

**A POLICY ANALYSIS OF SELF-GOVERNED COLLECTIVE
ACTION AMONG AGRICULTURAL COOPERATIVES IN
uMGUNGUNDLOVU DISTRICT, KWAZULU-NATAL**

Florence Adhiambo Shisanya

Student no. 208516496

**Submitted in fulfilment for requirements for the degree of Doctor of
Philosophy in Social Sciences (Policy and Development) in the College of
Humanities at the University of KwaZulu-Natal, Pietermaritzburg.**

2016

As the candidate's supervisor I have/have not approved this thesis for submission.

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DECLARATION - PLAGIARISM

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DEDICATION

I dedicate this work to the most important women in my life: my mother Eunice Oloo and my late grandmother Magdalina Orao for their love.

ACKNOWLEDGEMENTS

The journey has been long, without support and encouragement I could have easily fallen off the way. I say thank you to God Almighty for His faithfulness. My sincere and heartfelt gratitude to the following:

Dr. Ann Stanton and Professor Ralph Lawrence for their supervision, encouragement and commitment to quality.

All the members, mentors and managers of cooperatives who took part in the study.

Public and corporate officials who contributed to this study in one way or the other.

Kwanele, Andile, Mammie, Sandra and the late Willies for all their support during data collection.

All the officials from various government departments, local municipalities, public and private agencies who contributed to this study in one way or the other.

Leigh McFarlane for editing this work.

My husband Stephen for all the encouragement and unwavering support.

My wonderful children Lexin, Trecy, Shem and Ted for being understanding and supportive.

Thank you and God bless you all.

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ABSTRACT

To address the injustices of apartheid rule, the African National Congress government embarked on a series of policy reforms, among them the overhaul of the old Cooperatives Act no. 19 of 1981 to The Cooperatives Act no. 14 of 2005. According to Ostrom (1990) cooperatives are a typical example of self-organised collective action groups in which the actors stand to earn mutual benefits, strictly if they can curb free-riding, instil commitment, have a constant supply of rules, and oversee individual adherence to the rules. Management of cooperatives as business enterprises is difficult given their unique nature: they are voluntarily and democratically created by the owners who serve as the management and the client (Prakash, nd). This study set out to analyse self-governed collective action among agricultural cooperatives in uMgungundlovu District KwaZulu-Natal Province. In this study Ostrom's (1990), *Governing the commons: the evolution of institutions for collective action*, is used as the conceptual framework and the mixed methods approach is employed. The findings of this study show that community attributes did not facilitate the formation and sustained governance of these cooperatives. The cooperatives lacked the necessary resources and had only one partner; the government. The seemingly abundant but segmented and uncoordinated support from various government departments did not reach most cooperatives and hindered them from becoming autonomous. Members of cooperatives did not understand the concept "cooperative" and lacked basic skills in governance. The high mushrooming rates, drop-out rates and collapse rates of cooperatives also point to the failure of members of cooperatives to govern themselves. Thus, fragmented implementation of the Cooperatives Act no 15 of 2005 has resulted in failed self-governed collective action among the emerging agricultural cooperatives in South Africa. There is therefore the need for a coordinated support to cooperatives and to separate the Cooperatives Development Policy from the Broad Based Black Economic Empowerment Policy and implement the policy according to the cooperative principles and values. All the stakeholders need to be equipped with a thorough understanding of the concept "cooperative" and made to work towards establishing an independent cooperatives movement with varied partners. There exists very little research on self-governance of cooperatives in South Africa, most of which is economics based and often covers small pockets of the country. There is need for further research which is social science oriented and covers wider areas of the country that will help authenticate and compare the findings of this study.

ABBREVIATIONS

ABSA	Amalgamated Banks of South Africa
AGM	Annual General Meeting
ATM	Automated Teller Machine
BBBEE	Broad Based Black Economic Empowerment
CBOs	Community Based Organisations
CCA	Canadian Cooperatives Association.
CCMA	Commission for Conciliation, Mitigation and Arbitration
CFO	Field Channel Organisations
CIPC	Companies Intellectual Property Commission
CIPRO	Companies and Intellectual Properties Registration Office
CIS	Cooperatives Incentive Scheme
COGTA	Department of Cooperative Governance and Traditional Affairs
DAC	Department of Arts and Culture
DAEA	Department of Agriculture and Environmental Affairs
DAFF	National Department of Agriculture, Forestry and Fisheries
DCC	District Coordinator of Cooperatives
DEDT	Department of Economic Development and Tourism
DEDEA	Department of Economic Development
DHED	Department of Higher Education Development
DLA	Department of Land Affairs
DME	Department of Minerals and Energy
DOE	Department of Education
DOH	Department of Health
DOL	Department of Labour
DPW	Department of Public Works
DSD	Department of Social Development
DST	Department of Science and Technology
DTI	Department of Trade and Industry
FET	Further Education and Training
FNB	First National Bank
GOLB	Gol Oya Left Bank

ICA	International Cooperatives Alliance
ICM	Intensive Cooperative Management Improvement Scheme
ILO	International Labour Organisation
IOs	Institutional Organisations
KNFC	Kenya National Federation of Cooperatives
KUSCCO	Kenya Union of Savings and Credit Cooperatives
KZN	KwaZulu- Natal
KZN-DEDT	KwaZulu-Natal Department of Economic Development and Tourism
KZN-LED	KwaZulu-Natal Local Economic Development
LED	Local Economic Development
NDA	National Development Agency
NGOs	Non-Governmental Organisations
NPOs	Not for Profit Organisations
NT	National Treasury
NYDA	National Youth Development Agency
SACCOs	Savings and Credit Cooperatives
SANACO	South Africa National Apex of Tertiary Cooperatives
SARS	South African Revenue Services
SCC	Swedish Cooperative Centre
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SMMEs	Small Medium and Micro Enterprises
UN	United Nations
USDA	United States Development of Agriculture

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CHAPTER 1

INTRODUCTION

The Australian Public Service Commission (APSC), (2007) refers to complex policy issues that are complicated, multifaceted and difficult to clearly define, as “wicked problems.” This is because such problems are multi-causal, have no clear solutions, involve changing behaviour and are characterised by persistent policy failures (APSC, 2007; Sorensen and Torfing, 2012). Attempts to address such policy issues often lead to even more complex challenges and uncertainty. Seemingly every developed or developing country has its share of such problems. In South Africa, the challenges of poverty, lack of skills among rural black communities, and uneven distribution of wealth (including land) entrenched by apartheid government policies are an example of complex policy issues (Department of Trade & Industry (DTI), 2004; Ortman & King, 2007). For example attempts by the government to implement land reform policies such as land redistribution have resulted in a near food insecurity situation in South Africa (Mboweni, 2015: 6).

One way of mitigating poverty especially in developing economies is through cooperative development. According to the International Labour Organisation (ILO), cooperatives enhance the creation of employment opportunities, resource mobilisation, generation of investment as well as bridging the gap between the rich and the poor (ILO, 2002). When commenting on the importance of cooperatives in 2001, according to the DTI (2004:2) the former United Nations (UN) Secretary General, Mr. Kofi Annan said, “The UN recognizes the contribution cooperatives can make to achieving the millennium goals of full and productive employment, eradicating poverty, enhancing social integration and promoting advancement of women... ”

In South Africa, before 1994, there existed well-established agricultural cooperatives that were owned and controlled by Whites; they received a lot of support from the apartheid government (Phillips, 2003; DTI, 2004). Phillips (2003: 17) says, “These cooperatives became a powerful lobby for agriculture, a virtual monopoly in key agricultural sectors, backed by ready access to finance through the Land Bank, and with effective control of the market boards that regulated prices until this system was dismantled in post 1994.” Since then, most of these cooperatives have become private companies (Phillips, 2003; DTI, 2004). Today some of the old agricultural

cooperatives that maintained their status as cooperatives have hindered entry to blacks despite the fact that they enjoy enormous commercial power (Phillips, 2003).

When the ANC government came into power in 1994, it became inevitable that the injustices of apartheid rule be addressed through policy reform. As early as 1999, Thabo Mbeki, the then president of South Africa promised that the government would embark on instituting a cooperative movement (DTI, 2004). The aim was to re-establish local communities and empower the people to take charge of their individual progress through sustainable economic activities (DTI, 2004). To-date, the South African government acknowledges that development of cooperatives is a significant and advisable means for mitigating poverty and unemployment. The Cooperatives Development Policy for South Africa, which forms the basis for the Cooperative Act 14, 2005 (establishment and development of cooperatives) was adopted in 2004 (DTI, 2004). A cooperative is an organisation, and critical to any organisation successfully meeting its objectives, is management; which involves formulating and executing policies, providing good service, and implementing operating efficiencies (United States Department of Agriculture, 1997). This is convincingly evident in the regulations for co-operatives as elaborated in the aforementioned South Africa's Co-operatives Act No. 14 of 2005.

Critical to successful implementation of a national cooperatives policy is the ability of individual cooperatives in the country to self-govern (Glasbergen, 2002). Van Niekerk (1988: 196) outlines management of cooperatives as “consisting of planning, organizing, leading and controlling” of its operations. Mierzwa (2007) indicates that cooperatives have many shortcomings such as limited capital, lack of management proficiency, poor co-ordination, lack of common interest, de-motivated membership, risk of corruption, risk of conflict among members, lack of secrecy, non-transferable shares and unwarranted government control. Zamagni and Zamagni (2010) observed that cooperatives possess a double character of market and social codes and this is what actually makes the governance of cooperatives tough. According to Van Niekerk (1988) therefore sound management is of supreme importance to the success of a cooperative.

In an attempt to gauge the likelihood of successful implementation of the Cooperatives Act No. 14 of 2005, this study analyses the self-governance among the agricultural cooperatives in uMgungundlovu District.

1.1 Background and outline of the research problem

Cooperatives originate from the mutual need to address the members' interests, the main objective being to maximize benefits of the members' involvement (Zamagni and Zamagni, 2010). However, it is critical to point out that just the knowledge of a common goal is not enough to push individuals into forming a cooperative; individuals need to be enticed or lured into forming such organisations (Hussi et al, 1993). For example, in the mid-sixties, the Kenyan government aided farm purchase societies, which were more production cooperatives, to purchase the European large-scale farms and this enticed many individuals into forming such cooperatives (Bager, 1980).

There are different types of cooperative societies: agricultural, housing, workers, consumers, and savings and credit, among others. The type of cooperative depends on the activities they engage in (Hussi et al, 1993). Furthermore, there are many types of agricultural cooperatives. However, they can be classified broadly into two groups: service cooperatives and production cooperatives. Households or enterprises who want to serve their interests as consumers or producers, establish service cooperatives that would enable them purchase, store or transport inputs and produce cheaply, market their produce or access credit conveniently (Barger 1980). These types of cooperative enterprises dominate in capitalist states. The production cooperatives dominate in communist states and are established to meet the employment needs of the cooperatives thus. The owners of the cooperative are also the employees (Bager, 1980).

Like any organisation, cooperatives are not immune to challenges. There are new challenges, problems, pressures as well as opportunities that globalization has generated for cooperatives (ILO, 2002). According to Zamagni and Zamagni (2010) cooperation is a phenomenon that is characterised by versatility evolving from the internal and external in reaction to economic changes in the surrounding environment. Young et al (1981) indicates that in the modern technologically developed society there exists discrepancies among the varied but integrated elements of social, economic and political activities. He explains that this makes coordination of multiple actions of many individuals attempting to effectively accomplish social, economic and political functions, as in cooperatives, rather complex. Management of cooperatives in developing countries is even more challenging. He points out that it therefore requires that the government initiates and guides socioeconomic transformation so as to create an environment

that is conducive for non-governmental reform approaches. Other than creating an enabling environment, governments should not only make individuals and groups enter into new relationships but should, for example, also expand and reinforce networks of relations (Young et al, 1981).

Universally, almost every country seems to have cooperative policy/rules particularly for agricultural cooperatives. These policies address; formation/registration, membership, decision-making structures, management, capital structure, audit, amalgamation and transfer, winding-up and de-registration and an advisory board, among other things (Hussi et al, 1993; Zamagni and Zamagni, 2010). This is because both the rural population and the government still view cooperatives as the preferred mode of attaining their socio-economic goals despite the challenges these forms of organisation experience (Young et al, 1981, Hussi et al, 1993). Cooperatives face a lot of complexities and uncertainties which result from poor management, lack of market, price fluctuations and unpredictable weather conditions (Hussi et al, 1993). The situation is worsened by corruption among stakeholders, lack of skills, free-riding and shirking among members. Hence, the need for a government cooperative policy, an individual cooperatives by-laws/constitution and internal rules and regulations (Hussi et al, 1993). The policy and internal by-laws and rules should also be subjected to gradual modification and occasional overhauls which are added to the aforementioned principles, because cooperatives are guided by external and internal rules and regulations (Young et al, 1981). Essentially, these rules and regulations aim to solve the problem of opportunistic behaviour which is prevalent in cooperatives, while at the same time ensuring that these enterprises with a dual nature are managed sustainably.

Hussi et al (1993) observe that whether in a developed or a developing country, government action can either hinder or stimulate the development of cooperatives. In their World Bank Technical Paper strongly cautions sub-Saharan African governments against having excessive control over cooperatives. These countries are advised to instead engage in policy reforms that would facilitate the development of sustainable rural organisations. Brinkerhoff and Crosby (2002) suggests that sustainable policy reform and implementation are dependent on political motivation and local leadership since new policies often re-shape roles, organisations and motivations.

Van Niekerk (1988) indicates that lack of knowledge about management of agricultural cooperatives is one of the distressing factors that had to be dealt with in an attempt to streamline the cooperatives movement in South Africa before 1922. According to Barratt (1989), the success of a cooperative is dependent on accessibility to capital, quality and quantity of skills available, level of training, attitude towards work and community beliefs and values. He points out that all of these must be tactfully managed. Mierzwa (2007) indicates that effective management of cooperatives is dependent on level of education, culture and attitude of the people, historical experiences of the country as well as social economic development.

In an address to Kenya Union of Savings and Credit Cooperatives Society (KUSCCO) AGM, Kenya's former Minister for Cooperatives Hon. Nyaga (2010) indicates that the success of a cooperative is dependent on sound leadership, members ability to draw own internal rules and a commitment to their organisation. Paranjothi and Ravichandran (2009) indicate that cooperatives in India that experienced the predicament of identity, battled for survival and growth; a condition that emanated from unprofessional methods in management.

Cooperatives are self-organised collective action groups that survive on a constant supply of and adherence to working rules which can be established and enforced by external authorities, or internally by the members of the cooperative (Ostrom, 1990). Experience has shown that when the working rules are imposed by external authority the organisations do not endure (Hussi et al, 1993; Ostrom, 1990). As soon as the external authority ceases to supply and ensure enforcement of the rules, cooperative collapse (Hussi et al, 1993). Thus, critical to the success of collective action organisations such as a cooperative, is their ability to self-organise. Admittedly management of cooperatives is challenging and difficult (Novkovic and Power, 2005; USDA 2007).

Historically agricultural cooperatives among Black South Africans did not succeed because the discriminative apartheid laws denied them, amongst other necessities, access to land (Satgar, 2007). The assumption among the ANC government officials has been that the agricultural cooperatives that are formed in rural black communities are characterized by low levels of literacy and a lack of capital in the form of land and money to hire experts (Department of Agriculture, Forest and Fisheries (DAFF), 2012). Thus, most black controlled cooperatives in South Africa are young "emerging cooperatives" which, in the government's view, warrant intense support intervention in order to attain medium and long term sustainability and success

(DTI, 2009; Ortmann and King, 2007). The government has therefore availed financial and technical support as well as land for agricultural cooperatives. But all in vain (Jara and Satgar 2008). The motivation has been that if the other forms of self-managed organisations such as burial societies and stokvels are thriving among the black communities, then the cooperatives would definitely thrive (DTI, 2009). The KwaZulu-Natal Department of Economic Development and Tourism (KZN-DEDT) (2009: 10) points out that, “Despite passionate and sustained Government support, many cooperative enterprises established in KZN between 2005 and 2007 are considered to be underperforming, while significant numbers have closed down.” In 2010 the collapse rate for cooperatives nationally in South Africa was 88% (DTI, 2012; Parliamentary Monitoring Group (PMH) (2010). The question then is, why not cooperatives? Where is the problem?

Many branches of social sciences deal with collective action; issues of human behaviour and what motivates people to engage in activities required to generate and sustain common goods. Organisations such as agricultural cooperatives, which are collective action groups are often built on both external and internal policies (Pope, 2013). Theron (2012) argues that the existence of cooperatives as legal entities is unimaginable without a policy or a legal framework that distinguishes it as such. The measure of the realization of the objectives of the national cooperatives policy is dependent on success or failure of cooperatives which is in turn dependent on individual cooperatives’ internal policies or institutions (Glasbergen, 2002). Given the current state of affairs, there is therefore the need for policy analysts to analyse and re-analyse the cooperatives policy or framework as well as the internal rules and regulations of individual cooperatives in South Africa (Theron, 2010).

Leautier and Salazar-Xirinachis (2008: x) admits that there is generally a lack/dearth of contemporary literature and data on cooperatives as a form of organisation. Ortmann and King (2007) observes that over a period of ten years from 2000 only three articles that referred directly to cooperatives were published in *Agrekon*, the official journal of the agricultural economics Association of South Africa (AEASA). They indicate that, despite the contentiousness of the cooperatives movement in South Africa, little has been documented on policy discourse, particularly with regard to management of cooperatives under the Cooperative Act 14, 2005. Where literature on agricultural cooperatives and management of organisations exists it has been presented by economists. There is no/little literature on self-governance among agricultural cooperatives from a policy perspective. Therefore, there is a

need to develop literature from a public policy perspective. This study comes in handy to fill in the gaps in literature on agricultural cooperatives in South African from a public policy perspective. In doing so, this thesis contends that agricultural cooperatives have the potential to create employment, alleviate poverty and improve food security among the rural poor in South Africa, as has been experienced in other countries such as Italy and Kenya (DAFF, 2012). One of the factors that influence success of agricultural cooperatives is the management thereof. This study set to establish how agricultural cooperatives in uMgungundlovu District of KwaZulu-Natal Province in South Africa are self-organising. The research questions look at formation, resources, partnerships and management among these agricultural cooperatives. This is well illustrated in chapters 6, 7, 8, 9 and 10 of this thesis.

1.2 Justification for the study

The study outline above presupposes an interconnection between the development and management of cooperatives in South Africa. The South African government admits that one of the challenges experienced by cooperatives countrywide is lack of management skills (DAFF, 2012; DTI, 2009). In light of this background, many social scientists have overlooked the importance of self-governance among the cooperatives from the perspective of collective action in South Africa. Therefore, there is a need to analyse the capacity and ability of cooperatives as self-organised entities in South Africa. This contemporary study will be crucial in building on and filling in the gaps in literature on an empirical nexus between development and management of agricultural cooperatives in uMgungundlovu District in KZN.

This thesis concentrates on agricultural cooperatives in uMgungundlovu District, KwaZulu - Natal for three reasons: 1) the majority of cooperatives in South Africa identify themselves as agricultural cooperatives (29%) (DTI, 2009) and (47%) (DAFF, 2012). (2) The first ever cooperative to be registered in South Africa in 1892, the Pietermaritzburg Consumers' Cooperative, was established in the then Natal Province (Van Niekerk, 1988) now KwaZulu-Natal province which is still home to most cooperatives (39.49%) (DTI, 2009). 3) According to the DTI (2012: 35), "In KZN, there is a strong political commitment from the provincial leadership to effectively promote co-operatives." The KwaZulu-Natal Provincial Government has made deliberate attempts to implement the Cooperatives Act No. 15 of 2005. It has not only pledged to be the leader in the establishment and development of sustainable cooperatives

in South Africa, but also invested resources in an attempt to achieve this dream (KZN-DEDT, 2009).

1.3 Objectives of the study

This qualitative study analyses the management of agricultural cooperatives as self-governing entities in uMgungundlovu District. Given the developing material and consumerist culture among black South Africans in rural areas, the issue of poverty elimination through development of agricultural cooperatives remains an important area within an under-researched setting. Therefore, it is necessary to conduct a study that gauges the capacity of the members the agricultural cooperatives to self-govern and thus succeed in collective action. The objectives of the research are:

To assess the trends in formation and membership of self-organised collective action among agricultural cooperatives.

To analyse the availability, accessibility and adequacy of resources needed for successful self-organised collective action, consequently the implementation of the Cooperative Act No. 14 of 2005.

To investigate whether the partnerships/support to cooperatives encourage self-organised collective action among the agricultural cooperatives. According to the policy document, organisations such as the Municipalities, Micro Agricultural Finance Institutions of South Africa (MAFISA), DEDT, DTI and Department of Agriculture (DoA), among others, are involved in the implementation of the policy on cooperatives (DTI, 2005).

To analyse management of the agricultural cooperatives. The sustainability of these agricultural cooperatives is dependent on good management that require the members to be committed and able to formulate and reformulate rules for attaining organisational objectives as well as setting up structures and processes for their enforcement.

To find out the challenges to effective self-governance among agricultural cooperatives in South Africa.

1.4 Key research questions

The key research questions in this study are:

What motivations are there to attract and keep members in these agricultural cooperatives?

What resources are the members of agricultural cooperatives in uMgungundlovu District working with in an attempt to implement the act by sustainably running their agricultural cooperatives?

Who are the actual partners to the agricultural cooperatives? In an attempt to support these cooperatives how do the various partners relate to each other and to the agricultural cooperatives? What challenges to partnerships exist between these agricultural cooperatives and their partners?

What structures of management exist among the agricultural cooperatives? Who makes decisions and how are rules and regulations made and enforced? What conflict resolution mechanisms have these cooperatives adopted?

Have the assumptions and intentions of the national policy makers been realized at the local level where the act is implemented?

1.5 Broader issues to be investigated

Like all other developed or developing countries, South Africa faces social-economic challenges which, like a puzzle, are not easy to solve. The problems of poverty, unemployment and an ever widening gap between the rich and the poor, continues to be a challenge to the South African government. It was in an attempt to tackle those problems that the government adopted the Cooperatives Act No 14 of 2005. This policy aimed at establishing and promoting cooperatives, particularly among the unemployed in the rural areas of South Africa.

As mentioned earlier, the focus of many studies on cooperatives has been economic based. However, in order to address the dichotomy between development and management of cooperatives, this study uses a public policy perspective to analyse the management of agricultural cooperatives as self-governing entities.

By assessing the self-governance among agricultural cooperatives, this study investigates and gauges the realization of the Cooperatives Act No. 14 of 2005 in agricultural cooperatives. The findings are applicable to all forms and types of emerging cooperatives in South Africa. It is

not only the agricultural cooperatives that self-govern, this study also advises all organisations that engage in collective action, particularly in developing countries.

1.6 Definition of key concepts

Government: The business dictionary defines government as “A group of people that governs a community. It sets and administers public policy and exercises executive, political and sovereign power through customs, institutions and laws within a state.” It indicates that there are many types of governments some of them are: dictatorship, republic, democracy, aristocracy, and monarchy.

Policy Analysis: Weimer and Vining (1992: 1) defines policy analysis as “Client-oriented advice relevant to public decisions and informed by social values.” Segal and Brzuzy (1998) define policy analysis as the process of studying and reviewing the arguments and significance of public policies while Shultz (2003: 83) says policy analysis “is about common sense, breaking down public issues into a sequence of questions that allows us to think clearly about them.”

Self-governance: Ostrom (1990) looks at self-governance as a situation where a group of independent individuals voluntarily organise themselves to obtain joint benefits through joint efforts. She says attempts to self-organise involve the participants devising ways and methods to assign expenses and profits among themselves.

1.7 Structure of the dissertation

There are ten chapters in this thesis. Chapter one is an introduction while chapter is the literature review of the study. Chapter three is the conceptual framework and chapter 4 is the research methodology. Chapter five is the history of public policies of cooperatives in South Africa. Chapter six, seven, eight, nine and ten are the findings of the study. In chapter eleven the key research questions are answered against the backdrop of the findings. The implications of the findings on the cooperatives management and the movement are noted. Ostrom’s (1990) propositions on self-governance and other scholars’ views on management of cooperatives are used to criticize or complement the South African Cooperatives Act no 14 of 2005 and its

implementation. The researcher's input to the research body is included and recommendations on how to improve the cooperatives movement in South Africa are given.

1.8 Summary

This chapter has been introductory in its thrust. It has set the scene for what the study seeks to do and how it seeks to achieve that. The chapter has therefore given introduction and definition of concepts used in the study, the background to the research problem. Objectives and the research questions have been listed. The broader issues to be investigated have been indicated. This has been followed by the structure of the dissertation. In the next chapter, literature that is relevant to this study is reviewed.

The next chapter gives a review and comparison of literature on what various scholars have said with regard to definition of collective action, free-riding, collective action problem theories, types of collective action and the different methods that have been proposed for organizing for collective action. The study retains the view that there are various possible analysis of development and management of agricultural cooperatives in South Africa. One such analysis is the one this study utilized: the public policy analysis of agricultural cooperatives as self-governing organisations.

CHAPTER 2

LITERATURE REVIEW

In simple terms, “collective action” means doing things together (Oliver, 1993). Although we engage in collective action daily as we produce and consume goods, our understanding of how individuals organise themselves to supply such goods and services is still far from complete (Ernesto, 2003; Oliver, 1993). How some groups of people organise to provide goods while others fail is still a puzzle. One might find it illogical to invest time and effort in the understanding of collective action; a phenomenon that people have seemingly engaged in “successfully” since the beginning of mankind. However, the several cases of failed collective action and the consequences thereof make its understanding critical. The consequences of failed collective action, such as conflicts, climate change, and overpopulation, among others have a harmful effect on mankind (Dietz et al, 2002; Hardin, 1968). An understanding of why, in most instances we fail to supply ourselves with collective goods is an extreme priority to all scholars (Ostrom, 1998).

Collective action scholars agree that free-riding is the biggest challenge to organizing for collective action (Hlozinger, 2003; Oliver, 1993; Ostrom, 1990). But one thing that they are yet to come to a consensus on is the best way to successfully organise for collective action. While scholars such as Olson, Hardin and other economists advocate for privatization and state control, E. Ostrom and other social scientists feel that self-governance is the best way to solve the collective action problem. Thus, there is vast literature on collective action giving a range of hypotheses on how to organise for collective action in an attempt to deal with the free-rider and solve the collective action problem. Not all the literature on collective action can be used in this study, therefore four theories on the collective action problem; the Logic of Collective action, the Prisoner’s Dilemma, the Tragedy of the Commons and Rational Choice Theory are discussed. These four are the most commonly referred to and contested by collective action scholars (Ostrom, 1990) and are of greater relevance to this study since they justify the choice of the conceptual framework. Therefore in this chapter, before each of the four theories is discussed, free-riding, which is the collective action problem is defined. Thereafter, four types of collective action problems are described before a discussion on the three hypothesis on governance of collective action; state control, privatization and self-governance. This is followed by a literature review on the management of cooperatives.

2.1 The free-rider problem

Dietz et al (2002: 12) states, “If it is not practical to exclude a user or possible to force that user to contribute to the costs of developing and maintaining the resource, the non-contributing user is a free-rider.” Where attempts to exclude individuals from reaping the common benefits are costly or impractical, free-rider tendencies prevail (Dietz et al, 2002). A worker who enjoys the benefits of being a member of a trade union but does not subscribe or make contributions to that organisation is an example of a free-rider (Bryson, 2006). The free-rider problem arises when individuals obtain the benefit of a good without contributing to the cost (Pasour, 1981). The free-rider problem is experienced in several situations; in this study the contexts of public goods and Common Pool Resources (CPRs) are relevant and are briefly explained. In reference to a public good, for example, an individual is tempted to keep their contribution and free-ride on the redistribution from the “richer” members (Pasour, 1981). Examples of public goods are radio stations, knowledge, national defence, public health and transportation (Dietz et al, 2002, Ostrom, 1991; Varian, 1984). Public goods are non-excludable in nature and this makes it almost impossible for the provider to exclude the free-rider (Ostrom, 1991; Pasour, 1982). According to Ostrom (1991) the CPRs are both non-excludable and subtractable in nature. The subtractable nature of a CPR is experienced, for example, when natural resources like forests are overexploited and they get depleted or become extinct altogether (Ostrom, 1991; Pasour, 1982). And the non-excludable nature of CPRs is experienced, for example, when a herder cannot be barred from grazing their animals on communal land (Dietz et al, 2002; Ostrom, 1991).

When many members resort to free-riding, then the public good provider would supply fewer or inferior goods, or fail to supply completely (Dietz et al, 2002). In the case of public goods, a collapsed bridge may not be repaired and in the case of CPRs a river may dry up as a result of deforestation; this is when the free-rider becomes a problem. According to economists Groves and Leyyard (1977: 789) free-riding becomes a threat when it results in overexploitation of CPRs or “Pareto inefficiency” a state of non-production or underproduction of public goods.

