada, Spain, Kenya, Italy, India and Bangladesh have proven to be successful in the development of co-operatives and best practice were drawn from their experiences to inform the Strategy. The best practices that were drawn from these countries were contextualised to the social and economic realities of South Africa.

### 1.2.1 Canada

The model that Canada has adopted for co-operatives development involves a strong partnership between the state and the co-operatives movement. The state provides a highly-enabling environment for vibrant co-operatives to operate, through a legislative framework that promotes strict adherence to international co-operative principles. This has proven to be highly effective and a favourable tax regime for co-operatives. The legislative framework covers federal and provincial levels, with alignment to federal and provincial programmes, and the effective co-ordination thereof. Co-ordination is managed via the Co-operative Secretariat – an intergovernmental forum for all departments that have legislation, policies and strategies for co-operatives.

The Canadian model targets the entire value chain of co-operatives, including credit unions (over US\$200 billion in assets; agricultural (\$9,6 billion turnover in 2003), consumer (\$7,3 billion in assets), housing co-operatives (\$5,7 billion in assets), insurance (over \$16 billion in assets), and worker co-operatives (\$343 million in assets).<sup>18</sup> While all the sectors are performing well, on average, the most successful co-

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<sup>16</sup> Centre for the Study of Co-operatives, University of Saskatchewan.

<sup>17</sup> Resilience of the Co-operative Business Model in Times of Crisis, ILO, 2009.

<sup>18</sup> [www.usaskstudies.coop](http://www.usaskstudies.coop), March 2008.

operative sector is that of the credit union. The least-performing is that of the worker sector. The sectors were established via initial government support and are now totally self-reliant, except for the housing and the worker sectors. In the housing sector, government still subsidises levies for low-income families and in the worker sector, the government partners with the co-operatives movement to provide funding for the establishment of new worker co-operatives and expansion of existing ones. Success factors in this regard include the following:

- Effective co-ordination among government departments;
- Strong partnership with the co-operatives movement;
- Formation of secondary co-operatives for each sector, to drive their development;
- Formation of co-operative study centres at universities, to provide education and training; and
- Conduct research and perform comparative studies on co-operatives.

## 1.2.2 Spain

The model that Spain has adopted for promoting co-operatives is one in which the state leads. Under the Spanish Constitution, the government is obliged to promote co-operatives. The lead department for co-operative development in the Spanish government is the Department of Labour. The Department works with other entities, under the auspices of a Co-operatives Advisory Council. This comprises the Presidency, representatives of the autonomous regions, co-operative associations, and the Departments of Economics, Finance, Education, Agriculture, Housing and Transport.

The Co-operative Apex Organisation represents the entire co-operatives movement in Spain, comprising 23 organisations, and representing 47 000 co-operatives and other associations. The Organisation represents two million workers and a further 10 million, who are involved in the social economy movement.<sup>19</sup> The primary role of the Apex Organisation is to lobby government on policy issues, while it also receives subsidies from government on a cost-sharing basis.<sup>20</sup> Co-operatives have emerged in the consumer, credit, transport, education, production (worker) and agriculture sectors. The most successful co-operative sector is that of the worker co-operatives, due to the fact

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<sup>19</sup> NEDLAC Study Tour Report, 2004.

<sup>20</sup> *Ibid.*

that the Spanish government has deliberately focused on growing worker co-operatives as a means of creating employment. Partial grants have been introduced to help the unemployed form co-operatives. The youth, women, disabled persons, immigrants and select minority groups receive larger grants.<sup>21</sup> If a person is retrenched, and elects to join a co-operative, the government pays his/her unemployment insurance in one lump sum, which can then be invested in the co-operative. This encourages people to form co-operatives rather than rely on state grants.<sup>22</sup>

State assistance to co-operatives also aims to ensure that these entities are properly managed, so as to improve their prospects for success in the long-term. The government subsidises the salaries of the chief executive officers of co-operatives by up to €20 000 a year.<sup>23</sup>

The tax regime in Spain encourages people to form co-operatives rather than private companies. All forms and types of co-operatives enjoy a complete tax holiday from corporate tax for the first 10 years, after which they are taxed at 10%, provided they invest 10% of their surplus in education, 20% in research or investment, and that worker-owners of these co-operatives constitute 80% of all employees.

The University of Valencia manages a research centre and interdisciplinary division, which is a national school of excellence that studies and teaches courses on Spanish co-operatives. Academics at the University also consult with co-operatives to address any particular challenges they may face.

Key success factors include effective co-ordination among government and the co-operatives movement; government support, financially and non-financially, for co-operatives; and the provision of education and training to co-operatives.

### 1.2.3 Italy

The Italian co-operatives movement is among the most successful in the world and provides good practice for closer scrutiny and examination of this sector. The co-operatives movement in Italy began in 1854, with the formation of mutual/benevolent societies. Originally, rural credit unions, dairy- and wine-producing co-operatives and consumer co-operatives, were the most prevalent but the movement quickly spread to all sectors. Article 45 of the Italian Constitution (1947), which entrenches the promotion of

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<sup>21</sup> *Ibid.*

<sup>22</sup> NEDLAC Study Tour Report, 2004.

<sup>23</sup> *Ibid.*

co-operatives in Italian society, provides the basis for legislation enabling co-operative enterprise development.

The Department of Labour is responsible for the promotion of co-operatives and implementation of related legislation. More recently, co-operative legislation has been enacted in some Italian provinces.

The co-operative legislation provides for the creation of appropriate reserves, and helps to generate solidarity funds within co-operatives. The legislation clearly spells out how surpluses can be divided, and how members can finance their co-operatives. With regard to the creation of appropriate reserves, the legislation provides the following:

- Seventy percent (70%) must be common or indivisible reserves; and
- Thirty percent (30%) can be distributed to divisible reserves, part of which can be allocated to member share capital (and, in the case of worker co-operatives, salary increases).

These reserves are exempt from taxation. Such support measures are said to be the secret of the success and growth of the co-operatives movement in Italy. With regard to *solidarity funds*, the following is provided under Italian legislation: it is compulsory for each co-operative to contribute at least 3% of its surplus to a national mutual/solidarity fund, which is established by the national apex organisation, Legae Co-op.

Legae Co-op has established *Co-op Fond*, which finances the start-up, capacity-building and expansion of co-operatives.

The Department of Labour, responsible for co-operatives development in Italy, has also established an additional solidarity fund, created through special legislation called the Marcori Law, which aims to save jobs in enterprises employing more than 200 workers. The fund has been extremely successful in converting existing private enterprises facing financial difficulty into workers' co-operatives. Significant measures have been adopted for the oversight of co-operatives, on terms appropriate to their nature and functions, which respect their autonomy, and are in accordance with national law and practice.

The Italian co-operative legislation encourages members of consumer co-operatives to loan to their co-operatives. This is at the heart of the success of consumer co-operatives in Italy. It specifically prescribes both the minimum and maximum amount that each member can lend to the co-operative, at an average interest, which can be increased by 1,5% above the commercial rate. However, the total loan amount cannot exceed the assets of the co-operative that is applying for a loan. All these provisions are written into the constitution of each co-operative. Recently, new provisions have been debated for non-members to also provide money to the consumer co-operatives, and still have one vote. Consumer co-operatives can also issue co-operative bonds.

In Italy, the *social co-operatives* (which are worker co-operatives in the social services sector) provide services from which the government has withdrawn, or in which private companies are incapable of investing. The promotion of social co-operatives is also enforced by legislation. Special legislation promulgated in 1991 provides for two types of 'social co-operatives': Types A and B. The former type provides services to individuals, and the latter, to institutions (the handicapped, elderly, children, the sick and so on). Legislation prescribes that at least 40% of social co-operative' employees must be from vulnerable groups – for example, people with substance abuse problems, the disabled, non-European Union (EU) citizens, etc.; and that all public contracts must be given to social co-operatives, without the need to tender. These provisions have led to massive growth of social co-operatives that have achieved a membership of more than 250 000 in recent years. Social co-operatives in Italy have contributed revenue of more than €3 billion.

During the economic crisis of the 1970s, co-operatives in Italy gained in popularity because they were often the sources of steady employment. They continue to provide the bulk of the country's social services and contribute hugely to economic development.



#### 1.2.4 India

The Indian co-operatives movement, to date, has become one of the largest in the world. Sixty-seven percent (67%) of households and 99% of rural communities are involved, in one way or another, in the co-operative sector.

This success can be attributed to a series of legislative instruments on co-operatives, based on the Western model, which dates back to 1904, when a commitment to develop co-operatives began in that country. In 1904, the Co-operative Societies Act was, for the first time, introduced to enable socio-economic transformation, particularly in underdeveloped rural areas, where subsistence farmers were at the mercy of unscrupulous moneylenders – their only source of credit. In 1912, the law was amended to include all types of co-operatives across the country – a change which empowered co-operatives to implement their own laws. At the time of independence in 1947, the government considered co-operatives to be integral to poverty alleviation and the economic growth of the country, and co-operatives continue to play an important role in development in rural India. The applicable law currently is the Multi-State Co-operatives Societies Act of 2002, which governs the movement.

The National Co-operative Union of India is the apex body that promotes co-operatives nationally and provides education and training to boost the industry. The state provides support through tax benefits and financing schemes, and an increasingly decentralised state system has promoted development initiatives at regional level. NGOs are providers of assistance, particularly in rural areas of the country.

### 1.2.5 Kenya

The model that Kenya has adopted in co-operative development is one in which the government not only leads, but also makes concerted efforts to foster strong partnerships with the co-operatives movement. The commitment by government to co-operative development is evident in that there is a special Ministry of Co-operatives and Marketing, which deals specifically with issues of co-operatives in Kenya. The government provides an enabling environment through a legislative framework, co-operatives policy and strategy. The legislation is implemented at all levels, including national, district and local levels.<sup>24</sup> In Kenya, there is an understanding that local authorities and chiefs are public servants who promote all matters of governance, including co-operatives.

The government is committed to zero-tolerance to corruption and unethical behaviour in the management and operation of co-operatives. Operational guidelines on ethics and integrity, including the Code of Conduct and Ethics for Co-operative Societies, were formulated. In order to strengthen this position, the Ethics Commission for Co-operative Societies has been established to oversee and ensure effective adherence to the Code. Whereas co-operative societies are expected to make provisions for the settlement of disputes in their by-laws, the government has established a Co-operative Tribunal to arbitrate such disputes when the internal mechanism fails.<sup>25</sup>

As previously highlighted, the co-operatives movement, which enjoys a long history in the country, has worked in partnership with the government to support the development of co-operatives. In this regard, the movement plays a role of policy advocacy and lobbying. It also assists small rural producers to access inputs and markets, and provides financial assistance to co-operatives, through the Savings and Credit Co-operatives (SACCOs) and the Co-operative Bank, which are wholly-owned by the movement. The Co-operative Bank was initially established by government, while the SACCOs was still under development. Gradually, it has moved into complete autonomy, where the SACCOs completely owns it.

Although government policy targets all co-operative sectors and types of co-operatives, emphasis has been given to agricultural co-operatives and the SACCOs.

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<sup>24</sup> NEDLAC Study Tour Report, 2004.

<sup>25</sup> Kenya Ministry of Co-operatives, Co-operatives Policy, 2004.

As a result, co-operatives have emerged in all sectors of the economy, including the finance, agriculture, livestock, housing, transport, construction, and manufacturing and consumer sectors. The most successful co-operative sectors are agriculture and finance.

A special college for training members of co-operatives (the Co-operative College) was started in 1952.<sup>26</sup> The Co-operative College offers training on co-operative principles and values, technical and management training. The College also develops curricula for co-operatives and sets standards for co-operative education in Kenya. The Co-operative College works closely with other independent service providers who are expected to adhere to these set standards. It is moving towards complete autonomy, but is presently subsidised and part-owned by the government.

Key success factors include an enabling legislative environment; an independent Ministry that drives the promotion of co-operatives with a substantial budget; strong partnerships between government and the co-operatives movement; provision of education and training for members through the Co-operatives College; provision of financial support for co-operatives through SACCOs and the national Co-operatives Bank of Kenya; conflict resolution system; and decentralised implementation.

### 1.2.6 Bangladesh

The Bangladesh government has adopted a model in which co-operatives development is led by the state and forms an integral part of rural development and poverty alleviation.

In the 1970s, Bangladesh co-operatives faced many challenges similar to those currently faced by South African co-operatives. These include the following:

- lack of managerial capabilities;
- lack of education among co-operative members;
- lack of access to capital;
- presence of some 'living-dead' co-operatives;
- failure to repay loans by members of credit unions; and

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<sup>26</sup> Kenya Ministry of Co-operatives, 2006.

- lack of co-operative-related knowledge among co-operative members and the communities in general.<sup>27</sup>

The Bangladesh government responded to the crisis by instituting the following measures, which yielded to an increase in the number of co-operatives from around 5 000 to 145 000 of different sizes, values and comprising various sectors, as follows:<sup>28</sup>

- Amending the Constitution of Bangladesh to include co-operatives development and support as an obligation of government.
- Establishing a fully-fledged Department of Co-operatives, within the Ministry of Local Government, Rural Development and Co-operatives. The Department of Co-operatives employs more than 4 000 civil servants in various provinces and districts and is responsible for the overall function of co-operative registration and development. Responsibilities in this respect include the mobilisation of communities to form co-operatives through awareness campaigns; registration of co-operatives; development of appropriate legislation and policy for co-operatives; conducting research; developing information management systems; designing training programme for co-operatives; fostering co-operation among co-operatives and building the co-operatives movement, which is still young and weak; settling disputes among co-operative members; auditing the accounts of co-operative members; and providing facilities for entrepreneurship development, promotion of co-operative business activities, management skills development and extension of technical assistance. This is indicative of the 'one-stop shop' model adopted by Bangladesh to support co-operatives.
- Establishment of a national Co-operative College, with Zonal Training Institutes in each province.
- Providing financial assistance, through the establishment of village banks, which are affiliated to the apex Co-operatives Bank. The Bangladesh Central Bank provides whole-sale loans to the apex Co-operative Bank, which are guaranteed by government. The apex Co-operative Bank then provides retail loans to member village banks.