Long before 1965 some economists had observed that individuals did not voluntarily contribute to the production or provision of public goods such as roads, sewage systems and public schools (Oliver, 1993). According to Stoup (2000: 485), “Each citizen who can enjoy the

benefits of a public good has an incentive to try to lay the whole burden of provision on others, whenever the exclusion of non-payers is very costly or impossible.” On the other hand, there were economists and social scientists who assumed that a group of people with common interests would automatically act collectively in an attempt to achieve these mutual interests (Holzinger, 2003; Oliver, 1993; Olson, 1965). Thus, according to the social scientists, there was direct correspondence between individual significance and mutual significance (Oliver, 1993; Olson, 1965).

An economist, David Hume’s (1937) solution to this problem was that the government should supply public goods such as bridges and use coercive taxation to ensure that every user contributes (Stroup, 2000). By late 1900s most economists (Arrow, 1970; Atkinson and Striglitz, 1980; Nicholson, 1989; Samuelson (1954) were still convinced that the government was the perfect institution to supply citizens with public goods (Stroup, 2000). Finally there was an acknowledgement of lack of congruence between individual interests and shared interest, particularly among social scientists. From the late 1960s social scientists began to look at the contextual meaning of the concept “collective action” as a mutual or shared concern among a set of persons (Oliver, 1993).

The existence of groups that have organised themselves to achieve collective action benefits, means that such groups have overcome the free- rider problem (Dietz et al, 2002, Reuben 2003). However, the fact that many groups have failed to organise themselves for collective benefits implies that free-riding is still a collective action problem. (Reuben, 2003; Holzinger, 2003; Oliver, 1993). In an attempt to explain or bring an understanding of the existing free-rider situations thus, postulate solutions, scholars have proposed several collective action theories among them the Olson’s Logic of collective action. The next section looks at, the Olson’s theory as a theory on collective action problems.

2.2 Theories on collective action problems

2.2.1 The Logic of Collective Action

An economist, Mansur Olson’s *The Logic of Collective Action* (1965) brought to light the idea of a “free- rider” as the collective action problem, particularly among the social scientists (Dietz et al, 2002; Holzinger, 2003; Oliver, 1993). In this widely referred to book, he focuses on public

goods (Dietz et al, 2002: 5). He observes that the non-excludable nature of public goods, which makes it difficult to exclude individuals from utilizing them, is the root of the collective action problem (Holzinger, 2003; Nielsen, 2009; Oliver, 1993). Olson (1965: 39) states that the main problem experienced in the supply of public goods is "...when a number of individuals have a common or collective interest; when they share a single purpose or objective-individual action will not be able to advance the common interest adequately." Common interest alone would not compel individuals to act collectively, particularly where they can still reap the benefits without contributing to its production (Ng, 2003; Olson, 1965). According to Olson (1965) therefore, self-interest motivates free-riding. He explains that the process of organizing groups to pursue collective ends such as policy outcomes is susceptible to the paradoxes such as shirking, dodging and free-rider problems (Olson, 1965; Ostrom, 1990). He advocates that private companies and the state should be responsible for ensuring the provision of public goods.

Olson proposes that the collective action problem can be overcome by having smaller groups or by giving selective incentives in the case of large groups (Ng, 2013; Oliver, 2004). He views group size in a quantitative approach as the decisive criterion for successful group organisation. He proposes that small groups are more likely to overcome the collective action problem, giving the following reasons:

Small groups are easy to organise because the cost of making binding agreements on the allocation of responsibilities and setting up and maintaining a recognized organisational arrangement are minimal. The likelihood of attaining a common goal is relatively high in a small group because firstly, the member or member's readiness to shoulder the total costs of a good. Secondly, the individual returns are high and thirdly, the unattractiveness of free-riding.

In a small group, an individual's action is noticeable because there is high interdependence among members; a member's contribution whether negative or positive is noticed by all the others.

Exploitation of the great by the small; a member who has acquired the biggest portion will neither divide his ability to supply the good nor his portion of the good with the other members within the small group. Thus, according to Olson divergence in inducements among members is a motivation to supply for the common good.

Olson's observation that unlike large groups, small groups are easier to organise because it is possible to monitor an individual's actions is supported by many scholars. Buchanan (1968) concurs that in small group situations an individual is aware that his deed will influence the deed of others thus; he/she is less likely to act differently from what the other expect of him/her irrespective of the consequences. Dietz et al (2002) are of the same opinion that in large groups "whether or not you contribute has no real impact on the quantity of public good." They concur that in large (latent) groups, those overcome by the "dictates of self-interest" will evade making contributions and still enjoy the benefits from the contributions made by others. Olson (1965) further points out that in the latent groups the low interdependence among members raises the cost of organizing in order to produce and maintain the supply for the public good. Large groups are therefore not easy to organise and ones actions are insignificant, making it easy to free-ride (Olson, 1965). He does not altogether rule out that large groups cannot be organised, but proposes that these "latent groups" can only be motivated to act collectively by use of selective incentive by introducing excludability through rewards (positive) and sanctions (negative) (Ng, 2013; Oliver, 2004). According to Oliver (1993) he argues that unless the benefits of collective good are withheld from nonparticipants, rational individuals are motivated to free-ride on the contribution of others. He points out that the unwillingness of individuals to voluntarily contribute to the production or provision of public goods justifies the existence of coercive taxation.

Critics to Olson's model, however, point out that this is a static model as it does not allow for interaction of members or include the critical element of time. They say it is outdated, repetitious, has no timeframe, motivates fragmentation and demonizes human beings (Lupia and Sin, 2003; Ng, 2003). Dietz et al (2002) argues that Olson's theory is biased towards public goods since it does not take into consideration common pool resources which are equally critical. They observe that everyone can have access to a public good without subtracting units, but with common pool resource usage by an individual, it diminishes the potential use by another. Thus, Olson's theory does not take into consideration several varied contexts in which the free-riding problem can be experienced (Ostrom, 1990).

Ng (2003) laments that by Olson asserting that rational individuals cannot act rationally unless compelled to do so, he implies that human beings have animal spirit. An individual's actions are a result of relations between "deliberate system" that weigh up alternatives with a wide goal-based viewpoint and "effective system" which entails emotions such as anger and fear

and driving forces such as hunger (Hagen and Hammerstein, 2006; Loewenstein and O'Donoghue, 2004). Olson's theory presumes that unlike animals whose actions are influenced by the "effective system" only, in humans the "deliberate system" also plays a role in influencing actions.

Dietz et al (2002: 5) argue that Olson's assumption that self-interest is the only motivator to free-riding is wrong to some extent. They feel that encouraging interaction among actors could diminish irrational behaviour. They say that some irrational behaviour is influenced by "communication, trust and ability to build binding agreements." Thus, where there is communication, trust expectation of future interactions, binding agreement and rules, credible commitment is built and actors behave rationally. Bollier (2013) says that Olson's argument that organizing large groups is difficult because of lack of interaction, has been rendered null and void by advancement in technology. He gives an example of the World Wide Web (WWW) which has made it possible for people to organise irrespective of distance. Lupia and Sin (2003) argue that with advancing communication technology Olson's claim that smaller groups are better placed to organise because of the ability to communicate becomes outdated. He concurs with Boiler in saying that communication can no longer be considered a hindrance to the organisation of large groups.

Olson's expression "exploitation of the great by the small" which refers to scenarios where the minority trump the majority does not augur well with other scholars who believe in the expression "tyranny of numbers" in a democratic situation (Ng, 2003; Lohman 2003). Olson suggests that the majority seldom change the status quo because of poor incentives and that the minority are capable of compelling the majority to agree to their interests in a democracy. The pro-democrats believe that the majority will always win since people always opt for what works in their interest. Gomley (1991: 28) even refers to Olson as a "long advocate of the economic approach in understanding politics." He says that Olson pointed out that in democratic states voter are often "conned" by idiotic ideas. He laments that in one of the conferences they attended together, Olson boldly indicated that the potential influence that an individual voter had in a democracy was negligible. Thus, according to him, Olson does not only undermine the principles of democracy, but advocates for its demise as he justifies privatization. In Olson's defence, his supporting argument that toppling monarch states wouldn't have taken so many centuries if there was a democracy (Ng, 2003). A theory that is similar to Olson's is the Prisoner's Dilemma.

2.2.2 The Prisoner's Dilemma

A dilemma is a situation that either way does not have a good ending. The most commonly used illustration of the Prisoner's Dilemma involves two people who must choose between two possible options: cooperate or defect. In this study an illustration of two robbers who face being sentenced is used. It is assumed that the two robbers (A and B) are questioned in separate cells, unable to communicate with each other. They have each been given the rules of the game (Dietz et al, 2002; Shui, 1992); If both cooperate with each other (refuse to confess/does not inform on the other) and proclaim mutual innocence, they will get light sentences of 1 year each for robbery. If one informs (defect) and the other does not, the one who confesses will be discharged and the other will get a heavy 5 year sentence. If they both confess, each receives a moderate 3 year sentence. Table 1 below illustrates the classic Prisoner's Dilemma.

Table 1: The Prisoner's Dilemma

	Prisoner B	
Prisoner A	Cooperate	Defect
Cooperate	-1, -1	-5, 0
Defect	0, -5	-3, -3

Source; McAdam (2008: 8)

Caught in this dilemma, the “narrow self-interest” will cause each one to defect and therefore receive the 4 year sentence which is not the better option (Dietz et al, 2002: 4; McAdam, 2008: 8).

The “dilemma” is that each actor is convinced that he/she will gain more by defecting, irrespective of whether the other defects or not, and he/she will act accordingly. However, when both defect, each would prefer the situation where neither defected. Defecting is a Nash equilibrium as it is a balance where each tactic is the best tactic to adopt against itself, but the condition for balance is even stronger. Defect is the principal tactic as it earns a bigger payoff given irrespective of the tactic adopted by the other actor. This results in a Pareto-inferior

equilibrium where the Pareto-dominant result, the result that supplies the most social recompense, is for neither to defect. The Prisoners' Dilemma can be applied to bigger settings with more actors, but for any Prisoner's Dilemma, players always choose between two strategies, to either cooperate or defect. Some economists believe that the Prisoner's Dilemma is a perfect description of the situation in the provision of common pool resource or public goods (Dietz et al, 2002).

The assumptions in the Prisoner's Dilemma are that: because there is no communication between the actors they will devise a strategy without the full understanding of what the other actor will do (Wade, 1987). Actors assume strategies that do not necessarily lead to the best result, thus, rationality leads to a condition where each actor is worse off. According to the Prisoner's Dilemma cooperation can never be achieved (McAdam, 2008). Many of the Prisoner's Dilemma proponents believe that only the presence of an external authority that imposes penalties on the offenders can lead to the socially attractive result of restrained access among actors (Shui, 1992). The Prisoner's Dilemma Theory therefore advocates for privatization of government control as a way of solving the collective action problem.

McAdam (2008) feels that the Prisoner's Dilemma is the best way of presenting the problem of cooperation, but the conclusion that the actors cannot on their own get to cooperate is misleading. He postulates that once the actors come to the realization that individual, selfish pursuits lead to worse outcomes, they would begin to seek means of cooperating for a better outcome. He feels that what exasperates the problem is that the actors are denied an opportunity to communicate, making it a coordination problem. In reference to the proposal that the state should control appropriation of common pool resources, Wade (1988) observed that not all countries have the capacity. He cites developing countries in which legal systems and the authority of government lack the power to make suitably credible warnings across numerous micro situations. Dietz et al (2002) stress that only the presumption of narrow self-interest and one-time interaction could lead us to paradoxes like the Prisoner's Dilemma and the Tragedy of the commons.

2.2.3 Gareth Hardin's Tragedy of the Commons

Harding's 1968 "the Tragedy of the Commons," published in *Science* is considered one of the most influential and most cited scientific papers of its time (Chow, 2012; Dietz et al, 2002).

This article brought to light the frightening reality of the sharp population decline of ocean species and other natural resources (Dietz et al, 2002). In referring to human attitude towards exploitation of common pool resources, Harding asserts that having a conscience or acting rationally was self-eliminating (Dietz et al, 2002). Harding observes that in common pool resource usage, good behaviour or restraint lead to economic loss while bad behaviour leads to economic gain. Thus, evolutionary processes will tolerate those who harvest indiscriminately as opposed to those who control their harvesting. Harding (1968: 1244) points out that “a man is locked into a system that compels him to increase his herd without limit - in a world that is limited.” Thus, humans are trapped in a vicious cycle of mismanagement and over-exploitation that results in environmental degradation (Chow, 2012). He observes that human beings over-exploit and deplete the commons even though it is not in their best interest to do so. He argues that the commons are vulnerable to over-exploitation because of lack of individual ownership and the powerlessness to limit access which encourages actors to compete in harvesting the shared resource (Chow, 2012; Dietz et al, 2002).

According to Sharma (2001: 2), Aristotle’s comment that “What is common to the greatest number has the least care bestowed upon this. Everyone thinks chiefly of his own, hardly at all of the common interests.” supports the notion that individuals put self-interest before everything else. Harding (1968: 1244) argues that “freedom in commons brings ruin to all.” He proposes that the only way to prevent a tragedy is to surrender control of commons to private property systems or powerful, central authority “Levethian” (Chow, 2012; Dietz et al, 2002: 11; Rahman, 2003:53).

When that which is common to all is neglected and eventually destroyed, the self-interest suffers because it can no longer be catered for. Scholars such as Sharma (2001), O’Riordan (1976), Wade (1988), and Dietz et al (2002) observe that some of the assumptions of Hardin’s theory include; using the example of herders; an actor is selfish and an opportunist who will utilize the common resource to the maximum at the cost of the commons, because land belongs to all but no one while the livestock belong to individuals; the common resources are limited and inadequate and the carrying capacity of any piece of land is unchanging; the consumption habits put in less but take out more; uses the grazing commons as a metaphor for overpopulation; the free-rider defecting strategy always dominates; there is mutual distrust among actors sharing a common resource; producers residing in a neighbourhood all engage in the same economic activity, thus attaching the same significance in a resource and will always

act independently of fellow producers; coercive enforcement is necessary in order to deal with free-riding and that privatization of the common pool resource is the solution.

Like Olson, Hardin is convinced that self-interest is the only force that drives individuals to act irrationally (Dietz et al, 2002). His critic, Adam Smith as quoted in Dietz et al (2002: 4) says that “We are not ready to suspect any person of being defective in selfishness.” This is in reference to Hardin’s hypothesis that has failed to acknowledge that an individual’s bad behaviour is not always motivated by self-interest. If an individual behaves badly out of ignorance, for example, then to say they have been driven by self-interest would be an accusation arising out of suspicion. Hardin has failed to distinguish between common property and open access property (Chow, 2012; Diezt et al, 2002; Rahman, 2003). According to Ciriacy-Wantrup and Bishop (1975: 715), “Common property” is not everybody’s property; this concept implies that the potential resource users who are not members of a group of co-equal owners are excluded. The usage of open access resources that are used communally by a community, is characterised by competition and non-excludability.

Sharma (2001) argues that Hardin’s observation that there is no technical solution to the problem of overpopulation which causes environmental degradation, for example, is wrongly conceived. Soubbotina and Sheram (2000) explain that this is because the factors that influence population growth are well known (poverty, illiteracy, malnutrition) and can be dealt with, thus, there are technical solutions to some of the problems. Sharma (2001) points out that historical backing to Hardin’s theory is lacking, since time immemorial, communal rights and obligations governed land use. He argues that Hardin is disillusioned that individuals totally lack a sense of community and are instead led by the individual defective strategy. Lane and Moorhead (1995: 199) state that, “However, by reiterating the primacy of the motivation of individual maximization, he is adopting an economic model to explain human behaviour and failing to acknowledge the existence of the benefits (mutual support, security) that come to individuals from collective behaviour in the public interest, as displayed by traditional pastoralists.”

In reference to Olson’s book, Ostrom (2003: 240) says, “The empirically supposed theory that has evolved utilizes a richer conception of the type of goods involved in collective action and the institutions that can be used to provide, produce and locate these goods.” According to Wade (1987) many collective action scholars stress that in the absence of an external enforcer

of agreements, actors in a situation that require their cooperation in order to accrue individual benefits would not cooperate. He points out that on a similar note, many property rights theorists argue that as the demand for common property resources rise they are bound to be depleted. Thus, the only solution is state regulation or private control. According to Stroup (2000) a group of economists and social scientists came to the realization that the government is not the solution to the free-rider problem because there were instances where governments had failed to provide public goods. Since then, vast literature on governance of collective action has been written; most of which attempts to explain or refute Olson's proposition to solving the collective action problem (Heckathorn, 1996). The next section looks at the rational choice theory.

2.2.4 Rational Choice Theory

Levin and Milgrom (2004) indicate that the rational choice theory, which is also referred to as "choice theory" or "rational action theory" is a framework for understanding and often formally representing social and economic behaviour. Scott (2000) proposes that based on the notion that any action is essentially rational and that individuals weigh the possibility between costs and benefits in decision-making, collective action scholars have built collective action theories. Among them, the rational choice theory. Levin and Milgrom (2004) point out that rational choice refers to the procedure of determining what alternatives exist in a given situation and then deciding the most preferred one according to some reliable standard. Thus, they conclude that rational choice theory uses a narrower definition of rationality. Scott (2000) points out that at its most basic level, behaviour is rational if it is goal-oriented, reflective, and consistent (across time and different choice situations). He observes that compared to previously discussed theories the rational choice theory is based purely on the notion that action is well thought out and deliberate. However, he points out that in as much a social action may appear irrational in rational choice theory it is viewed as being rationally motivated making it instrumentally rational. In the rational choice theory, there is evidence of how social institutions and social change arises from the actions and interactions of people. According to Scott (2002:5) therefore, "Where economic theories have been concerned with the ways in which the production, distribution and consumption of goods and services is organised through money and the market mechanism, rational choice theorists have argued that the same general principles can be used to understand interactions in which such resources as time, information, approval, and prestige are involved."

According to Levin and Milgrom (2004) the rational choice theory is premised on a few hypotheses; Completeness and transitivity, perfect information, choice under uncertainty, inter-temporal choice, and limited cognitive choice. They elaborate: Completeness and transitivity implies that given a set of comprehensive and limited actions to choose from, an individual can grade the rudiments of this set in terms of his preferences in an internally reliable way. Perfect information refers to the fact that individuals have full and ideal information about the choices, which employs no uncertainty. Choice under uncertainty implies that an individual has to efficiently pick options, where each option brings about a different probability distribution over outcomes. The expected utility theory emerges from the added supposition of independent irrelevant options. Inter-temporal choice implies that discounting future payoffs is a consideration in the criterion for assessing options, particularly when decisions influence options such as utilization at different points in time. Limited cognitive ability refers to the notion that the cost of time, effort and mental capacity are applied in distinguishing and considering each option against the other; these give rise to bounded rationality.

Critics to the rational choice theory argue that economists have given the notion of rationality numerous meanings which have resulted in a lot of confusion into the debate surrounding the concept. For example, Hogson (2012: 94) observes that some economists perceive rationality as thoughtful deliberation, a definition that is obviously dissimilar to Lionel Robin's (1932) "choice" and Milton Friedman's (1952) "as if." Hogson (2012: 94) points out that economists such as Robin (1932) and Friedman (1952) misconstrue rationality to mean "acting for a reason" while others would still refer to it as "rationalist concept of action."

According to Hogson (2012) proponents of the rational choice theory propose that individuals would always do their best in a situation, but they fail to explain how individuals interpret their situation or make out their aim. Levin and Milgrom (2004) observe that this theory does not take into consideration the fact that individuals have different interpretations for different situations, thus different goals. For a while there was a common belief among behavioural economists that payoff rationality implied reliability in behaviour, but experiments have proved that players seldom maximised payoffs. According to Hogson (2012) the actors' behaviour showed consistency when extra insubstantial, non- fiscal factors, such as honour, custom and fairness were put into consideration, even when there was no communication between the actors and the game was not repeated. In supporting the rational choice theory, Gintis (2007:

11) suggests that “most individuals do not appear to have difficulty making and understanding logical arguments in everyday life.” But Hogson (2012) strongly opposes this theory, arguing that experiments indicate that people are weak in handling logical problems particularly when posed in theoretical or when the issue involves making choices. Samuelson (1937: 156) suggests that “all types of observable behaviour might conceivably result from such an assumption.” He was trying to confirm that since utility is not discernible, all types of behaviour can be described in terms of the theory without much opposition. Thus, argues Hogson (2012) the rationality choice theory fits everything but explains nothing.

Scientists such as Ward (1995) and Laver (1997) argue that the rational choice theory does not give room for altruistic behaviour or moral motivation as alleged by its proponents. According to Ioannou (2012) therefore the only incentive that individuals have is the fulfilment of their private or social needs. Social needs arise out of interaction with other people while private needs arise when people are considered as individuals without any interactions (Laver, 1997).

Scholars, especially economists believe that the rational choice theory has not fully explained the collective action problem, therefore a lot more needs to be done. Sugden (1991: 783) says, “There was a time, not long ago, when the foundations of rational-choice theory appeared firm, and when the job of the economic theorist seemed to be one of drawing out the often complex implications of a fairly simple and uncontroversial system of axioms. But it is increasingly becoming clear that these foundations are less secure than we thought, and that they need to be examined and perhaps rebuilt.” However, all scientists have continued to build thoughts on the rational choice theory even through there is criticism in an attempt to solve the collective action problem. Below is a description of the four types of collective action problems as derived from the collective action problem theories.

2.3 Types of collective action problems

A major policy concern on which resources should be provided by the government prompted a debate on classification of goods among economists. Samuelson (1954) initiated the debate; he classified goods as private consumption goods and public consumption goods. Samuelson (1954) presumes that private consumption goods can be divided and distributed out to diverse users while public consumption goods benefit all in common. An individual’s consumption does not subtract from another person’s consumption of the same good. He said that while

privatization can be used to provide private consumption goods, the same could not optimally provide collective consumption goods. He suggests that the government should provide public consumption goods.

Musgrave (1959) brings in the attribute of exclusion; arguing that the possibility of excluding an individual from using a produced good is more important than collective consumption. In essence both Samuelson and Musgrave are attempting to answer the same question; they are interested in the prediction of optimal performance or failure of markets (Ostrom, 2003).

Olson (1965) attempted to establish a general theory for all goods that meet Musgrave’s criteria. Ostrom (2004) observes that although Dougherty (2002), Harding (1992) and Ostrom and Ostrom (1997) have indicated that most of his suggestions are not applicable for goods that meet Musgrave’s description but they hold for others for which exclusion is challenging. Thus, according to Olson and Cook (2008) collective action goods can be grouped broadly into Samuelson’s classification as well as Musgrave's classification. Table 2 below represents this classification.

Table 2: Musgrave's classification to Samuelson's classification of goods

		SAMUELSON’S CLASSIFICATION	
		Rivalries	Non rivalries
MUSGRAVE’S CLASSIFICATION	Excludable	Private goods Cars, clothing, food,	Common Pool resources Fish stocks, oceans, timber, irrigation systems, coal
	Non-excludable	Club goods Cinema, private parks, satellite television	Public goods Free-air-television, National defence, roads

Source: Adopted from Ostrom (2003: 241)

Ostrom (1990) observes that there is a type of good that consists of both natural and man-made resource systems whose quantity and quality make it costly, though not impractical, to exclude potential free-riders. She points out that these resources require protection and nurturing in order to allow for its incessant utilization while the fringe units can be gathered or utilized.

These hypotheses from collective action scholars have led to the observation that collective action problems are multiple, and as previously mentioned, collective action problems arise in varied contexts (Bardham and Ghatak, 2006). Four of them are; excludability, subtractability, production function, and allocation function. These are described below.

Excludability: According to Ostrom (2003: 241) “All collective action problems share the common problem that excluding non-contributors to collective benefit is nontrivial.” Differences in collective action problems are dependent on how costly or possible it is to set up physical and institutional ways of excluding others (Dionisio and Gordon, 2006). For some goods specifically the global commons, like oceans, exclusion is almost impossible (Ostrom, 2003).

Subtractability refers to a scenario in which exploitation by an actor is costly for the group and the exclusion of actors is difficult. Beitle (2014) points out that in the commons literature the subtractability problem is considered as the second kind of collective action problem. Ostrom (2003) and Olson and Cook (2008) observe that subtractability of good influences the behaviour of actors and this qualifies subtractability as a collective action problem.

Production function: Stroup (200: 487) observes that “production of goods and services whether private or public is a complex undertaking.” Decisions on what to produce and how to produce it are critical whether in producing private goods or public goods or common pool resources (Ostrom, 2003; Stroup, 2000).

Allocation function: Allocation of costs and benefits among actors is critical to the success of collective action. Bardham and Ghatak (2006) acknowledge that many collective actors’ attempts to join hands to collectively engage in social activities, or collaborate in numerous collective action difficulties, or to provide public goods and services is undesirably linked to inequality. Ostrom (2003: 247) suggests that attempts to understand various collective action problems should involve a study of the functions that allocates actors distribution of costs and a share of benefits. The next section looks at the theories on provision of public goods these are; Leviathan (Government), Privatization and Self-governance.

2.4 Theories on provision of public goods

2.4.1 The Theory of the State/Leviathan

A 17th century English philosopher, Thomas Hobbes (1651) provides in *Leviathan* a foundation and justification for governments and societies referred to as Theory of Sovereignty (Clarke, 1995; Engineer, 1994: 420; Ostrom, 1990: 41). According to Clarke (1995), in Hobbes' "state of nature", the supposed initial condition of the human race before government, the public cannot surmount the Prisoners' Dilemma. He describes a society in a constant "state of war" where individuals fight and cheat continually and the cooperative outcome is never achieved. However, if society was to be in the "state of nature", it would be at peace, and all individuals would enjoy the personal benefits of cooperation. Hobbes (1985: 205) uses the illustration of "Foole" who refuses to submit to the social contract because all that he understands is the individual benefit accrued by taking advantage of others. He argues that Foole presumes that the others would cooperate with him regardless of his actions with no understanding that cooperation would earn him more benefits in the long run.

Hobbes argues for absolute sovereignty, with his framework revealing the typical characteristic of the leviathan model in which the government operates exclusively on the behalf of a group of people referred to as rulers (Clarke, 1995; Engineer, 1990). According to Engineer (1990), these selfish rulers decide on provision of goods and set tax rates on all goods. As Ostrom (1990: 41) states "the wise ruler uses the resources thus obtained to increase the general level of economic well-being of the subjects to a degree sufficient that the ruler can increase tax revenues while being able to reduce the more oppressive uses of coercion."

Stroup (2000) recognises that after being exposed to the public-choice logic and pragmatic enquiry, today's economists and policy analysts appreciate that the state is not the ideal institution to supply public goods. State provision is not free of challenges. He points out that lack of knowledge among rational voters and the lopsided manipulation of organised special interest groups are some examples of challenges to the state providing public goods. He indicates that even the configuration and successful organisation of a state program in the public interest is in itself a public good that is vulnerable to the free-rider problem.

Clarke (1995) feels that Hobbes' theory of Absolute Sovereignty is definitely offensive to democratic liberals, anarchists and those socialists who are opposed to totalitarianism. On the other hand, he points out that the proponents of “top-down” societal restructuring such as Bolshevik Communists, Fascists and bourgeois paternalists, would prefer an organic sense of belonging, like “community”, to Absolute Sovereignty. He observes that in comparing the western democratic societies to the “undemocratic” societies such as Singapore, South Korea and Taiwan makes it rather difficult to dispute Hobbes. He points out that these Asian countries that encourage civil orders and security ahead of civil rights and pluralism seem to be succeeding in building stable societies in which people enjoy the greater good, even more so than in the USA. Hobbes understands that some sovereignty can be incompetent or unwilling to perform their duties; he does not give a mechanism to tackle this problem but leaves it to the constitution (Clarke, 1995; Engineer, 1990). Critics of Leviathan argue that this model is flawed in that it portrays the leader as knowing the whole outline of the subject’s choice problem, therefore has to formulate resolutions that are rationally preceding the subjects (Engineer, 1990: 422).

Paul Samuelson’s (1954) paper, The Pure Theory of Public Expenditure brought about the notion of “collective consumption good” or public good (Halcombe, 1997). This theory brought about the realization that the state needed to make provision of public goods involuntary because they could not be provided for voluntarily by the consumers (Basley and Ghatak, 2004). With the hope of tackling the free-rider problem, states then imposed taxation to fund the provision of public goods. As already mentioned above public goods are non-excludable and there are others that can also be non-rival (Halcombe, 1997; Plank and Davis, 2010). Non-rival in that the amount consumed by an individual has no effect on the amounts to be consumed by another individual, or even the same person. Samuelson proposes that public goods that are non-rival and non-excludable also referred to as pure public goods or Samuelsonian publicness should only be provided by the state (Halcombe, 1997; Plank and Davis, 2010).

Soubbatina and Sheraam (2002) point out that those who support state provision of public goods have given several arguments including; only the state has the capacity to supply adequate investment for technological transformation of key nationwide enterprises. They observe that to provide employment opportunities and avoid mass unemployment the state should own some of the largest enterprises. They also suggest that enterprises that produce essential goods such

as energy, transportation and housing should be controlled by the state to avoid socially undesirable price escalations. Besley and Ghatak (2004) propose that public goods such as education and health which benefit the society more than individuals, should be provided by the state.

In expressing his scepticism about privatization of pure public goods Samuelson points out that market failure could; firstly, markets might not be in a position to provide such goods efficiently; and secondly, markets are not able to give a true measure of revealed preferences (Halcombe, 1997; Varian, 2006). Economists such as Buchanan (1968) argue that if the private markets failed to provide goods pareto-efficiently, there is no guarantee that the state would perform any better. If anything, it could be worse for the state. Where Samuelson thought that the private markets would not give a true measure of revealed preferences, Halcombe (1997) disqualifies his claims by illustrating how the market for television broadcasts have revealed preference.

Experience reveals that most state controlled enterprises are less efficient in comparison to private ones. This has been attributed to laxity among state enterprise managers who lack incentives to pursue effectiveness of their enterprises (Besley and Ghatak, 2004; Sabboutina and Sheram, 2000). Where the government owns most enterprises, inefficiency could hamper economic growth. Thus, privatization is still another way of providing public goods or collective action goods.

2.4.2 The Theory of the firm/Privatisation

Privatization is the process of transferring ownership of a business, enterprise, agency, public service or public property from the state to the private sector. Private sector refers to a business that operates for profit or a voluntary organisation. According to Choudhary (2006) privatization may also refer to the government subcontracts services or functions to private firms. For example revenue collection, prison management and law enforcement. Proponents for privatization believe that it does not only help improve the efficiency and quality of some government undertakings but minimizes taxes, reduces the size of government and the profit seeking character of private managers can lead to reduction of costs and bring about customer satisfaction (Goodman and Loveren, nd).

Critics of privatization, on the other hand, refute the view that privatization translates to efficiency; Goodman and Loveren (nd) and Kosar (2006) point out that this does not automatically result in cost saving and improved service. Goodman and Loveren (nd) and Van De Walt (1989) indicate that the private managers are more interested in making profits and would therefore be reluctant to provide essential goods such as healthcare and education to the less privileged. Goodman and Loveren (nd) observe that a number of private firms have already broken their promise to supply goods and services. Kosar (2006) and Van De Walt (1989) point out that privatization creates room for iron triangles and other corrupt dealings between government and private sector. For example, Fundaga and Mwaba (nd) observe that in Zambia the politically connected bought government assets at minimal prices. The low pricing could also be associated to governments' lack of capacity to administer privatization process (Fundaga and Mwaba (nd); Van De Walt, 1989). Van De Walt (1989) states that "lack of well-established management firms, and investment banks to provide technical and advice and arbitrate between competing claims" means that governments seek out experts or technocrats from outside the country at a very high cost. This has made privatization very costly and the objectives unattainable.

Kosar (2006) observes that although competition among private firms benefits the government, it results in the collapse of a competing firm and the government experiences losses for the duration while a replacement is being sought. He feels that privatization, which has been criticized both in principle and in practice, is ill-intentioned and essentially unrealistic to a good government. Kosar (2006), and Van de Walt (1989) point out that privatization favours certain groups of people, particularly the under-privileged in a country and this has often resulted in inequality and conflict. According to Fundaga and Mwaba (nd) in Zambia, for example, privatization benefited foreign companies and the politically connected, while in Kenya the Kikuyu tribe and Asian businessmen were the beneficiaries (Van De Walt (1989). Kosar (2006) observes that privatization has rendered unions meaningless and in some cases, non-existent specifically where government employees have been rendered jobless when a firm is privatized. Fundiga and Mwaba (nd) find it absurd that often success of the privatization process is gauged by the level of foreign participation. Thus, criticisms to privatization seem to outweigh the benefits. Apparently, privatization does not augur well, especially for common pool resources (Ostrom, 2004).

2.4.3 Common property regime/self-governance

Ostrom and Ostrom (1977) refers to an arrangement that is based on self-governance by the local community as the common property regime. Torfing et al (2012: 14) broadly defines governance as the process of navigating society and the economy in the course of collective action. Sarusia and Udaondo (2004) in Azavedo and Gitahy (2010: 10) define self-management as a “paradigm which covers everything from its organisational form to its role as a social project.” According to Knodt (1995) as quoted by Morçöl (2013: 2), the concept of self-organisation has its roots in Aristotle’s idea of “purposive finality of nature” which emanated from the belief in teleology in Ancient Greek Philosophy. Over the centuries, this philosophy has advanced to its present manifestation in the works of complex systems researchers and theorists. In other instances, the idea of self-organisation has been used as a theoretical framework. For example: Elinor Ostrom and her colleagues’ Institutional Analysis and Development (IAD) framework and Paul Sabatier and his colleagues’ Advocacy Coalition Framework (ACF). In this context (Birkland, 2011; Morçöl, 2013). Birkland (2011: 301) describes IAD as; “a method of understanding the policy process as established in the notion of rationality, of group cooperation to accomplish mutual goals in the wider sense of the connotation, of institution within politics and policy.”

IAD has been widely used by researchers who are concerned with management of CPR (Birkland, 2011; Morçöl, 2013). The critical belief of self-organisation as stated by Morçöl (2012: 93) is that “events and actions do not require external drivers, or hierarchically superior forces, to happen; they can happen for internal reasons, driven by the internal dynamics of systems.” However, this should not be construed to imply that self-organisation is independent of the conditions of external boundary. Proponents of IAD acknowledge the fact that self-organisation creates a structural environment and that these systems are not in a closed environment (Moreno and Ruiz-Mirazo, 2000). According to Morçöl (2012: 94) given that some systems are more closed than others, the question that needs to be answered is: “how does the degree of closeness of a system affect its self-organisational capabilities?” He indicates that there is also the need to establish how the self-organisation capability of a system is influenced by its relationship with its environment which is part of multiple systems.

The IAD proponents such as Goldstein (1994) and Stacy et al (2000) put forward a reminder that self-organisation need not be misconstrued for participatory democracy where the end

result is equality or even distribution of resources. If anything, hierarchical structures are likely to arise through self-organisation (Barbara and Albert, 1999).

According to Ostrom (2005), self-organisation is premised on three assumptions that contradict the proponents of public and/or private governance of resources. She refutes their assumptions that interconnectedness of common pool resources require their central management; users of such resources lack the capacity to make rules and therefore self-govern; constructing rules for governing resources is a very easy and logical undertaking. Instead she proposes that the interconnectedness of resources does not require that they be centrally managed. She observes that appropriators have the ability to make their own rules and can self-govern and that crafting rules for governing resources is not a very easy and logical undertaking. She stipulates eight design principles for gauging self-governed collective action.

According to Dietz et al (2002) and Ostrom (1990) even the most commonly referred to models of collective action; the tragedy of the commons, the prisoner's dilemma and the logic of collective action have a weakness. According to Ostrom (1990:8) these models and others postulate that those involved in collective action cannot identify their problems and come up with solutions. She indicates that these models portray a grim picture of participants caught in a "helpless situation" thus, the models are too limited in their postulations and are therefore not applicable in general situations. While a group of economists insist that only the government can provide public goods, another one says the government should work with private firms to govern collective action. She points out that with support, communities can govern themselves.

Ostrom (1990: 14) admits that although there are many ways of governing the commons, most of which advocate for imposition of institutional solutions by external authorities. For example, the theory of the state advocates for government control over collective action groups and their activities. She explains that this means that the government has to initiate collective action, supply and ensure enforcement of rules, monitor adherence and impose sanctions on defaulters, amongst other things.

The theory of the firm advocates for private property rights, which Ostrom (1990: 12) feels is not applicable, particularly in instances where the resource is owned communally. She wonders how non-static common pool resources such as water in a river and fishing grounds can be subdivided to allow private ownership. Therefore according to her, the two theories have not been

very successful in securing long-enduring collective action, particularly in CPR situations. She argues that self-governance is the better alternative. She indicates that policy prescriptions that do not allow participants to take responsibility of their actions results in sustainability problems. She points out that specific areas of operations require specialized rules, but private firms or the government imposes uniform rules that are often irrelevant. She feels that imposed rules are difficult to enforce because often such rules do not relate to the participants' environment. She gives the example of the Canadian Government's plan to introduce a common policy for the whole of the eastern coastline which led to the deterioration of the already fragile environment. She observes that where externally formulated institutions are imposed on participants, collective action is short lived; as soon as the external influence is withdrawn collective action ceases. She indicates that there were many long-enduring self-organised and self-governed CPR institutions in which appropriators had managed to overcome the temptations to free-ride. She gives an example of the self-created rules of fishermen in the Nova Scotia Villages, which were sufficient and effective but only needed reinforcement. It is for this reason that she deliberately set out to analyse why some self-governing collective action institutions were succeeding, while others were failing (Ostrom 1990).

After examining 91 studies in E. Ostrom's design principles on collective action Cox et al (2010) concludes that "...the principles are well supported..." Only two out of the eight principles received relatively logical criticism. The principle of "clearly defined boundaries" is considered rather strict in many ways and socially ambiguous, while others feel that geographic boundaries are critical in an attempt to enable more supple ad hoc engagements among actors. Clever (1999: 603) states that "a concentration of boundaries highlights the need in developments of clear administrator arrangements more to do with the delivery of goods and facilities than a reflection of any social behaviour." In support of these views Turner (1999) gives the example of agro-pastoralists whose reality strongly diverges from Ostrom's model.

The fifth principle on graduated sanctions also received criticism. Cox et al (2010) observes that graduated sanctions become invaluable where there is an existence of strong social capital. Clever (2000: 374) asserts that first-hand experience proves that "people prefer to spend more time negotiating consensus than establishing and imposing sanctions."

2.5 Summary

Collective action is a profitable and common practice that mankind has engaged in since time immemorial, however the many cases of failed collective action warrant the scholars efforts in trying to establish the problem. The consensus among collective action scholars is that the free-riding problem poses the greatest threat to collective action. The free-rider problem arises when an individual benefits from a common good without contributing to the costs of its production. In an attempt to explain and solve the free-rider problem scholars have come up with several theories referred to as collective action theories. The most commonly referred to collective action theories are; Olson's (1965) Logic of collective action, The Prisoner's Dilemma, Hardin's (1968), the tragedy of the commons and the Rational Choice Theory.

Olson's theory, Logic of collective Action propose that the state or private organisations should be responsible for provision of public goods, the public should fund production and maintenance of these goods through payment of taxes or fees. He observes that collective action is possible only with small groups, but with larger groups incentives must be used to win the cooperation of individuals.

The Prisoner's Dilemma proposes that since it is impossible for individuals to work together and attain common interests only private firms should be tasked with provision of public goods. Hardin's Tragedy of the commons observes that being rational when exploiting common pool resources is self-eliminating. By an individual being rational, they are giving room to the others to overexploit and eventually everybody, including the well behaved suffer the consequences. He therefore proposes that management of natural resources should be left to private firma or authoritative central governments. These three theories portray humans as selfish and irrational.

The Rational Choice Theory points out that human action is all well thought and deliberate, only that the action is sometimes unfavourable to the others. They propose that where there is information, knowledge, certainty and communication people are bound to act favourably. They suggest that it is possible for a group of people to successfully self-organise for collective interests. Thus, the three theories of collective action governance are The State (Levithian), The Firm (Privatisation) and Self-governance.

Depending on the type of collective good either of the theories can be applied. For example, while other collective action experts such as Mancur Olson's class of collective action problem refers to public goods, Ostrom's group looks at Common Pool Resources. Unlike Public goods which are characterised by the problem of excludability, CPR's experience both exclusion and subtractability of resource units and are threatened by overuse, leading to overcrowding and even extinction. Thus, according to Ostrom self-governance is most appropriate for Common Pool Resources. The next chapter looks at the conceptual framework of this study.

CHAPTER 3

CONCEPTUALIZING COLLECTIVE ACTION AND COOPERATIVES

This study focuses on self-governance among agricultural cooperatives which are collective action organisations. This chapter looks at definitions of the key concepts before giving a detailed description of cooperatives. It then looks at the conceptual framework of the study. In this conceptual framework Ostrom's (1990) eight design principles are grouped broadly into four factors that influence success or failure of self-governance in collective action. The four separate but integrally related factors will be used to gauge the initial likelihood of deciding to act collectively and ensuring a maintained supply of institutions for self-governance thus, collective action among the agricultural cooperatives is:

Factor One: Community attributes for self-organised collective action

Factor Two: Resources for self-governed collective action

Factor Three: Attributes of partnerships/support for self-organised collective action

Factor Four: Governance and management of self-organised collective action

The variables used in measuring each and every one of these factors are discussed before the chapter is summarized.

3.1 Definition of concepts used in this study

Agricultural cooperatives: Young et al (1981:8) indicates that human beings have a history of working together to meet their socio-economic needs. Presumably it is from this that the concept of cooperatives developed. An agricultural cooperative can therefore be defined as a formal organisation that comprises multiple households or family units involved in agricultural production (Young et al, 1981). This is an example of collective action (Ostrom, 1990)

Appropriators refer to the individuals who use a resource system. For example commuters, herders, farmers and others (Ostrom, 1990: 31). In this study these are the members of agricultural cooperatives.

Appropriation refers to the withdrawal of resource units from a resource system (Ostrom, 1990). In this study, because of the past apartheid policies that denied blacks I look at provision of resources instead of appropriation.

Collective action: According to Truman (1958) as cited by Ostrom, (1990: 5) collective action refers to a situation in which a group of individuals with common interests voluntarily join efforts so as to attain joint benefits. For example, two or more attorneys who bring together their resources to acquire and share an office block, a library and hire the services of a secretary amongst other things (Ostrom, 1990). Ostrom (2004) indicates that rural dwellers act collectively almost daily. For example, when they communally sow/ reap crops and graze or market their produce. The members of the agricultural cooperatives in this study engage in collective action by collectively providing, acquiring and disbursing relevant resources with the hope of attaining joint benefits. This requires agreeing on rules regarding provision, acquisition and disbursement of these resources.

Common Pool Resources (CPR): According to Ostrom (1990) this adequately denotes vast natural or man-made asset structures. They are vast in the sense that are rather costly which hinders prospective beneficiaries from accessing them, though it is not impossible. Examples of these include parking garages, mainframe computer systems, irrigation canals, oceans and bridges among others (Ostrom, 1990).

Institutions: According to Ostrom (1990) institutions are sets of operational rules which are applied in determining; aptness to participate in decision making, permissible or intolerable activities, and combination of rules to be applied, guiding approaches, techniques and information as well as allocation of payments to participants, depending on their activities.

Participants refer to those involved in collective action or members of cooperatives, in some instances referred to as actors.

Producers are those who construct, repair, maintain or act to safeguard the sustainability of a CPR (Ostrom, 1990). For example, members of a cooperative or the government can repair a tractor or carry out maintenance on a processing plant that belongs to a cooperative.

Providers: organise for the supply of a CPR (Ostrom, 1990). For example, the government can purchase a piece of land for an agricultural cooperative, or members of a cooperative can buy or repair their tractor.

Resource unit refers to the quantity or amount of resources that individuals harvest from a supply system (Ostrom, 1990). Examples of resources units could be an amount of money given as a loan or grant, a tractor or other machinery, size of land, academic and professional qualifications of the employees or members of the group (Ostrom, 1990).

3.2 Cooperatives

The Latin word *operari* means to work, thus *co-operari* means to work together and it is from this that the concept “cooperative” is derived. The International Cooperatives Alliance (ICA) defines a cooperative as, “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise” (DTI, 2004: 7; Hussi et al, 1993: 13; Phillip, 2003:7).

The USDA (1990) point out that cooperatives benefit both their members and non-members. Some potential benefits of cooperatives include;

Cooperatives are able to operative more cost effective manner by merging purchases, sales, storage, handling, transporting and selling expenses thus enjoy the benefits of economies of scale (FAO 2001; Nembhard, 2014; USDA, 1990). They also reduce transaction costs for information, implementation, control and exchange of services and goods (Zeuli and Cropp, 2004).

Since the main objective of any cooperative is to meet the basic needs of its members, often cooperatives offer improved services or those services that are not readily available to their members (FAO, 2001; USDA, 1990).

Cooperatives offer their members with an assured source of supplies thus, reducing uncertainty among them (FAO, 2001; USDA, 1990). Cooperatives provide members with a reliable source fairly priced supplies particularly in times of shortages and emergencies.

Cooperatives are better placed to meet the needs of large scale buyers as compared to individuals because they are accumulate products of stated grade or value (FAO, 2001; USDA, 1990). The cooperative can cheaply sale the members produce at a good price

Where larger centralised cooperatives exist the members of cooperatives benefit from the legislative support such as tax exemptions attained through negotiations between these central bodies and the government (FAO, 2001; USDA, 1990; Zeuli and Cropp, 2004).

When through the cooperative the members earn more income these money infiltrates into the community and the nation at large (USDA, 1990). Wanyama (2009) acknowledges that

cooperatives play a significant role in the Kenya's economy with 80% percent of the population earning incomes directly or indirectly from cooperative activities. Since cooperatives are owned and controlled by local residence they promote community growth better investor oriented businesses and this eventually impacts on the whole economy (Nembhard, 2014).

Cooperatives provide the consumer with quality products because unlike individuals, these organisations can afford the resources (materials, equipment and skills) required for production of quality produce (Nembhard, 2014; Zeuli and Cropp, 2004).

Cooperative share experiences skills and materials with cooperatives in other countries, thus they promotes international cooperation (Van Niekerk, 1980). Cooperatives also earn foreign exchange through exports to other countries.

Cooperatives a significant strategy for creation of employment opportunities, both in the rural and urban areas (Hussain, 2014). In Kenya as at 2009, 300 000 people were directly employed by the cooperative and about 1.5 million people were indirectly employed by the cooperatives.

Cooperatives have the following limitations;

USDA (1990: 20) point out that cooperatives motivate for increased production among the members often leading to surpluses and yet they are not able to control production. They observe that where agricultural cooperatives based on labour input were formed, members were demotivated, challenges were experienced in decision making and distribution of net income process ended up in more disagreements. They add that cooperatives are not able to fix prices for their members' produce, which implies that in times of surplus produce the members experience losses. USAID (1990) and Zeuli and Cropp (2004) point out that the practice that the board of directors cannot decide on an issue without involving the members often results in time wastage and unnecessary delays. Because the members are the decision makers in a cooperative, lack of commitment by members restricts its ability to fully grow its potential to serve the members. According to USDA (1990: 20) frailties of nature mean that cooperatives are prone to "people problems, they have additional problems stemming from being owned by those who use them." Husain (2014) and USDA (1990: 20) observe that lack of information and knowledge on cooperatives among the membership and board of directors, managers and the board of directors neglecting their responsibilities or abusing their positions can lead to the cooperatives performing poorly or even collapsing. Zeuli and Cropp (2004) caution that failure to comprehend the cooperative intricacies can lead to inappropriate support or advice being given to the organization. According to Prashanth (2012) secrecy is very critical for the success of any business organization. Prashanth (2012) and Zeuli and Cropp (2004) point out that the

affairs of a cooperative are discussed openly meaning that these organizations lack secrecy and this gives their competitors room to compete in more effective ways.

A prerequisite for membership is that the concerned production unit surrenders its operational individuality (Young et al, 1981). They propose that this is done either by utilizing the organisation's services in particular aspects of their procedures or by submitting to the organisation's managerial decisions on how to engage in their respective undertaking. Gamba and Komo (2011) describe a cooperative as user owned, user controlled and user benefitted organisation. These definitions of the concept "cooperative" are not different from what ICA, other scholars and politicians have given.

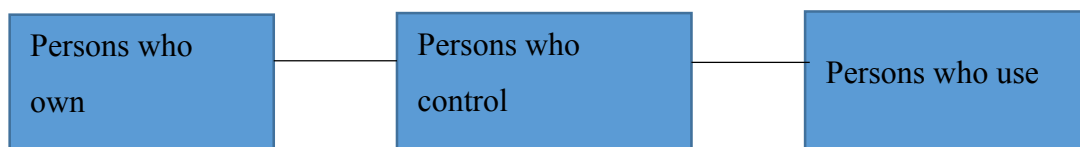
The main objectives of cooperatives are common. Unlike other businesses, cooperatives aim at attaining all-out benefits for the members instead of making the most of profits. Joint support supersedes rivalry while self-help replaces dependence (Bager, 1980: 15; Zamagni and Zamagni, 2010: 31). Zamagni and Zamagni (2010: 31) state that in a cooperation there is the "meeting of minds", which implies that a person's behaviour is influenced by their expectation about the intentions of others.

3.2.1 Management of cooperatives

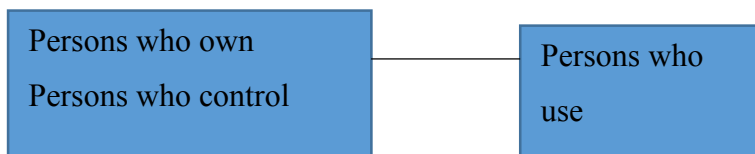
Cooperatives are organisations, and critical to any organisation successfully meeting its objectives, is management (United States Department of Agriculture (USDA), 1997). The USDA (1997: 3) indicates that the management of cooperatives entails formulating and executing policies, providing good service and implementing operating efficiencies, which they say is "challenging and difficult." Galor (1988: 1) observes that the cooperative enterprise has a unique management structure because unlike other enterprises a cooperative has two features as it stands on two legs: "the ownership leg" and "the functioning leg." According to the University of Wisconsin Centre for Cooperative (UWCC) (2002), this is a business enterprise driven for and by the members who are also the proprietors and customers on a voluntary basis, with no intention of making profits. Laidlaw (1974) indicates that what distinguishes a cooperative from the other businesses (Figure 1) is its complete character, where the three constituent features of proprietorship, governance and clientele are joined. Galor (1988) supports this by pointing out that in large enterprises and transnational's, capital is obtained from investors who are the owners. Employees do the labour, managerial staff (who

are also employees) do the administration. Consumers are the users of the organisation's product. He indicates that in small business enterprises the owner manages the business but the clientele are the consumers of the products. This is unlike a cooperative enterprise where all these come from the members/owners who supply capital, labour and administration and clientele elements of the enterprise (Dagarawa, 2005; Galor, 1988). The diagram (Figure 1) below depicts the difference between cooperatives and other business enterprises.

Large Business/Multinationals



Small Businesses



Cooperatives

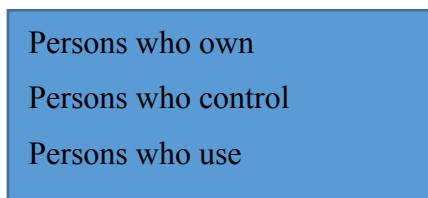


Figure 1: The difference between cooperatives and other business enterprises

(Source: Dagarawa (2005)).

The values on which cooperatives are built include; self-help, self-reliance, self-responsibility, democracy, equity, equality and solidarity entrenched in the founder's customs of relying on ethical values of trust, honesty, openness, social responsibility and caring for others (DTI, 2004: 8; Hussi et al, 1993; Phillips, 2003). According to Hoyt (1996), the cooperatives values are the common customs the owners, management and employees of a cooperative share which therefore influences their thoughts and actions.

Cooperative principles entail; voluntary and open membership, democratic member control, member economic participation, education, training and information, cooperating among cooperatives and concern for community (DTI, 2004; Hissi et al, 1993; Phillips, 2003). These principles are the procedures by which the cooperative values are executed (Young et al, 1981). Brief explanations to these cooperative principles according to the ICA (2007) are:

Voluntary and open membership: This implies that membership in a cooperative is voluntary and open to any persons willing to utilize their services, as long as they are ready to abide by the set criteria of membership.

Democratic member control: In a cooperative each and every member is expected to participate in the decision making process based on the principle of “one member one vote.”

Member economic participation: Each member makes contribution towards the organisations capital. Purchase of shares is a method of contributing equity capital to the organisation. However, each member participates in deciding how benefits or surpluses are disbursed among them.

Autonomy and independence implies that a cooperative is an independent institution controlled strictly by its membership. Although a cooperative relies on support from other organisations such as government, but these should not negatively influence democratic control by the membership.

Education, training and information: A cooperative should make deliberate attempts to educate, train and provide for its members, elected representatives and employees to enable them make positive contributions towards developing the cooperative. A cooperative should also keep its members and the general public informed about the idea, nature and benefits of the cooperative.

Cooperation among cooperatives: This principle speaks to strengthening the cooperatives movement, thus improving service to members by promoting alliances between local, national and international cooperatives.

Concern for community: This implies that a cooperative should benefit the surrounding community as well (ICA, 2007).

Membership in a cooperative entails having equal privileges to take part in democratic procedures of “organisational decision-making” irrespective of the number of shares owned by a member (Hussi et al, 1993: 13; Young et al, 1981: 13). Thus, cooperatives are organisations that are voluntarily created and democratically controlled by members who are also the owners, in line with the internationally agreed upon principles of co-operation (Hussi et al, 1993). Young et al (1981) observes that in a cooperative, as the membership surrenders its independence to the all-inclusive central management, it relinquishes its legitimate and functioning identity to the “higher stage” cooperative. This is referred to as “collective.”

The cooperatives’ principle of democratic control implies that the members are the decision makers and should therefore be fully informed and knowledgeable on all the happenings in the enterprise (Hussi et al, 1993). The management of a cooperative is answerable to the members. Consequently, the management structure (Figure 2) of a cooperative can be said to be “upside down” as opposed to that of an ordinary enterprise (Zamagni and Zamagni, 2010:2). Universally, in a cooperative the top decision-making organ is the Annual General Meeting which comprises of all the members (owners) of the cooperative (Galor, 1988; Zamagni and Zamagni, 2010). The Council or the Board of Directors is an elected body which is second highest in authority after the Annual General Meeting (AGM) (Galor, 1988; USDA, 1995). The Management Committee which is comprised of the chairperson, the vice chairperson, the treasurer, the secretary, his/her deputy and the manager who is the highest elected executive institution in a cooperative and are supposed to approve all the undertakings of the cooperative (Galor, 1988). The manager of a cooperative who happens to be its employee is the chairperson of the management committee (the executive) (Galor, 1988; USDA, 1995).

The manager of a cooperative can be a member or not, but this person needs to possess good management skills and have an understanding of the cooperative’s objectives and by-laws (Galor, 1988; USDA, 1995). The manager oversees the day-to-day business operations of a cooperative enterprise thus, the executives rely on the manager to carry out almost all of the operational functions of the cooperative (Galor, 1988; USDA, 1995). As a result, Galor (1988: 6) concluded that the members of the committee can be said to be “blind” in that they wait upon the manager for submission and explanation of all issues regarding the cooperative. There could be minor variations on this structure depending on availability of resources and an individual government’s recommendation but generally the board of directors is answerable to

the membership which is at the top of the structure (Galor, 1988; Zamagni and Zamagni 2010). Below is Figure 2 which shows the “upside down” management structure of cooperatives.

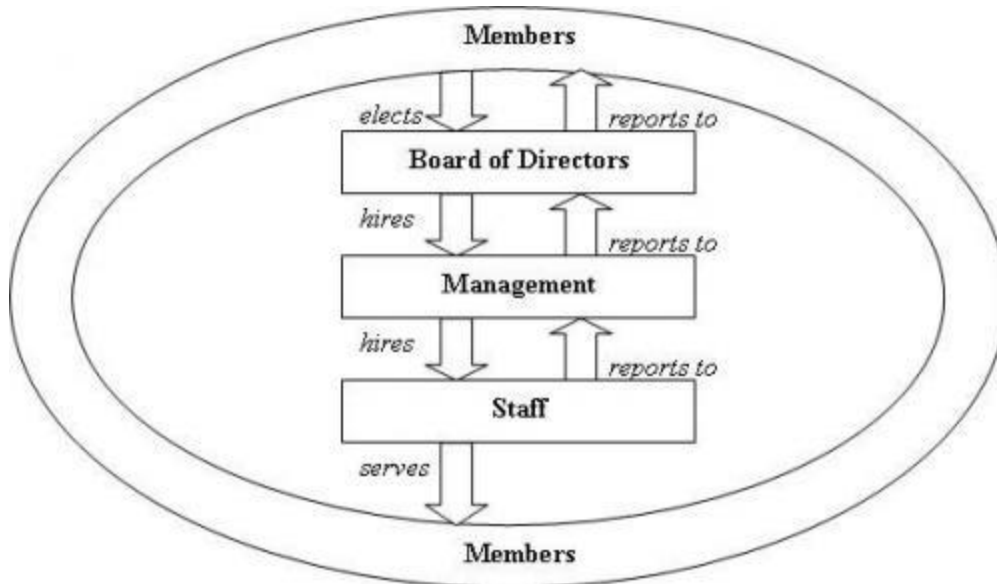


Figure 2: The management structure of a cooperative

(Source: British Columbia Cooperative Association (2015)).