Co-operatives in Bangladesh have emerged in the agricultural, fishing, arts and culture, and service sectors; as well as the housing sector and credit unions. The

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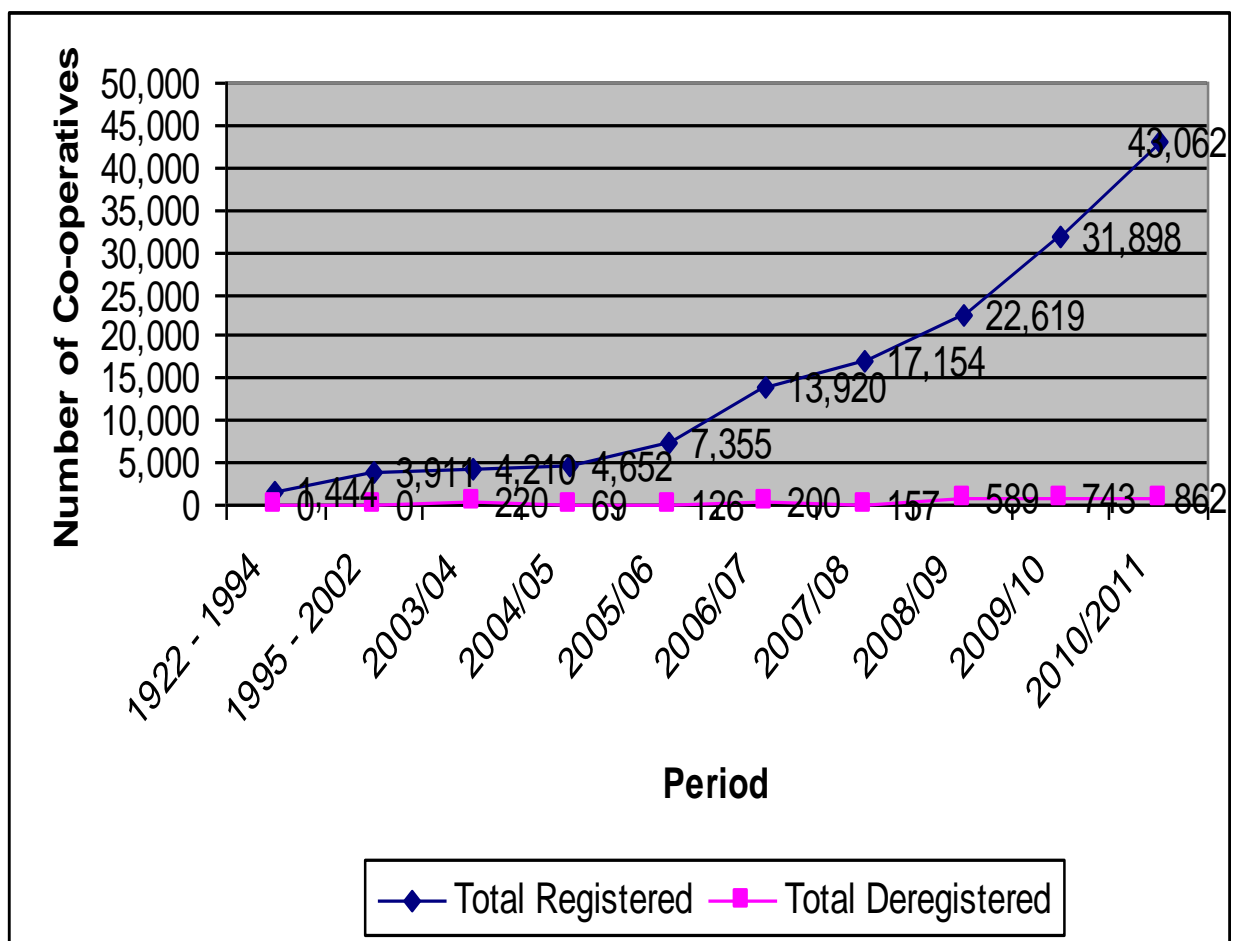
<sup>27</sup> www.coop.gov.bd, March 2008.

<sup>28</sup> Ministry of Local Govt., Rural Development and Co-operatives; Department of Co-operatives in Bangladesh.

most successful co-operatives are credit unions with billions of dollars in assets. Service co-operatives in Bangladesh have assisted in excess of 25 million (about 45% of the population) residents with access to electricity.

Key success factors include the establishment of a fully-fledged and fully-capacitated Department of Co-operatives; provision of education and training to co-operative members through the Co-operative College; and provision of financial assistance through the Co-operative Bank.

**Figure 1: Trends in Co-operative Registrations and De-registrations**



Source: Registrar of Co-operatives, *Statistics of Co-operatives in South Africa, 1922 – 2012*.

## **SECTION 2: SITUATIONAL ANALYSIS OF CO-OPERATIVES IN SOUTH AFRICA**

## 2.1 The Co-operative Sector: 1922 – 1994 (Historical Context)

The co-operative sector is a well-established economic vehicle in South Africa which dates back to the early 20<sup>th</sup> century. The entire legislative framework and the co-operatives that emerged during that period were not in strict adherence to the international co-operative principles. For instance, the 1922, 1937 and 1981 Co-operative legislation did not articulate, nor encourage co-operatives to adhere to the seven international co-operative principles.

The co-operative sector started with the establishment of the predominantly white agricultural co-operatives, aimed at developing and building the white farming community. These co-operatives eventually developed into powerful business ventures, which controlled agricultural production, marketing and processing in rural areas.

These co-operatives succeeded only through massive government support in the following forms:

- The Land Bank was established in 1912 to provide these co-operatives with access to finance.
- Other legislation enacted in support of co-operatives includes the 1912 Land Settlement Act; 1913 and 1936 Land Acts; Co-operatives Societies Acts of 1922 and 1939; and the Natives Administration Act of 1936.
- Marketing Boards were established through the promulgation of the 1937 Agricultural Marketing Act. The Boards were tasked with fixing the prices of agricultural commodities; and acted as secondary co-operatives that purchase produce from co-operatives and market it locally and internationally.
- The state also provided subsidies and tax exemptions to these agricultural co-operatives.

Black-owned agricultural co-operatives were promoted by the then government in the 1970s and 1980s as part of the apartheid economic grand-plans for the 'homelands'. However, they did not enjoy the type of state support provided to white agricultural co-operatives and remained weak and underdeveloped, with most eventually collapsing. The 1981 Co-operatives Act further promoted the registration of agricultural co-operatives, even those owned by black people.

Consumer co-operatives emerged during the 1940s and were largely associated with the *Economiese Volkongress* of Afrikaner nationalist movement, which sought to improve the purchasing power of Afrikaner consumers. However, consumer co-operatives were not as successful as agricultural ones. The number of small traders began to dwindle, as consolidation and market power of big chain stores increased.<sup>29</sup>

While it was a deliberate policy of apartheid to deny black people access to enter the retail trade (by confining them in the townships and 'homeland' areas), black communities have attempted to construct consumer-type co-operatives such as buying clubs, through a *stokvel* system (mutual savings and credit schemes and burial societies), which enable communities to buy goods in bulk and at wholesale prices; and arrange decent funerals for their loved ones. Despite the disruptive approach of the apartheid policies, there are at least 800 000 active *stokvels* in South Africa, with a total membership of approximately 10 million people, representing a formidable economic force. The record of these has itself been mixed; some collapsed due to conflict and fraud; however, many survived as models of communal trust, discipline and support, although still informal.<sup>30</sup>

In the 1980s, the Catholic Church played a critical role in the establishment of the Cape Credit Union League (CCUL), which became the first Savings and Credit Co-operative League (SACCOL) in South Africa. In 1993, the SACCOL was established. In 1994, the first village Financial Services Co-operative (FSC) was established in the North West province, through the initiative of the International Fund for Agricultural Development (IFAD) and the African Rural and Agricultural Credit Association (AFRA-CA).<sup>31</sup> Many of these FSCs have since collapsed due to conflict among members, corruption and maladministration. Lack of adherence to co-operative principles also aggravated the situation of these village banks.

During the 1980s, co-operatives began to be recognised by civil society as a tool for alleviating economic and social deprivation among the very poor in South Africa. For example, trade unions started developing co-operatives as a vehicle to address retrenched and redundant workers' economic needs. The Union of Metal Workers of South Africa (NUMSA) established the Sarmcol Workers Co-operative (SAWCO), which

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<sup>29</sup> the dti Co-operatives Training Manual, 2004.

<sup>30</sup> Stokvel Association of South Africa, 2006.

<sup>31</sup> the dti Co-operatives Training Manual, 2004.



later collapsed due to lack of knowledge on co-operative governance and management. Emulating NUMSA, the National Union of Mineworkers (NUM) also tried to establish co-operatives in the late 1980s to address the unemployment of mine workers, but unfortunately this ended in failure. Churches and community organisations also provided funding independently, for worker co-operatives in response to retrenchments and unemployment during the same period.<sup>32</sup>

According to the Registrar, during the decades 1922 to 1994, 1 444 co-operatives were registered under the 1922, 1936 and 1981 Co-operatives Acts. Approximately 70% of these were in the agricultural sector, 20% in the consumer sector and 10% in the financial services sector. Worker co-operatives were still negligible.<sup>33</sup>

## 2.2 The Co-operative Sector: 1995 – 2004 (Historical Context)

The period 1995 to 2000 saw the lobbying of government by various role-players in the socio-economic sector, urging government to develop legislation and support measures for all types of co-operatives. It was during this period that the National Co-operatives Association of South Africa (NCASA) was formed and communities gradually became aware of the concept of self-help and self-reliance, using co-operatives as a vehicle to empower themselves. Consequently, in 2001, Cabinet resolved that the mandate for co-operatives development be moved from the Department of Agriculture to **the dti**.

South Africa was a signatory to the International Labour Organisation (ILO) Recommendation 193 of 2002 for the Promotion of Co-operatives. The Growth and Development Summit Agreement of 2003 prioritised co-operatives development as one of the drivers of economic development in the country. Consequently, this prompted **the dti** to elevate the Co-operative Development Programme as one of its flagship projects in 2004. One of the clauses in that agreement is that a fully-fledged Co-operatives Unit be established within **the dti**, which was implemented between 2004 and 2006. Similarly, the Registrar of Co-operatives was also transferred from the Department of Agriculture to CIPC, located within **the dti**. In 2004, the first Co-operatives Policy, covering all types and sectors of co-operatives, was developed. Beyond the traditional agricultural sector, black-owned co-operatives began establishing themselves in different sectors of the

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<sup>32</sup> **the dti** Co-operatives Training Manual, 2004.

<sup>33</sup> The Registrar of Co-operatives List, 2007.

economy, such as manufacturing, construction, transport, housing, services and Information Technology (IT).

During this period, 2 766 new co-operatives were registered, representing a 66% growth rate in numbers, bringing the total from 1 444 to 4 210. The growth rate took place in the face of a simultaneous decline of 220 co-operatives, thus reducing the total from 4 210 to a net figure of 3 990 co-operatives, being active in the register. This decline primarily took place in the agricultural and financial sectors, which were dominant at the time. Reasons for this decline, among others, included merging, consolidation, dissolution and convergence into private firms. Most co-operatives converge in order to secure external finance by diluting ownership capital through attracting external shareholding. This has also been facilitated by the disappearance of state support in the form of subsidies and tax exemptions.

## **2.3 The Co-operative Sector: 2005 – 2009 (Current Situation)**

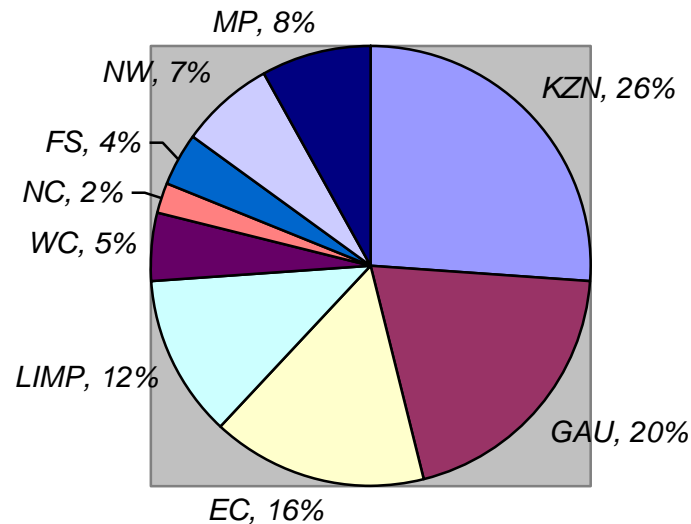
### **2.3.1 Registration Trends**

The promulgation of the new Co-operatives Act, No. 14 of 2005, facilitated a boom in the registration of new co-operatives never seen before in South Africa. According to the CIPC register, 19 550 new co-operatives were registered from 2005 to 2009 in various sectors, representing a growth rate of 86%. Within a period of four years, the number of new co-operative registrants has almost quadrupled the number of co-operatives that were registered over the previous 82 years (1922 – 2004). The majority of these new co-operatives are black woman-owned. Youth-owned co-operatives have also begun to emerge. However, most of these new entrants remain vulnerable and very weak and require high and sustained levels of support.

The main reason that can be attributed to this boom is that of an enabling environment through legislation, support measures and procurement from all spheres of government. Unlike the previous legislation, this new legislation promotes co-operatives across all sectors of the economy. For the first time, co-operatives in other sectors like arts and craft, mining, construction, manufacturing and services. Support for co-operatives also became available from most enterprise development agencies, albeit at a lower base.

### 2.3.2 Provincial Spread

Figure 2: Overall Provincial Picture of Co-operatives



Source: CIPC Register 1922 – 2011.

The total number of co-operatives, as at 31 March 2009, was 43 062, spread provincially, as indicated in Figure 2. The majority of these co-operatives were registered in KwaZulu-Natal (KZN), 26%; followed by the Gauteng, 20%; Eastern Cape, 16%; Limpopo, 12%; Mpumalanga, 8%; North West, 7%; Western Cape, 5%; Free State, 4% and the Northern Cape, 2%. This could be attributed to, among other dynamics, the availability of support measures, as well as procurement opportunities for co-operatives in the leading provinces. KZN has managed to achieve high levels of performance in terms of new co-operative entrants and demonstrates best practice on how to successfully increase the number of co-operatives within the country. This best practice requires closer examination, in terms of emulating lessons throughout the country.

In KZN, there is a strong political commitment from the provincial leadership to effectively promote co-operatives. Institutionally, the province has created a highly resourced Chief Directorate dedicated to focus on the promotion of co-operatives. Secondly, each district in the province has a well-resourced office geared for the promotion of co-operatives. Huge investment (R160 million per annum) has been dedicated to co-operatives development alone. Approximately 60% of this amount is dedicated to non-financial

support, reflecting a high emphasis on non-financial support as a necessary requirement for the success and sustainability of co-operatives. This non-financial support is provided from the pre-incorporation level until post-funding (after-care), and is a compulsory requirement for financial support provided through a strong partnership with all Further Education and Training (FET) Colleges in the province.

To ensure access to markets, there is a strong emphasis on procurement opportunities for co-operatives across provincial departments. Local government has also been brought in to provide business infrastructure support (i.e. hubs and incubators), but this is still at an infancy stage.

While the KZN model has proven to be successful in terms of new entrants, nevertheless, there are some challenges that confront this model. These challenges, among others, include poor debt repayment rates from co-operatives to Ithala Bank, which are threatening to undermine the loan book; conflict among members of co-operatives, threatening to undermine the sustainability of co-operatives in the province; lack of procurement opportunities from local government for co-operatives; lack of compliance by co-operatives with the Co-operatives Act; and hostility from mainstream business, in the form of overpricing of raw material and denial of access to markets for co-operatives. This also calls for the model to be further refined, but nonetheless, some valuable lessons can be drawn from it.