Zamagni and Zamagni (2010) indicate that unlike in other organisations where hierarchal authority is applied, in a cooperative no one can impress on others their individual perception of the common action. According to Barraud-Didier et al (2012) this implies that successful management of cooperation is dependent on the participation of the whole membership, which is in turn influenced by commitment and trust from the members. The members’ choice to trust their cooperative is dependent on the information they have about the organisation. Information that makes them believe that the organisation is sound with regards to proficiency, dependability and preciseness, raises their level of trust and degree of commitment (Barraud-Didier et al, 2012).

3.2.2 Successful development of cooperatives

Successful development of agricultural cooperatives requires that the following factors are put into consideration:

An established legal framework and government policy: Cooperatives need a suitable legal framework under which to operate efficiently and effectively (Garnesvska et al, 2011; Hussi et al, 1993). Government policy influences the registration of the organisation, thus, defining the framework for their existence (Hussi et al, 1993). FAO (2001) observe that with many economies restructuring in an attempt to adopt market focused transformations, governments have implemented policy strategies that do not allow effective operation of cooperatives. Governments have applied a top-down approach in the creation of cooperatives resulting in a situation where members have no control over matters such as marketing and pricing of their products. Thus, members have been hindered from taking ownership of what should have been their organisation. FAO (2001) points out that although cooperatives have the potential to develop rural areas in most economies this opportunity has been wasted, they therefore recommend that government policies should be transformed to embrace a more participatory and democratic approach in the operations of the cooperatives. Wanyama (2009) observes that in Kenya for example with the appreciation that the cooperative movement plays a critical role in the economic development of the country, the government has over the years maintained an institutional frame work to advance the movement. However, he warns that a suitable legal framework does not guarantee success of cooperatives. He gives an example of the 1997 Act that attempted to empower members of cooperatives to take charge of their organisations but instead resulted in reported cases of corruption and mismanagement, fragmentation of cooperatives into smaller units and theft of cooperative resources. He attributes this anomalies to the fact that the cooperatives had not prepared for this freedom.

A committed champion and initiator: FAO points out that successful creation of a cooperative requires “at least a person amongst the group that has leadership ability and takes the initiative to represent the group.” This person should be reliable and have charisma. Shah (1995: 55) observes that in India, most successful cooperatives had “unusual leadership” particularly in the initial formation of a cooperative. According to Harper and Ray (2000), in the initial stages of a cooperative there is need for a champion who is not out to take advantage of the group, this person can be a member of the cooperative or not. This individual willingly bears the costs in the form of threats and difficulties of pulling together the group and gathering the crucial

resources (Harper and Ray, 2000). There is therefore the need for leaders who are members of the community, but not politicians to motivate, encourage and support the development of a cooperative (Garnesvska et al, 2011).

Resources: FAO (1998) and Koopmans (2006) point out that a cooperative cannot only be developed where the benefits of membership such as access to goods, loans, markets, services, inputs e.t.c outweigh the costs of membership (contribution of resources such time, land, labour, money, equipment e.t.c).” According to Hussi et al (1993) marshalling talents, processes, financial and technological resources is critical in ensuring the cooperative’s objectives are achieved. Some of the resources that every cooperative require in order to survive include time, capital, land, information, skilled and unskilled man power, market for the produce, infrastructure and equipment as well as a suitable legislative framework (Barger, 1980; Hussi et al, 1993). Therefore, members of cooperatives have to make decisions and rules regarding acquisition, provision and disbursement of such resources. Agricultural cooperatives in Japan have succeeded because of the farmers’ willingness to invest resources in their cooperatives, although according to Prakash (2000), it is the higher returns that motivated continued farmer participation and commitment in their organisations.

Training and education: Members of cooperatives need to be educated and trained regularly in an attempt to increase their level of understanding of their organisation (Garnesvska et al, 2011; Hussi et al, 1993). Members of cooperatives require information about their organisation, their partners and the resources they utilize in an attempt to make informed decisions (Garnesvska et al, 2011). This information can only reach the membership and motivate them to act positively through proper communication and education. This demands deliberate coordination and communication skills. Thus, other than communication and commitment, another crucial condition for proper administration of cooperatives is coordination (Zamagni and Zamagni, 2010).

The National Business Cooperatives Association (NBCA) (2009) propose that the cooperative movement should train and educate young people, opinion leaders, elected officials, vendors and the public on the benefits of true cooperation. They urge that cooperatives should train and educate their members and employees if they expect them to perform their duties effectively and add that keeping the members constantly informed deepens their commitment to the organization. Zeuli and Cropp (2004) suggest that ongoing communication and education

for keeping members involved, active and committed. They observe that in large complex cooperative organisations, education of board members of particular importance more so among the newly elected board. They caution that even with a well-educated and well-informed membership decision making in cooperatives still remains a challenge. Garnesvska et al. (2011) observe that members' understanding and involvement in the cooperative's undertakings is a crucial factor to the success of a cooperative. They explain that member's education levels, technical skills, commitment and relationships between management and members determines the success of a cooperative. Prakash (undated) acknowledges that members and employees of cooperatives require constant training in management, marketing, and skills such as farming if it is an agricultural. The UN (undated) proposes that novel poverty resulting from modernization and restructuring of economies can be averted by cooperatives that offer appropriate training and undertake social development actions among their members and their communities.

Knowledge and information to members and employees of cooperatives as well as the stakeholders can be relayed through workshops, demonstrations, tours, and even the media. For example, Teodosio (2009) observes that in the Philippines study tours (*lakbay aral*) organised by the cooperative movement did not only restructure and strengthen the delivery of service to the members but also further augmented solidarity and cooperation. He adds that continuing education of leaders and management can be attributed to their capacity to associate and contribute both in the life of the community and of the nation and this has motivated the populace and government to facilitate their empowerment. Wanyama (2009) observes that education and training offered by cooperatives to members rarely looked at the values and principles as proposed by the ICA, instead they concentrated on the core activities of the cooperative, for example an agricultural cooperative trained its members on the relevant farming techniques of their produce. Prakash (2000) attributes the success of Cooperatives in Japan to among other things, distribution of information and technology among farmers in Japan and outside the country.

Appropriate external support from government, professional NGOs and private firms (Garnesvska et al., 2011): Unlike other organisations a cooperative is better placed to benefit from the potential of associations as an endogenous organisation which encourages members to benefit from active externalities, thought-out contracts as well as mutual engagements. Successful development of cooperatives is dependent on strong associations with other development and

regulatory organisations (Prakash, nd). A cooperative cannot operate in isolation. This means that cooperatives must work in partnership with other organisations both public and private in order to achieve their objectives (FAO, 1997). Pinto (2011) proposes therefore that a cooperative must have the capacity to relate with the cooperative movement as a whole, the community, the authorities, the suppliers, the buyers, and civil societies. An association of cooperatives that striving to develop and strengthen them socially or economically is a cooperative movement. According to Wanyama (2009) in Kenya the cooperatives movement is hierarchaly organized in four tire pyramidal structure with the primary cooperatives at the base and the national body at the top and horizontally they have been grouped according to the economic sector. He points out that these linkages enables accord cooperative different forma of support such as marketing, training and education, policy reform e.t.c He adds that in Kenya the donors associated with the cooperative movement include Cooperative agencies from developed countries (such as Swedish Cooperative Centre (SCC), Canadian Cooperative Association (CCA), USAID Cooperative Development Programme.), international cooperative associations (such as ICA), international development agencies (such as European Union) and international organization (such as World Bank). For example the SCC supported cooperatives with capacity building by (Wanyama, 2009: 23; “ curriculum development at the Cooperative College of Kenya, funding the Kenya National Federation of Cooperatives (KNFC)to hold cooperative consultations on implications of the Cooperative Societies (Amendment) Act of 2004, supporting initiative to revive the institutional capacity of KNFC, funding the Intensive Cooperative Management Improvement Scheme (ICMIS) aimed at improving the management of selected primary cooperatives through training and education, funding cooperative member education through a specialised project known as Community Empowerment and Enterprise Development through Cooperatives (CEEDCO).” Prakash (2000) points out that one of the factors that led to success of the cooperative movement in Japan was the adoption of initiatives such as continued and reformist merger of cooperatives to make them more economically feasible and service-oriented.

Management and governance of cooperatives: Effective development of cooperatives requires excellent internal organisation and communication skills that motivate consensus and transparency (Garnesvska et al, 2011). These qualities should be established on a well-defined governance framework. FAO (1998: 6) and Koopmans (2006) propose the need for a cooperative to have motivated, experienced and dynamic managers who are able to plan and implement business policies. These leaders should be provide the membership with the

required goods and services by balancing the member's interests and needs with the entrepreneurial goals of the business (Koopmans 2006, FAO 1998). Zamagni and Zamagni (2010: 32) indicate that management of cooperatives involves cultivating "mutual responsiveness" which is founding, maintaining and recompensing behaviours centred on trust and reciprocate support. They further suggest that ensuring that the cooperatives' best interests and the employees' best interests are common, so as to stimulate them into contributing positively "committing to joint activity." Garnesvska et al (2011) indicate that management of cooperatives require skills in acquisition and maintenance of resources, making decisions and drawing up rules as well as distribution of surpluses among the membership. They also point out that binding agreements or contracts are critical, not only for contracts between the cooperative and their partners but also between the cooperative and individual members. FAO (1998) point out that it is critical that members of cooperatives effectively participate as both owners and users in the development of their organization. They propose that member participation should be at three levels; provision of resources (input participation), participation in decision making and participation in the production of benefits (output participation).

Singha et al (2007) point out that electricity in India underperformed due to management and governance problems. Saxena (2012: 4) in referring to Cooperatives in India said; "obviously not all well governed companies do well in the market place. Nor do badly governed once always sink run. But even the best performers risk stumbling someday if they lack strong and independent board of directors." Baka (2013) suggests that in order to ensure that a cooperative is effectively governed the organisation should hire qualified and experienced employees, assist the staff with the required on job training. He points out that in Kenya poor governance emerged from an ignorant membership that was easily manipulated into electing a board of directors that lacked leadership qualities. He indicates that it is therefore worthwhile to investing in awareness programs that make the membership demand for good governance such as transparency and accountability. TAM Consultant (2008) observes that the Dairy cooperatives in Ethiopia were ineffective and unattractive to the poor as a result of poor management, political interference and lack of markets.

The cooperative principles/rules listed above distinguish a cooperative from a capital company enterprise as they point to a cooperative's primary objective which is to serve the mutual interests of its members (Mierzwa, 2007; Zamagni and Zamagni, 2010). The descriptions on nature and management of cooperatives seem to be closely linked to "collective action" in

which independent persons take on a communal venture of joint concern and effort in an attempt to mutually accrue benefits. Ostrom (1990: 25) and other collective action scholars acknowledge that “cooperatives” are examples of “collective action.”

3.3 Conceptualising collective action

Marshall (1988) in Vanni (2014: 21) indicates that collective action is “the action taken by a group (either directly or on its behalf through an organisation) in pursuit of members’ perceived interests.” Dowding (2014) proposes that whenever two or more people combine efforts towards a common goal, collective action has occurred. Oliver (1993: 273) defines collective action as “any action that provides a common good.” Ostrom (1990) views collective action as a setting where individuals voluntarily undertake shared efforts based on shared interests and the expectation of shared benefits.

What stands out from these definitions of collective action is that there is consensual or voluntary involvement of a group of individuals, or what could be considered as common characteristics, who believe that through mutual effort, mutual interests can be accomplished (Meinzen-Dick et al, 2004). It is believed that when individuals engage in collective action the strength of the group’s resources, knowledge and efforts combines all parties to more readily achieve a shared goal. In collective action therefore, an individual must realise the need or benefit of acting jointly before she/he personally decides to join hands, thus acting voluntarily or consensually. Collective action comes about through the realization that no single individual can shoulder the costs that bring about expected mutual benefits, hence the need for combined efforts, a complex scenario colloquially referred to as “belling the cat” (Dowding, 1996:31; Ostrom, 1990: 32).

Vanni (2014) suggests that in analysing the dynamics of collective action it is imperative that concerns about the type of organisation that has developed and/or supported such action is put into consideration. He observes that the success or failure of collective action is not only dependent on the kind of organisations involved, but on the institutional engagements which are operating at a local level as well. He points out that when looking at an agricultural group, for example, it is critical to differentiate whether the collective action is initiated and organised by the farmers themselves or if it is managed and maintained by the government. Davies et al (2004) distinguishes between bottom-up/cooperation, for farmer to farmer collective action and

top down/co-ordination, where external control fits the above proposal. Vanni (2014) observes that collective action organisations, whether bottom-up or top-down can receive or not receive various forms of government support which may include policy. Thus, according to Meinzen-Dick et al (2004) collective action comprises of collective decision-making, setting rules of conduct of a group and designing management rules, implementing decisions and monitoring adherence to rules. In order for collective action to succeed it is expected that all the participants behave rationally and act in the best interest of the group, as prescribed by them (Campbell as cited by Ostrom 1990).

As had been mentioned earlier in collective action, participants must bear the costs in order to obtain profits (Ostrom, 1990; Reuben, 2003). However, each and every individual in collective action is in a social dilemma of having to choose between bearing the costs and earning shared benefits, or not sharing the costs and earning more profits (Ostrom, 1990; Poteete and Ostrom, 2004). An individual's decision not to meet the common costs negatively influences collective action (Ostrom 1990). Failure by individuals to make their contribution in the long term causes the whole group to suffer losses and eventually lead to collapse of collective action (Vanni, 2014; Ostrom, 1990). According to Dowding (2014), in as much as these participants in collective action may be sharing joint interests with each other, each one of them possesses contradicting individual interests which sometimes force them to avoid meeting the mutual costs. This is the root cause of the collective action problem.

Problems of collective action arise when some individuals “seek out short term benefits for themselves alone” or free-ride (Ostrom, 2004; Ostrom, 1990:6). Ostrom (1990: 6) observes that whenever individuals try to work together to achieve common benefits the temptation to “free-ride” emerges. She points out that the problem of free riding is more rampant in situations where it is not possible to exclude those who did not participate from reaping the benefits of collective action. She observes that where the temptation to free-ride is prevalent there might be no benefits of collective action. Adding that where only some individuals act favourably the optimum benefits of collective action will not be achieved.

Often participants in collective action find themselves in complex and uncertain situations (Ostrom, 1990). In “complex and uncertain” conditions individuals are more likely to misbehave, thus resulting in complications in collective action (Ostrom, 1990: 33; Poteete and Ostrom, 2004: 435). Factors such as conflicting interests, lack of information and nature of the

common good also influence the level of collective action (Bandiera et al, 2005; Ostrom, 1990). In addition to these, most collective action scholars agree that working rules or binding agreements are critical for taming participants (Bandiera et al, 2005; Ostrom, 1990). Ostrom (1990) indicates that working rules or institutions are what shape organisations, they forbid, permit or require some engagements or products.

Ostrom (1990) observes that collective action activities that require combined effort include exploitation of; (1) Natural resources such as soils, pasture, water, forests and (2) Man-made resources such as legislation, public schools, roads and air waves (TV and radio). Collective action offers a number of benefits to individuals for example: goods (fish, money, machinery, crops, water, transport, security, education). Thus, organisations such as fishing associations, river basin irrigation communities, trade unions and cooperatives are typical examples of collective action groups (Dowding, 1996; Ostrom, 1990).

3.3.1 The conceptual framework

Even before the enactment of the Cooperatives Act no. 14 of 2005, Van Niekerk (1988) points out that poor management was responsible for failure of cooperatives in the homelands. Van de Walt (2005) observes that among other challenges, poor management was responsible for the failure of most cooperatives in Limpopo Province of South Africa. He points out that lack of training, lack of funds and conflict among members that arose from free-riding also contributed to the failure of these cooperatives. Satgar (2005) observes that Cooperatives in Gauteng failed to function effectively due to lack of resources, he blames the government for failing to supply cooperatives with the essential inputs for their sustainability. He further observes that these cooperatives experienced a big skills deficit and as a result members of cooperatives were not able manage their organizations. He indicates that self-initiated cooperatives proved more resilient and displayed better chances of survival as compared to the government initiated cooperatives because of the self-drive to achieve their objectives.

Ortman and King (2007) observe that the agricultural cooperatives lost significant intellectual and administrative capacity by moving the Registrar of Cooperative to the DTI. They indicate that centralized approach means that one department has to deal with cooperatives and all the other forms of organizations and as a result cooperatives did get the attention they deserve. Phillip (2007) observes that under the Cooperatives Act no. 14 of 2005, formation of a

cooperative symbolised arrival of the long awaited external support in a penurious community. Often conflict arose with every member wanting to be in control of those resources. She observes that the skills base for these cooperatives was limited, characterised with low literacy levels and poor management skills while most cooperatives did not have the financial base to hire skilled labour. She argues that even where the funds were available and the organization was ready to hire skilled labour such skills were hard to find. She further observes that most people formed or joined cooperative as the “economic option of the last resort,” with no prior business knowledge and in unproductive areas. Often these members lacked the required production skills for the business they were venturing into.

According to Lyne and Collins (2008), feeble institutions such as indistinct property rights, lack of capital and absence of conducive policy environment led to failure of the emerging cooperatives. Chibanda et al’s (2009) survey of 10 smallholder cooperatives in KwaZulu-Natal, suggest that institutions and governance influence performance of smallholder cooperatives. They point out that the Cooperatives Act no 14 of 2005 prevented smallholder cooperatives from adopting suitable institutions and was therefore responsible for these organisations failure.

A Baseline Study of the emerging cooperatives conducted by the DTI (2009) found that most members of the cooperatives considered themselves unsuccessful because since they joined their organisations they had not realized any benefits. This resulted in high drop-out rates. The study also showed that most cooperatives did not submit their annual financial statements to the Registrar of Co-operatives and only 4.72% had audit reports, thus a majority did not comply with the Cooperatives Act no.14 of 2005. According to the cooperative’s act failure to comply with act results in deregistration. This study further revealed that most cooperatives did not survive for more than 2 years.

Sikuka (2010) looks at what led the well-established cooperatives that existed during Apartheid rule to change to private companies at the introduction of the Cooperatives Act no. 14 of 2005. He spells out that some of reasons include; management pressure, reaction to the act and political reasons. Ngwenya et al (2010) in a study of three agricultural cooperatives in KwaZulu Natal-Province, observe that most cooperatives were not able to finance growth in their organizations because the Cooperatives Act no. 14 of 2005 made it impossible for these emerging cooperatives to raise equity and debt capital. They point out that the cooperatives

that displayed signs of survival were those that drew and adhered to rules that contradicted this act. They further observe that most members of the cooperatives did not know about the existence of their organisation's constitution.

The Department of Agriculture, Forestry and Fisheries (2010/11) blames the provinces that had not developed a clear mandate or approach with regards to development of cooperatives, for relatively slow take-off process of cooperatives in such provinces. This department also points out that lack of coordination of the cooperative development programme between various government departments posed a threat to development of cooperatives. This department further indicates that access to finance, literacy levels and age of members are the other challenges that cooperatives in South Africa have to deal with.

According to the scholars and the government therefore, some of the challenges experienced by various cooperatives in South Africa include, lack of skills, low literacy levels, lack of resources, uncoordinated support from the government and inaptness of Cooperative Act no 14 of 2005. Most of the aforementioned challenges influence self-governance among collective action groups such as cooperatives. This study builds on the prior work that highlights the importance of appropriate governance for the success of cooperatives. A study that relates the challenges facing the South African Cooperatives to self-governance is Elinor Ostrom's (1990) *Governing the commons; the evolution of institutions for collective action*. Ostrom (1990) relates variables such as enabling policy environment, skills of actors, resources and support to self-governance. Thus, in this conceptual framework, although reference is made to multiple sources of literature, particularly on proponents of IAD framework of collective action, the main source is Ostrom's (1990). This study uses Ostrom's work for several reasons;

In as much as there is vast literature on collective action most of it is economics oriented; this study being social science oriented, it is only proper that a political science and collective action guru like Ostrom's work is used as a source. While the other scholars believe that the individual actors in collective action are solely responsible for the success or failure of their organisation, Ostrom (2003) believes that there are both internal and external factors at play. Her work looks at what influences individuals' behaviour in organising for collective action. Looking at the challenges facing South Africa there both internal forces (such as low literacy levels) and external force (inappropriate support).

In most of her work Ostrom contests the other theories of collective action which view individual's behaviour and action as irrational because they are guided by self-interest. Ostrom (2005: 105) explains that there is need to consider mental prototypes of humans, the multiplicity of reactions they obtain, the communal culture and the emotional conditions individuals find themselves in. She points out that these conditions make human behaviour more intricate and environment dependent. Thus, the environment in which actors make decisions and act is influenced by community attributes and institutional arrangements (1990). Ostrom and Parker (1990) point out that institutions do not create an individual's inclinations and morals, they are instead incentives for action.

In analysing collective action among agricultural cooperatives, this study looks at both natural and physical resources (Ostrom, 2003). Elinor Ostrom was awarded a Nobel Prize in Economics in 2009, one of the highest honours for scientists, in recognition of her contribution to the understanding of complex situations in collective action (Morçöl, 2012). She was the first Political Scientist to earn this award that was meant for economists because of her extensive work on collective action. According to Anderies and Janseen (2012), Ostrom advocated and practised an interdisciplinary approach in the looking at collective action problems. They say Ostrom managed to bring together scholars from various disciplines among them ecologists, hydrologists, climatologists, anthropologist, mathematicians, geographers, computer scientists to tackle this pressing global problem. Thus her approaches to collective action have been accepted and applied by scholars from a variety of fields including space scientists

So far Ostrom has made the most significant contribution to conceptualization of self-organisation in collective action methods (Morçöl, 2012). Ostrom has carried out a wide range of studies on self-governance in collective action. Ostrom (1990) gives a detailed methodology on analysing self-governance among collective action institutions. Ostrom (1990) recommends variables that can be used in analysing the factors that influence self-governance in collective action, particularly in small Common Pool Resource (CPRs) situations. In her work, Ostrom (1990) analyses individual case studies of CPR institutions, some successful, others unsuccessful. These are situated in both developed and developing countries in different parts of the globe; North America, Asia, and Europe. This makes this piece of work relevant to the study of self-organizing CPR institutions in any part of the world, including South Africa. Ostrom (1990: 29) points out that the central question in her particular study is, "how a group

of principles who are in an independent situation can organise themselves to continuing joint benefits when all face the temptation to free-ride, shirk or otherwise act opportunistically.” Thus, Ostrom's (1990) work is a study on self-governance in collective action situations. The emerging agricultural cooperatives in South Africa premised on the ICA principles by the Cooperatives Development Policy of 2004. They are worker cooperatives, therefore more self-organised collective action organisations. It is therefore quite in order to use Ostrom’s work to gauge self-organised collective action among the agricultural cooperatives in South Africa.

3.4 Self-organised collective action and agricultural cooperatives

The International Cooperatives Alliance's (ICA) definition of cooperatives, given above, is no different from Ostrom’s (1990) work which looks at self-governing CPR institutions, quoting cooperatives as examples. In these self-organised collective action institutions, participants voluntarily united to meet their economic, social and cultural needs by jointly acting, making, enforcing their own rules and monitoring each other with minimal external interference (Ostrom 1990).

In the self-organised CPR institutions other than contributing equity capital, members contribute time and effort towards the group’s activities with the hope of attaining mutual benefits (Ostrom, 1990). In agricultural cooperatives members contribute equity capital, labour and spend time towards the cooperatives activities with the hope of attaining common benefits (Van Niekerk, 1998).

Depending on the activities of the self-organised CPR institutions, participants get among other things, food and markets for their produce and as a result, money (Ostrom, 1990). The benefits accrued is dependent on the nature of the groups' interests and activities, for example, in agricultural cooperatives some of the benefits of collective action include accruing economies of scale, bargained business deals, provision of communal goods as well as environmental services (Vanni, 2014).

Some of the collective action institutions studied by Ostrom (1990) were agricultural cooperatives. In the next section agricultural cooperatives are likened to self-organised collective action institutions. The ICA’s cooperative principles are very similar to the factors as observed by Ostrom (1990) for long enduring self-organised collective action groups. Below

is a table showing the similarities between the ICA's cooperative principles and Ostrom's factors for successful self-organised collective action.

Table 3: Similarities between ICA's cooperative principles and Ostrom's (1990) factors for long enduring self-organised CPR institutions

ICA's cooperative principles (<i>ICA, 2007</i>)	Ostrom's (1990) factors for long-enduring self-organised CPR institutions.
Open and Voluntary membership: Voluntary and open to any persons willing to utilize their services as long as they are ready to abide by the set criteria of membership.	Participation for all those who are ready to obey rules that define illegibility for membership.
Democratic member control: In a cooperative each and every member is expected to participate in the decision making process based on the principle of "one member one vote."	To successfully self-govern collective actors and should participate in making, modifying and enforcing their own operational rules (Ostrom, 1990: 93).
Member economic participation: Each member makes contribution towards the organisations capital. Purchase of shares is a method for contributing equity capital to the organisation. However, each member participates in deciding how benefits or surpluses are disbursed among them.	In order to guarantee benefits and sustainability, appropriation rules regulating time, place, technology and/or quantity of resource units linked to indigenous settings and to provision rules requiring labour, materials and/or money (Ostrom, 1990: 92). In self-organised collective action the costs and benefits implicate every undertaking hence the need for cost and benefit analysis before every move is made (Ostrom, 1990: 199).
Autonomy and independence: Implies that a cooperative is an independent institution controlled strictly by its membership. Although a cooperative relies on support from other organisations, even governments,	Collective action participant's rights to organise or make their own rules should not be challenged by external authorities, not even the government (Ostrom, 1990: 101).

<p>but these should not negatively influence democratic control by the membership.</p>	
<p>Education, training and information: cooperative should make a deliberate attempt towards educating, training and providing its members, elected representatives and employees with information to enable them make positive contributions towards developing the cooperative. A cooperative should keep its members and the general public informed about the idea, nature and what benefits cooperatives.</p>	<p>Ostrom (1990: 33) compare collective actors to rational individuals in a complex and uncertain environment. Only knowledge and information about the resources, other participants and the community can reduce uncertainty among participants, thus cause them to act rationally (Ostrom, 1990: 34).</p>
<p>Cooperation among cooperatives: This principle speaks to strengthening the cooperatives movement thus improving service to members by promoting alliances between local, national and international cooperatives. These refer to establishing tiers from primary cooperatives to secondary cooperatives to Federal cooperatives to ICA.</p>	<p>Governance, appropriation, provision, monitoring, enforcement and conflict resolution undertakings should be organised in a multiple layer of nested enterprises (Ostrom, 1990: 101)</p>
<p>Concern for community: This implies that a cooperative should benefit the surrounding community as well.</p>	<p>Costs for rule enforcement and monitoring adherence among collective action participants who dwell in communities with shared norms are relatively lower (Ostrom, 1990: 206). Thus, self-organised collective action thrives where there is concern for a community.</p>

Adopted from ICA (2007) and Ostrom (1990)

In the self-governing CPR institutions studied by Ostrom (1990: 88), survival was dependent on open membership where all the members of the community who met the stipulated criteria are allowed to take part and the whole membership is involved in the decision-making. In the CPR institutions she studied, participants did not only participate in decision-making, they contributed resources: time, labour and money amongst other things. In self-organising CPR

institutions participants make decisions based on the information they have, thus information and knowledge is critical to success in self-organised collective action (Ostrom, 1990: 138). She observes that participants who are well informed about the resource system seem to meet the “criteria of sustainability.” A strategy that involved educating members of cooperatives succeeded in turning around the Gal Oya Project, a self-organised collective action group in Sri Lanka (Ostrom, 1990:171). Among the successful self-organised CPR institutions, there was very little variation in participants’ level of assets ownership; there was some level of equality in skill, education, ethnicity and race, amongst others (Ostrom, 1990: 89). Thus homogeneity prevailed over heterogeneity.

The sixth principle of cooperatives states that “cooperation among cooperative” (ICA, 2007). This implies that cooperatives can only serve their members effectively and strengthen the cooperative movement by working hand in hand with local, national, regional and international structures. For example, Van Niekerk (1988) in South Africa before 1994 a group of primary cooperatives formed secondary cooperatives that in turn formed central cooperatives. He indicates that there were federal cooperatives at the top but these cooperatives interacted with other organisations as well. Ostrom (1990) indicates that the Gal Oya Project succeeded when the farmers were organised in tiers, starting from the Field Channel Organisation (CFO) with 12 – 15 members. On top of the CFOs was the second tier Distributory Channel Organisation (DCO), made up of about 20 CFOs. Representatives from DCOs formed the Gol Oya Left Bank (GOLB). The fourth tier, the Project Level Committee was composed of the representatives from GOLB and institutional organisers (IOs) who were government representatives. Ostrom’s (1990) last design principle of nested enterprises indicated that management of a collective action group should be organised in multiple layers. Thus, self-organised collective action institutions need to work together with other similar organisations if they are to succeed.

The values on which cooperatives are built include: self-help, self-reliance, self-responsibility, democracy, equity, equality and solidarity entrenched in the founder’s customs of relying on ethical values of trust, honesty, openness, social responsibility and caring for others (Phillips, 2003: 7- 8; DTI, 2004: 8; Hussi et al, 1993: 14). Ostrom (1990) observes that in most of the long enduring CPR institutions, the participants experienced high levels of uncertainty in intricate surroundings that motivated them to take responsibility in an attempt to find solutions. These individuals also shared a long past and anticipated a shared future, which gave participants a good understanding of each other and an assurance that long term investment

would still be of benefit in the future. Thus, Ostrom (1990) points out that successful collective action is dependent on shared norms, trust, commitment, obeying rules, homogeneity, and reciprocity, amongst others. These descriptions of nature and management of cooperatives seem to be closely linked to self-organised collective action: where independent persons assume communal venture of joint concern and effort in an attempt to mutually accrue benefits (Ostrom, 1990).

According to Ostrom (1990: 9), the question is, "Who should make these rules?" Other scholars feel that the government should supply collective action groups with rules, while others propose that privatization is the only way. However, she observes that most collective action groups that relied on an external supply of rules (from government or private organisations), rarely succeeded. She indicates that such groups lasted only as long as the external government or private supporter was still there. She indicates that on the contrary, collective action groups that succeeded in making their own rules (self-governed), mutually monitored and attained credible commitment seemed to have better chances of survival and therefore became long enduring.

Ostrom (1990) indicates that rules are a product of a decision-making process, thus, in self-governing institutions participants are expected to make decisions thereby formulating their own rules. In her study she analyses how the ability to make and enforce their own working rules (self-governance) influenced success or failure of collective action among various organisations.

Ostrom (1990) and Olson (1965) observe that knowledge of joint benefits from joint actions is not enough to bring about collective action. They point out that with small groups, unusual stratagem must be applied to lure or coerce individuals into acting collectively. According to Hussi et al (1993) the policies of a country, for example, the cooperatives policy, can either provide an enabling environment for cooperatives to form and thrive in, or provide harsh conditions which hinder cooperatives from developing. Collective action is born the moment participants adopt rules that define the group: name, eligibility criteria, set their objectives and areas of operation, amongst other things (Ostrom, 1990). Young et al (1981) describes an agricultural cooperative as a formal organisation that comprises of multiple households or family units involved in agricultural production. Accordingly therefore, a cooperative is registered with the government: it has a name, objectives, and a constitution and also meets

other requirements as required by law. Van Niekerk (1988) points out that because there was no cooperatives act in South Africa before 1922, the initial agricultural cooperatives had to register under the companies act. For example, according to him, the first cooperative, Pietermaritzburg Consumers' Cooperative registered in 1892 had a name, description of who are eligible actors, area of operation and the like. This is what Ostrom (1990: 90) refers to as "clearly defined boundaries." Ostrom (1990: 90) discusses these variables under the design principle "clearly defined boundaries." Given that some of the CPR institutions studied by Ostrom (1990) were over 1000 years old, she indicates that whereas it was not possible to analyse the attributes that prevailed during their formation, it was possible to study the change of rules/institutions. In this study, because all the agricultural cooperatives that were studied are less than ten years old, the researcher chose to study community attributes as what motivated the formation of these agricultural cooperatives. Thus, the sub-topic: Community attributes that facilitate self-organised collective action among agricultural cooperatives.

Ostrom (1990) points out that self-governance in collective action requires participants to make appropriation and provision rules relating to resources. She indicates that because resources are scarce, rules must be put in place to address accessibility and availability of the resources system for sustainability purposes. She advises that appropriators need to be informed about the structure of the resource system; quantity of resources units to be exploited. She explains that appropriators exploit and benefit from resources such as time, technology, labour, materials and money. Ostrom (1990: 91) discusses these under the second design principle "Congruence between appropriation and provision rules and local conditions." Resources for collective action is a topic that has been used in this study. In order to succeed, agricultural cooperatives are expected to exploit and benefit from resources, hence the need to look at Resources for self-governed collective action among agricultural cooperatives such as land, time, labour, market, materials, financial capital and others (Van Niekerk, 1988).

Ostrom (1990) observes that success or failure in self-governance, thus collective action, is not only dependent on the internal factors but external factors as well. She indicates that participants in their internal world, as an institution, are affected by the external world that they operate in. She points out that this implies that success or failure of self-organised collective action is influenced by external institutions, particularly the government. She gives examples of two Turkish inshore fisheries which could not meet the high costs of self-governance because the government did not avail arenas for making implementable, low-cost contracts.

Agricultural cooperatives cannot survive in isolation, they need support. For example, in the form of legislation from the government, resources and information, hence the need for supporters or partners (Van Niekerk, 1988). Ostrom (1990: 101) discusses these under the last two design principles: “minimum recognition of rights to organise and nested enterprise.” In this study, this is discussed under the topic: Attributes for partnerships/support for self-governed collective action among agricultural cooperatives.

Ostrom (1990) proposes that successful self-governance in collective action requires that rules be made or changed, enforced and monitored to ensure adherence and graduated sanctions meted on those who fail to comply. She explains that misunderstanding is likely to arise among appropriators and their representatives, hence the need to have low-cost conflict resolution mechanisms. She points out that participants in self-organising collective action need to be informed and skilled in order to be in a position make working rules, enforce and monitor them and mete sanctions on offenders. Ostrom (1990: 93) covers these under design principles: (3) Collective choice arrangements (4) Monitoring (5) Graduated sanctions and (6) Conflict-resolution mechanisms. In this study these have been discussed under the topic Management of self-organised collective action among agricultural cooperatives in uMgungundlovu District. In the next section the variables in each of the four factors that influence self-governance in collective action are discussed.

3.5 Factors that influence self-governance in collective action

3.5.1 Community attributes that facilitate self-organised collective action

The community attributes for collective action has to do with when individuals first set rules that describe the various criterion on participants, resources, partnerships and management structures among the participants (Bandiera et al, 2005; Ostrom, 1990). Ostrom (1990: 140) describe an institution “as situation in which rules are created where there were no rules.” She points out that the design principle “clearly defined boundaries” describes the first step in minimizing uncertainty in complex conditions, thus eliminating free-riding. She indicates that it involves stipulating exactly who is being managed, what they should or should not do and what their benefits are. She studied older CPR institutions some of which were over 1000 years old, thus it was difficult to gauge the conditions that prevailed during their formation.

Ostrom (1990: 58) indicates that for such CPRs community attributes for collective action can be studied by looking at the conditions that prevailed during change of rules or institutional change. Some of the variables used in studying community attributes in self-governing collective action are found under “clearly defined boundaries” (Ostrom, 1990: 91). Community attributes for collective action include (Bandiera et al, 2005; Ostrom, 1990: 199); group size, heterogeneity/homogeneity, incentives/coercion, past experiences, enabling environment, skills and assets of leadership. In this section the variables that are used to gauge the chances or possibility of individuals acting jointly to attain common goals or benefits sustainably are explained. Ostrom (1990) proposes that it is critical to study the variables that enhance the initial likelihood of self-governance. She says this is because these variables speak to the ability of participants to successfully organise and govern themselves.

The awareness of benefits to be accrued from acting collectively is not good enough to lure individuals into acting collectively (Olson, 1965; Ostrom, 1990). There are three conditions that will motivate individuals to successfully act collectively (Ostrom, 1990; Ostrom, 2000) namely: 1) Individuals concerned must acknowledge that a problem exists that needs to be solved collectively; 2) Level of independence that allows the group to act collectively; 3) The individual’s perception of the future of the group and its activities will motivate them to either invest or not invest in collective action. Ostrom (1990) observes that variables such as group size, heterogeneity, incentives/coercion and an enabling environment, among other things can be used to gauge the chances of success of a self-organising CPR institution.

Group size: According to Olson (1965), the motivation for smaller groups in comparison to the bigger groups is that the expected percentage share from the accrued benefits is more. Thus, the smaller pre-arranged percentage share profits discourage bigger groups from acting collectively. Although Ostrom (1990) supports the idea that smaller groups motivate collective action, her description for this differs from Olson’s (1965). According to Dowding (2015) and Ostrom (1990), smaller groups are not so much about numbers and bigger percentage share benefits but more about the effect or consequences of an individual’s action on the others. For them, the size of the group is about the impact of an individual’s actions on the whole group’s achievements. Where the groups are big, individuals know that their contribution will not significantly influence the performance of the enterprise and they still expect their pre-arranged percentage share anyway (Olson, 1965). Accordingly, this augments the temptation to free-ride

in bigger groups (Dowding, 2015). Alternatively, in smaller groups it is easy to spot who is not acting favourably and this compels everyone to act constructively (Ostrom, 1990). Thus, seemingly it is easier and cheaper to monitor each other's actions, raising the chances of successful collective action. The fact that the likelihood of success is higher due to close monitoring which discourages free-riding is a motivation for smaller groups to act collectively (Dowding, 2015, Olson, 1965, Ostrom, 1990). In bigger groups individuals feel their contribution is insignificant and inevitably resort to free-riding; after all, they are not likely to be caught because monitoring each other is costly. In bigger groups therefore, it is known to the participants that the chances of success are limited and this discourages them from engaging in collective action.

Incentives: Individuals are haunted by opportunistic behaviour or the compulsive desire to free-ride or dodge (Dowding, 2015; Olson, 1965; Ostrom, 1990). They propose that for larger groups coherent, self-interested individuals have to be given incentives or coerced into working together in an attempt to achieve their mutual interests. An incentive reduces the cost that an individual is contributing towards the attainment of group benefits (Dowding, 2015; Ostrom, 1990). However, they indicate that this is also dependant on individual interests, needs and what is of benefit to an individual could be a disincentive to another. The incentives required for rational, self-interested individuals to act positively can be classified into economic incentives (for example, access to credit, grants, training and education) and social incentives (respect, friendship, prestige) (Olson, 1965: 60; Ostrom, 1990:). Ostrom (1990) observes that in other instances, negative selective incentives or coercion is used to motivate people to start acting collectively or change the existing institutions. She suggests that coercion and incentives can be in the form of rules and regulations, monitoring as well as legal framework; often they minimize uncertainty that daunt collective action. She acknowledges that the long enduring, self-organised CPR institutions she studied definitely had incentives that enabled them to change their own rules and progressed over time.

An enabling environment: Ostrom (1990: 33) points out that in motivating collective action an enabling environment has two connotations; both the physical environment and the political regime motivate or de-motivate self-organising collective action. She observes that conditions such as quantity and timing of rain, existence or non-existence of diseases and vector which are beyond participants' control. This subjects them to a lot of uncertainty and may hinder them from engaging in collective action. She points out that internally the main cause of uncertainty

among participants is lack of information, particularly about the resources being exploited and behaviour of others. Knowledge about the resource being exploited, expected weather conditions and available inputs reduces uncertainty among participants. She observes that although uncertainty emanating from lack of knowledge diminishes with time, doubt arising from tactical behaviour of participants lingers. Enabling conditions or physical environment make the benefits of collective action higher than the costs (Ostrom, 1990; Ostrom, 2004).

Government policies can motivate or de-motivate formation or change of rules among collective action groups (Ostrom, 1990). Policies made by autocratic governments do not encourage formation or change of rules, thus discourage self-governance in collective action (Ostrom, 1990:101; Ostrom, 2004). Ostrom (1990) therefore proposes that successful self-governing in collective action can survive only in environments where external government authorities support participants in making their own rules.

Champion/Community leader: Ostrom (1999) and Ostrom (1990) indicate that the presence of agents who command authority, have leadership skills and resources are critical to the formation or change of rules in collective action. These leaders or champions have won the trust of members of the community due to their right standing and can often bear the transformation costs (Ostrom, 1990). The proposals of such leaders are readily accepted by members of the community, thus they are able to steer the enterprise to greater achievement (The CEO Water Mandate, 2013; Ostrom, 1990).

Acknowledgement of the existence of the problem: In the first step in initiating and managing collective action is to guide the participants in identifying their common problem (Ostrom, 1990; Meinzenin-Dick and Gregorio, 2004). According to Fairbairn (2002) and The CEO Water Mandate (2013) whenever a group of people find themselves in harsh conditions, the need to communally survive these challenges would push them to act collectively. The individuals need to be yearning for a solution/s to the problems they jointly experience in their uncertain and complex environment (Ostrom, 2004; Ostrom, 1990).

Binding agreements are written rules and regulations that point out, for example; the role of each participant and appropriation and provision of resources in collective action (The CEO Water Mandate, 2013; Ostrom, 1990). Ostrom (1990) explains that such agreements reduce uncertainty that emanate from appropriation or provision of resources and the opportunistic

behaviour of participants. She gives the example of the long-enduring cooperatives in the Swiss Alps who had written legal documents describing land tenure, with some dating back to 1224.

Past successful experience or examples of successful models of collective action motivate collective action (Ostrom, 2004). Previous involvements develop a perception in an individuals' mind that would influence their expectations, hence the chances of participation in collective action (Ostrom, 1990; Ostrom, 2004) is greater. Past experiences enhance forecast, thus one is able to tell how beneficial or useless an involvement would be (Ostrom, 1990; Breinlinger and Kelly, 2012). Ostrom (1990) indicates that individuals who have previously benefited from collective action would readily engage in change of rules collective action. She explains that by witnessing successful existing collective action groups, others can be motivated to engage in collective action. She points out that in order to act collectively the individuals need to have shared a long common past and still look forward to sharing a future. In most cases the benefits of collective action are long term, and the principals would not be willing to invest in collective action projects from which they will not benefit. According to Ostrom (1990) therefore, the assurance that their children's children would benefit from their investment would encourage them engage even in long term investments. By sharing a long common past the participants have developed extensive norms that have evolved over the years and have created their definition of "proper behaviour" (Ostrom, 2004; Ostrom, 1990). Thus, participants with past experience and shared norms are more likely to successfully engage in collective action (Ostrom, 1990).

Heterogeneity (diversity) in relation (Harper and Roy, 2010) can influence formation and sustainability of collective action. Ostrom (2010) indicates that when people realize that they can benefit from their differences they can be encouraged to take advantage of each other's possessions or skills. However, in most instances homogeneity transcends diversity (Ostrom, 1990; Ostrom, 2004; Harper and Roy, 2010). Ostrom (1990) points out that heterogeneity is limited to situations where the gap between the wealthy and the poor is not very wide. She explains that in collective action, often mutual costs which are affordable to the very rich are expensive to the poor, who then find it impossible to join collective action or are left out during institutional change. Thus, according to her, chances of successful self-governance in collective action are higher when a group are homogenous.

Sense of identity: according to Ostrom (1990) and Polletta and Jasper (2001) influences formation of group action, recruitment into the group as well as calculated and subtle decision making. They indicate that in self-governing collective action a sense of identity can emerge from either institutional framework or mutual position in associations. Ostrom (1990: 91) points out that the clearly defined boundaries spell out those permitted to be part of the team; it admits some, while locking out others and in a way, bestows identity. She indicates that this is often experienced and cemented in the binding agreements that keep individuals from venturing outside the boundaries. She points out that a sense of identity instils commitment, attitude, importance, self-categorization and group story into the person. Thus, according to Ostrom (1990) the variables presented in Table 4 below is a summary of community attributes that facilitate self-organised collective action.

Table 4: A summary of community attributes that facilitate self-organised collective action

Community attribute	Influence on collective action
Group size	Small groups find it easier to act collectively because of high individual profits
Incentive/coercion	Incentives motivate collective action
Enabling environment	Conducive conditions such as favourable government policies can promote collective action
Heterogeneity or Homogeneity	Depending on the history and activities of the group, heterogeneity or homogeneity can promotes collective action
Binding agreements	Binding agreements promote trust and commitment, thus encourage collective action
Leader/Champion	A leader encourages guides and bears costs thus make collective action possible
Sense of Identity	The presence of a strong group identity is a potential for collective action

Source: Adopted from Ostrom (1990)

Collective action is about utilizing resources collectively with the objective of earning mutual benefits. The next section therefore looks at resource, resource accessibility and sustainability in collective action.

3.5.2 Resources for collective action

For individuals to act collectively there must be a reliable and predictable supply of the resource in question. These resources should be available locally in modest amounts and not threatened with extinction or termination (Ostrom, 1990; Ostrom, 2004). Common pool resources, whether natural or man-made have the potential of being depleted and yet they must be utilized. They are sometimes scarce and too expensive to obtain (Ostrom, 1990, Ratner et al 2013). Often the resource system can exist in an environment but if the costs of utilizing it are too high then the resource would be considered inaccessible (Ostrom, 1990; Ostrom, 2004). Ostrom (1990) gives the example of the fishing villages of Nova Scotia, Canada, where access to fishing grounds is denied during the years of scarcity. She therefore concludes that collective action is only possible where the resource system is available in large quantities. Independent individuals can decide to jointly utilize the resources available in their environment in an attempt to earn joint benefits (Ostrom, 1990; Ostrom, 2004). In an attempt to act collectively, participants need to make decisions. These include: (1) Weighing the costs of accessing the resources; (2) Investing other relevant resources such as time and labour; (3) The specific benefits for each participant (Vanni, 2004; Ostrom, 1990). Acting collectively therefore, requires sets of resource appropriation and provision rules be put in place by these participants, thus self-governance (Bandiera et al, 2005; Ostrom, 1990).

Because resources get exhausted or depleted and are sometimes too expensive to obtain, in collective action rules regulating access or acquisition are put in place to ensure sustainability (Ostrom, 1990). In expending resources, participants in collective action need to make informed decisions that safeguard against their deterioration or depletion. Appropriation and provision of resources is the premise of any organisation, whether collective in nature or not (Vanni, 2014; Ostrom, 1990). Some of the resources that are utilized in collective action that need to be provided and managed to ensure availability or accessibility and sustainability include time, skilled and unskilled labour, information, capital, natural resources (land, rivers) and market, amongst others (Ostrom, 1990; Ostrom, 2004). Long-enduring self-organised CPR

institutions studied by Ostrom (1990) had appropriation and provision rules regarding their resources so as to ensure their availability, accessibility and sustainability.

Time and effort have cost elements to them (Ostrom, 1990). Participants must expend time and effort to exploit, manage or govern their resources, for example, attend meetings in which favourable and workable agreements and decisions are made (Ostrom, 2004; Ostrom, 1990). Ostrom (1990) indicates that often in collective action appropriation rules have to address time schedules, for example, during which period a participant withdraws water. She also observes that a lot of time and money was spent in the formation of the Central and West Basin Water Replenishment District. Thus, the process of forming, changing and monitoring enforcement of rules in an attempt to attain successful collective action requires participants to readily spend time and effort (Ostrom, 2004; Ostrom, 1990).

Social Capital: Expending time and effort in operations is about consolidating capital with the objective of earning benefits (Ostrom, 1995). There are many types of capital: social, economic and physical capital. Social/cultural capital in collective action refers to relationships between actors, issues of shared norms, trust, and commitment; it is the arrangement of human resource to improve the flow of future income (Ostrom, 1994; Ostrom, 1995). The nature of social capital in an organisation influences the institutional rules that govern it, thus, participants need bargaining power in an attempt to make rules that are acceptable by all (Bandiera et al., 2005; Ostrom, 1995). Social capital can be equated to community attributes.

Financial capital refers to financial issues, for example, money to purchase equipment, build infrastructure, pay salaries and wages, pay for training and acquisition of information (Vanni, 2014; Ostrom, 1990). No organisation can operate even for a short time without finance; more still, even the benefits accrued from collective action are normally measured in monetary terms. Often participants in collective action have to make rules regarding amounts of money to be paid in or earned by participants (Ostrom, 1990)

Physical capital refers to the arrangement of material resource to advance flow of future income (Ostrom, 1995). Infrastructure and equipment such as road, rail, canals, bridges, computers, telephone sets and machinery are all essential in making the operations of an organisation easy, efficient and effective (Ostrom, 2003; Ostrom, 1995). Infrastructure and equipment are critical in communication among members and other stakeholders as well as in monitoring each other's

behaviour. In essence, physical capital influences social capital (Ostrom, 2003; Ostrom, 1994; Ostrom, 1990). However, in collective action acquisition and arranging for maintenance of infrastructure is a difficult task, often because of the high costs involved and the problem of free-riding, respectively (Ostrom, 1990). Thus, making a decision on their acquisition and maintenance is a difficult and costly task for participants (Ostrom, 2000: 188; Ostrom, 1990).

Market: Organisations, even in collective action, must be able to earn benefits from those who consume or benefit from their produce whether in the form of goods or services (Ostrom, 1990). For example, those who collectively undertake fishing must be assured of a ready market for their harvest. Access to markets is a possible benefit for collective action (Ostrom, 2004). Prakash (nd) gives an example of foodstuff produced by agricultural cooperatives that must be sold and thus require a market. He points out that in self-organised collective action therefore, participants must make-decisions regarding the marketing of their outputs and inputs.

Human capital refers to the knowledge that humans bring to the solution of any problem (The CEO Water Mandate, 2013; Ostrom. 1990) which includes skilled and unskilled manpower such as machine operators, lawyers, and book keepers. Human skills are critical to continuity of collective action. In collective action therefore, participants should make decisions on how to acquire and utilize the relevant human skills (Ostrom, 1990).

Land: According to Ostrom (1990), availability and accessibility to natural resources such as land is critical and the lack of which leads to competition and conflict. She points out that it is on land or water that appropriators invest and expect to benefit; almost every activity is done on land whether housing, processing, farming and fishing, so land is a requisite in collective action. Often, however, the challenge has been how to exclude individuals seeking short-term benefits and ensure that only participants benefit from collective action efforts (Ostrom, 2004). Land must be available and accessible for participants in collective action who must use it sustainably (Ostrom, 1990; Ostrom, 2004).

In order to solve the collective action problems that result from the temptation to seek short-term, selfish benefits there is a need to implement suitably designed property rights structures (Ostrom, 2004). Young et al (1981) observes that agricultural cooperatives in Kenya succeeded among subsistence farmers who grew cash crops on privately owned land, contrary to the group farms that were introduced in the late 1940s that quickly collapsed. They also give another

example of Tanganyika (presently Tanzania), a communist state by 1962 that had group farms known as “Ujamaa Villages” which also failed. Rosenthal and Elgar (2013) point out that it is only in a few countries such as Israel where communal land ownership known as “Moshavdim” or “Kibbutzim” succeeded, but this could be attributed to the difference in the adopted approach. They associate this to Israel’s past; where the almost extinction of the nation motivated the few Israelites who had returned home to resolve that togetherness in everything was the only way out. They observe that in Israel’s case, the idea of acting collectively originated from the people. According to Young et al (1981) group farms, if successful, have economic advantages. They indicate that group farms bring about a concentration or nuclei of people who make provision of infrastructure and services such as transport, electricity, education, health and others more economically viable. However, experience has shown that group farms rarely succeed; they require a lot of commitment from the participants (Ostrom, 1990; Ostrom, 2004). Ostrom (1990) observes that they often succeed if the initiative has its origins from the citizens not the government or other external organisations.

In analysing the long-enduring self-organised CPR institutions, Ostrom (1990) observed that with relevant enforceable rules, collective action succeeded even on communal land. She gives the example of the Japanese mountain commons, in which collective action succeeded even though individuals were not given appropriation rights.

Sustainability: Ostrom (1990) indicates that collective actors are better placed to control common pool resources and thus sustainability. Sustainability of resources is achieved through planned usage, conservation, preservation and maintenance, depending on the nature of the resource (Ostrom, 1990; Ostrom, 2010). Ostrom (2010) points out that this in turn is influenced by availability of resource, knowledge of resource system and effective institutions coupled with shared norms. She observes that from externally or internally developed rules individuals in collective action are able to develop shared norms. She indicates that through shared norms in collective action, actors get to trust each other, thus committing to conserving resources which leads to sustainability. She asserts that resources such as money, equipment and skills or knowledge are critical for conservation or maintenance purposes. Ostrom (1990) observes that time horizons attached to a resource by the individuals engaged in collective action would also influence how they exploit the resource. She says that if, for example, one understands

that in the long run their children would need that resource, then they would invest in its conservation. This information is summarized in the Table 5 below.

Table 5: A summary of resources in collective action

Resource	Effects on self-organised collective action
Time and effort	Investing time and effort by actors enhances commitment thus favouring collective action
Capital	Successful collective action is dependent on the participants' ability to provide or acquire and manage various types of capital
Land	Collective action such as farming must be carried out on land, thus without which such groups cannot exist
Market	Existence of consumers for collective action products and services make the activities of the group socially and economically viable

Source: Adopted from Ostrom 1990

Availability and accessibility of the resources mentioned above, in the right quantities, is critical for the successful operation of collective action. A shortage or lack of these resources will lead to conflict among the participants and eventually the inability to self-organise; hence, the need to ensure sustainability (The CEO Water, 2013; Ostrom, 1990). These resources can be produced or provided by the participants themselves or other partners such as government, NPOs, or the private sector (The CEO Water, 2013; Ostrom, 1990; Vanni, 2014). Often the participants are not able to produce or provide all the resources required for successful self-organised collective action (Ostrom, 1990). Consequently, even self-organised collective action institutions require supporters or partners to work with (The CEO Water Mandate, 2013; Ostrom, 1990). The next section discusses the attributes of support or partnerships for collective action.

3.5.3 Partnership or support attributes for collective action

According to Ostrom (1990), partnerships result from interdependence. She points out that no individual or organisation has all that it takes to achieve their objectives. Objectives therefore can only be achieved through collaborations. She gives an example, a cooperative may be forced to seek the services of an attorney if a deed of association is a requisite for her registration. The attorney, who supports the cooperatives to achieve her objective of becoming a formal entity, would be considered a partner to the cooperative. Vanni (2014) concludes that any analysis of the dynamics of collective action is incomplete without a critical look into the agencies that back such activities.

Ostrom (1990) observes that participants in self-organising collective action are in an internal world that is encompassed by an external world. She indicates that the internal world is made up of the participants who have to make, enforce and monitor their own working rules that guide operations. She points out that for the self-organising collective actors external world influence the arenas in which the rules are made, enforced and monitored. She poses a reminder that the participants in self-organising institutions have no control over the external world. She points out that the uncertainty stemming from the external world can make collective action very costly which hinders success. She gives some variables that can be used to gauge positive or negative partnerships in collective action.

Collaboration: Ratner et al (2014) and Ostrom (1990) propose that there is need then for the partners that collaborate with a collective action group to appreciate and respect their rights to self-organise. She indicates that this involves supporting them in drawing and implementing their own constitution instead of imposing external rules on them. Since self-organised institutions are dependent on adherence to internal rules, if these rules are compromised by the external partners then there would be no collective benefits (Ratner et al., 2014; Ostrom, 1990). Consequently, there must be a cordial and coordinated relationship between collective action groups and their partners.

Coordination: Ostrom (1990) indicates that critical to a successful partnership is the need for efficient and effective coordination so as to avoid the problems of potential fragmentation and duplication, amongst others. She suggests that self-organising institutions need a balance in the

supply of resources which is in turn influenced by the rules made and the enforcement and monitoring thereof.

Fragmentation: Ostrom (1990) points out that fragmentation would occur when several departments in a partner organisation offer uncoordinated support to a self-organising institution. She advises that depending on the type of support, this can result in: (1) Duplication, where every unit offers the same type of support. This would result in the self-organised institution having an excess of one resource and lacking in other resources; (2) the inability to operate resulting from unreliable and untimely delivery of resources and eventually the inability to self-organise (Ostrom, 1990). She points out that fragmentation does not only cause an imbalance in the operational sectors of the recipient organisation but failure to meet targets also occurs. She gives the example of Turkey where, among the fishing cooperatives, various government organs were meant to enforce rules but they failed because of lack of coordinated support. This led to the collapse of the fishing cooperatives (Ostrom, 1990).

Fragmentation can also occur where there are many uncoordinated, small self-organising groups competing over the same resources (Pierre de Vries, 2014; Ostrom, 1990: 145). This leads to competition and conflict between groups that could have worked as partners (Ostrom, 1990). For example, in Turkey due to competition over fishing grounds there was conflict among the many fishing cooperatives which then eventually failed (Ostrom, 1990).

Multiple layers of nested enterprises: Ostrom (1990: 101) says “appropriation, provision, monitoring, enforcement, conflict resolution and governance activities are organised in multiple layers of nested enterprises.” She observes that in very large collective action groups, participants experience different challenges hence the need for nested levels. In the successful Spanish Huertas, irrigators organised themselves into three or four tiers. She recommends that smaller groups (local) at the lowest level should organise into large groups (regional) who join to form a larger group (national). She indicates that this way each participant participates in decision making and individual problems are taken care of. Thus, self-organising institutions or organisations have to collaborate or co-operate with each other. According to Hord (1986) collaboration refers to a situation where organisations work to achieve their goals; thus all take responsibility and authority through common decision making. He indicates that in a co-operation, independent organisations agree to work together. Ostrom (1990) points out that any collaboration or cooperation should be coordinated so as to allow the groups to work together

on common interests while maintaining their boundaries and aptitude. She gives an example of how the coordinated cooperation between the Central and West Water Basins in California drastically reduced the cost of water harvesting, thus strengthened collective action.