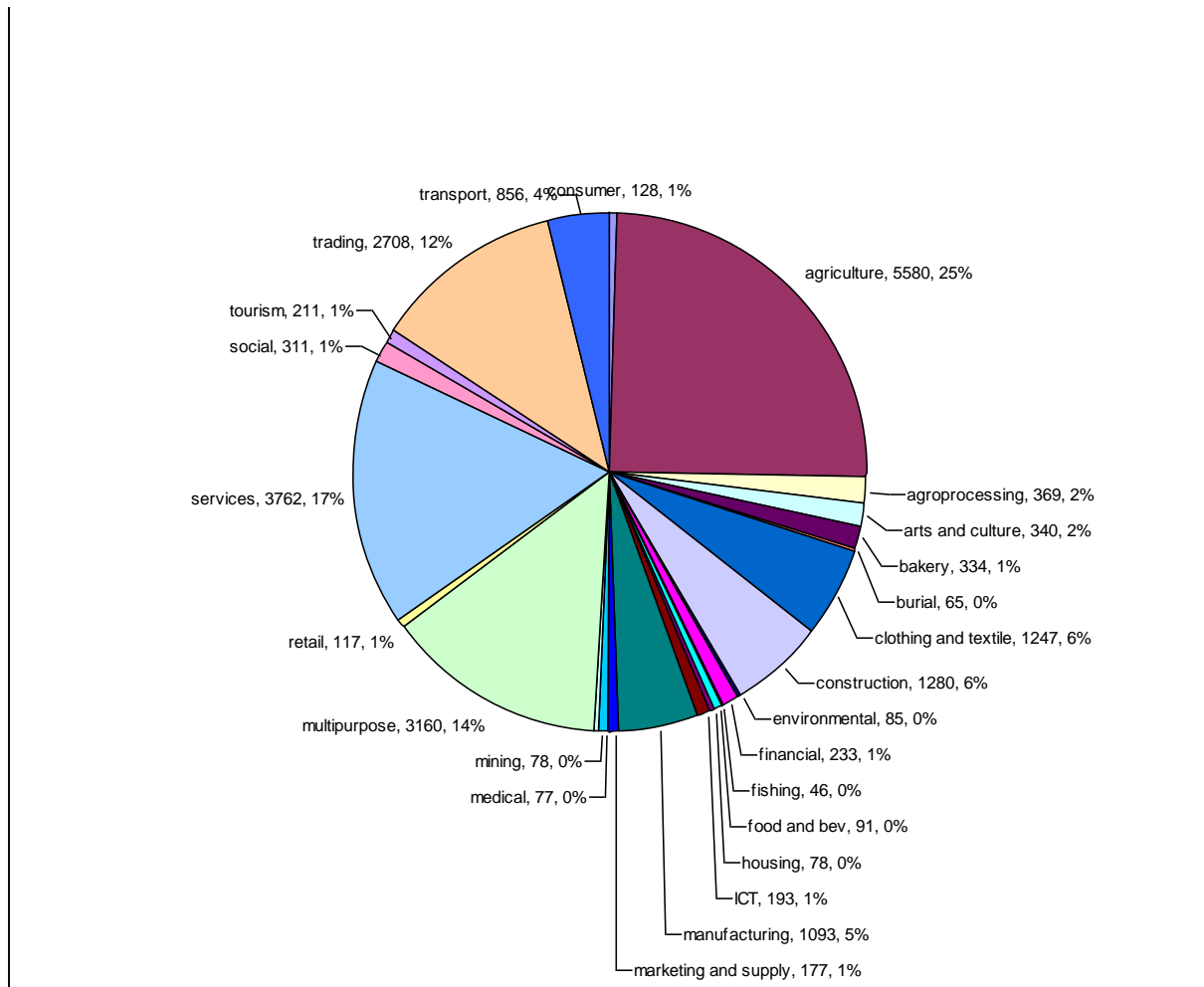
### **2.3.3 Sector Spread**

As indicated in Figure 3, the agricultural sector, which constitutes 25% of registered co-operatives, is still dominant. Factors contributing to this reality include the fact that there is still a strong association of co-operatives within the agricultural sector and, that in most rural economies, the only opportunities available are in the this sector.

While this remains the case, trends point to the fact that there are new sectors emerging and strongly challenging the agricultural sector. These include the services sector, which stands at 17%, followed by the multipurpose sector, which constitutes 14% of registered co-operatives. The growth of these two sectors can be attributed to the fact that the new legislation has allowed for the registration of co-operatives in all sectors of the economy. Secondly, this growth is being influenced by government procurement opportunities.

There are many other sectors that are emerging with the new wave of co-operatives, including trading (which entails the buying and selling of goods and equipment); manufacturing; mining; construction; social; fishing; bakeries; arts and culture; medical; mining; environmental; financial; consumer; housing; tourism; transport; agro-processing; clothing and textiles; marketing and supply; retail, and food and beverages.

**Figure 3: Overall Sector Spread of Registered Co-operatives**



Source: Registrar of Co-operatives, *Statistics of Co-operatives in South Africa, 1922 – 2009*.

## 2.3.4 Survival and Mortality Rates of Co-operatives

### 2.3.4.1 Survival and Mortality Rates of Co-operatives, per Province

**Table 1: Comparative Analysis of Registered Co-operatives in CIPC and the dti Baseline Study (Mortality and Survival Rate)**

	Number of Registered Co-operatives	Number of Surviving Co-operatives	Number of Dead Co-operatives	Survival Rate	Mortality Rate
	<b>2009 Data from the CIPC Register</b>				
	22 619	2 644	19 975	12%	
	<b>National Picture</b>				
	<b>Provincial Breakdown</b>				
KwaZulu-Natal	8 697	1 044	7 653	12%	88%
Eastern Cape		287	3 957	7%	93%
Western Cape		69	934	7%	93%
Northern Cape	798	20	778	2,5%	97,5%
Limpopo	1 879	405	1 474	22%	78%
Mpumalanga	1 496	187	1 309	12,5%	87,5%
Gauteng	2 365	394	1 971	17%	83%
Free State	900	71	829	8%	92%
North West	1 257	167	1 090	13%	87%

Sources: CIPC Current Register and the dti Baseline Study.

While the registration rate of co-operatives is very impressive, the survival rate of these entities is not, indicating that mortality rates are unacceptably high. The Registrar indicated that out of a total of 22 619 registered co-operatives in 2009, the number of active co-operatives in the register were only 22 030. In this regard, the Registrar noted that during this period, 1 141 co-operatives were deregistered. Among other contributing factors, this was mainly due to their conversion to other forms of enterprises, demutualisation and conglomeration. In addition, the Registrar noted that the biggest decline, in the vicinity of 589 co-operatives, occurred during the 2008/09 financial year only, thus representing a 52% decline of the aforesaid total of 1 141. This 52% decline can be attributed to the global economic crisis, which saw South Africa experiencing recession for the first time in the post-apartheid era.

While the Registrar points out that there were 22 030 active co-operatives in the register in 2009, **the dti** Baseline Study indicates that only 2 644 of the 22 030 could be confirmed to be operational, representing a mere 12% survival rate, indicating a mortality rate of 88%, which constitute 19 386 co-operatives that were not operational in the economy. However, **the dti** Baseline Study is not conclusive, due to the inadequacy of data, as well as the difficulty of locating some of the co-operatives, which do not comply with the provisions of the Act of submitting the financial statements and/or change of contact details.

This low survival rate can be attributed to several factors, including the fact that there is not a dedicated agency designed primarily to support co-operatives on a focused basis, thus resulting in untargeted and unco-ordinated support, characterised by poor mentorship; minimum investment dedicated to co-operatives; and a sense of neglect among all spheres of government and their respective enterprise development agencies. On the other hand, co-operatives themselves have not been formed on a genuine basis. They tend to be established for the purpose of accessing free money (Co-operative Incentive Scheme (CIS) grant), instead of genuinely building a co-operatives movement. Testimony to this is an ongoing conflict among co-operative members over issues of money and the usage and ownership of assets, coupled with poor management and lack of co-operation.

The provincial breakdown points to the fact that provinces affected by the highest mortality rate are those largely in rural areas. These include the Northern Cape, with a 97,5% mortality rate; followed by the Eastern Cape, with 93%; and the Free State, with 92%. The exceptional case is the Western Cape, with a 93% mortality rate. When contrasted with the four noted provinces, the remaining provinces tend to fair better.

However, they are also registering high levels of mortality rates, ranging from 88%, to 78% being the lowest. Even the developed provinces, such as Gauteng, KZN and the Western Cape, do not fare well when it comes to co-operatives, pointing to the need for sharper policy interventions to turn the picture around.

### 2.3.4.2 Survival and Mortality Rates of Co-operatives, per Sector

**Table 2: Sector Analysis of Co-operatives**

Type of Co-ops	CIPC 2009 Data	the dti Baseline Study	Survival Rate(%)	No. of Dead Co-operatives	Mortality Rate (%)
Food and Agriculture	6 086	671	11%	5 415	89%
Services	4 209	357	8,5%	3 852	91,5%
Textiles	1 247	272	22%	975	78%
Multipurpose	3 160	187	6%	2 973	94%
Construction	1 280	202	16%	1 078	84%
Manufacturing	1 093	137	12,5%	956	87,5%
Arts and crafts	340	103	30%	237	70%
Social	311	90	29%	221	71%
Other	328	89	27%	239	73%
Home Industry (Baking)	334	83	25%	251	75%
Transport	856	50	6%	806	94%
Trading	2 708	47	1,8%	2 661	98,2%
Financial/Credit Services	233	36	15%	197	85%
Housing	78	25	32%	53	68%
Burial	65	19	29%	46	71%
Mining	78	12	15%	66	85%
Consumer	128	11	9%	117	91%
Recycling and Waste Management	85	7	8%	78	92%

Source: CIPC Register: 1922 – 2009 and the dti Baseline Study.

Research demonstrates that all sectors are affected by high mortality rates, indicating that there is a need for very strong sector-based interventions. This can be attributed to the fact that strong support networks among co-operatives, covering the entire value chain from primary to consumer, do not exist, due to the poor and disorganised co-operatives movement. The sectors that fare badly include trading, with a 98,2% mortality



rate; multipurpose and transport, both with a mortality rate of 94%; and services, with a mortality rate of 91,5%.

## 2.4 Legislative Compliance and Value of Co-operatives in the Economy

According to the CIPC register, the number of co-operatives that complied with the financial reporting requirements specified in the Co-operatives Act of 1981 and 2005, stood at less than 200 since 2002, which dropped sharply in 2005 to less than 100, and increased to 154 in 2006 and 185 in 2007 after which it decreased again to just more than 100 in 2010. The highest level stood at 185 in 2007, as indicated in Table 3.

**Table 3: Compliance Trends of Co-operatives in Different Sectors (2002 – 2010)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Farming	5	9	3	5	12	12	10	13	12
Farming Requisites	4	4	9	6	9	13	9	9	7
Fruit and Vegetables	11	12	21	9	11	11	3	6	6
General Products	6	6	10	5	5	8	3	1	8
Grain and Oil Seeds	7	5	7	7	5	5	4	4	5
Meat	9	10	11	8	6	3	3	2	6
Timber	5	6	5	4	2	3	3	2	0
Tobacco	3	3	0	0	1	1	0	0	0
Wine	32	29	46	0	29	28	19	15	13
Buying Aid	3	3	3	3	3	3	2	3	3
Financial	3	4	8	5	3	7	7	9	10
Fishing	2	1	13	0	2	1	1	0	0
Multi-purpose	7	7	0	0	0	7	0	0	0
Home Industry	56	54	0	0	30	29	21	15	11
Medical	3	1	0	0	0	1	0	0	0
Mutual Benefits	9	10	18	0	30	44	31	39	21
Shops	6	6	6	0	3	6	0	0	0
Insurance	0	0	3	0	3	3	2	2	0
<b>TOTAL</b>	<b>171</b>	<b>170</b>	<b>163</b>	<b>78</b>	<b>154</b>	<b>185</b>	<b>118</b>	<b>120</b>	<b>102</b>

Source: Registrar of Co-operatives, CIPC, 2010.

According to **the dti** Baseline Study, these co-operatives made the following contribution to the GDP, as indicated in Table 4:

**Table 4: Contribution to GDP**

	2003	2004	2005	2006	2007
No. of Co-ops	212	297	137	136	100
Millions in Value	000'	000'	000'	000'	000'
Food, Beverages and Tobacco	6 442.2	1 058.4	4 026.3	2 866.5	3 025.27
Primary Industries	2 562.5	1 718.8	735.5	1 137.9	892.55
Secondary Industries	6 485.2	10 646.5	4 058.7	2 890.3	4 801.72
Tertiary (Apex) Industries	3 251.3	2 757.4	2 427.5	2 742.4	1 435.36
<b>Total (Rbn)</b>	<b>12,299</b>	<b>15,123</b>	<b>7,222</b>	<b>6,771</b>	<b>7,129.6</b>
<b>Percentage Contribution of Co-operatives to GDP and Contribution within each Sector</b>					
Food, Beverages and Tobacco	18.18	2.68	9.45	5.70	5.35
Primary Industries	2.05	1.34	0.52	0.66	0.44
Secondary Industries	2.34	3.59	1.26	0.80	1.15
Tertiary (Apex) Industries	0.44	0.33	0.27	0.27	0.12
<b>Total</b>	<b>0.98</b>	<b>1.08</b>	<b>0.47</b>	<b>0.39</b>	<b>0.33</b>

Source: the dti Baseline Study.

## 2.5 The Co-operatives Movement

Internationally, one of the critical determinants of success in the co-operative sector is the existence of a strong and vibrant co-operatives movement, meaning those network organisations organically established by co-operatives, with the aim of aiding the development of co-operatives in the economy. These involve secondary and national apex organisations. Such bodies aid the development of co-operatives by acting as an active voice of co-operatives on behalf of all spheres of government, with respect to co-operative policy development processes. They act as marketing and purchasing intermediaries for co-operatives within the country and globally. They also provide support services, such as education and training to member co-operatives, the drafting of legal contracts and also assist in issues of quality enhancement, cost reduction, mentorship and financial support.

In South Africa, the co-operatives movement started as far back as the late 19<sup>th</sup> century with the Afrikaner nationalist movement, which organised agricultural and consumer co-operatives. However, this movement hardly observed international co-operative principles and looked towards the state for the creation and development of co-operatives, embracing a top-down approach.

In 1995, an organic attempt to consolidate and build a strong co-operatives movement occurred with the first held meeting aimed at establishing the National Co-operative Association of South Africa (NCASA). NCASA was formed by 30 primary co-operatives and a few secondary co-operatives. An interim committee was established and provinces were encouraged to form co-operative fora. In the course of its development, NCASA forged links with the International Co-operative Association (ICA) and ILO and co-operative apex bodies in many countries of Europe, North America and Africa. NCASA also developed a closer relationship with the new democratic South African government, and major attempts to restructure the organisation from within were undertaken. The attempt at building a national voice for co-operatives movement in the policy environment proved to be a failure, due to fatal mistakes that were made concerning organisational forms and roles. These mistakes led to the demise of NCASA as a national apex body for co-operatives, as it evolved into a top-down structure, thereby resulting in its failure to establish proper provincial structures and sectoral bodies.

Simultaneously with the establishment of NCASA, NGOs such as Dora Tamana Co-operative Centre (DTCC) and the Co-operative and Policy Alternative Centre (COPAC) also emerged, supporting co-operatives through training and research geared towards policy inputs. Regrettably, these organisations have capacity challenges and are not embedded within the co-operatives movement itself, thereby not allowing them to tap into existing resources and make a greater impact. These bodies tend to rely only on donor funding, the levels of which fluctuate. Internationally, organisations such as the ILO and the *Deutscher Genossenschafts-und Raiffeisenverband* (DGRV) have provided support to co-operatives in the form of policy development support, training and governance.

The *stokvel* movement emerged as an attempt by black people to create co-operatives, back in the mid-19<sup>th</sup> century and amidst a hostile legislative environment. It also grew out of burial societies formed by African migrant labourers. Currently, this movement, referred to as the National *Stokvel* Association of South Africa (NSASA), which cannot strictly be called a co-operatives movement, nonetheless has the potential to formally convert and register itself as a co-operative, thus becoming a strong network for co-operatives.

As noted in Section 1, SACCOL, a secondary co-operative, representing SACCOs, was established as far back as 1993, to specifically focus on providing services such as registration, education and training, assistance with management training and setting up of systems. SACCOL is one of the co-operative-related organisations that has managed

to survive for some time, even after donor funding dried up. The Co-operative Banks Act, No. 40 of 2007, which has given birth to the Co-operative Banks Development Agency, will play a major role in the development and support of the co-operatives movement in the co-operative bank sector.

In 2004, the South African Housing Co-operative Association (SAHCA) was formed to support housing co-operatives in South Africa. Simultaneously, the South African Federation of Burial Societies (SAFOBS) was also formed around the same period. The challenge is that these organisations lack the capacity to provide effective services to their members. However, the Department of Housing has proposed, through its Co-operative Housing Strategy, interventions to assist the development of the movement in the housing sector.

## 2.6 Government Capacity

As already noted, the mandate for co-operatives development used to reside under the Department of Agriculture, where the main focus was on the promotion and development of agricultural co-operatives, neglecting other sectors of the economy. The Department of Agriculture was tasked with registration, the enforcement of legislation, financial and non-financial assistance to be provided to co-operatives. The Department was staffed with close to twenty staff members at national level, about fourteen officers from the provincial departments and more than fifty extension officers, who among other functions, also provided technical assistance to agricultural co-operatives. In 2001, Cabinet resolved to shift the mandate for co-operatives department from the Department of Agriculture to **the dti** in order to promote and support co-operatives in all sectors of the economy.

Following this resolution, the Co-operatives Development Unit within **the dti** was established in 2004, as already noted. The Unit is tasked with policy-making; creating applicable legislation; devising and implementing strategies; developing financial and non-financial support for co-operatives; establishing and supporting the Co-operative Advisory Board/Council; and executing special projects. The Unit is a Chief Directorate, capacitated with 13 staff members. In addition, the Co-operatives Act, No. 14 of 2005 mandates other national departments, provincial and local levels of government, including delivery agencies, to also provide support for co-operatives. As a result, some national departments, including the Departments of Agriculture, Forestry and Fisheries; National Treasury; Labour; Arts and Culture; Public Works; Science and Technology;

Rural Development and Land Reform, Co-operative Governance and Traditional Affairs; Education; Transport; Water Affairs; Human Settlements; Mineral Resources; Energy; Social Development; Public Service and Administration (dpsa); Government Communication and Information Systems (GCIS); South African Revenue Service (SARS) have developed and supported co-operatives in their areas of responsibility with varying degrees of success. In total, at national level, there are less than fifty officials supporting co-operatives, among other responsibilities. At provincial level, all departments of Economic Development have started some work on co-operatives, including policies, strategies and support programmes, with varying degrees of success. In total, provinces have just above 60 officials dedicated to providing support for co-operatives, 50% of which are from KZN. At a local government level, less than 100 officials are involved in co-operatives development work, among other focal areas, and more than 50% of which are extension officers.

However, most challenges are experienced at local levels, as there is a lack of knowledge about the co-operative concept by the officials themselves. In addition, agencies at national and provincial levels are also involved in supporting co-operatives and the total staff complement dedicated to this end does not exceed 100. In conclusion therefore, there are less than 300 officials responsible for developing and supporting co-operatives in the entire economy. This is an abnormal situation compared with existing capacity in other countries like Kenya, where there is an entire Ministry, with a specific Minister, responsible for co-operatives and capacitated with more than 4 000 officials, fully decentralised in various regions. The same applies to Bangladesh, where a specific department was created to support co-operatives and is fully-capacitated with more than 4 000 officials.

The component of the Department of Agriculture dealing with registration and enforcement was also transferred to CIPC. One of the main challenges experienced was incompatible registration systems, with the registration of co-operatives remaining manual, while other types of entities could be registered electronically. This has resulted in the register's statistics being highly unreliable and very difficult to analyse. Currently, the registration of co-operatives has been integrated into the CIPC system but it is not as fully electronic as other entities, e.g. close corporations. As a result, it still takes longer to register a co-operative than other entities. The Registrar currently operates with 22 staff members, who are responsible for registration, deregistration, data capturing and enforcement. The Office of the Registrar is located at the national CIPC office in Pretoria. This central location only favours people from Gauteng, to the detriment of those from other areas within South Africa. With more than 22 000 registered co-operatives and

more still being registered on a daily basis, the capacity of the Registrar is too limited, hence the need to deliver these functions via a more integrated and accessible approach. In other countries, like Kenya, as already noted above, there are more than 3 000 officers tasked with registration, de-registration, enforcement and the auditing of co-operatives throughout the country, and these services are fully decentralised in all the regions.

These different initiatives, from diverse players within government, have led to pockets of success here and there, with little or no impact. This status quo therefore calls for an integrated approach on the development and support of co-operatives, where all the services, including the facilitation of registration, and the provision of financial and non-financial support, can be carried out under one roof, with branches in all provinces, districts and local municipalities. Hence, this strategy calls for the establishment of a single, identifiable Co-operative Development Agency. All support programmes aimed at assisting co-operatives would therefore be implemented through this Agency, and in turn, the co-operatives would enter into contracts with national departments, provinces and municipalities.

## **2.7 Other Supportive Initiatives**

A number of supportive initiatives have emerged since 1994, specifying various support measures for co-operatives within the public sector. Parallel to this, similar initiatives have been undertaken by the private sector, civil society and the co-operative movement, affirming the principle that the competency for supporting co-operatives is a shared responsibility among all these role-players. This Strategy therefore does not exist in a vacuum, but rather addresses the gaps and remaining challenges recognised later in this document.

Government has recently formulated a number of policies and strategies that have a bearing on aspects of collective entrepreneurship and this co-operatives development strategy. Key to these policies and strategies are the Accelerated and Shared Growth Initiative for South Africa (AsgiSA), the National Industrial Policy Framework (NIPF), Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, Regional Industrial Development Strategy (RIDS) and the Anti-Poverty Strategy, discussed hereunder:

***Accelerated and Shared Growth Initiative for South Africa (AsgiSA)***: This initiative outlines multiple focus areas (i.e. tackling binding constraints) that require close monitoring and support through relevant policies, strategies and programmes. These are areas of critical importance in the acceleration of co-operatives development and enterprise growth and include: Access to market opportunities for co-operatives; easing the regulatory burden on co-operatives and SMMEs; and easing the cashflow problems experienced by co-operatives and SMMEs, through timely payments by organs of state.

***National Industrial Policy Framework (NIPF)***: The key aims of the NIPF bear relevance to the promotion of co-operatives and therefore to the Strategy. The objectives of NIPF are to: Facilitate diversification beyond the current reliance on traditional commodities and non-tradeable services; long-term intensification of South Africa's industrialisation process and movement towards a knowledge economy; promotion of a more labour-absorbing industrialisation path; promotion of a broader-based industrialisation path, characterised by increased participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy; and contributing to industrial development on the African continent, with a strong emphasis on building its productive capacities.

***Industrial Policy Action Plan (IPAP 2)***: The upscaled IPAP 2, mapping the country's industrial development roadmap for the period 2010/11 – 2012/13, in respect of critical sectors of production and value-added manufacturing. It has four transversal themes around which a number of interventions are built, namely industrial financing, procurement, competition policy and developmental trade policies. The IPAP 2 also focuses on providing the necessary support for co-operatives, in respect of business planning, training and the application of technology upgrade incentives, among other initiatives.

***Regional Industrial Development Strategy (RIDS)***: The RIDS, which bears relevance to co-operatives, propose the establishment of special economic zones (SEZ) – industrial parks, logistics parks, industrial estates, innovation hubs and other measures, such as promoting regional growth coalitions and supporting industrial clustering among firms, including co-operatives, in order to foster regional industrial development. RIDS also proposes the establishment of a Systematic Competitiveness Facility or Thematic Fund, to support innovative regional development initiatives. A component of the Fund will be a support facility for innovative start-ups, which include SMMEs and co-operatives.

**Anti-Poverty Strategy:** The key aims of this strategy are to identify existing interventions that seek to address poverty in South Africa and examine ways in which these initiatives can be brought into the mainstream economy. Co-operatives development, as part of micro-enterprise development, is one such intervention.

***Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises:***

The overall objective of the strategy is to adequately and effectively foster entrepreneurship and the promotion of small enterprises. There is a strong relationship between the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and this strategy. The relationship is one in which all government support programmes for the small business sector, which are also relevant to co-operatives, shall also be extended to co-operatives taking into account the specific characteristics of and differences between such enterprises.

***Broad-Based Black Economic Empowerment Strategy (B-BBEE):***

The objectives of the B-BBEE strategy include achieving a substantial increase in the number of black people who have ownership and control of existing and new enterprises (i.e. through models of ESOPS, Community Trusts/Groups, Worker Co-operatives, *Stokvels*, Burial Societies, etc.); achieving a substantial increase in the number of black people who have ownership and control of existing and new enterprises in the priority sector of the economy, which government has identified in its macro-economic reform strategy; achieving a significant increase in the number of new black enterprises; and increasing the proportion of ownership and management of economic activities vested in community enterprises and co-operatives; and increasing procurement from black-owned enterprises and to strengthen the supply capacity of black-owned firms through preferential procurement measures; and strengthening business capacity and co-ordination of financing mechanism.

***National Youth Enterprise Strategy (NYES):***

The objectives of this strategy include ensuring that entrepreneurial skills, talent and experience are nurtured among young women and men, to enhance their capacity to participate in all aspects of the country's social, economic and community life; ensuring that young women and men are recognised as a key target group of need, and a resource in the development of co-operatives and SMMEs within national, provincial and local economies; and maximising access to financial and non-financial resources for young women and men who are in business or planning to enter business. In a nutshell, the strategy encourages and promotes youth enterprise ownership, covering all forms of enterprises, including co-operatives.



**Strategic Framework on Gender and Women's Economic Empowerment:** This strategy proposes a large number of initiatives aimed at providing various kinds of support to women-owned businesses. These measures have an effect and influence on co-operatives development and the promotion of collective entrepreneurship. These support measures include the provision of business information to women entrepreneurs; entrepreneurial education and training; financing of women entrepreneurs; involvement of women entrepreneurs in international trade; research and statistics; science and technology for women; and support for rural women.

**Access to Finance:** Within the public sector, **the dti**, other national departments and various provinces offer a wide range of products and services comprising loans, grants, and incentive support, which play a significant role in enabling access to finance for co-operatives through various development finance institutions. Among others, the institutions include **Micro-Agricultural Financial Institute of South Africa (MAFISA)**, which was established to provide access to micro credit to support capital mobilisation within the agricultural sector, providing short and medium term loan products that target the rural poor and co-operatives. It also provides credit, savings, and insurance and payment facilities. The **National Empowerment Fund (NEF)** offers a range of start-up, business growth, and rural and community development financing products with a focus on black economic empowerment (BEE) transactions. The loan amount provided by NEF to co-operatives is from R250 000, up to R15 million. The **Industrial Development Corporation (IDC)**, through its various business units, provides sector focused financing products ranging from R1 million upwards, with designated finance products focused on small and co-operative business development and black economic empowerment. The IDC also administers the **Women Entrepreneurs Fund (WEF)**, which provides loan funding from R50 000 to R2 million to women entrepreneurs owning co-operatives and small enterprises. The WEF provides start up loans, and expansion capital assistance to co-operatives.

**National Youth Development Agency (NYDA):** The NYDA offers products geared towards supporting youth development, including various financial and business-development products to boost co-operatives. The NYDA has a dedicated enterprise finance division catering for co-operatives and SMMEs, providing micro-finance and SME finance. These services are integrated with business development services, such as access to external experts, through the voucher programme, linking beneficiaries to appropriate market opportunities and providing business opportunity support services. In addition, mentorship and training are offered in order to provide clients with a holistic

approach to economic development. Key products offered specifically to co-operatives include access to finance for all co-operative classes, ranging from micro-finance to small and medium loans, based on individual needs; the establishment of savings and credit co-operatives (SACCOs); business development services; ,mentorship; linkages to business opportunities; and skills development and training.

***Provincial Access to Finance:*** Beyond the national tier of government, provincial departments responsible for economic development in those respective provinces have established Development Financial Institutions (DFIs), offering various financing products to SMMEs and co-operatives located in those provinces. The **Limpopo Business Support Agency (LIBSA)** was established by the Department of Economic Affairs to offer a start-up grant, after-care and mentoring activities and access to markets for co-operative enterprises located in the Limpopo province. The **Limpopo Economic Development Enterprise (LIMDEV)** has been reoriented to provide working capital assistance to co-operatives to complement the start-up grant.

***Gauteng Enterprise Propeller (GEP):*** The GEP was established by the Gauteng Provincial Government to provide financial and non-financial services to SMMEs and Co-operatives through the GEP General Fund, which offers a loan product for start up, expansion, acquisition of assets and working capital. The GEP has also created the GEP Joint Fund which also provides guarantee schemes to enable SMMEs and Co-operatives to access loan funding from the private sector financial institutions. The **Free State Development Corporation (FSDC)** offers loans to SMMEs and co-operatives. Preference is given to job creating sectors, namely, manufacturing, tourism and new economy ventures. Non-financial support, especially extension and consultancy services (after-care) are provided to SMMEs and co-operative enterprises to enhance their chances of success.

***Eastern Cape Development Corporation (ECDC):*** The EDC provides a progressive financing solution and technical support for emerging entrepreneurs with contract based projects. ECDC also provides enterprise specific term loans for various needs including start-up, working capital and asset finance ranging from R100 000 up to R3 million. **Ithala Bank** was created by the KwaZulu-Natal government to provide financial and non-financial support to entrepreneurs owning and controlling SMMEs and Co-operatives. Specifically, Ithala offers mixed capital facility products (i.e. 40% grant and 60% loan) to co-operatives. 40% grant is always offered as a first support for example of a floor of R50 000 (i.e. R 20 000) to be followed later by the balance to co-operatives.

**Access to Incentive Support:** the dti offers a wide range of incentives that play an important role in enabling the success of enterprises and improving their capacity and competitiveness, including the **Export Marketing and Investment Assistance (EMIA)**, which provides assistance to co-operatives including SMME exporters with the partial cost incurred in respect of activities at developing export markets for South African products and services and to recruit new foreign direct investment (FDI) into South Africa; and **Black Business Supplier Development Programme (BBSDP)**, which offers support to black-owned co-operative enterprises in South Africa.

**NGOs, Labour Organisations, Co-operatives Movement and Institutions of Higher Learning:** A number of NGOs and organisations within the co-operatives movement have been implementing curricular and non-curricular co-operative education programmes over the years, in various parts of the country. These include Co-operative and Policy Alternative Centre (COPAC), Dora Tamana Co-operative Centre (DTCC), SACCOL, YEBO Co-operative, some Further Education Training Colleges (FETs); Local schools and universities, International Labour Organisations (ILO); and DGRV. As part of their sectoral skills development mandates, various Sector Education and Training Authorities (Setas), albeit slow, have started to implement co-operative business development programmes. Labour organisations such as COSATU and others have been active in advocating for a change in the policy and the creation of an environment conducive for co-operatives development in South Africa. This was mainly through NEDLAC Sector Summits and other policy platforms.

**Media:** The media is increasingly playing a critical role in fostering a culture of collective entrepreneurship and enterprise development in South Africa. Slowly, the media is also promoting co-operatives as an alternative form of business available to the people of South Africa. A number of independent magazines, newspapers or newspaper inserts have emerged over the years that are playing a role in promoting co-operatives. The South African Broadcasting Corporation (SABC) also commissions work designed to promote co-operatives in that medium of communication and entertainment. Some community radio stations and print media have also started to broadcast programmes aimed at promoting co-operatives.

The Strategy recognises and appreciates the contribution made by various players within and outside of government, towards co-operatives development; it further encourages and enhances the partnership between government and extra-parliamentary stakeholders on the promotion of co-operatives development in South Africa.