Existence of national policy: The most evident partnership exists between an organisation and the state or government who dictates the legal framework in which the organisation carries out its operation (Ostrom, 1990; Ostrom, 2004). Ostrom (1990) suggests that the state should provide clear guidelines or policies on what procedures and requirements a self-organising institution must adhere to in order to be recognized as a legal entity. Long bureaucratic processes with the government can discourage groups from engaging in collective action (Ostrom, 1990; Ostrom, 2004).

The degree of autonomy that self-organised institutions have to form or change rules is greatly influenced by the central government (Ostrom, 1990; Ostrom, 2004). Ostrom (1990) observed that in an autocratic regime the costs of creating or changing rules are very high for self-organising institutions, not only in the short term, but in the long term as well. The effects of authoritarian regimes continues to linger among prospective collective action groups, to an extent that they are not easily assured of autonomy, even when the regime has changed (Ostrom, 2004). The government should therefore engage all the stakeholders in the drawing up of policies that relate to collective action. Ostrom (1990) proposes that regional and national government can provide appropriators in collective action with for example: (1) Opportunities to participate in effective institutional design; (2) Courts to solve conflicts arising among appropriators; (3) Taxation systems that promote collective action. Below is Table 6 which represents the variables that are be used in gauging the effects of partnerships collective action (Ostrom, 1990).

Table 6: A summary of partnership attributes for self-organised collective action

Variable	Effects of partnerships on collective action
Collaboration	Enhances attainment of goals by reducing costs of collective action through different form of support
Cooperation	Cooperation between one group and the others reduces costs of collective action by sharing of ideas/information and by offering low cost conflict resolution arena
Coordination	Makes decision making process among participants less tedious
Autonomy	Enable participants to make decisions without interference from outside
Fragmentation	Increases uncertainty among participants thus make collective action more complex and expensive

Source: Adopted from Ostrom (1990)

The next section looks at how self-organised institutions make decisions, enforce rules and monitor each other's behaviour; management of collective action

3.5.4 Governance/management of self-organised collective action

Managing collective action entails initiating and sustaining collective action, acquisition and maintenance of resource, as well as managing the partnerships with the objective of meeting the group's interests. This is possible not only by ensuring that there are working rules in place but by enforcing and monitoring such. In this study the researcher equates managing collective action to solving or minimizing the challenges to collective action. In this section the researcher deliberates on managing collective action; the challenges experienced in collective action and the possible ways of managing them.

A group of people pursuing a collective interest do not stand a chance to gain much if they are not organised (Ostrom, 1990; Olson, 1965). Hence the need for organised and coordinated actions in order to achieve the optimum benefits of collective action. According to Rainey

(2009), organising involves leadership processes through which leaders guide the development of strategies for achieving goals and the establishment of structures and processes to support these strategies. Ostrom (1990) views organizing as a procedure and an organisation as the product of that procedure. She explains that organisation is about adjustments that order undertakings to ensure that the initially contemporaneous, independent and nonconforming actions are replaced by sequential, dependent and contingent actions. Consequently, organisations are supposed to serve the interests of their members (Olson, 1965). Ostrom (1990) wonders how the independent individuals in the group organise and govern themselves to achieve the joint benefits of collective action given the challenges in collective action.

Dietz et al (2002) expressed that collective action is characterized with dilemmas, given that stimulation of humans is multifaceted, the rules governing them are biased and the dynamics of resource systems determines human usage. Dietz et al (2002) therefore, compares collective action to “the drama of commons.” They indicate that depending on policies or rules governing the group, individual values and nature of the common resource can be a tragedy or a comedy. In collective action, individuals forego their autonomy in making decisions in order to submit to the authority of the group by embracing the decisions or rules of the group (Simon, 1997; Ostrom, 1990). Ostrom (1990) observes that the biggest challenges to collective action are the problems of: Supplying a new set of rules, making credible commitments and mutual monitoring among the principles or actors. Consequently, successful management of collective action entails, amongst others things, dealing with these complex problems.

Knowledge and expertise: According to Ostrom (1990) these are essential even in the area of coordinating and managing the activities of collective action. She points out that every organisation requires a manager who would oversee and coordinate the activities of an organisation as well as other experts in the organisations' field of operation. She indicates that successful management of collective action is therefore dependent on relevant knowledge and expertise, without which the process becomes unsustainable, thus the collapse of collective action. She advises since collective action cannot survive without knowledge and expertise, where participants do not have the required skills, they can hire or obtain externally.

Rules or the absence thereof are used by individuals who cooperate (Bandiera et al, 2005; Ostrom, 2005). Rules relevant to specific situations are designated by government authorities or the interacting individuals, in an attempt to sustain the organisation (Ostrom, 2008; Ostrom,

2005). According to Ostrom (1990) rules in organisations can be categorized into three: (1) Operational rules which influence the day to day choices made by members; (2) Collective choice rules which indirectly influence operational rules and are used by members, their officials and authorities. They describe how the organisation should be managed; (3) Constitutional rules describe how the collective choice rules should be drawn. She warns that this process of nesting of regulations within regulations can be a cause of extensive uncertainty and dispute. The rules and regulations should address the problems and challenges experienced by the members in the local environment.

Decision-making: The process of making rules and regulations is the decision-making process (The CEO Water Mandate, 2013). Decision-making is a process that involves selecting the favourable option or making a choice (Ostrom, 1990; Parsons, 1995). Policy analysts need not be blinded to the following three facts about decisions (Ostrom, 1990; Pfeffer, 1992): (1) A decision on its own does not alter anything; (2) It is not possible to predict whether a decision is good or bad and; (3) We need bear in mind that the consequences of our decisions linger much longer than the time we employ creating them. In this case it is critical to analyse not only whether the rules made by the participants in collective action are sound, but also their level of adherence to the rules.

Decision-making, thus implementation, is dependent on power relations prevailing within an organisation, and even at individual member level, where power means potential force (Ostrom, 1990). Certainly, configurations of power such as class, wealth, bureaucratic and political arrangements, pressure groups, technical knowledge and professionalism play a critical role in influencing decision-making and even implementation (Ostrom, 1990; Parsons, 1995). Power can be in the form of knowledge, professionalism, pressure groups, availability of resources, information and technical expertise, amongst other things (Ostrom, 1990; Parsons, 1995). Pfeffer (1992) proposes that one way of getting decisions implemented in organisations is by using power or authority, but in a self-organised collective action set up, power lies with the members. Ostrom (2004) and Ostrom (1990) indicates that rule changes come at a cost, even among the self-organising in collective action organisations. This can be very challenging where the participants lack power. Ostrom (1990) observed that in instances where there was heterogeneity, rule changes forced the poorer participants to pull out of collective action. Where none of the participants can meet the costs of the inevitable change in rules, collective action collapses (Ostrom, 1990).

Monitoring: Ostrom (1990: 45) states that “without monitoring there is no credible commitment, without credible commitment there is no reason to propose new rules.” She observes that among the long enduring CPR conditions, there were monitors. She describes them as individuals who are answerable to the participants or are principals themselves but have been tasked with auditing the CPR as well as ensuring that every participant is well behaved. There must be monitoring measures put in place to ensure proper behaviour among participants, to deter potential culprits from misbehaving from fear of being caught as well as ensuring sustainability of the CPR (Bandiera et al, 2005; Ostrom, 1990). If some principals violate the rules and no action is taken against them, then the well behaved members would also resort to opportunist behaviour (Ostrom 1990).

Graduated sanctions: In collective action there must be graduated penalties aimed at dealing with principals who violate the rules (Vanni, 2014; Ostrom, 1990). The graduated sanctions ensure that punishments are meted according to the seriousness of the crime; this way a minor offence does not earn an undeservingly harsh penalty (Ostrom, 1990). As has been mentioned, both monitoring and sanctioning activities are carried out at a cost, which if expensive, would limit the benefits and could lead to the collapse of collective action (Ostrom, 2000; Ostrom, 1990). The only way of reducing the costs incurred in monitoring and sanctioning is by ensuring that every principal abides by the rules (Ostrom, 1990) so that maximum profits are earned.

Commitment: Abiding by the rules requires credible commitment from the participants (Heckscher, 2014; Ostrom, 1990). Compliance to the rules is attainable as long as participants are guaranteed that the collective benefit will be achieved and the other principals are abiding by the rules as well (Ostrom, 1990; Levi, 1988a). Levi (1988) points out that for principals to be confident that the others are abiding by the rules as well there is need for external enforcement or coercion. Ostrom (1990) however, asserts that on the contrary in self-organised collective action external force does not work. After studying the long-enduring CPR institutions, she concluded that internal enforcement works better in self-organised collective action. The rules in use influence the cost of monitoring. Ostrom (1990: 95) gives an example of a strategic rule in one of the CPRs which can be likened to the saying "set a thief to catch a thief." In irrigation systems, for example, usually place two actors most concerned with cheating in direct contact with one another so that as one is waiting to extend his term the other

one is waiting to start earlier than his term.” She concludes that problems of mistrust, extended disloyalty as well as lack of monitoring can be solved by the participants themselves. Participants are better placed to design and enforce their own rules, monitor adherence and apply graduated sanctions that define who has a right to what, within their local area of operation (Ostrom, 1990).

Information and communication: Access to information, especially about the nature of the resource and about other principals, helps minimize uncertainty among principals (Bimber et al, 2005; Ostrom, 1990). Informed principals are more likely to commit to the agreed upon strategies, thus, information promotes commitment and trust among principals (Ostrom et al, 2003). On the other hand, trading shared commitment, growing trust, crafting and strengthening customs as well as mounting collective identity can lead to effectual communication (Bandiera et al, 2005; Ostrom, 1998). Communication is key to both mobilisation for and successful management in collective action (Ostrom, 1990). Direct communication of the content structure, such as the ascription of responsibility and structures emphasizing the consequences of an action, are critical (Ostrom, 1990); these can cause those who participate in collective action to behave favourably or unfavourably (Cook et al., 2013: 18). Communication enables actors to identify who is trustworthy and even to predict the actions of other players (Ostrom, 1990; Ostrom et al., 2003). Communication generates and promotes a sense of belonging or group identity while allowing a progression of moralization in the group (Ostrom, 1990; Ostrom et al, 2003).

Operational procedures, incentives and sanctions need to be communicated to actors. In dealing with partners, communication still plays a critical role in collaboration, cooperation and even coordination (Ostrom, 1990). Communication influences commitment and it is therefore critical that in cooperatives the relevant communication techniques are applied (Ostrom, 1990; Trechter, King and Walsh, 2002). Proper communication also promotes a sense of ownership among the members of a cooperative (Ostrom, 1990; Scholl, 2008). Participants in collective action are said to have ownership when there exists a mutually beneficial relationship between them and the organisation (Ostrom, 1990; Scholl, 2008).

Conflict resolution mechanisms: Ostrom (1990) indicates that in collective action there is likely to be conflict either among members or between members and officials, hence the need for easily accessible low cost conflict resolution arenas. She points out that in theory, the policies

that the collective action participants are implementing are presumed unambiguous since they have been formulated by experts. She explains that however, in reality, a simple rule can be interpreted in many ways by different individuals. She clarifies that this is because different interpretations mean different responses to the rule, some of which could be viewed as an infringement of the rule. She advises that it is therefore imperative that in collective action conflict resolution mechanisms are put in place to resolve any differences that may emerge. She explains that depending on the magnitude of the conflict, some can be resolved locally by the leaders of the group, while others might require well established law courts. The Table 7 below gives a summary of the variables that are used to gauge successful management in collective action.

Table 7: Variables for management of self-organised collective action

Variable	Effects on management of collective action
Skilled manager	A skilled manager will manage the operations of the institution effectively and efficiently, without which it will collapse
Decision-making	Participants should be able to make wise decisions. Wrong decision lead to failure in collective action
Formulation or change of rules	Participants should be able to make their own working rules and change them when necessary because they have a better understanding of their situation and environment
Monitoring	Participants should be able to monitor each other to ensure compliance; this makes the costs of collective action less expensive
Graduated sanctions	There should be well stipulated layered penalties that match the degree of the offence committed by participants
Conflict resolution	Because conflicts will always arise among collective action participants, they should have access to low cost conflict resolution arenas
Information, knowledge and communication	Information and knowledge about the resources, activities, participants and the environment in which collective actors operate reduces uncertainties thus minimize problems of free-riding and shirking. Communication increases commitment

Source: Adopted from Ostrom (1990)

On the other hand, some of the issues that are likely to hinder the emergence of collective action include (Ostrom, 2004; Ostrom, 1990: 166):

Mistaken assumptions, such as setting up a new organisation by grouping people together and concluding it will definitely assume collective action when this is never the case.

Lack of trust in the external institutions as well as the collective institutions would hinder the emergence of collective action. The group needs to have a sense of accountability, so an awareness of the fact that the government or an external body is monitoring the activities of the group is enough to assure them that their contributions are safe.

Participation of powerful external interest group results in harmful and periodic disappointing experiences which discourages individuals from engaging in collective action. The presence of this powerful external group only increases the level of uncertainty, as it hinders the members of the group from making decisions.

Dishonesty, rent-seeking and failure to adhere to the rules and regulations by members dampens the spirits of the honest and obedient individuals who then refuse to engage in collective action out of fear of being used.

Preliminary costs of involvement, time limitations and disparity in spatial or social factors (gender, education) can hinder the poor and the marginalized from participating in collective action. In most cases the benefits of collective action are not immediate, so for a poor person who needs food immediately, collective action is something of no significance. In an attempt to promote collective action these factors that are likely to hinder collective action should be minimized or eliminated altogether.

3.6 Summary

Collective action is a situation where individuals with mutual interests voluntarily work together to achieve mutual interests. In self-organised collective action organisations, participants draw their own rules which they use to voluntarily pursue common interests. Agricultural cooperatives are examples of self-organised collective action institutions. The conceptual framework for this study has grouped Ostrom's (1990) eight design principles broadly into four separate but integrated factors. These factors can be used to gauge the chances of success of self-organising collective action institutions.

Community attributes for collective action looks at conditions that motivated the formation of self-organised institutions or change of rules (Ostrom 1990). In assessing community attributes for collective action, some variables to look out for include group size, heterogeneity and binding agreements, amongst others.

Collective action is about appropriation and provision of resources; participants in collective action invest resources and hope to reap resources. Availability, accessibility and sustainability

of resources influences the success or failure in self-organised collective action (Ostrom, 1990). Some of the variables discussed under resources for collective action include land, time, labour and market, amongst others.

Self-organised collective action institutions require support from other collective action organisations, the government, private organisations, NPOs and members of the community (Pinto, 2011; Ostrom, 1990; Vanni, 2014). Coordination, cooperation and collaboration symbolizes successful self-organised collective action. Overlapping, fragmentation, corruption and duplication negatively impacts on self-organised collective action.

Successful self-organised organisations require the services of skilled and experienced managers who have the ability to make decisions, formulate and enforce rules, are credible and committed, amongst other variables (The CEO Water Mandate, 2013; Ostrom, 1990). In this study, these factors are used to gauge self-organised collective action among the agricultural cooperatives in uMgungundlovu District. The next chapter discusses the methodology for this study.

CHAPTER 4

RESEARCH METHODOLOGY

Research in social science can either be qualitative, quantitative or mixed. Qualitative research offers a “close-up” data analysis of phenomena without the use of statistics and other forms of quantification. Quantitative research -employing mathematical methods - tests limited samples from which it draws general conclusions (Thomas and Magilvy, 2011:152). Despite its inclination with exactness, quantitative research does not fully or compellingly explain social behaviour, which is partly what this study seeks to explain. According to Venkatesh, Brown and Bala (2013:21) “Mixed method research is an approach that combines quantitative and qualitative research methods in the same research inquiry.” This study employed a mixed method approach. Mixed research approach combines the use of both ‘quantitative and qualitative research methods in the same research inquiry’ (Venkatesh, Brown and Bala, 2013:21). Mixed method approach requires a skilled researcher who is able to identify the limitation of quantitative or qualitative- the biasness due to its subjectivity and lack of room for flexibility respectively (Ngulube, 2009; Anderson, 2003). Due to its combination of both qualitative and quantitative approaches, it bares the most insightful understanding and findings for a particular study (Fuji, Paschal, Galt and Abbott, 2010).

Due to its flexibility, the qualitative section allowed this study to dig deep into the specifics of the Cooperatives Act No 14 of 2005 in finding out its relationship with other variables that were involved (Hopkins, 1980:159). The quantitative section tested limited samples from which its conclusions were drawn (Thomas and Magilvy, 2011) while testing the theory that was employed in this study (Creswell and Clark, 2007). Therefore, mixed method approach made this study relevant by arriving at a balance between the apparent competing values of cooperatives (theory) and human relations (practice).

This section explicates how both quantitative and qualitative approaches (mixed method) were utilized in this study. The chapter also elaborates on how an array of multiple data collection techniques (document review, questionnaire and interviews) were used in analysing the research problem.

4.1 Quantitative approach

According to Sarantakos (2005), the quantitative approach in research encompasses mathematical methods which involve broad use of statistical methods. The following are some advantages of quantitative research approach: 1) It makes observations explicit and precise, thereby, easy to aggregate; 2) It makes information easier to compare and summarize (Babbie, 2007). Quantitative approach mostly uses experimental or positivist research methods that are concerned with carrying out research that want to find out causes and effects relationship (theory testing): in situations where the records of the aspects of a subject need to be expressed in quantity, extent or strength, while putting into consideration objectivity, accuracy and validity (Blaxter et al, 2006). Other advantages of quantitative research are that its results can be generalised where a larger number of subjects are to be studied (Sarantakos, 2005). Also, if the researcher is distant from the subject, quantitative research approach eliminates bias in its findings (Sarantakos, 2005).

However, quantitative research approach is not immune to limitations. One concern that it incurs is that the dataset obtained may be narrow and superficial (Sarantakos, 2005). This makes it difficult to compellingly explain the complexities of behaviour; that is quantitatively pre-set answers rarely reflect respondent's sentiments but rather, researcher's opinions (Sarantakos, 2005). In this study, the quantitative segment involved measuring mathematically the availability and accessibility of resources, gauging the performance of individual cooperatives, and comparing challenges experienced by members of the foregoing cooperatives.

4.2 Qualitative method

Rubin and Rubin (1995) argue that qualitative research is concerned with narratives and descriptions. In contrast to quantitative methods, qualitative methods such as in depth interviews and narratives are more suitable as they allow for researchers to study experiences and meanings as accounted for by the participants themselves (in this study, government officials and mentors). This allows different participants to narrate their view on a particular reality which is subjective, multiple, diverse and constructed (Sarantakos, 2005). Humans are natural storytellers, individually and socially. These stories shape broader societal experiences

in that they enable an in-depth understanding of patterns of meanings (Rubin and Rubin, 1995: 2).

A strength of qualitative research is that it gives the researcher an opportunity to intermingle with participants: on meaning, experience and understanding that individuals or groups construct that the researcher would like to comprehend (Mathews and Ross, 2010). Using narratives is therefore a way of engaging customs in which humans experience the world (Bold, 2012). To a researcher these stories represent experiences, holistically in all its complexity and richness (Bold, 2012). According to Bold (2012: 15) both written and told stories are normally structured around a set of events and actions over time where an event refers “to something that has happened to a person or thing.” He observes that in reading or hearing narratives of events of human life, the stories reflect human interest and therefore, qualitative methods enables one to make more sense of them. This approach is appropriate in obtaining detail, depth and vibrancy from respondents in flexible and free structures that are loosely planned and designed in capturing reality in action (Blaxter et al, 2006). The use of expressive language, collection of insightful portrayal, presentation of data in the form of words and pictures, close contact with participants and context sensitivity makes qualitative approach suitable (Sarantakos, 2005).

An additional strength of qualitative approach is that it helps uncover more about people by focusing on a small sample. The small sample allows the researcher to build trusting relationships with this manageable group of participants. Given the narrative approach of qualitative methods, Corbin and Strauss (2008:12) assert that “a very small sample can produce a study with depth and significance.” Since it focuses on fewer people, it is less expensive compared to quantitative method (Mathews and Ross, 2010).

However, like quantitative approach, qualitative methods incur some weaknesses. One weakness is that qualitative methods are about respondents’ thoughts, behaviour or feelings which cannot be generalized and it does not allow for statistical data (Mathews and Ross, 2010).

4.3 Data collection

Data for this study was generated through primary and secondary sources.

4.3.1 Primary Sources

Primary sources of data for this study included personal in-depth interviews, and a semi-structured questionnaire.

4.3.1. a) Questionnaire

Questionnaires allow researchers to gather data from a much larger number of participants. Questionnaires are also cheaper in comparison to other interviews and focus groups since they can be administered through email and their results are easy and quick to obtain and offer convenience and guarantee privacy to respondents. On the contrary, questionnaires do not allow exploration, prompting or even exposition of questions. They offer no prospect for additional information and there are high chances of getting partial responses or incomplete questionnaires (Babbie and Mouton, 2001).

According to Kumar (2005: 127) the choice of questionnaires is determined by at least three criteria: the “nature of the investigation, the geographical distribution of the study population and the type of study population.” Although the aspect of this study is not sensitive in nature, the study’s participants (members of different cooperatives) were located in different parts of uMgungundlovu Municipality: which is a considerably large area. Therefore, it necessitated the use of questionnaires for collecting data. In terms of its overview, the questionnaire sought to elicit answers to research questions based on respondents’ knowledge or awareness, views and perceptions based on their membership of cooperatives.

The questionnaire that was used in this study was semi-structured, comprising closed-ended and open-ended questions. The open-ended questions offered each participant an opportunity to clarify or comment on quantitative or ordinal variables. The questionnaire was prepared in two languages - English and isiZulu -to cater to the linguistic profile of different participants. Although questionnaires are an easier method to use because the interviewer does not have to meet the interviewee face-to-face (Blaxter et al., 2006: 154), in this study they were

administered face-to-face. This is because most respondents lacked contemporary means of communication such as cell/telephones, internet access etc.

Before the main study was done, a pilot study was conducted. The questionnaire was administered via email to five respondents and face-to-face to another three respondents. From this pilot survey, the researcher realized that some variables had not been included and some questions needed to be clarified. This researcher therefore included the missing variables and clarified the confusing questions in the main study.

In the actual study, by use of random sampling the researcher administered 50 structured questionnaires containing both open-ended and closed-ended questions to members of various agricultural cooperatives in uMgungundlovu District (as shown in the Appendix 2). In this study three research assistants were hired to administer the questionnaires face to face. They had to read and explain the questions to the respondents and then write their responses on the questionnaire. This proved very costly and time consuming. Before every questionnaire administration session, the researcher held a meeting with groups of respondents to thank them. This was followed by a session of explaining the purpose of the research and engaging respondents' views about cooperatives by means of a question and answer session. The researcher subsequently enlisted the assistance of a qualified translator to translate questionnaires that were completed in isiZulu into English.

Before questionnaires were distributed, the researcher made informal requests to the gate keepers (*Indunas*) to be "accepted" in the community as per the Zulu traditional requirements. Attached to every questionnaire, was a letter of consent (see Appendix 1), which the interviewers had to read and explain the contents of to the respondents in an attempt to seek the respondents consent before embarking on the interview process. All the returned questionnaires were carefully examined, checked for reliability and validity and later captured using SPSS.

4.3.1 b) Interview

As a data collection tool, interviews allow each participant "to reveal motivations, beliefs, attitudes and feelings on a topic" (Domegan and Fleming, 2007: 172). In interviews, there is a one-on-one interaction between the researcher and the participants. In this case, it enables the

researcher to obtain first-hand information and clarify positions on a complex subject in social science research (Mathews and Ross, 2010). It is also of value because it allows time for a broader and deeper exploration of specific aspects of issues in ways that a questionnaire may not normally do. The use of interviews mitigates the problems that are associated with questionnaires such as limited administration/application, low response rate and limited opportunity to clarify issues/views (Kumar, 2005).

In this study, a semi-structured interview was adopted. The use of a semi-structured interview is advisable when the objective of the study is to obtain data about people's behaviour, experiences and understanding and why and how they experience and understand a social phenomenon the way they do (Mathew and Ross, 2010). Semi-structured interviews have the following merits: (1) They give the researcher reliable, comparable, qualitative data through probing and prompting, (2) Their interactive nature enables the researcher to obtain in-depth data. On the contrary, semi-structured interviews are time consuming and gather vast amounts of raw data which might be irrelevant and not easy to process (Mathew and Ross, 2010). Still, semi-structured interviews are subject to implications of mismatch between researcher and interviewee that could arise from prejudice (difference in age, ethnicity, race, gender, religion etc).

In this study, two semi-structured interviews were used. Firstly, as shown in Appendix 3 entitled, Semi-structured interview schedule for public officials and representatives of other organisations. This was used to interview officials from government departments and other organisations that work with agricultural cooperatives. Secondly, as shown in Appendix 4 entitled, Semi-structured Interviews Schedule for Mentors and Managers. This was used to obtain information from mentors, cooperative managers and private consultants who work with cooperatives. The objective was to gather the information these participants could give about self-organisation among agricultural cooperatives. Information about the old and new cooperatives development policy as well as the participants' views, their experiences and attitudes was gathered.

Almost every government department in KwaZulu-Natal is involved with cooperatives however, in this study, the researcher set out to obtain information from those that are directly in charge of implementing the policy or interact with the cooperatives one-on-one. Purposely, the researcher selected three officials from the DEDT, one from DoA, two from the

Municipalities or Local Economic Development (LED), an official from the NDA, two from Ithala Bank and one from ABSA. A total of ten officials representing six organisations that support cooperatives were interviewed. A former cooperative manager, two volunteer mentors, a private consultant involved in the schools nutrition feeding program and another consultant that helps cooperatives to acquire funding from various organisations were also interviewed. In my study they are referred to as “mentors.” The research purposely chose the departments and the individuals such as cooperative managers and mentors because they had the details that the researcher was interested in. Purposive sampling refers to a technique where respondents who in the researcher’s opinion, are relevant to the study, are deliberately chosen (Sarantakos, 2005). All organisational employees were not comfortable with the process being recorded so the researcher did not use a voice recorder but resorted to taking notes during the interviews.

The researcher had challenges in interviewing some departmental employees. These employees thought that the study was evaluating their performance as managers of the policy. This made them reluctant to participate in the study. Given the ethical imperatives of anonymity and confidentiality, the researcher assured departmental employees (some of whom are persons in high profile positions) that pseudonyms were to be used in the presentation of their views. Once this assurance was made, they accepted to participate in the study. Before carrying out interviews, the researcher sent letters (see Appendix 5) to the heads of department or organisations, for example, DEDT and DOA. The head of department then sent e-mails to the relevant directors who then sent letters to regional managers and then to relevant managers. Each of the fifteen people who participated in the interview were also given a letter requesting their consent (See Appendix 1) before they could be interviewed.

4.3.2 Secondary sources of data

The main sources of secondary data for this study comprised of books, journal articles, magazines, newspapers, government legislations/reports, company reports and the internet: document data collection method (Sarantakos, 2005). (The internet served as an invaluable source of information for the study given the contemporary nature of the subject matter and the typically dramatic manner in which events unfold within the agricultural cooperatives in South Africa).

In policy research like this one, the government white papers and legislative documents as well as organisational documents are crucial sources of information (Blaxter et al, 2006). These secondary sources provided extensive bibliographic and contextual information that complemented questionnaires and interviews (primary sources of data). According to Mathews and Ross (2010) the kinds of data contained in a document is dependent on its type, purpose and medium, for example, news item, numerical data, policy, personal information etc. Other than reflecting the authors' thoughts, documents do create social authenticity and adaptation of occurrences, they are socially constructed thus; more than just the contents can be gathered from a document (Blaxter et al, 2006).

According to Mathews and Ross (2010) an advantage of documents is that they contain readily available data in large amounts. They indicate that if stored properly, documents live longer, can be used to blend data gathered from different sources and can provide a framework for the research. They point out that some disadvantages of documents as a data collection method in research are that documents are easily lost or amended and if the full context is unknown then they can be misinforming.

In this study, it was imperative that the researcher engaged in a very comprehensive review of documents from the DTI, DEDT, Ithala, the agricultural cooperatives and the other partners. Among the documents used to garner data were: The Cooperatives Act No 19 of 1981, The Cooperatives Act No 14 of 2005, The Cooperatives Act no. 14, 2005, The KwaZulu-Natal LED Support Programme; Cooperatives Development in KwaZulu-Natal, KwaZulu-Natal Cooperatives Development Strategy, Registration Certificates, Cooperatives' constitution and by-laws.

The government documents used were those that directly influenced the operations of agricultural cooperatives in uMgungundlovu district. The documents were downloaded from the internet from the departmental sites and some were obtained from the agricultural cooperatives. Where the members felt they could not trust the researcher with the information in the documents, the researcher did not insist on getting or seeing the document. Where the members were willing to share information, the researcher signed their records book to show that documents had been released procedurally.