## 2.8 Challenges Associated with Co-operatives Development in South Africa

Whereas a great deal of progress has been made in government and other extra-parliamentary role-players' effort to promote the development of co-operatives, some important factors still remain, which require tackling in order to ensure higher level of co-operatives development in South Africa. The key aspect of this strategy is to promote co-operatives development by effectively addressing these challenges. These challenges can be categorised into four as stated below:

### 2.8.1 Government Challenges

- ***Inadequate economic and social impact statistics on co-operatives:*** Lack of regularly updated statistics about the full spectrum of the co-operative sector, its social impact, is resulting in insufficient market transparency and poor appreciation of co-operative business model. The limitations of the data obtained from the Registrar of Co-operatives makes it impossible to generate credible statistics on the state of co-operatives in South Africa. Thorough and regular monitoring and evaluation of the evolving support process for co-operatives has been inadequate
- ***Co-ordination:*** Lack of clarity about roles and contributions of different spheres of the public sector makes their efforts unco-ordinated and less effective.
- ***Limitation of current support from existing enterprise development agencies for co-operatives:*** Even though government enterprise development agencies have provided some support to co-operatives, however the challenge is that this support has been negligible, unfocused, unco-ordinated and lack systematic and sustained targeting on co-operatives. The core mandate of these agencies is not co-operatives development, making it difficult for them to create huge capacity to target this sector. Budget allocations for the sector in most cases has been poor and at the extreme non-existent. Most of these agencies do not have the expertise to appreciate the complex challenges confronting co-operatives and respond accordingly. This is understandable given the fact that this is not their core mandate. As a result co-operatives suffered which is reflected by the statistics above, wherein no single sector of co-operatives is unaffected, including the co-operatives movement. The other problem, particularly confronting the beneficiaries of this support is the fact that the support is scattered in different points making it difficult for beneficiaries to know about and to access it easily.

- **Recognition of co-operative as a unique business form and diversity in public and private market remains very low:** Most policy interventions tend not to be tailor-made to target different market segments, sector and types of co-operatives, and do not take into consideration the unique nature of the co-operative business model.
- **Accessibility of co-operative registration to local communities:** As already noted above, the Registrar of Co-operatives is situated at national level, with no branches at provincial and local levels. The decentralisation strategy that has been adopted by CIPC is not conducive to co-operatives. Co-operatives therefore spend large amounts of money trying to access the services of the Registrar.
- **Limited promotion and awareness:** Limited Promotion and awareness of the co-operative business model is one of the barriers to co-operatives development in South Africa. The public sector (i.e. national, provincial and local spheres of government and SOEs), private sector (i.e. business people), and society in general, do not understand the co-operative model and its inherent value.
- **Avoidance of formalisation by informal self-help groups:** Some self-help groups e.g. *stokvels* remain informal because of the perceived hassle associated with registration of co-operatives, including burdensome paperwork, tax liability, etc. and lack of information on the benefits associated with formalisation.
- **Limited access to finance:** Emerging co-operatives still find it difficult to attract and retain adequate capitalisation. The democratic operation of co-operatives and their surplus sharing method based on use makes them less attractive to venture capital (i.e. limited sources of funding compared to other forms of enterprises; government entities and Development Finance Institutions (DFIs) and private sector financial institutions often do not understand the structures of co-operatives, which result in limited support provided to co-operatives; difficulties retaining earnings; and increasing capital requirements; and existing incentives and support structure does not address the need of co-operatives across its entire life cycle).

According to **the dti** Baseline Study, only a limited number of co-operatives have accessed finance in the past two years, whether as a loan or a grant. For example, of the 159 co-operatives that have applied for loans, only 39 (24.5%) have succeeded. Similarly, of the 181 co-operatives that have applied for grants, only 61 (34%) have succeeded.

- **Limited access to technology:** Most co-operatives are unable to access appropriate technologies for their businesses to improve efficiency and high levels of outputs. This results in poor quality of products produced, which leads to lack of access to markets.

**Limited access to critical business infrastructure:** Lack of critical business or development infrastructure facilities in the areas (i.e. municipality level, etc) where co-operatives are active has resulted in an inability for co-operatives to operate effectively. As indicated in **the dti** Baseline Study, most co-operatives operate from their households, rather than business premises as indicated in Table 3 :

**Table 4: Premises from which co-operatives operate**

Type of Premises	No. of Co-operatives	% of Co-operatives
Residential Building	438	53,48%
Office/Retail/warehouse Space	47	5,74%
Community Centre	105	12,82%
Office Park	52	6,35%
Market	16	1,95%
No Fixed Location/Mobile	22	2,69%
Street or Open Space	25	3,05%
Taxi, Public Transport Rank	47	5,74%
Virtual Space	42	5,13%
Other (Church, School Hall or Facility)	25	3,05%
<b>Total</b>	<b>819</b>	<b>100%</b>

Source: **the dti** Baseline Study.

## 2.8.2 Co-operative Management Challenges

- **Poor management and technical skills:** Many co-operatives are initiated by unemployed people, often with low skill level, no prior business experience in economically marginal areas. Certain co-operatives such as agricultural, housing and productive co-operatives require specialist technical knowledge, which is not always available within the co-operative. A lack of both management and technical skills by individual members undermines the chances of success. Lack of these skills also contributes to tensions in the co-operative. According to **the dti** Baseline

Study, a number of co-operatives (62%) have not received training in the past two years and the training interventions that they require are as outlined in Table 5.

**Table 5: Training Interventions Required**

Training Interventions Required	No. of Co-operatives	% of Co-operatives
Sector-Specific Training	154	28,21%
Business Skills	170	31,14%
Financial Management	114	20,88%
Information, Communication and Technology (ICT)/Computer Skills	34	6,23%
Marketing	74	13,55%
<b>Total</b>	<b>546</b>	<b>100%</b>

- **Limited trust and social cohesion:** Due to the unique nature of collective interest and participation, co-operatives rely on high levels of trust between members. The absence of the shared vision, approach, financial trust and strong social ties has contributed to the demise of a number of co-operatives.
- **Democratic decision-making skills within the co-operatives remain low:** Democracy requires skills in decision-making processes. Democracy is often accompanied by lack of clarity or consensus on the scope of decision-making authority. Consequently, this has been an area of high contestation and tension within co-operatives. When boards overstep their mandate and do not keep members informed, trust is eroded. This is not surprising given the management complexity of even the simplest democratic process. Boards of directors may lack corporate governance skills.
- **Limited co-operation among co-operatives:** As indicated by the dti Baseline Study, more than 60% of co-operatives do not co-operate with others. This results in isolation and poor performance as they miss out on an opportunity to learn from one another.
- **Appreciation of collective interest above individual interest is still a challenge:** A co-operative is premised on always placing collective interest before individual interest. 'Free riders', opportunism, greed, corruption, and self-interest have been at the heart of many promising co-operatives demise.
- **Embracing self-reliance as a principle within co-operatives still remain a challenge:** Beneficiaries of co-operatives have yet to acknowledge that the creation of co-operatives should be based on the principle of self-sufficiency.

Although there could be a need for subsidisation, particularly at early stage of formation, the aim should be self-sufficiency from the start.

- **Compliance with the Co-operative legislation among new co-operatives is still a challenge:** As noted in the previous section, the number of co-operatives that submit financial reports to the Registrar is below 1%. This poses a great challenge as it is one of the most important compliance requirements of the Act. This is aggravated by the fact that, most co-operatives (58%) have not received training on co-operative principles as indicated in **the dti** Baseline Study.

### 2.8.3 Market Challenges

- **Undeveloped networks and economic value chains:** As with any business, co-operatives that have a broad network of support including technical, managerial, legal, administrative and financial appear to be more successful. The underdeveloped nature of the co-operatives movement together with the limited co-operation and partnership action between co-operatives, and insufficient interaction between co-operatives and non-co-operative enterprises, either as trading partners or to access financial support or other services, is an impediment to the success of co-operatives. This is compounded by the limited co-operative value chains that can link co-operatives operating in different sectors, or different component of each sector value chain. As indicated in **the dti** Baseline Study, the majority of co-operatives (56%) is working in isolation and is not co-operating with other co-operatives.
- **Limited access to markets:** Limited access to markets for the products and services supplied by co-operatives (due to business counterparts' poor understanding and appreciation of co-operatives as businesses to transact with) has led to failure of many co-operatives.

### 2.8.4 Challenges in the Co-operative Organisational Structures

- **Lack of strong and viable co-operative associations and organisations:** One of the main challenges is that there is no existing national apex organisation for co-operatives in South Africa, capable of promoting co-operatives. The co-operatives that are emerging in South Africa are financially weak and not accustomed to support a national apex organisation. Although a number of



secondary co-operatives exist, such as the South African Housing Association (SAHCA); SACCOL; South African Federation of Burial Societies (SAFOBS) etc., however they have yet to co-operate towards the creation of a vibrant and sustainable national apex body, capable of providing financial, managerial, mobilisation, technical and networking support for co-operatives in South Africa. A sustainable apex body will allow co-operatives to be self-sustainable as articulated in the ICA statement of identity of co-operatives.

These factors have an impact on the primary objective of **the dti** Integrated Strategy on the Development and Promotion of Co-operatives. The Strategy seeks to ensure that the above noted factors affecting the development of co-operatives are addressed.

# **SECTION 3:**

## **STRATEGIC PRINCIPLES, SUPPORT PROGRAMMES AND INSTITUTIONAL ARRANGEMENTS FOR IMPLEMENTATION**

This section outlines the key principles that guide the implementation of the strategy and its actions as a means of dealing with those factors still affecting the growth and development of co-operatives in South Africa. Furthermore, it outlines institutional arrangements for implementation.

### 3.1 Key Guiding Principles

The implementation of the strategy is guided and underpinned by the following five key principles:

#### 3.1.1 Promotion of Co-operatives Development is a Shared Responsibility

The responsibility of promoting the development of co-operatives and collective entrepreneurship cannot be achieved by **the dti** alone, but must involve a wide variety of the country's participants from both the public and private sector. With respect to the public sector, the task of promoting collective entrepreneurship and co-operative business is a concern of all the following stakeholders:

- **Responsibility of national departments:** All departments at national level directly or indirectly have a responsibility to actively promote the development of co-operatives. Applicable departments at national level that are promoting specific sectors (e.g. housing, health, transport, etc) that are relevant to co-operatives development have a duty of formulating specific **Co-operative Sector Strategies/Policies/Support Programmes and institutional arrangements** aimed at developing co-operatives in those relevant sectors. These co-operative sector policies, strategies and programmes must form part of the integrated system of support and must be aligned with the core principles of this strategy. In this regard, when the budget planning cycle begins, **the dti** will plan together with the respective departments. Some co-operative sectors are better served to have their own distinct legislation geared to regulate and provide requisite support measures that address the specific peculiarities of these sectors. These include, but are not limited to the following sectors: financial services co-operatives, worker co-operatives, housing co-operatives and social co-operatives. These legislative instruments must be in line with the core principles of the Co-operatives Act (Act, No.14 of 2005).
- **Responsibility of provincial and local government:** Provincial and local governments have responsibilities of promoting and developing co-operatives

within their spheres of influence, partnering with **the dti**. The government, at provincial level, must formulate **Provincial Co-operatives Strategies, coupled with** support programmes that will be delivered through a one-stop-shop/agency for co-operatives. These provincial strategies should also provide details about sectors that need to be prioritised, in line with the unique features of each province. On the co-operative education and training, provinces must support the development of provincial chapters of the Co-operative Agency. Municipalities have a responsibility of formulating **Municipal Co-operative Implementation Plans located within their Integrated Developments Plans (IDPs)**, coupled with support programmes, business infrastructure, information centres and the district or local chapters of the Co-operative Development Agency. These plans must be aligned to their respective provincial strategies and should form part of the integrated co-operative support system. During the beginning of the planning cycle, **the dti** will plan together with the provincial departments of Economic Development.

***Responsibility of the Co-operative Development Agency:*** The agency will be established in accordance with the Co-operative Act, No. 14 of 2005 amendment.

The primary responsibilities of the Agency are to:

- support, promote and assist with the development of the co-operatives movement;
- provide financial and non-financial assistance to the co-operatives movement enabling its development;
- provide business support services, which, among others, include pre-registration support, business plan development, mentorship, and after-care as well as access to market services to the co-operatives movement;
- provide technical and management training to the co-operatives movement;
- assist the National Registrar of Co-operatives with the registration function and verification of information provided as well as confirmation of all registered co-operatives;
- assist the National Registrar of Co-operatives with the function of monitoring and continuously updating the database of registered co-operatives;
- assist co-operatives to fully comply with the compliance requirements of the Act;
- provide access to information regarding all products, programmes and services available to the co-operatives movement;

- raise awareness in connection with, and research into any matter affecting the effective, efficient and sustainable functioning of the co-operatives movement; and
  - monitor trends and patterns in the development of the co-operatives movement and formulate reports on them
  - promote and support the formation of sustainable apex, tertiary or secondary co-operative bodies as support structures to primary co-operatives and foster co-operation among co-operatives;
  - establish, manage and administer the Co-operative Development Fund aimed at providing financial support products to all forms of co-operatives except, co-operative financial institutions;
  - establish partnerships with community development workers, community development practitioners, CBOs, NGOs and co-operative associations in order to deliver support services to the co-operatives movement; and
  - assist, and establish partnerships with, metropolitan municipalities, district municipalities, local municipalities and local houses of traditional leaders in respect of the implementation of the co-operative information and shared support services centres aimed at providing relevant information services to co-operatives at local level;
- ***Role of state-owned enterprises:*** Parastatals such as Eskom, Transnet, Telkom, Airports Company South Africa (ACSA) and others have the responsibility of assisting co-operatives with logistical and infrastructural arrangements. These parastatals also need to provide reasonable procurement opportunities for co-operatives in line with all the applicable legislations.

With respect to the private sector, the task of promoting co-operatives is a concern of all the following stakeholders:

- ***Responsibility of the co-operatives movement:*** The co-operatives movement has the responsibility to grow and develop co-operatives. The co-operatives movement entails apex organisations, secondary co-operatives and NGOs concerned with co-operatives. In this respect, these organisations should develop support programmes such as research; education and training of co-operatives; financial and non-financial support; awareness-raising and mobilisation; and advocacy. The movement can also establish a Solidarity Fund to assist member co-operatives in times of distress.

- **Responsibility of labour:** Trade union associations like the Congress of South African Trade Unions (COSATU) have a greater role to play in various areas as follows:
  - The promotion of *worker co-operatives*, in the context of :
    - Investing in and creating worker co-operatives
    - Acquiring ailing companies and converting them into worker co-operatives
    - Organising workers in the informal sector;
    - Organising unemployed into worker co-operatives.
  - The promotion of *financial co-operatives* –savings, credit, insurance and investment among union members, to ensure access to these services at reasonable interest rates and premiums.
  - The promotion of consumer *co-operatives* – e.g. supermarkets, travel services among union members, to ensure access to quality goods at better prices and contributing to food security.
  - The promotion of *housing co-operatives* among union members especially as it regards social housing, to ensure that workers decently live next to where they work.
  - The promotion of *health care co-operatives*, including medical aid and pharmacy services to their members.
  - To play an advocacy role in the policy arena in order to promote co-operatives.
- **Responsibility of financial institutions:** Financial institutions e.g. banks also have a role to play in terms of developing funding products tailor-made for the development of co-operatives. Partner with co-operative banks and agencies.
- **Responsibility of community organisations:** NGOs and CBOs, including churches have a role to play in developing co-operatives. In this respect, these organisations should develop support programmes such as research; education and training of co-operatives; financial and non-financial support; and awareness-raising and mobilisation, among other areas.
- **Responsibility of international organisations:** International organisations such as the ILO and DGRV and others have a role to play in the development of co-operatives e.g. providing international expertise; and financial and non-financial support.