Due to longevity of government documents, it was a challenging task for the researcher to easily extract what was relevant to the study. Similarly, some cooperatives did not have the relevant documents as stipulated by the government policy.

The use of questionnaires and interviews generated rich data that contributed towards addressing the research questions. However, it is instructive to note that participants' views were complementary and contradictory to varying degrees thus, the need for secondary data. Careful analysis, juxtapositions of data obtained from interview questionnaires and a rigorous review of documents presented in secondary sources led to the formulation of the study's main premises, arguments and conclusions.

4.3 Sampling Criterion

The process of studying a small fraction of the target population, while ensuring that the data collected is representative of the whole, is referred to as sampling (Sarantakos, 2005). At the time this data was collected, the exact number of registered agricultural cooperatives in uMgungundlovu was unavailable. However, according to the KZN-DEDT (2012) there were approximately 61 registered agricultural cooperatives as of February, 2012. In this study, ten agricultural cooperatives were engaged, whereby respondents from the cooperatives were randomly chosen. The initial objective was to engage 5 respondents from each of the ten cooperatives for this study. However, although ten cooperatives were studied, the researcher ended up interviewing more than five people in some cooperatives and less in others. This was because some cooperatives had membership of less than five members.

The choice of respondents from the cooperatives' membership was done through random sampling. According to Bouma and Atkinson (1995) the random sampling technique offers the maximum assurance that the respondents nominated are an illustrative sample of the bigger cluster. Shenton (2004) points out that the random approach eliminates any fears of the researcher being accused of biasness while guaranteeing that any unknown effects are uniformly distributed within the sample. He advise that the sampling technique works better in a study like this one where the researcher is interested in getting information about the group and not the individual. He however warns that in random sampling there is a possibility if the researcher coming across truculent and inarticulate respondents.

The choice of agricultural cooperative was obtained through purposive sampling. Purposive sampling refers to a technique where respondents who in the researcher's opinion are relevant to the study are deliberately chosen (Sarantakos, 2005). Purposive sampling is a non-probability sampling strategy which has the advantage of being convenient and inexpensive (Jawale, 2012; Latham, 2007). The probability sampling techniques such as stratified sampling ensure a high degree of representation, thus generalization (Jawale, 2012). Non-probability sampling strategy limits the researcher's ability to generalize (Schutt, 2008). Non-probability sampling has the added problems of bias and transferability (Jawale, 2012). The objective of choosing this sampling technique was to enable the researcher to carry out an in-depth and exhaustive exploration of self-organisation among agricultural cooperatives. The researcher used an official from the KZN-DEDT who recommended agricultural cooperatives that were at one time registered. Members of the agricultural cooperatives who attended the meetings on the set date participated in the survey. Below are the tables showing number of participants from various groups.

Table 8: Respondents from the agricultural cooperatives

Cooperative	Membership by May 2013	No. of respondents
P	34	17
Q	0 (collapsed)	4
R	0 (collapsed)	2
S	8	5
T	4	3
U	5	3
V	5	5
W	5	4
X	4	4
Z	4	3

Source: Authored by student

Table 9: Respondents from various agencies

No of respondents	Agency	Designation
3	DEDT	District Coordinator of cooperatives District mentor of cooperatives Provincial manager of cooperatives
2	Local Municipalities	Local economic development manager Local economic development manager
1	DoA	District extension officer
1	ABSA	Consultant
2	Ithala	Evaluation manager Loan recovery officer
1	NDA	Shop manager

Source: Authored by student

Table 10: The managers/mentors to cooperatives interviewed

No.	Mentors
1	Ex cooperative manager
2	2 Volunteers
3	Private supplier/consultant school feeding scheme programme.
4	A consultant with the DEDT

Source: Authored by student

4.4 Data analysis

In this study, content and discourse analysis were used as a method of analysing data obtained from both primary and secondary sources. According to Weber (1990: 5) content analysis “classifies textual material reducing it to more manageable bits of data.” In the context of this study, the researcher carefully analysed respondents’ views and methodically isolated relevant/specific content from diverse data generated during fieldwork. The study’s hypothesis

and research questions served as “operational sign posts” for delineating the contours of the analysis, which was done in the context of agricultural cooperatives.

Content analysis was used to categorise the data that both national, provincial and local cooperative policy documents embrace, after which they were condensed to fewer groupings to make them easily understandable. Essentially, in this study, content analysis involved a “systematic analysis of communications content” (Hansen *et al.*, 1998: 91) that participants used in answering questions in interviews and questionnaires.

Therefore, content analysis was used to compare the language used in the policy documents and those used by the interviewees. This was done in an attempt to capture the existence of any variations between the South African government’s expectations and the actual happenings on the ground and the reasons thereof. In this study, the researcher was interested in analysing data on: the understanding and meaning of the concept “cooperative” among the government officials, members of cooperatives and other stakeholders. This meant capturing stories and experiences about the interactions and relationships among various stakeholders who either work or are members of agricultural cooperatives in self-governance. The researcher was also concerned with explicating challenges that different agricultural cooperatives experienced in an attempt to implement the Cooperatives Act No 14, 2005.

The quantitative aspect of this study involved the use of Statistical Package for the Social Sciences (SPSS) for capturing and analysing a number of variables from questionnaire. Thereafter, the researcher used descriptive analysis which gave general descriptions of the data and relational statistics. For example, in comparing gender and races, ratios were used; in analysing levels of education, professionalism etc., percentages and ratios were used. As shown in the findings section, summary statistics are presented in frequency tables, pie charts and bar graphs.

Qualitative aspect of this study involved the use of multiple tools of data analysis. Firstly, each case was analysed thematically. According to Mathews and Ross (2010), thematic analysis is a procedure of segmentation, grouping and relating of features of data prior to finishing inference. In this case, after familiarising herself with the data collected from qualitative methods, the researcher engaged in noting, coding, and frequencies followed by thematic analysis. The layout of the findings has been presented thematically according to the themes:

Community attributes, resource attributes, partnerships and self-organisation among agricultural cooperatives in uMgungundlovu District of KwaZulu-Natal Province.

From the semi-structured-interviews, after grouping the interviewees' responses into themes, the researcher made sense of their socially and culturally constructed stories (Jorgesen and Phillips, 2002). The researcher wanted to gauge: (1) Attitude and actions of stakeholders towards the agricultural cooperatives; (2) Look at the kind of resources these cooperatives could have at their disposal; (3) And, whether the agricultural cooperatives were performing to the expectation of the stakeholders. In essence, to measure and justify the role of stakeholders in self-governance among agricultural cooperatives and gather how stakeholders relate to each other as they work with agricultural cooperatives.

4.5 Validity and Reliability of quantitative research

Validity is a measure of accuracy, relevance, authenticity or even credibility (Sarantakos, 2005). In this study, the use of multiple sources of evidence (triangulation design) during data collection (questionnaire, interviews and document review) is aimed at ensuring validity. According to Punch (2009), triangulation design is one of the mixed method designs that “involves the concurrent but separate collection and analysis of the two types of data, which are then merged, perhaps through data transformation, or perhaps at the interpretation-of-results stage.”

A few participants were given draft accounts for the sake of confirmation (Bickman and Rog, 1998), particularly the questionnaire and interview schedules so as to test relevance and objectivity of the methods used. To achieve internal validity, the researcher applied the pattern and clarification construction method during the data analysis stage. To enhance external validity, theories outlined in the theoretical framework were applied (Bickman and Rog, 1998). For example, the researcher confirmed that the South African Government was using incentives to entice rural indigenes of uMgungundlovu District into forming agricultural cooperatives.

On the other hand, reliability is the ability of any measurement to yield constant results no matter how many times it is repeated (Sarantakos, 2005). To achieve reliability, the researcher ensured that the instruments used in data collection produced consistent information. The

questions, particularly in the questionnaire were precise and in most instances, had a list of answers where respondents could select from.

4.6 Trustworthiness and credibility of qualitative research

Sheraton (2004) observes that validity and reliability are difficult to address in qualitative research. He points out that trustworthiness in qualitative research is established by ensuring credibility. Stability, reproducibility and accuracy are three types of trustworthiness that are significant to content analysis (Weber, 1990) that has been used in this study. In an attempt to ensure credibility or congruence of the findings to reality in this study, other than using triangulation design, the researcher adopted research methods that are well established. Sheraton (2004: 25) suggests that “the specific procedures employed, such as the line of questioning pursued in the data gathering sessions and the methods of data analysis, should be derived, where possible, from those that have been successfully utilised in previous comparable projects.” The researcher made a deliberate attempt to understand the culture of the participants because “good behaviour” when interacting with respondents would facilitate in increasing their trust. To encourage honesty from participants, each one was given an opportunity to refuse. The use of random sampling in selecting respondents from the cooperative’s membership was also aimed at improving credibility.

Although the study looked at only ten agricultural cooperatives in the district, the researcher guaranteed transferability or external validity by firstly, engaging cooperatives from various local municipalities in the district to ensure a fair representation of the district. Secondly, representatives or officials from district and provincial offices who work with all types of cooperatives were interviewed. Thirdly, national policy documents were used in the study. Thus, the findings for this study are applicable to all cooperatives nationally and globally.

To tackle issues of dependability and reliability in this study the research designs and their implementation as well as details of what was done in the field have been elaborated. The researcher was well aware of the possibility of biasness when using the non-probability sampling technique such as purposive sampling, therefore the researcher deliberately embraced neutrality.

4.7 Ethical concerns

Babbie and Mouton (2001) warn that the researcher's right to collect data from participants should not override the participant's right to privacy. Miles and Huberman (1994:387) stress that social scientists cannot focus only on the quality of the knowledge they are producing, as if it is only the truth that counts. They must also consider the "rightness" or "wrongness" of their actions towards the people whose lives they are studying. Also, the University of KwaZulu-Natal has an elaborate policy on ethical issues relating to research undertakings (UKZN 2007: 7). The researcher therefore sought clearance from the Humanities and Social Sciences Research Ethics Committee, University of KwaZulu-Natal and was issued with an ethical clearance certificate to carry out this study.

In this study, the following research ethics were observed:

The study was only conducted after receiving permission from the UKZN registrar, College of Humanities Ethics Committee, and research participants.

Only participants who gave their consent participated in this study. All participants were informed about their voluntary involvement in the study, freedom to withdraw from the study at any point and were not promised any monetary gains.

The researcher ensured that interview or questionnaire questions were harmless to participants in anyway.

Anonymity and confidentiality was maintained throughout this study: pseudonyms were utilized in the presentation of the findings.

In summary, this chapter has discussed the research methodology and methods that this study undertook. It began by elaborating on tools and how data for this study was garnered, processed and analysed. This study employed mixed method approach (used quantitative and qualitative methods to generate data) in collecting data on agricultural cooperatives in uMgungundlovu District in KwaZulu-Natal Province, South Africa. Participants and key informants of this study were members of already registered agricultural cooperatives or those that were in the process of registration by CIPC. Other participants and key informants included: stakeholders from government departments, banks, mentors and managers of agricultural cooperatives. The study also reviewed government documents: government policy documents in gathering data.

In analysis of data, the relationships between the content and narratives categories were analysed in order to show the perceptions of agricultural cooperatives. In summary, this study synthesized data gathered from both primary and secondary sources in order to provide a holistic analysis of agricultural cooperatives in their quest to implement Cooperatives Act No 14, 2005. In doing so, this methodology is of enormous utility in gauging the implementation of the Cooperatives Act no 14 of 2005 among the agricultural cooperatives. The next chapter briefly looks at the former cooperatives policies as background to the current Cooperatives Act No. 14 of 2005 which are both described in detail.

CHAPTER 5

COOPERATIVE POLICIES IN SOUTH AFRICA

Unemployment and uneven distribution of wealth continues to be a challenge in South Africa (DTI, 2004). In an attempt to improve the living conditions among the rural poor and redistribute wealth, The African National Congress embarked on policy reforms, among them the cooperatives policy (DTI, 2004). According to Ostrom (1990) cooperatives are self-organised collective action groups. Hence, the need for national cooperative policies which are critical in ensuring that there is direction, accountability and sustainability within the cooperative movement nationally and internationally (Van Niekerk, 1988). It is for this reason that even the government of the former Transvaal Province established the first cooperative policy in 1908 which has since undergone several reforms (Van Niekerk, 1988). There are different forms and types of cooperatives as acknowledged by the national cooperative policy with the most common one being agricultural cooperatives (DTI, 2004).

Not unique to South Africa, agriculture is of particular importance to any economy as it feeds the citizenry, supplies raw material to the industries, provides market for industrial products, enhances domestic trade as well as earning foreign exchange (Sharma, 2007; Van Niekerk, 1988). Many people are employed and a majority of the rural population is occupied in the agricultural sector, especially in developing countries (Young et al., 1981). This is because it is believed that agricultural cooperatives as collective action groups can bring about the benefits of supplying inputs cheaply to farmers, provision of financial services to farmers, storing, handling and marketing of farmers produce, education and training of farmers (USDA, 1990; Van Niekerk, 1988). By performing these functions, agricultural cooperatives as collective action groups benefit the individual farmer economically, technically as well as administratively; this in turn boosts the earnings of the community as well as the economy at large (Van Niekerk, 1988).

In this chapter, after the introduction, the researcher gives a history of agricultural cooperatives in South Africa before 1994. The challenges that the cooperative's movement and the country at large experienced under some of the policies which then lead to piecemeal amendments or total reform of those policies is explored. By exploring the challenges and successes experienced by the cooperatives movement, self-organised collective action under different

policies is analysed. After which the Cooperatives Act No. 14 of 2005 is elucidated. This, with a bias to the probable controversial areas of the policy that are likely to positively or negatively influence self-organised collective action among the agricultural cooperatives.

5.1 Agricultural cooperatives Policies in South Africa before 1994

According to Van Niekerk (1988) agricultural cooperatives in South Africa date back to 1892, the first ever Pietermaritzburg Consumer Cooperative got registered under the Companies Act, since no cooperatives act existed at the time. He indicates that although the Union of South Africa only came into existence in 1910, before then each of the four provinces - Natal, Transvaal, Cape Province and the Orange Free State - operated independently. As a result, the former part of this section will look at different policies for the different provinces. In 1910, the first Agricultural Cooperative, the Natal Cooperative Creamery Limited was registered under the Companies Act (Van Niekerk, 1988). However, the legal provisions of the Companies Act were too harsh for cooperatives to thrive (Sikuka, 2010). Cooperatives that developed in Natal at that time were owner initiated and supported (Van Niekerk, 1988). In 1914, through the adoption of the Natal Agricultural Development Act, financial aid was made available to farmers and agricultural cooperatives (Bundy, 1979; Van Niekerk, 1988). However, cooperatives did not or made very little use of the financial support provided by the act, probably because of the policy of unlimited liability (Sikuka, 2010; Van Niekerk, 1988). Unlimited liability meant that members were liable for loans incurred by their cooperatives (Van Niekerk, 1988). Thus, in as much as the farmers were ready to act collectively, the government policy denied them an enabling environment and the uncertainty of costs hindered them from acting collectively (Ostrom, 1990).

Van Niekerk (1988) observes that in the Cape Province, the Government particularly recognized the need for agricultural cooperatives, so the government encouraged farmers and periodicals were used to create awareness among them. He points out that it is for this reason that in 1905, the Cape Government appointed PJ Hannon as the superintendent of agricultural cooperatives tasked with establishing cooperatives. He indicates that under the guidance of that superintendent the Cape Development Act 43 of 1905, which availed R300 000 to loan cooperatives was passed. However, instead of improving the situation the easy accessibility of funds resulted in the mushrooming of cooperatives which collapsed shortly after their inception (Sikuka, 2010; Van Niekerk, 1988).

According to Van Niekerk (1988) in Transvaal Province, it was observed that farmers were generally exploited, particularly by the middlemen who bought their produce. This created a need to consolidate their efforts. He points out that in spite of these observations the then director of agriculture felt it was futile for the government to initiate the cooperatives movement; the director found it wise to wait until the farmers were aroused by education and stress of circumstances. He points out that according to the director of agriculture, the farmers were still “very lax and un-business-like in purchasing their supplies and disposing of their produce...” He observes that later on the government of Transvaal appointed JM Stilling-Anderson, a Dane as the Superintendent of Cooperatives who was tasked with training and counselling of farmers about the cooperatives movement. He observes that even though the Transvaal Land Bank Act of 1907 had been established to provide loans to cooperatives, Stilling-Anderson insisted that he could not establish a cooperative if it would not be protected by legislation. Thus, according to Van Niekerk (1988) Cooperative Societies Act of 1908 (the first Cooperative Act in South Africa) which provided for unlimited liability of members and regular inspection of cooperatives by superintendents appointed by the government, became operative. He observes that the government was committed to ensuring that the cooperatives succeed, which is why some parts of the act and the Land Bank Act were amended when members of the cooperatives found them unreasonable. He indicates that in 1909 the Cooperative Amendment Act allowed cooperatives with similar objectives to work together thus, the emergence of secondary cooperatives in South Africa.

Van Niekerk (1988) indicates that similarly, in the Orange Free State the first cooperative operated under the Companies Act until 1910 when the Union of South Africa was established and the Transvaal Cooperative Societies Act became effective in the Orange Free State. He points out that with the passing of the Land Bank Act of 1912, the responsibilities of financing and investigating the financial position of agricultural cooperatives in the Union of South Africa were bestowed on the Land Bank. According to Sikuka (2010) the Land Bank whose beneficiaries were strictly white commercial farmers and agricultural cooperatives were fundamental in the establishment of cooperatives. He observes that the beneficiaries of Land Bank received subsidized credit at very low interest rates.

Van Niekerk (1988) states that the Cooperatives Societies Act 28 of 1922 which rescinded and merged all the preceding cooperatives policies was passed in 1922 and it operated in all four

provinces of South Africa. He indicates that under this act all cooperatives got the same treatment, advice and were to be steered in the same direction by the registrar. However, the successful cooperatives that operated under the Companies Act were dissatisfied with the new policy that seemed to curtail their powers.

Van Niekerk (1988) indicates that after the Anglo-Boer War, in an attempt to boost the bargaining powers of producers and thus encourage the farmers to help themselves, the various provincial governments felt that primary cooperatives should be based on unlimited liability principles. He observes that the values and importance of cooperatives were publicized and supported by everybody; the government passed very friendly laws in favour of cooperatives. He points out that the government even hired cooperative experts such as Hannon and Stilling-Anderson who were hired from overseas to encourage development of cooperatives.

According to Van Niekerk (1988) the challenges to implementation of the agricultural cooperatives policies until 1922 were: expanse of the country which did not allow timely attention to all areas; some areas were unreachable; there was no support of cooperatives and people were being coerced into adopting the idea; there was mistrust/disloyalty among members of cooperatives; the activities of the cooperatives were not regulated; cooperatives lacked market for their produce; there was no legal framework in the form of legislation for cooperatives; World War One disrupted the membership and operations of the cooperatives; there lacked management skills for cooperatives; South Africa's weather conditions were considered unpredictable and unreliable. And later on, the contradicting policies under which the cooperatives operated. For example, the Land Bank Act and the Transvaal Cooperative Societies Act. There lacked expertise/skill/experience in cooperatives. The principle of unlimited liability discouraged farmers from operating as cooperatives.

Van Niekerk (1988) observes that on realizing that despite the financial support, the agricultural cooperatives were headed for failure, a select committee was appointed in 1907 to scrutinize agricultural cooperatives and the loans provided to them. He indicates that the committee proposed, amongst other things: 1) unlimited liability where individual members of cooperatives would shoulder any losses incurred by their organisation; 2) absolute soberness instead of emotions in the decision making process. It was agreed that the government would only support them when the members demonstrated their devotion to their organisation through financial commitments (Van Niekerk, 1988).

In an attempt to establish a sustainable cooperatives movement, the government resorted to (Van Niekerk, 1988): Amending and enacting policies so as to ensure an enabling environment for cooperatives; Offering financial support to cooperative; Sought the services of cooperative experts and the undertakings of every cooperative were monitored by capable and competent inspectors; Educate, train and inform farmers on cooperative ventures through the use of periodicals; The government replaced the top-down approach with the down-up approach in dealing with cooperatives.

According to Van Niekerk (1988), after the Cooperatives Societies Act of 1922 was passed, it was realized that farmers who were not members of a cooperative could upset the market for cooperatives. He points out that this motivated the enactment of the Cooperatives Societies Amendment Act 38 of 1925 which gave the cooperatives authority over market prices. He observes that with the passing of the Cooperatives Societies Act of 1922 the number of agricultural cooperatives grew from 81 in 1922, to 404 in 1929, while the membership increased from 14282 to 45756 respectively.

Van Niekerk (1988) indicates that in an attempt to deal with price fluctuations of agricultural produce brought about by the global depression of 1929 to 1933, the Marketing Act of 1937 was passed. He points out that this act led to the establishment of control boards aimed at bridging the gap between the producer and the consumer prices, thus stabilizing prices. He observes that this rendered some cooperatives irrelevant as the control boards took over their functions. Such cooperatives collapsed and this motivated the consolidation of the Act of 1922 into the Cooperatives Societies Act 29 of 1939 and the subsequent amendments. He says this act provided for amalgamation and expansion of cooperatives across magisterial districts, as the law of limited liability replaced unlimited liability, leading to an increase in the total number of agricultural cooperatives.

Some challenges to implementation of the agricultural cooperatives policies between 1922 and 1939 included (Van Niekerk, 1988): low prices due to the global depression; unpredictable weather conditions; price fluctuations on agricultural produce; competition from non-cooperative members for market; financially weaker cooperatives disappearing from the market. It is important to point out that where the challenges emerge from outside the cooperative there is very little they can do to tackle them (Ostrom, 1990). Van Niekerk (1988) points out that enactment of the Marketing Act of 1937 and distrust of farmers in cooperative

philosophy and its application brought about challenges. He observes that these resulted in some farmers' feeling that their independence was being threatened so some cooperatives became irrelevant and dissolved due to losing their function of bargaining for better prices. In an attempt to ensure successful implementation, from 1922 to 1939 the Government amended the Cooperative Societies Act, enacted the Marketing Act 1937, formed control boards which became the sole buyer and seller of agricultural produce, imposed stricter provisions regarding financing which were accepted and changed from unlimited liability to limited liability (Van Niekerk, 1988).

Van Niekerk (1988) acknowledges that the Marketing Act brought about stability among agricultural cooperatives, with the control boards, speculations into product prices vanished; hence end of anxiety among farmers. He points out that the Cooperatives Societies Act 29 of 1939 formed the basis for the Cooperatives Act of 1981 acknowledging that its timing was ripe since it coincided with large scale expansion and diversification of the economy, availability of technology, well developed transport system, and establishment of iron and steel industries. He observes that the importance of agriculture as a foreign exchange earner was appreciated; however, drought and political upheavals had a humiliating impact on South Africa's balance of payment.

According to Van Niekerk (1988) after 1939 the views of the co-operators seemed to have transformed; prior to this cooperatives served restricted magisterial areas however, this changed as the co-operators opted for larger cooperatives with many branches and more functions. He observes that the larger cooperatives handled wheat, provided the members with inputs and opened receiving depots and trading branches. He says during the same period, cooperatives switched from limited liability to the unlimited liability principle and other cooperatives with divergent objectives set in.

Van Niekerk (1988) indicates that in 1963, the then state president set up a commission of enquiry headed by Professor W. Steenkamp which, after four years (1963 – 1967), produced its report and recommendations on the affairs of cooperatives. He observes that for ten years the Cooperatives Council of The South African Agricultural Union, the Afrikaanse Handelsinstituut, the Chamber of Commerce and the Chamber of Industries subjected the Steenkamp's report to thorough scrutiny. He points out that some of the contentious issues included in Steenkamp's report were: the cooperative credit institution, the registrar's office,

election of directors, supplying and lending of capital, voting rights in a cooperative, fields which the cooperative may enter, trading with non-members, the right to pay bonus, a uniform or a differential bonus membership and income tax, amongst other issues. He points out that Steenkamp also recommended that there should be a separate policy document that dealt with promotion for cooperative movements among the non-whites.

Van Niekerk (1988) indicates that in 1971 the Cooperative Congress of the South African Agricultural Union mandated a special Cooperative Congress to draw up an all-inclusive policy document regarding future cooperative development. He points out that the congress looked at, among other things: establishing, defining and attaining the ideal structure on the basis of Primary, Central and Federal cooperatives. A ten year, public debate that discussed Steenkamp's report, anonymously agreed that a cooperative in South Africa is (Van Niekerk, 1988): (1) a unique venture which relied on its members for survival; (2) Had reached a stage where government support was no longer a requisite for survival. Eventually after ten years a "package agreement" was drawn up and this also culminated into the passing of the Cooperatives Act No. 19 of 1981 by parliament. He observes that the Cooperatives Act 19 of 1981 provided for formation, amalgamation, operations, winding-up and disbanding of a cooperative and the appointment of a registrar of cooperatives.

Van Niekerk (1988: 56) indicates that on realizing that overlapping of services and facilities by cooperatives was too costly for members, who then had to bear costs twice, the Cooperative Council of the South African Agricultural Union asked the South African Institute for Cooperative to look into the matter scientifically. He observes that the findings and recommendations of the investigating team led by Arangies, did not only address the issues of overlapping between cooperatives but also looked into streamlining issues of size and membership of cooperatives, dual membership, and agricultural cooperatives forming a monopoly. He observes that this report proposed that only those in the cooperative movement themselves were in a position to solve the problem of overlapping. He concludes that the Cooperatives Council encouraged the formation of monopolies.

Implementation of the Cooperatives Act, Act 19 of 1981 among white South Africans resulted in a well-established cooperative movement (DTI, 2004). Van Niekerk (1988) points out that this act clearly stipulated, among other things: the establishment and functions of the registrar's office, which was to oversee cooperatives formation and incorporation, capital and

appropriation surpluses, legal requirements for their management, their accounting affairs, amalgamation and conversion, special statutory pledge, winding up and draw schedules applicable to cooperative. Thus, by 1985 in South Africa, cooperatives were grouped into: Primary Cooperatives, Central Cooperatives, Federal Cooperatives and Special Farmers cooperatives (Van Niekerk, 1988). Figure 3 below shows the national structure of the cooperative movement in South Africa under The Cooperatives Act No 19, 1981.

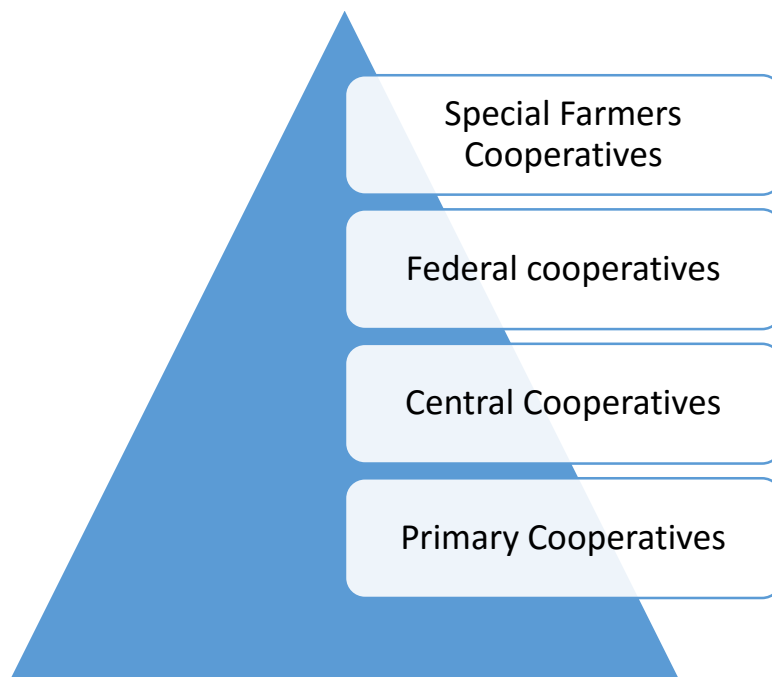


Figure 3: Structure of cooperative movement under the Cooperatives Act No 19, of 1981

(Source: Adopted from: Van Niekerk, 1988: 90).

According to Van Niekerk (1988) primary cooperatives had producers as members who were involved in production, collection, processing and marketing at farm level. Two or more of these established a central cooperative whose function was processing, marketing, purchasing, manufacturing or distribution. He points out that the two federal cooperatives founded by the central cooperatives were tasked with coordinating and strengthening the operations of the central cooperatives.

Van Niekerk (1988) observes that this well-resourced, solid structure enabled cooperatives to enjoy monopoly in South Africa; special farmers' cooperatives had special membership in which some members of the cooperatives were allowed to engage in business with non-

members. Thus, according to him the general objective of the agricultural cooperatives movement was to advance the material well-being of White farmers in South Africa and the main objective was to remove or limit to a minimum all competition that threatened the farmer. He observes that this was achieved by encouraging members of agricultural cooperatives to mutually obtain their production inputs and market their produce.