This inclusive participation is critical in the development of co-operatives, to ensure that the enormous task of promoting co-operatives is carried out adequately, effectively and

in a decentralised manner, which recognises the valuable contribution of all the role-players.

### **3.1.2 The Strategy Must Cover the Entire Co-operative Life Cycle**

As an integrator of policies, institutions and programmes, this strategy seeks to ensure that adequate and relevant support and delivery mechanisms exist across the entire collective entrepreneurship and co-operatives life cycle from pre-formation; survivalist; micro, small to medium; growth and expansion; and turnaround of ailing co-operatives.

### **3.1.3 The Strategy Attends to all the Co-operative Beneficiary Base**

Co-operatives contribute both directly and indirectly to the eradication of poverty among members and employees, and more widely throughout the communities in which they operate. Therefore, co-operatives can provide an effective organisational means for combining economic and human resources and attaining social benefits and can be significant vehicles in the empowerment and advancement of special target groups:

- **Focusing on the youth, women and people with disabilities:** The traditional role of women in society is probably the largest constraint to women's participation in co-operatives and their access to decision-making levels. In line with other national strategies, the programmes and interventions contained in this strategy aim to include women, the people with disabilities and youth in order to address the disparities that exist and integrate (co-operatives) enterprises headed by women, people with disabilities and youth.
- **Focusing on special geographic areas:** Co-operatives provide essential infrastructure and services in areas the state can not reach and are neglected by investor-driven enterprises. The development of people living in rural, peri-urban and former 'homeland areas will be achieved using this strategy coupled with the support programmes outlined in this strategy.
- **Focusing and promoting both social and enterprise co-operatives:** All forms of co-operatives covering both the social and enterprise co-operatives will be supported and promoted. Both these forms of co-operatives will be directly supported by the Co-operative Development Agency.

- **Focusing on critical sectors:** Special support programmes will be developed for co-operatives targeting growth of co-operatives in key priority co-operatives sectors. These key sectors, organised in the order of priority include marketing, worker, agriculture, financial, consumer and housing co-operatives. Within the worker co-operative sector, labour intensive sectors such as mining, construction, textiles and arts and craft will also be given priority.

- **Marketing and supply co-operatives**

Marketing co-operatives help sell their members' products and maximise returns that they receive for these goods. Some co-operatives even sell products in grocery stores, chain supermarkets, emporia and international markets under their own brand. Some marketing co-operatives can serve their members through bargaining for better prices, storing and selling member's products and packaging member's products into more consumer-ready goods. In the case of South Africa, access to markets has been cited as one of the major reasons for failure of businesses in general. It is the aim of this strategy to promote marketing co-operatives to ensure access to markets for products of co-operative members. The National Agricultural Marketing Council (NAMC) will be the key institution that will assist in this endeavour. Supply co-operatives on the other hand supply their members with inputs for production, including seeds, fertilisers, fuel, and machinery services. They also provide economic benefits of bulk buying to co-operatives.

- **Worker co-operatives**

Worker co-operatives are promoted in order to deal with the problem of unemployment, to turn around ailing companies and to avoid retrenchment of workers. High unemployment rate is one of the challenges that South Africa is facing. It is the aim of this strategy, in conjunction with the DoL to support worker co-operative initiatives including worker take-over; worker buyouts and turnaround of ailing companies. Worker co-operatives operating in the labour-intensive sectors such as mining; construction; textiles; arts and craft and waste and environmental management will be given priority attention in line with all related legislation pertaining to workers.



- **Agricultural co-operatives**

Agriculture in South Africa has been dominated by white farmers who have held their farms and produced on an individual, commercial basis. While the co-operatives that they built were flawed in many ways and were racially exclusive, they nevertheless illustrated the crucial role co-operatives can play in reducing costs and risk for farmers, in mobilising economies of scale and in promoting market access. The challenge is to build genuine co-operatives able to play these roles in ways that reflect the co-operative principles, and support black and/or small-scale farmers in particular.

At the same time, the current scenario in South Africa also has landless people joining together to acquire land, or coming together as beneficiaries of land reform or land restitution, to farm collectively. It is the aim of this strategy to support such co-operatives in conjunction with the Department of Agriculture especially given that in some rural communities, the only business opportunities available are in the agricultural sector and the only resource available is communal land.

- **Financial co-operatives**

Income is crucial if basic needs are to be met in a sustainable manner. Access to financial services is an essential prerequisite for self-sustained poverty reduction. Poor communities have considerable social capital, which can be mobilised by means of self-help approaches. Financial co-operatives are promoted in order to encourage the culture of savings and to ensure self-sustainability in the co-operative sector. In many instances, financial co-operatives offer a wide range of financial services including savings deposits, personal finance, financing of businesses, housing and insurances services. Financial co-operatives generate savings capital to mobilise local resources. Their special strength is that they provide financial services to individuals who would otherwise be excluded from such offers through mainstream banking. It is the aim of this strategy to support financial co-operatives together with National Treasury.

- **Consumer co-operatives**

The purpose of a consumer co-operative is to provide quality goods and services at the lowest cost to its members rather than to sell goods and services at the

highest price above cost that the consumer is willing to pay. Products and services of consumer co-operatives range from health care products and services; wholesale and retail goods; and utility services. It is the aim of this strategy to support consumer co-operatives with effective and efficient systems to ensure success and sustainability. Attempts will be made through support programmes, to revive rural and peri-urban shops through this model.

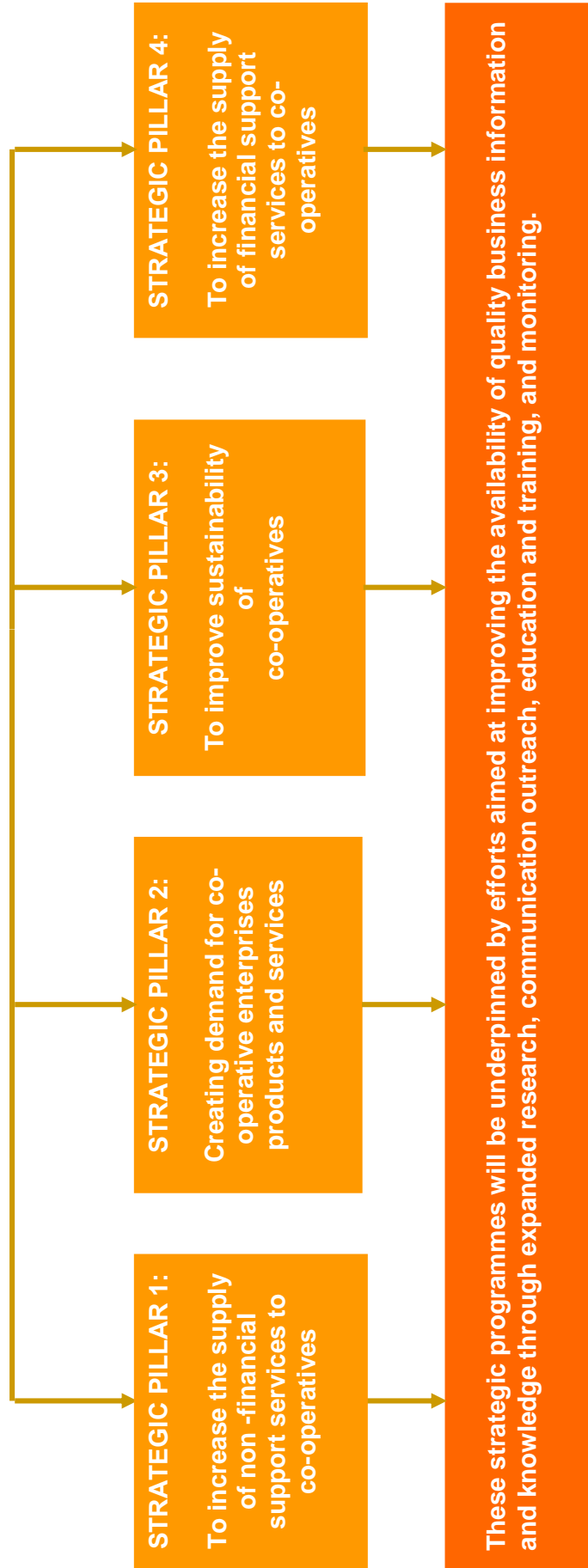
- **Housing co-operatives**

Housing co-operatives are promoted, especially in developing countries as an economic and social contribution to the problem of providing shelter. In the South African scenario, co-operative members can utilise the subsidies that they obtain from the Department of Housing to jointly build their own houses/accommodation through housing co-operatives. Through housing co-operatives, members can also obtain training on construction (building) skills. It is the aim of this strategy to support housing co-operatives, in conjunction with the Department of Housing in order to contribute towards curbing of the housing problem in South Africa.

### **3.2 Key Support Programmes and Institutional Arrangements for Implementation**

This section of the strategy document provides extensive discussion on the strategic pillars, which form the overall and generic support instruments. Each strategic pillar articulates support programmes designed to respond to various market segments and all the challenges facing co-operatives in South Africa. The core thrust of this strategy will be the ongoing profiling of the co-operatives, communication outreach, improving access to co-operatives support and information, research, strengthening advocacy on co-operatives, delivering effective service and monitoring impact. All support programmes for co-operatives throughout the economy will be increased and streamlined under a single, identifiable, one-stop-shop (Co-operative Development Agency) dedicated to co-operatives development. It is the aim of this strategy to call for the establishment of a Co-operative Development Agency that will have provincial and district chapters to aid in implementation on one -stop shop basis.

**Figure 4: Four Strategic Pillars of an Integrated Co-operatives Development Strategy**



### 3.2.1 Strategic Pillar 1: To Increase the Supply of Non-Financial Support Services to Co-operatives

The focus of this section will be to provide non-financial support programmes responding to various market segments and the institutions in which the programmes will be implemented.

#### Support Programme 1: Co-operatives Business Development Support Programme (CBDSP)

- **Description: CBDSP** Under the CBDSP, co-operatives are provided with, among other services:
  - **Pre-formation Support Services**, which involve training co-operatives on principles of co-operation, and how to manage a co-operative. It also involves training co-operatives on key elements of the Co-operatives Act, and how to go about forming a co-operative.
  - **Post-formation Support Services** to co-operatives, which involve sector-specific technical training, business plan development, tender advice and export training. Demand-driven training programmes can also be customised for a certain co-operative. Finally, it provides facilitation of access to finance and assessment of business operations.
  - **Mentorship Programme:** The programme will be designed to facilitate twinning arrangements between emerging co-operatives with their more experienced counterparts within South Africa and beyond the South African borders. This will give co-operatives a more hands on approach especially within their own sector of operation.
  - **Technology Support:** The programme will aim at assisting co-operatives with access to appropriate technologies through partnerships and funding for technology in order to ensure that they offer high quality products and services.
- **Market Segment:** Pre-formation, survivalist, micro, small and medium co-operatives
- **Challenges being Addressed:** Poor management and technical skills; democratic decision-making skills within the co-operative; and embracing self-reliance.
- **Institutional Arrangements:** CBDSP will be administered through the Co-operatives Development Agency (CDA), at national, provincial, and local levels. The mechanism should be extended to involve participation of co-operative

associations, community organisations and NGOs to assist in delivering the services to co-operatives, particularly in unreachable areas.

- **Key Performance Indicators (KPIs):** increase the number of individuals trained on pre-formation support; number of co-operatives supported with business plans, number of co-operatives supported with technical training, number of co-operatives supported with customised training. It will also include the investment committed towards the implementation on a year to year basis.

### Support Programme 2: Legislative Compliance Education and Training

- **Description:** The Co-operatives Act, No.14 of 2005 requires that registered co-operatives comply with certain legislative provisions, including submission of certain information to the Registrar on an annual basis. Failure to submit such information for a period of two (2) years leads to deregistration. The support programme is designed to provide education and training to pre-formation co-operatives and co-operatives in general on the importance of complying with such co-operative legislative provisions. This will be done through one-on-one interactions with co-operatives through various media such as workshops; information brochures, etc. In relation to accounting and auditing, special accounting standards for co-operatives will be formulated and communicated to co-operatives through various media.
- **Market Segment:** Pre-formation, survivalist, micro, small and medium co-operatives.
- **Challenge being Addressed:** Compliance with the co-operative legislation
- **Institutional Arrangements:** The programme will be administered and implemented by the Co-operatives Development Agency country-wide in partnership with CIPC and the Co-operative Tribunal.
- **Key Performance Indicators (KPIs):** Number of co-operatives trained on legislative compliance; number of workshops conducted on legislative compliance. It will also include the investment committed towards the implementation on a year to year basis.

### Support Programme 3: Registration of Co-operatives

- **Description:** The programme consists of providing registration application forms to pre-formation co-operatives; and assisting them with filling in of these forms
- **Market Segment:** Pre-formation co-operatives

- **Institutional Arrangements:** Registration is done at CIPC offices in **the dti** Campus. CIPC will work in partnership with the Co-operative Development Agency at all levels (national, provincial, district and local) which will serve as an access point to ensure easy-access to registration by prospective co-operatives.
- **Challenge being Addressed:** Avoidance of formalisation by informal self-help groups; accessibility of co-operative registration to local communities
- **Key Performance Indicators (KPIs):** Number of co-operatives registered and deregistered, delineated by province, type of co-operative, sector, sub sector, economic value and membership (with all demographics).

#### **Support Programme 4: Enforcement, Conflict-resolution, Investigation and Proactive Inspection**

- **Description:** In response to the challenge of disputes among co-operative members, rise in corruption among co-operatives and lack of cohesion among co-operative members and lack of compliance with the provisions of the Act, a programme and an institution will be set-up to deal with such issues. The programme and institution will ensure that conflicts within co-operatives are resolved; co-operatives are proactively inspected, investigated, as well as deal with contravention of legislation through proactive investigation, and inspection to enforce compliance.
- **Market Segment:** Survivalist, micro, small to medium and large co-operatives
- **Challenges being Addressed:** Limited trust and social cohesion; and appreciation of collective interest above individual interest and lack of compliance with the legislation.
- **Institutional Arrangements:** This aspect will be implemented through the Co-operative Tribunal that will be formed in accordance with the amended Co-operatives Act, No. 14 of 2005. The main functions of the tribunal will be to:
  - assist with respect to conflict or dispute resolution;
  - carry out inspectorate and/or investigation with respect to non-compliance with the Act;
  - assist with respect to the process, reference and processing of the requested dissolution, winding up or liquidation of a co-operative
  - assist the Registrar of Co-operatives with the responsibility of maintaining or keeping up to date the co-operative database or registration database as well as enforcing the compliance requirement for co-operative to submit financial information.

- **Key Performance Indicators (KPIs):** Number of complaints received and resolved from co-operatives; number of inspections and investigations conducted for compliance purposes; number of co-operatives deregistered, dissolved and wound-up and improvement with respect to submission of financial statements by co-operatives and other legislative compliance areas.

### 3.2.2 Strategic Pillar 2: To Create Demand for Co-operative Products and Services

The focus of this section will be to provide access to markets support programmes responding to various market segments and the institutions in which the programmes will be implemented. All the programmes in this section aim to overcome the challenge of limited access to markets by co-operatives.

#### Support Programme 1: Bilateral and Multilateral Agreements

- **Description:** Agreements signed by the government provide potential opportunities for co-operatives enterprises to penetrate foreign markets through exports. These opportunities will be analysed and aligned to benefit co-operatives as well.
- **Market Segment:** Survivalist, micro, small to medium co-operatives
- **Institutional Arrangement:** The programme is administered through the dti's International Trade and Economic Development Division (ITED). The Co-operative Development Agency will facilitate access to these opportunities by co-operatives.
- **Key Performance Indicators (KPIs):** Number of co-operatives participated in exchange programmes; Number of co-operatives trading with foreign countries also in terms of volume and value.

#### Support Programme 2: Export Marketing and Investment Assistance (EMIA)

- **Description:** EMIA provides assistance to co-operatives including SMME exporters with the partial costs incurred in respect of activities aimed at developing export markets for South African products and services and to recruit new foreign direct investment (FDI) into South Africa. EMIA comprises various individual participation incentives schemes which include: Individual Exhibition (IE) and In-store Promotions (IP), Primary Market Research (PMR) and Foreign Direct Investment (FDI) and Individual Inward Missions (IMM). EMIA also comprises of Group Participation Incentives Scheme which include:



Group Inward-Buying Missions (IBM), Group Inward Investment Mission (IMM), National Pavilion (NP), Outward Selling Mission Assistance (OSM) and Outward Investment Mission Assistance (OIM).

- **Market Segment:** Survivalist, micro, small and medium co-operatives.
- **Institutional Arrangement:** EMIA is administered directly by **the dti** through The Enterprise Organisation (TEO) for individual exhibitions and through Trade and Investment South Africa (TISA) for group exhibitions. The Co-operatives Development Agency will facilitate the participation of co-operatives in EMIA working in partnership with TEO and TISA.
- **Key Performance Indicators (KPIs):** Number of outward exhibitions where co-operatives participated; number of inward exhibitions where co-operatives participated; number of co-operatives supported for outward exhibitions; number of co-operatives supported for inward exhibitions. It will also include the investment committed towards co-operatives within the programme on a year to year basis and its expenditure patterns.

### **Support Programme 3: Ten Products for Targeted Procurement from Small Enterprises**

- **Description:** A Cabinet decision on 7 November 2007 stipulated that 85% of expenditure on the following 10 listed products and services be secured from SMMEs, including co-operatives:
  - Advertising, media and communication;
  - Interior and exterior cleaning services and cleaning product supplies;
  - Clothing and textiles;
  - Computer equipment and consumable supplies;
  - Interior and exterior furniture and décor;
  - Events co-ordination and management;
  - Maintenance, repair, construction and office space;
  - Travel co-ordination and shuttle services;
  - Food, perishables and supplies; and
  - Stationery supplies and printing.
- **Institutional Arrangements:** **the dti**, through the Empowerment and Enterprise Development Division (EEDD), is jointly monitoring implementation of the programme with National Treasury. The Co-operative Development Agency will provide information on opportunities available through this

programme and also give requisite support to enable them to seize the opportunities.

- **Key Performance Indicators (KPIs):** Number of co-operatives benefited from procurement (delineated by department, products and amounts); total amount of procurement spend on co-operatives.

### 3.2.3 Strategic Pillar 3: To Improve the Sustainability of Co-operatives

The focus of this section will be to provide support programmes that will lead to sustainability of co-operatives responding to various market segments and the institutions in which the programmes will be implemented.

#### Support Programme 1: Enterprise Networks Programme (ENP)

- **Description:** Enterprise Networks through the co-operative model offers an important route for co-operatives to effectively address their problems as well as to improve their sustainability. By integrating and co-operating as well as co-ordinating their activities, enterprises, through integrating mechanism such as marketing, supply and shared services co-operatives can collectively achieve economies of scale beyond the reach of individual small scale firms and obtain bulk purchase inputs, achieve optimal scale in the use of machinery and pool production capacities to meet large-scale orders. Enterprise networks are groups of firms that co-operate on a joint development project complementing each other and specialising in order to overcome problems, achieve collective efficiency and penetrate markets beyond their individual reach. Networks formed by co-operatives, are termed horizontal, to distinguish them from those in which one or more large scale enterprises are involved which are the vertical type. The programme will also assist in the formation of secondary co-operatives, thereby building the co-operatives movement. Joint work also encourages enterprises to learn from each other, exchange ideas and experience to improve product quality and take over more profitable market segments.
- **Market Segment:** Micro and small to medium co-operatives
- **Challenge being Addressed:** Underdeveloped networks and economic value chains, lack of strong and viable co-operative associations and organisations and limited co-operation among co-operatives.
- **Institutional Arrangements:** The Co-operatives Development Agency will formulate, administer and roll-out the programme which is designed to assist co-

operatives to develop enterprise networks through supporting the process of establishing the enterprise networks and clustering systems, resulting in the growth and development of vertical and horizontal co-operative support structures.

- **Key Performance Indicators (KPIs):** Number of co-operatives supported, number of vertical networks formed, the number of horizontal networks formed, and number of secondary co-operatives formed. It will also include the investment committed towards the implementation on a year-to-year basis and the expenditure patterns.

### **Support Programme 2: Business Infrastructure Support**

- **Description:** Focus will be given to the provision of facilities for use by co-operatives in specialised manufacturing and service industries, as well as strengthening of hubs for rural co-operatives. Renovation of old buildings for use by co-operatives will also be considered.
- **Market Segment:** Micro and Small to medium co-operatives
- **Challenge being Addressed:** Limited access to business infrastructure
- **Institutional Arrangements:** This will be achieved through mobilising funding for minimum business infrastructure facilities in local authority areas across the country, linking up with municipal LED efforts and initiatives located in the private sector enterprise development under the B-BBEE strategy. The Department of Public Works will also be engaged to release old government buildings to be used by co-operatives where possible. The Co-operative Development Agency will assist co-operatives to access this business infrastructure working in partnership with all relevant role-players.
- **Key Performance Indicators (KPIs):** Number of co-operatives supported, number of hubs created, number of government buildings released to co-operatives. This will also include the investment committed towards the implementation on a year to year basis and its expenditure patterns.

### Support Programme 3: Taxation of Co-operatives

- **Description:** Most types of co-operatives conduct business primarily with their members. For this reason, in most countries they receive tax holidays/breaks for certain periods of time after initial operations. In this regards, **the dti**, together with National Treasury, will reform the existing tax regime with the view to bring about a progressive tax regime capable of developing and growing co-operatives taking into consideration their unique nature. Once a new tax regime has been created, the South African Revenue Service (SARS) will have the responsibility of implementing it.
- **Target Market:** Survivalist, micro, small to medium co-operatives
- **Challenge being Addressed:** Recognition of co-operative unique business form and diversity.
- **Institutional Arrangements:** The initial proposal will be made by **the dti** to the National Treasury and SARS will execute the programme.
- **Key Performance Indicators (KPIs):** Number of co-operatives benefited from the tax regime, total amount saved by co-operatives.

#### 3.2.4 Strategic Pillar 4: To Increase the Supply of Financial Support Services to Co-operatives

The focus of this section will be to provide financial support programmes responding to various market segments and the institutions in which the programmes will be implemented. All the support programmes under this section are geared towards addressing the challenge of limited access to finance by co-operatives. Limited self-reliance is also addressed through encouragement of formation of co-operative banks as a medium to long-term intervention.

## Support Programme 1: Micro-Loan Support Through Wholesaling

- **Description:** It provides start-up financial support at the lower end of the market of co-operatives ranging from R200 to R10 000. It is an instrument aimed at mobilising the resources of communities to enable them to meet their economic and social needs, enabling them to move out of the poverty datum level.
- **Market Segment:** Targets to support households, survivalist and micro co-operatives.
- **Institutional Arrangements: The South African Micro-Finance Apex Fund (samaf)** was established specifically to provide access to micro-loans and support to social capital mobilisation on a wholesale basis. SAMAF utilises co-operatives banks and other savings establishments as intermediary delivery mechanisms for its products to beneficiaries providing it with the reach throughout South Africa. **samaf** also invests in capacity building of the intermediaries to ensure that they deliver efficiently and as widely as possible. The component of **samaf** that deals with co-operatives will be transferred to the Co-operative Development Agency.
- **Key Performance Indicators (KPIs):** Number of co-operatives provided with loans (delineated by demographics), total amount of loans to co-operatives; total amount spent on co-operatives capacity-building, number of co-operative members provided with loans (delineated by demographics, gender, youth and disability). Jobs created through the programme and self-help opportunities created.

## Support Programme 2: Co-operative Incentive Scheme (CIS)

- **Description:** The **CIS** provides a start-up 90:10 matching grant to co-operatives which find it difficult to secure venture capital from private financial institutions due to the collective ownership structure of co-operatives. Limited working capital support is also provided. The co-operatives are eligible for a maximum total grant of R300 000 with the minimum being R10 000.  
**Market segment:** Survivalist and micro co-operatives.
- **Institutional Arrangements:** The CIS will be transferred for purpose of administration and roll-out to the Co-operatives Development Agency.
- **Key Performance Indicators (KPIs):** Number of co-operatives supported (delineated by demographics and sectors); number of members benefited, number of jobs created. It will also include the investment committed towards the implementation on a year-to-year basis and its expenditure patterns.

### Support Programme 3: Co-operative Special Project Fund (CSPF)

- **Description:** The Co-operative Special Project Fund (CSPF) is one of the government's financial instruments created to support 'emerging' small and medium co-operatives seeking either start up and expansion capital or looking to embark on activities that fall outside the scope of the CIS. It also provides financial rescue to small and medium co-operatives in distress (although this is subject to an assessment of the impact and viability of such co-operatives). It targets primary and secondary co-operative enterprises operating in all sectors of the economy (although preference will be given to priority sectors such as marketing, worker, agricultural, financial, consumer and housing co-operatives). The objective of the fund is to assist small and medium co-operative enterprises (that find it difficult to secure funding from mainstream financial institutions) in the second economy acquire support that will improve their growth, sustainability and competitiveness with a view of integrating them to the mainstream economy. The fund consists of three products/facilities: (1) The Co-operative Development Support Facility (2) The Co-operatives Business Loan Facility and (3) Credit Guarantees. Start-up and expansion support is provided as a mixed facility involving grant and loan while the financial rescue component is purely a loan. The minimum funding available under CSPF is R300 000 and the maximum being R2,5 million.
- **Market Segment:** Targeting small to medium co-operatives that find it difficult to secure venture capital from mainstream financial institutions. The instrument also targets ailing co-operatives that need rescue, which have a potential for sustainability.
- **Institutional Arrangement:** The programme will be administered and rolled out by the Co-operatives Development Agency.
- **Key Performance Indicators (KPIs):** Number of co-operatives supported (delineated by demographics and sectors); number of members benefited, number of jobs created, number of ailing co-operatives rescued financially. It will also include the investment committed towards the implementation on a year to year basis and its expenditure patterns.

In addition to direct support by government, **the dti**, in partnership with National Treasury and relevant role-players, will encourage and educate all co-operatives to register co-operative banks according to the Co-operative Banks Act, No. 40 of 2007 in order to ensure sustainable sources of funding and to encourage the culture of savings among

co-operatives. Support for these types of co-operatives will be provided through the Co-operative Banks Development Agency. The Co-operative Development Agency will provide information, facilitation of access to these services, and conduct awareness campaigns in this area.

### 3.3 Institutional Arrangements for Implementation of the Strategy

- Currently, all the above-mentioned support programmes (i.e. financial support, non-financial support and incentives) are administered separately by various institutions ranging from **the dti** to government agencies at national, provincial and local levels. In the short-term, this arrangement will continue with rigorous co-ordination through **the dti** Co-operatives Unit in order to measure the impact. In order to build concentrated knowledge and skills to nurture all the levels of co-operatives development and to eliminate confusion and frustration in the market on the scattered support available for co-operatives and to eliminate small pockets of unco-ordinated support with little impact, support for co-operatives will be scaled up and streamlined under a one-stop shop approach. This approach will be implemented through the Co-operatives Development Agency.

### 3.4 Cross-Cutting Programmes

The focus of this section will be to provide cross-cutting support programmes responding to all market segments and the institutions in which the programmes will be implemented.

#### 3.4.1 Co-operative Promotion and Awareness Support Programme (CPASP)

- **Description:** A communication strategy will be developed, which will entail a CPASP to support initiatives designed to increase the promotion and awareness of the co-operative business model, as well as provide a framework for the execution of pertinent issues relating to the co-operatives movement. These issues are to:
  - Organise, conduct, collaborate and assist in carrying out sector development research;
  - Market and communicate achievements of co-operatives through periodicals, journals, newspapers, pamphlets, brochures, books, films,

broadcasts, TV and the radio for creating favourable atmosphere for the development of the co-operatives.

- Organise and conduct study tours to relevant countries internationally to obtain further insight on the application of best practices.
- Mobilise communities, organise and support workshops, conferences, seminars and meetings designed to educate the public and private sector institutions and people on the co-operative business model.
- **Challenges being addressed:** Limited promotion and awareness, inadequate co-ordination, inadequate recognition of co-operative unique business form and diversity; and limited formalisation of informal self-help groups.
- **Institutional Arrangements:** The CPASP will facilitate partnership between government and the co-operatives movement in the promotion of awareness of co-operative business model in South Africa. The task of increasing the promotion and awareness of the co-operative business model is a shared competency that cuts across departmental boundaries and involves several departments at national level. It also cuts across the three spheres of government (i.e. national, provincial and municipal government level). This specifically entails that all these levels of government must develop their own promotion and awareness programmes aimed at promoting sectoral co-operatives and co-operatives located in provinces and local levels of government. Partnership between these levels of government must also be forged in the process and must also involve the co-operatives movement in South Africa. Leadership and co-ordination of this programme will remain under the domain of **the dti**. The CDA will also play a role in this area, working closely with **the dti**, other spheres of government and the co-operatives movement.
- **Key Performance Indicators (KPIs):** Number of awareness workshops held, number of individuals participated, and number of co-operatives formed after the workshops, number of co-operatives participated. It will also include the investment committed towards the implementation on a year-to-year basis and its expenditure patterns.

### Support Programme 2: Education and Training

- **Description:** The programme plays a critical role in the promotion of co-operatives and co-operatively-organised self-help groups in South Africa. This strategy calls for the establishment of the National Co-operative Agency, amongst other things, is aimed at promoting education and training on co-operatives and co-operatively-organised self-help groups. The Agency will



also contribute to the promotion of education and training on co-operatives and 'collective entrepreneurship' and will work in partnership with government and other institutions of learning in promoting this mandate. The Agency will also carry out research to enrich knowledge on co-operatives, provide relevant information and archive all knowledge on co-operatives in the country. The Agency will aim at educating both co-operatives (members, managers, employees and board members) and practitioners for co-operatives development from the co-operatives movement and government at all spheres. The Agency will also work closely with various SETA's and Department of Higher Education and Training (DHET) in the provision of ABET to more advanced levels. The Agency will also champion the process of lobbying the Department of Basic Education (DBE) to incorporate co-operatives into the school curriculum in order to inculcate the culture of co-operation from a very early age.

- **Challenge being Addressed:** Inadequate recognition of co-operative unique business form and diversity.
- **Institutional Arrangements:** The Co-operatives Agency will be established through a partnership between **the dti**, the **DoBE** and the DHET. Provinces, district municipalities and local municipalities will support the establishment and sustainability of their chapters. The Agency will partner with universities in delivering this programme. The co-operatives movement should also play a critical role in the promotion of education and training of co-operatives.
- **Key Performance Indicators (KPIs):** Training material developed, number of co-operatives trained (delineated by demographics, membership, positions in co-operatives etc.), number of government officials trained, number of co-operatives movement members trained, co-operative education incorporated into the school curriculum, number of research papers published. It will also include the investment committed towards the implementation on a year to year basis and its expenditure patterns.

### Support Programme 3: Co-operative Research; and Monitoring and Evaluation

- **Description:** Research plays an important role in informing government policy and strategy on collective entrepreneurship and co-operatives promotion. However, additional measures are necessary to ensure that policy relevant research is undertaken on an ongoing basis. In essence, statistical data on co-operative enterprises, including entry, exit, survival and failure rate is critical in informing policies and support programmes. Also effective monitoring of the implementation and performance of this strategy is of critical importance. This monitoring should be carried out in order to enable improvements in performance and the introduction of requisite changes. The importance of developing and implementing an overarching monitoring framework, which will enable government to gather feedback on the performance of public, private and donor enterprises support cannot be over-emphasised. At present, there is very limited information and statistics on the co-operative sector; hence the need for proper, up-to-date, comprehensive and regularly updated statistical information on co-operatives and their operations in South Africa.
- **Challenge being Addressed:** Inadequate economic and social impact statistics on co-operatives.
- **Institutional Arrangements:** the dti will work with all government departments across all spheres of government, CIPC, Co-operative Advisory Council, Statistics South Africa, the Co-operatives Movement, the Co-operative Development Agency, the Co-operative Tribunal and academia to carryout this type of research. In this regard, the department will ensure ongoing research and the publication of the *Annual Co-operative Development Review*. Further, the dti will work with all the noted stakeholders to identify additional areas of research and to mobilise resources to undertake such research. Results of the research will be widely publicised using existing institutions and other channels to inform prospective and existing co-operatives' government and other relevant stakeholders on issues of co-operatives development.

the dti will generate annual review reports, three-year review reports in correlation with government's Medium-Term Expenditure Framework (MTEF) and the 10-year review of the implementation of the co-operative strategy. In

addition, a **database** aimed at providing overall information and assist in the monitoring of the co-operative performance will also be developed.

- **Key Performance Indicators (KPIs):** Research reports, co-operative information system database, annual review report, three-year mid-term report, 10-year full-term report. It will also include the investment committed towards the implementation on a year to year basis and its expenditure patterns.

### 3.5 Conclusion

In conclusion, the Strategy aims to create an enabling environment for a vibrant, autonomous co-operatives movement in South Africa. Challenges facing co-operatives in South Africa were also highlighted herein. In response to these challenges, the Strategy seeks to overcome these impediments, through a set of interventions that will be implemented at national, provincial and local levels of government.

These interventions will be implemented by government, in partnership with all relevant role-players. The Co-operative Development Agency is one such initiative – it is a new institution that will be established in order to ensure that co-operatives are afforded nation-wide access to all support programmes, ranging from pre-registration, registration, non-financial and non-financial support. In order to deal with issues of conflict-resolution among co-operative members and to ensure compliance with the applicable legislation, the Co-operatives Tribunal will also be established. Education and training for co-operative members and promoters, at all levels, will be provided through the Co-operative Agency and implemented at national, provincial and local levels. Finally, instruments to measure performance will accompany these interventions, outlining research, annual reviews; three-year mid-term reviews and 10-year comprehensive review.

## **SECTION 4: ANNEXURES**

## ANNEXURE A: ACTION PLAN FOR THE IMPLEMENTATION OF THE INTEGRATED STRATEGY ON THE DEVELOPMENT AND PROMOTION OF CO-OPERATIVES, 2012 – 2022

The Strategy envisions that various actions will be undertaken by relevant role-players, giving effect to its implementation. These action plans are not exhaustive but intended to provide guidance on critical actions that should be carried out by the relevant role-players. These actions may be reviewed and evolve over time, to reflect the dynamic changes within the co-operative sector. This action plan is guided by the principle in the Co-operatives Act, No. 14, 2005, as amended, which stipulates that the competency for promoting and supporting co-operatives be a shared responsibility, involving all spheres of government and other extra-parliamentary stakeholders.

Short-term = Immediate to two years

Medium-term = Three to five years

Long-term = Five to 10 years

Area	Key Role-Players	Action	Term
Co-operative Promotion and Awareness Support Programme (CPASP)	<p><b>the dti</b></p> <p>National Departments</p> <p>Provincial Departments</p> <p>District and local municipalities</p> <p>Co-operative Development Agency</p> <p>Co-operatives movement</p>	<ul style="list-style-type: none"> <li>- Mobilisation of individuals to form co-operatives in partnership with the co-operatives movement and civil society</li> <li>- Provide TV, radio and print media campaigns</li> <li>- Arrange the Annual Co-operatives Week in partnership with the Co-operatives movement</li> <li>- Provide information on a one-on-one and workshop basis</li> <li>- Arrange conferences, seminars and <i>Izimbizo</i> on Co-operatives</li> </ul> <ul style="list-style-type: none"> <li>▪ Develop a handbook, which states what products/services are available for co-operatives and from which department/institution these can be obtained</li> </ul>	Short to medium
	<p><b>the dti</b></p> <p>Co-operatives</p>		

Area	Key Role-Players	Action	Term
Education and Training of Co-operatives	Development Agency Department of Education/Department of Labour/ <b>the dti</b> Provinces District and local municipalities	<ul style="list-style-type: none"> <li>Establishment and sustainability of the Co-operatives Agency</li> </ul>	Medium to long
Research/Monitoring and Evaluation	<b>the dti/CIPC</b> Universities/Co-operatives Advisory Council/Co-operatives movement/ Co-operative Development Agency Co-operative Tribunal	<ul style="list-style-type: none"> <li>Totally overhaul CIPC registration process to reflect credible statistics</li> <li>Conduct continuous research on co-operative trends</li> <li>Conduct annual reviews of the co-operatives programme</li> <li>Conduct three-year mid-term reviews on the co-operatives strategy</li> <li>Conduct 10-year comprehensive review on the strategy</li> </ul>	Short Medium Long
Provision of non-financial support to co-operatives	Co-operative Development Agency/ <b>the dti/</b> provinces/ municipalities  CIPC  Co-operative Tribunal	<ul style="list-style-type: none"> <li>Establishment of the Co-operative Development Agency</li> <li>Establish the provincial and municipal chapters of the agency</li> <li>Develop comprehensive programmes pre-registration technical and management education for co-operatives</li> <li>Facilitate twinning arrangements between South African co-operatives and other countries' co-operatives.</li> <li>Facilitate registration on co-operatives</li> <li>Ensure user-friendly registration of co-operatives</li> <li>Overhaul registration systems to produce reliable data</li> <li>Develop a programme for enforcement of co-operative legislation, conflict resolution mechanism, inspections and investigation</li> </ul>	Medium Medium Short Short Short Medium

Area	Key Role-Players	Action	Term
Creating demand for co-operatives products/services	<b>the dti</b>	<ul style="list-style-type: none"> <li>▪ Analyse all current bilateral and multilateral agreements to identify areas that will benefit co-operatives</li> <li>▪ Facilitate access to EMIA by co-operatives</li> <li>▪ Conduct research on the current procurement spend to co-operatives by national, provincial and local government</li> <li>▪ Develop a government co-operative procurement action plan</li> <li>▪ Monitor the 10 products procurement spend on co-operatives</li> </ul>	Short  Short to medium
Ensuring sustainability of co-operatives	All municipalities  Co-operative Development Agency	<ul style="list-style-type: none"> <li>▪ Provide business hubs for access by co-operatives</li> <li>▪ Provide economic infrastructure e.g. roads, electricity, water for access by co-operatives</li> <li>▪ Develop the Enterprise Network Programme for co-operatives</li> </ul>	Short  Medium  Medium
Provision of financial support to co-operatives	Co-operative Development Agency  <b>the dti</b> and National Treasury	<ul style="list-style-type: none"> <li>▪ Transfer the Co-operative Incentive Scheme (CIS) to the Co-operative Development Agency</li> <li>▪ Operationalise Co-operatives Special Projects Fund</li> <li>▪ Develop other financial support programmes for co-operatives</li> <li>▪ Embark on a comprehensive awareness campaign on co-operative banks</li> </ul>	Short  Short  Medium  Medium
Promotion of co-operatives development and collective entrepreneurship is a shared responsibility	Department of Agriculture	<ul style="list-style-type: none"> <li>▪ Develop policy and strategy for agricultural co-operatives in line with the national co-operatives policy and strategy</li> <li>▪ Strengthen support programmes and institutions for agricultural co-operatives</li> </ul>	Medium  Short

Area	Key Role-Players	Action	Term
	Department of Labour	<ul style="list-style-type: none"> <li>Develop Policy, legislation and strategy for worker co-operatives in line with co-operatives policy, strategy and legislation</li> <li>Develop support programmes for worker co-operatives (Unemployment Insurance Fund (UIF), wage subsidies allowance for unemployed, etc.)</li> </ul>	Long
	National Treasury	<ul style="list-style-type: none"> <li>Formulate a favourable tax regime that can promote co-operatives development</li> <li>Assist in the development of Co-operatives Accounting framework</li> </ul>	Short
	South African Revenue Services (SARS)	<ul style="list-style-type: none"> <li>Participate in the formulation of a favourable tax regime for co-operatives</li> <li>Implementation of a reformed tax regime for co-operatives</li> </ul>	Short
	Department of Social Development	<ul style="list-style-type: none"> <li>Develop strategy for the promotion of social development co-operatives</li> <li>Promote self-sustainability of poverty-relief projects in partnership with the dti</li> </ul>	Medium
	Department of Housing	<ul style="list-style-type: none"> <li>Develop support measures for social development co-operatives</li> <li>Develop a policy, legislation and strategy for housing co-operatives in line with national co-operatives policy, strategy and legislation</li> <li>Develop support measures for housing co-operatives</li> </ul>	Medium
	Department of Water Affairs and Forestry	<ul style="list-style-type: none"> <li>Develop a strategy for sanitation and forestry co-operatives</li> <li>Develop support measures for sanitation and forestry co-operatives</li> </ul>	Medium
	Department of Environmental affairs and Tourism	<ul style="list-style-type: none"> <li>Develop strategy for environmental and tourism co-operatives</li> <li>Develop support measures for environmental and tourism co-operatives</li> </ul>	Medium



Area	Key Role-Players	Action	Term
	Department of Public Works	<ul style="list-style-type: none"> <li>Strengthen participation of co-operatives in Expanded Public Works Programme (EPWP)</li> <li>Develop strategy for public works co-operatives (e.g. construction, electrical, plumbing, etc.)</li> <li>Link co-operatives to public procurement</li> <li>Design a programme for use of old and renovated government buildings by co-operatives</li> </ul>	<p>Medium to long</p> <p>Short</p> <p>Medium</p> <p>Short</p> <p>Medium</p>
	Department of Health	<ul style="list-style-type: none"> <li>Develop strategy for social co-operatives in the health sector in line with the National Co-operative Strategy</li> <li>Develop support measures for co-operatives in the health sector</li> </ul>	<p>Medium</p> <p>Medium</p>
	Department of Arts and Culture	<ul style="list-style-type: none"> <li>Strengthen participation of arts and culture co-operatives in existing support programmes</li> <li>Develop strategy for arts and culture co-operatives in line with the National Co-operatives Strategy</li> </ul>	<p>Short</p> <p>Medium</p>
	Department of Minerals and Energy	<ul style="list-style-type: none"> <li>Develop strategy for mining and energy co-operatives in line with the National Co-operatives Strategy</li> <li>Develop support programmes for mining and energy co-operatives</li> </ul>	<p>Medium</p> <p>Medium</p>
	Department of Science and Technology	<ul style="list-style-type: none"> <li>Ensure participation of co-operatives in science and technology programmes</li> </ul>	<p>Short</p>
	Department of Transport	<ul style="list-style-type: none"> <li>Develop policy and strategy for transport co-operatives (passenger and freight) in line with the National Co-operatives Strategy and Policy</li> </ul>	<p>Medium</p>

Area	Key Role-Players	Action	Term
		<ul style="list-style-type: none"> <li>Develop support programmes for transport co-operatives</li> </ul>	Medium
	Department of Provincial and Local Government	<ul style="list-style-type: none"> <li>Integrate co-operatives into LED and IDP programmes</li> </ul>	Short
	Department of Education	<ul style="list-style-type: none"> <li>Include education on co-operatives into the school curriculum</li> </ul>	Medium
		<ul style="list-style-type: none"> <li>Develop strategy and support measures for social co-operatives in the education sector</li> </ul>	Medium
		<ul style="list-style-type: none"> <li>Ensure co-operatives benefit in the school nutrition programme and the books and literature supply programme</li> </ul>	Short
		<ul style="list-style-type: none"> <li>Ensure the creation of a Co-operative College</li> </ul>	Medium to long
	Provincial Departments of Economic Development	<ul style="list-style-type: none"> <li>Develop provincial co-operative strategies emphasising unique features of each province in line with the National Co-operatives Strategy and Policy</li> </ul>	Short
		<ul style="list-style-type: none"> <li>Develop support programmes for provincial co-operatives</li> </ul>	Short to medium
		<ul style="list-style-type: none"> <li>Co-ordinate the participation of other provincial departments in co-operatives development</li> </ul>	Short
	District and Local Municipalities	<ul style="list-style-type: none"> <li>Develop Municipal Action Plans on Co-operatives as part of Integrated Development Plans</li> </ul>	Short
		<ul style="list-style-type: none"> <li>Develop Business Infrastructure Support Programmes (business hubs, parks, roads, other infrastructure)</li> </ul>	Medium
		<ul style="list-style-type: none"> <li>Address capacity issues for implementation of the co-operatives programme</li> </ul>	Short

Area	Key Role-Players	Action	Term
	Private Sector	<ul style="list-style-type: none"> <li>Partner with government in supporting co-operatives</li> <li>Develop support programmes (financial, mentorship and procurement) for co-operatives</li> <li>Ensure co-operatives benefit from B-BBEE implementation (i.e. CSI, enterprise development, procurement and ownership)</li> </ul>	Medium
	International Actors (e.g. ILO, DGRV, etc.)	<ul style="list-style-type: none"> <li>Partner with government to provide technical support to co-operatives and officials.</li> <li>Provide financial and non-financial support to co-operatives</li> <li>Facilitate linkage between local co-operatives and international co-operatives</li> </ul>	Medium
	Civil Society (including co-operatives movement)	<ul style="list-style-type: none"> <li>Partner with government to provide financial, non-financial and mobilisation support to co-operatives</li> </ul>	Short
	All National, provincial and local government and agencies	<ul style="list-style-type: none"> <li>Ensure implementation of One Municipality, One Product (OMOP) programme</li> <li>Provide procurement opportunities for co-operatives</li> <li>Formulate quarterly and annual reports for submission to <b>the dti</b> and Portfolio Committee on Trade and Industry</li> </ul>	Medium
Co-ordination	<b>the dti</b>	<ul style="list-style-type: none"> <li>Strengthen the current national and provincial co-ordination structures for co-operatives</li> <li>Establish co-ordination structures with all DFIs on co-operative support</li> <li>Integrate into local government co-ordination structures</li> <li>Synchronise co-operative planning and reporting at all levels of government</li> </ul>	Short
Publication of the strategy	<b>the dti</b> in partnership with provinces	<ul style="list-style-type: none"> <li>Simplify the language of the strategy</li> <li>Translate the strategy into all languages</li> <li>Distribute the strategy to all areas</li> </ul>	Medium
			Short

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Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

empowering industries and broadening economic participation