It is important to point out that separate policies were used to govern the White and Black communities. Bundy (1978) indicates that as the government passed laws that favoured Whites on one hand, it enacted many others in an attempt to deprive the Blacks of their rights, particularly in the case of land ownership on the other hand. He points out that the relatively powerful apartheid government decided who owned land. Most of the policies mentioned so far affected Whites only, and this chapter would be incomplete without looking at how things were among the Black communities. The homelands were the less developed, independent and self-governing areas occupied by the Black communities within the original boundaries of the Republic of South Africa (Van Niekerk, 1988). Blacks were already divided on tribal lines, laws such as the Glen Grey Act of 1984 only stamped anti solidarity values among them (Bundy, 1979).

Van Niekerk (1988: 110) points out that even though, according to the Tomlinson Commission, “Blacks possessed a strong sense of communal spirit as compared to Whites”, apparently the cooperative movement did not thrive among blacks. He says that although this was attributed to lack of motivation for the Blacks to unite into cooperatives, the bigger challenge was that these cooperatives had to register under legislation which applied to white cooperatives. He observes that there were more credit cooperatives than agricultural cooperatives among blacks because blacks had been discouraged from engaging in farming by the government policies. He points out that although the board of directors controlled the cooperative, a White commissioner, an agricultural official, a missionary and an accountant had to manage it, and on some occasions a successful Black Businessman could manage a cooperative. He points out that from 1971 every homeland had its own cooperative legislation, but the cooperative movement did not take off among the Blacks and some of the challenges experienced by these cooperatives included (Van Niekerk, 1988): (1) Lack of knowledge and management experience; (2) Insufficient resources; (3) Mistrust and disloyalty of members resulting from ignorance; (4) The deliberate move by the Apartheid Government to hinder development of

cooperatives. Thus, according to him, collective action among blacks failed mainly because of lack of motivation, lack of resources, lack of support and poor governance.

Phillips (2003) and DTI (2004) point out that in South Africa before 1994, there existed well-organised agricultural cooperatives that were controlled by whites and they received a lot of support from the apartheid government. According to Phillips (2003: 17), “these cooperatives became a powerful lobby for agriculture, a virtual monopoly in key agricultural sectors, backed by ready access to finance through the Land Bank, and with effective control of the market boards that regulated prices until this system was dismantled in post 1994.” During apartheid rule agricultural cooperatives served as agents for the marketing boards that were later deregulated (Ortman and King, 2007). Since then most of these cooperatives have become private companies (Phillips, 2003; DTI, 2004). Today some of the old agricultural cooperatives that maintained their status as cooperatives have hindered entry to Black Farmers, despite the fact that they enjoy enormous commercial power (Phillips, 2003).

Ortman and King (2007) point out that under the Cooperative Act No. 19 of 1981, self-organised collective action was very successful as a result of the conducive environment created by a suitable policy that guaranteed resources, support, autonomy and good governance to the cooperative movement. They indicate that the former agricultural cooperatives that still operate as cooperatives have already established their market and have the resources to meet the safety compliance measures. Could these emerging agricultural cooperatives compete with them? They wonder whether these emerging, small-scale farmers’ cooperatives will be able to successfully access markets.

5.2 After Apartheid: The Cooperative Act 14 of 2005

The African National Congress came into power in 1994 and in 2005 the Cooperatives Act No. 14 of 2005 was passed (DTI, 2005). When the ANC government came into power in 1994 it became inevitable that the injustices of apartheid rule be addressed through policy reform (DTI, 2004). The ANC government could not inherit the Cooperative Act 19 of 1981 which in its view did not define a cooperative exhaustively (DTI, 2004; Ortmann and King, 2007). It was concerned with agricultural cooperatives only and did not guard members’ interests, amongst other things (Ortmann and King, 2007). The prevailing conditions compelled the South African government to engage in participatory development of the first Cooperative Development

Policy Document (DTI, 2004) underpinned by the policy rationale, Broad Based Black Economic Empowerment of 2003. Other than rescinding the Cooperatives Act No. 19 of 1981, the Cooperatives Act No 14 of 2005 also stipulates among other things: formation and registration of cooperatives, establishment of a cooperative Advisory Board and the winding up of cooperatives. The objectives of the cooperatives development policy addresses the four factors that influence self-governance in collective action (DTI, 2004). For example:

Facilitate formation of cooperatives

Encourage establishment of sustainable cooperatives that adhere to the cooperatives principles, thus diversify and boost the quantity of economic ventures in the South African formal economy.

Enable such cooperative enterprises to register and acquire a legal status separate from their members.

Promote registration of cooperatives among people who embrace the values of self-reliance and self-help and collective action.

Increase the competitiveness of the cooperative sector so that it is better able to take advantage of opportunities emerging in national, African and international markets.

Resources for cooperatives

Facilitate the provision of support programmes that target cooperatives, particularly cooperatives that create employment or benefit disadvantaged groups (DTI, 2004).

Partnerships/support for cooperatives

Ensure involvement of all the agencies of national departments, including but not limited to NEF, IDC, SEDA, SAQI, SABS, CSIR, PIC, SALGA, DBSA, NPI and SETA in the design and implementation of the cooperatives development programmes.

Facilitate the effective co-ordination and reporting mechanism across all spheres of government through the Department of Trade and Industry.

Management of cooperatives

Promote greater participation by black persons, especially those in rural areas, women and persons with disability and the youth in the formation of and management of cooperatives.

Establish a legislative framework that will preserve the cooperative as a distinct legal entity.

Ensure the design and execution of cooperatives' support measures across all spheres of government including delivery agencies, and adherence to a uniform framework of established

norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness.

Thus, the policy addresses Ostrom's (1990) factors (community attributes, resources, partnership and management) that influence self-governance in collective action.

The DTI (2004) indicates that the responsibility for developing and regulating cooperatives has since been transferred from the National Department of Agriculture to the Department of Trade and Industry. The supervisory role has been assigned to the respective provincial Departments of Economic Development and the Municipalities (Phillips, 2003; DTI, 2004). According to DTI (2004) the Provincial Departments of Agriculture are expected to provide technical advice to agricultural cooperatives. The DTI (2004) acknowledges that decision-making in cooperatives should be participatory, where all members take part. The document indicates that management of a cooperative is carried out by a democratically elected board of directors until such a time when the cooperative is financially sound and is in a position to hire the specialized skills of a manager. Among the members of a cooperative there is also supposed to be a supervisory committee that is tasked with ensuring accountability and transparency among the board of directors. The manager and various project committees were all democratically elected.

There are regulations stipulated in the Cooperatives Act No. 14 of 2005 that a cooperative must comply with. The aim is to (DTI, 2008): 1) Give cooperatives a legal standing like other formal business; 2) Ensure cooperatives have sound management of are governed effectively; 3) Protect the cooperative membership by instilling values of transparency and fairness.

The policy document has 12 chapters in total, members of agricultural cooperatives and all the other stakeholders should be acquainted to this document if at all they are to implement this policy successfully (DTI, 2005). This section will highlight some areas of the policy that are of relevance to the study from some of the chapters. Chapter one of the act DTI (2005) defines the various concepts used in the document, then the purpose of the policy, most of which has already been listed above, followed by what exactly it entails for a cooperative to comply with the cooperative principles. It then describes the various forms (primary, secondary and tertiary) and kinds (worker, housing, social, agricultural etc) of cooperatives currently found and registered within the Republic of South Africa. The second chapter of the act thoughtfully

describes registration, constitution, powers of a cooperative and registered office and record keeping by a cooperative.

According to DTI (2005) a primary cooperative of not less than five members has to submit its application to be registered on a recommended form and this must be accompanied by the cooperatives constitution signed by the founder members. Other requirements include; lists of founder members, the board of directors, minutes of a meeting in which the proposed cooperatives constitution was acknowledged and the first directors elected and the stipulated fee. In this chapter it is further stipulated that only registered cooperatives that are composed of “black persons, youth, women, disabled and rural dwellers or those that uphold equity and greater involvement by members qualify for support from government departments.

The policy document, DTI (2005: 19) states that each cooperative should have a unique name which must have the word “cooperative” or “co-op” in it. The constitution of a cooperative must contain a name, form/type, objectives, admission, discipline, termination of membership, provision for general meetings, organogram and details of auditing of the cooperative as well as the provisions on shares. The document stipulates that a cooperative must have a registered office within the republic of South Africa. The following records should be kept in the office: the constitution, minutes of general meeting and board of directors, list and details of members. In the office there should also be an inventory of the directors, detailing names, addresses, ID numbers and interests of both the current and former office bearers. A member of a cooperative can examine these records any time the office is open.

Chapter three of DTI (2005) of the policy document elaborates on cooperative membership issues of liability, withdrawal and transfer of membership. It points out that the registrar will ensure that a cooperative is de-registered in the event that the membership falls to below five and stays that way for more than six months, so that it is wound up or converted to another entity. Chapter four of DTI (2005) describes the general meeting as the main decision-making organ of a cooperative. The board of directors is accountable in the general meeting but in between the meetings they are accountable to the supervisory committee.

Below is Figure 4 showing the governance structure of a primary cooperative according to The Cooperatives Act No. 14, 2005.

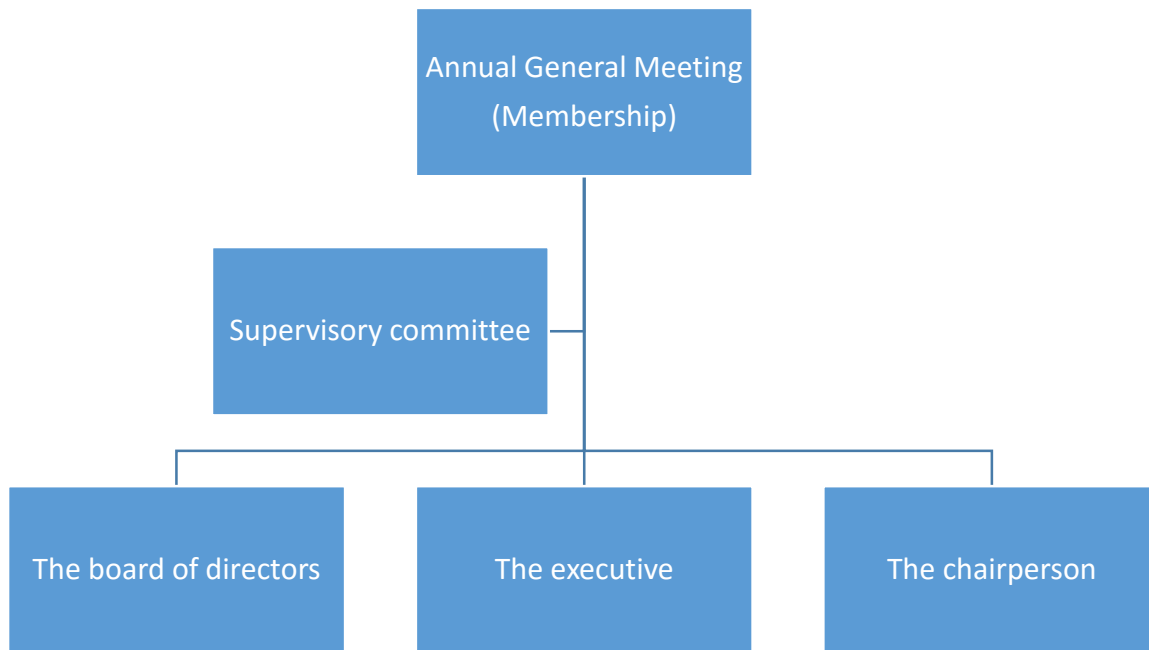


Figure 4: The governance structure of a primary cooperative under the Cooperatives Act no 14 of 2005

Source: Adopted from DTI (2005: 8)

The document further specifies that a cooperative must hold a general meeting within 18 months of registration and thereafter within six months after every financial year (DTI 2005).

The Act DTI (2005) is clear on the fact that the board of directors in a cooperative are charged with the responsibility of managing the cooperative. The board of directors is therefore supposed to make critical decisions on matters pertaining to the running and operations of business venture/s in a cooperative. It indicates that the minutes of such meetings must be taken, circulated to all the board of directors and copies kept in the cooperatives office. Resolutions are made in the meetings of the board of directors; this requires that persons elected to the board of directors should have management skills, knowledge and experience in that business venture as well as time and resources (Van Niekerk, 1988). Thus the Cooperatives Act No 14 of 2005 attempts to address origins, resources, partnerships and management of cooperatives. Some of the proposed amendments to the policy as at 2010 include the establishment of a Cooperative Development Agency, Cooperative Academy and a Cooperatives Tribunal.

5.3 Concerns about Implementation of the Cooperative Act 14 of 2005

Seemingly, implementation of The Cooperatives Development Policy and the Act has been complicated and challenging. Cooperative Policy experts such as Satgar (2007) have attributed this to the policy rationale, The Broad Based Black Economic Empowerment (BBBEE) that underpinned the cooperatives policy and the Act. The BBBEE, according to Satgar (2007), has been deeply entrenched with corruption and has thus made it impossible to build trust among the stakeholders in cooperative development. He indicates that a young cooperatives movement can only thrive in an environment of trust among partners; particularly so because they rely on support from partners. He points out that the BBBEE policy does not only contradict the International Principle of voluntary and open membership that is engrained in both the Cooperatives Development Policy and the Act but also negatively impacts on cooperative development. He gives two reasons; (1) It is unsustainable because of the 'get rich quick' logic which does not complement institutionalizing of cooperatives and, (2) It promotes opportunist behaviour as it encourages rent-seekers to anticipate quick, high returns, which does not augur well with the cooperative spirit.

Ordinarily, primary cooperatives build and fund secondary cooperatives which in turn form and fund tertiary cooperatives (Van Niekerk, 1988). In South Africa, the cooperatives structures are top-down, the primary cooperatives are fragile and the structure relies on support from the government and donor organisations (DTI, 2010; KZN, 2006). The South African cooperative trends do not give the impression of being aligned to the international trends. It would appear that the South African cooperatives policy is founded on the international cooperative principles but the actual implementation of the policy has been clouded by politics and the top-down approach which compromises the principles (KZN, 2006).

Van de Walt (2005) observed that of the 54 registered cooperatives in Limpopo Province, only 45% were active. The reasons for this included poor management, lack of training, conflict among members, lack of funds and some did not engage in operations straight after registration. The Department of Trade and Industry baseline study conducted in 2009 found out that of the 22030 cooperatives registered in 2007, there are 2644 economically active cooperatives countrywide with a total membership of 29 000 and on average, a cooperative has less than 10 members (DTI 2009). Most of these cooperatives were two years old on average, with a female membership of 64% and youths comprising 40% of the membership (DTI, 2009). DTI officials

expressed concern over the alarming 88% (Table 11) failure rates of cooperatives to their Deputy Minister (Parliamentary Monitoring Group, 2010) thus, an operational rate of 12% countrywide.

Table 11: Survival rates of registered cooperatives nationally

Province	Data from CIPRO register	National Picture. No. of surviving co-ops	No. of dead co-ops	Survival Rate	Mortality rate
KZN	8697	1044	7553	12%	88%
Eastern Cape	4124	287	3957	7%	93%
Western Cape	1003	69	934	7%	93%
Northern Cape	798	20	778	2.5%	97.5%
Limpopo	1779	405	1474	22%	78%
Mpumalanga	1396	187	1309	12.5%	87.5%
Gauteng	2265	394	1971	17%	83%
Free State	850	71	829	8%	83%
North West	1208	167	1090	15%	92%
National Totals	22030	2244	19386	12%	88%

Source: DTI, 2010: slide 9

The mortality rates of cooperatives countrywide are a clear indication that the implementation of the Cooperatives Development Policy and the Act appears to be hassled with a lot of challenges.

According to the DTI (2010: 34), the government acknowledges that some of the challenges that have influenced implementation of the policy include:

Inadequate support from national and provincial government including the DTI.

Only few municipalities recently started supporting cooperatives.

There is generally a narrow comprehension of cooperatives as a form of business among private and government officials at all levels.

The institutional competence to deliver on cooperatives is insufficient

Unnecessarily long delays in reaction to appeals for information from all levels of government departments and municipalities.

Insufficient human and financial resources. Consequently, the government is making a concerted effort in tackling these hindrances, including making peace meal reforms to the Cooperatives Act No 14, 2005.

Thus, the government recognizes that some of the factors that are likely to negatively influence collective action include: reluctance to form cooperatives because the citizenry is ignorant about cooperatives, lack of resources, insufficient and uncoordinated support.

5.4 Summary

In South Africa there were agricultural cooperatives even before the first Cooperatives Act was promulgated. This act underwent many amendments. To tackle these problems the government resorted to enacting new policies, amendment of grey areas of the policy, providing financial support, hiring cooperative experts, educating and training of farmers in cooperative projects, employing inspectors to supervise cooperatives and replacing the top down approach with the down–up approach. The government also set up a committee to critically look into the issues of cooperatives. From there onwards the cooperatives movement in South Africa gradually became a formidable force.

By 1985, there existed a solid structure organised from Primary Cooperatives to Secondary/Central Cooperatives to Federal Cooperatives to Cooperatives Council to Biennial Cooperative Congress hierarchy. These cooperatives had bargaining power and enjoyed a large monopoly; they did not only influence farm input prices but the price of the produce as well. Cooperatives could make their own rules and even influence government policies. They were able to self-govern thus, collective action was successful.

Since the enactment of the policy, cooperatives are collapsing at an alarming rate. Scholars such as Satgar (2007) and the government have acknowledged the existence of challenges facing the emerging cooperatives under the Cooperative Act no 14 of 2014. This study uses Ostrom's (1990) design principles to gauge chances of successful self-organised collective action, specifically among the agricultural cooperatives, with the objective of informing policy. The next chapter looks at the origins of the agricultural cooperatives in uMgungundlovu District, KwaZulu-Natal.

CHAPTER 6

THE DEMOGRAPHY OF AGRICULTURAL COOPERATIVES IN uMGUNGUNDLOVU DISTRICT

KwaZulu-Natal Province comprises of 11 districts, among them uMgungundlovu District which currently hosts the provincial administrative headquarters, the City of Pietermaritzburg. This study looks at collective action among black agricultural cooperatives in uMgungundlovu District that emerged after the ANC came into power in 1994. The primary agricultural cooperatives participating in this study are all found in uMgungundlovu District, KwaZulu-Natal Province. The KwaZulu-Natal Department of Economic Development produced a carefully drawn cooperatives' strategy for the province which was released in 2009. According to this strategy each district in the province was assigned a district coordinator of cooperatives responsible for assisting cooperatives with registration, accessing funding, training and other resources. The order of events as prescribed by the strategy is as follows (KZN DEDT, 2009: 10):

A group that wants to form a cooperative contacts the District Coordinator of Cooperatives. The District Coordinator conducts pre-establishment counselling on the group who, if ready, are referred to the Further Education and Training (FET).

The group is then given a two week course in business management, the concept of cooperatives, and business plan preparation by the FET.

The group then prepares a business plan that is submitted to the FET who are supposed to polish it and submit it to Ithala Business centre.

The FET then submits the group's details to the DEDT who in turn registers the cooperative in the KZN Provincial Treasury Database and obtains a ZNT number. The KZN-DEDT also applies for the cooperative registration with CIPC.

At the Ithala Business Centre, the business plan is assessed and if it qualifies, a loan is awarded to the cooperative.

Initially the cooperative was given cash but this has since changed. The cooperative is not given cash, instead cheques are written out to suppliers and the cooperatives' chairperson, treasurer and secretary sign for collection of the items.

KwaZulu-Natal Province adopted six strategies for development of cooperatives in the province, these include (KZN-DEDT, 2009: 15): "start and develop cooperatives, train and

equip members of cooperatives with skills, assist with accessing financial support, ensure that cooperatives access the required services, and build a suitable policy and legal environment.”

In 2010 workshop representatives from all the provincial departments and the municipalities in the province resolved that the KZN-DEDT would develop and thereafter maintain a database of all cooperatives in the province. At the time of this study none of the stakeholders had any idea of how many cooperatives there are in the province. An official from the KZN-DEDT indicated that there were approximately one hundred and fifty agricultural cooperatives in uMgungundlovu District. According to the official, however, this was just an estimate because: 1) While many cooperatives were being formed, even more were collapsing; 2) There was no official data on the number of cooperatives in the province, even nationally. This chapter looks at the demography of agricultural cooperatives in uMgungundlovu District. It starts with a brief profile of each of the agricultural cooperatives that participated in the study with regards to formation, resources, management structure and support from partners and is not in any particular order. After which, some common qualities of these cooperatives are given in detail. A summary of these is presented in a table.

6.1 Profile of agricultural cooperatives interviewed

The letters of the alphabet P, Q, R, S, T, U, V, W, Y and Z will be used to represent the ten agricultural cooperatives participating in the study.

6.1.1 Agricultural Cooperative P

Agricultural Cooperative P was formed in 2011 when the government, through the KZN-DEDT bought a 50 acre farm for the farm workers from a white farm owner. The structures on this farm comprised of a processing plant, the farmer’s house, a farm manager’s house, an office block as well as farm worker’s quarters. One of the farm managers was hired for a continued flow of operations. All these were bought at a price of twelve million rands for the 34 farm workers who worked and lived on the farm. The KZN-DEDT did all the necessary paper work; drawing up of a constitution, a business plan and all the other policy documents such as a human resource policy, by-laws as well as registration with CIPC and SARS. There was no buying of shares or any form of financial input from the farm workers/members of the cooperative. The 34 farm workers were then told that henceforth they own the farm as an

agricultural cooperative. Thus, all these members were introduced to the cooperative by the government officials from the DEDT-KZN.

The previous farm workers continued to communally work on the farm for a monthly income as they waited to earn dividends when the farm would begin to bring in profits. Seventeen respondents were interviewed from this cooperative, 10 females and seven males, all black. Of the 17 respondents, only three could read and write while the remaining 14 were illiterate and none of them possessed any professional qualifications. None of these farmer workers had been in a cooperative before, so it was their first experience as part of a cooperative. The management structure is such that there are 15 members serving as the board of directors.

The farm manager was fired in January 2013. In December 2012 and January 2013, while the manager was on leave, the members of the cooperative went on strike. They were demanding more pay and better working conditions; they wanted the government to employ more staff to work on the farm. At the time of this study two KZN-DEDT employees, an area manager and the district co-ordinator, were managing the agricultural cooperative P. All members of the board of directors are expected to attend meetings fortnightly. Members feel that they were able to freely share their concerns about the running of the cooperative at any time, particularly by means of cell phone and there was a procedure in place for expressing grievances.

The cooperative received an initial grant of twelve million rand from the DEDT-KZN and since then it has relied on the government for repairs, maintenance, the purchase of equipment and materials and even payment of salaries. All the members of the agricultural cooperative were given training in management, sponsored by the government. The cooperative boasts 50 acres of land, a bank account, a spacious office, farming equipment, office furniture, a landline telephone and a cell phone, a processing plant, a store and others. In comparison to the other agricultural cooperatives in the district, Agricultural Cooperative P is the most resourced. This agricultural cooperative had the following documents in its office: a constitution, a business plan, a marketing strategy, a procurement policy and a human resources policy. However there was no investment policy, Finance and accounting policy, inventory and records management as well as the by-laws documents. There was also no records of the minutes of meetings.

This agricultural cooperative continues to grow vegetables like broccoli, carrots, tomatoes, spinach and lettuce, which are then processed and packaged on the farm, then sold to local

supermarkets and grocery shops. The KZN-DEDT does the marketing for this agricultural cooperative. The department also submits annual returns to SARS and DTI as required by law, on behalf of the cooperative.

6.1.2 Agricultural Cooperative Q

Agricultural cooperative Q was formed in 2007 when the DEDT bought a 100 hectare beef cattle farm for the 16 farm workers and their families from a retiring White farmer. A similar story to that of cooperative P; where the departmental officials did all the paperwork and the financing of the processes and then the farm workers were given an agricultural cooperative. When the farm was purchased at a price of four million rand, it was fenced, it had two tractors, two bakkies, a truck, sprayers, a dip, a dam, beef cattle, silage and an office. Later on, the Ithala Finance Corporation gave the agricultural cooperative a loan of one million, two hundred thousand rand to finance the operations of the farm. This loan was never serviced.

The 16 households' membership was also given training in management sponsored by the KZN-DEDT. A management structure that comprised of the membership and a board of directors was put in place. The board of directors were meant to meet monthly but this was later on changed to fortnightly as unforeseen challenges arose. The department also employed two experienced White men to help manage the farm and they were paid exorbitantly for six months before it was realised that this was not sustainable and the farm managers lost their jobs. Each household was expected to send a representative to work on the communal farm. Some households did not send people to work on the farm.

Some of the documents that this agricultural cooperative had in its office included the constitution, a business plan and a marketing strategy. After one year there were disagreements among the previous farm workers, turned owners, on who should head the group and who should take up which activities on the farm. The longer it took them to make decisions, cattle died and their income staggered.

As mistrust, free-riding and shirking took its toll on the supposed participants, eventually all the activities on the farm came to a standstill. Since then, the agricultural cooperative has collapsed and they are letting out part of the land to a son of the white farmer from whom the farm was bought. This tenant farmer in return grows mealies for these former members of the

agricultural cooperative on another section of their farm. Sometimes, without any consultation, the local government sends tractors to plough the farm, but after that they do not continue with the rest of the operations, so the farm stays like that for the rest of the year. Four ex-members of this cooperative participated in this study.

6.1.3 Agricultural Cooperative R

Agricultural Cooperative R was initiated in 2011 by three friends (all male): one a tertiary institution student, another seeking employment after attaining his degree and another, who was employed. One of the men learnt through the radio that Ithala Finance Corporation was giving soft loans to prospective black farmers who had formed agricultural cooperatives. On sharing the idea with his friends, they went to Ithala on a fact-finding mission where they received a list of requirements. They then quickly registered an agricultural cooperative with CIPC through the district DEDT offices and identified a farm that was being sold. They approached a private consultant to draw up a business plan and a marketing strategy for them. They obtained a loan of five million rand of which three million rand was used to purchase the 35 acre farmland from a white farmer. The remaining balance was to be invested in farm operations. The farm had structures that included a farm house, machinery, the farm manager's house, a dam for storing water and a water pumping station. The three friends took over the farm with the entire infrastructure and all the employees.

While preparing to register the cooperative and applying for the loan from Ithala Finance Corporation, the three members would meet up regularly and there was no meeting schedule because they were always available and ready to listen to each other. But after receiving the money, they became suspicious of each other and everyone wanted to be in control. The three friends, not knowing even the basic skills in farming, did not know even where to start. They did not reap the first harvest of their mealie crop, primarily because none of them was ready to live on the farm and manage it. There arose conflict and mistrust between the three partners about who should be in control of the finances. None of them had time or made an effort to spend time at the farm and since then the cooperative has collapsed. Two respondents were interviewed from this cooperative. This was their first experience of being part of a cooperative for all three of the members of this agricultural cooperative.

6.1.4 Multipurpose Primary Cooperative S

This cooperative was initiated by three friends. They had been in a stokvel-type of arrangement for a year before realising that it was not meeting their objective of investing in a worthwhile venture. In the process of trying to venture into commercial farming they realised the need for more members in order to raise initial capital for purchasing land.

In consultation from a KZN-DEDT official they were advised to join hands and initiate an agriculture cooperative. They also learnt that by registering as a cooperative, they could recruit more members and at the same time benefit financially from the recognized financial institutions. After consultation the now six members (they included their spouses), embarked on a recruitment drive and also on the elaborate registration process. Cooperative S applied for registration with CIPC in March 2012 with a founding membership of 15. At first CIPC could not register this cooperative because some members did not have ID numbers, but later on they did register it with the very same names. Because of this delay, by the time the registration certificate came out in August 2012, five members had already pulled out.

By January 2013, the membership had shot up to 22: eight men and 14 women who were all professionals and very diverse in affluence and skills. Prospective members of this cooperative paid a non-refundable application/registration fee of five hundred rand in order for their application to be considered. Once accepted, the member had to buy two hundred shares which were twenty rand each, totalling to four thousand rand. Thereafter a member was expected to save five hundred rand monthly with the cooperative.

At the time of the study, this multi-purpose cooperative had still not engaged in any form of farming because they had not yet acquired land. Whenever they found a suitable piece of land for sale, before they could access funding for the purchase of the land from a lending institution, the land was sold. This cooperative also tried on several occasions to meet an *Induna* who would help them acquire a small piece of land, but to no avail. They had tried to access a loan from Ithala Finance Corporation but after a long wait, the cooperative was told that their application could not be looked at because some members of the cooperative were not South African citizens. The cooperative then decided to approach ABSA bank. The executive had a meeting with a consultant from ABSA who also confirmed that the cooperative could not get a loan as long as some of the members did not have South African citizenship.

The cooperative then made a resolution that the members who did not have South African citizenship should voluntarily relinquish their membership and sell their shares to members who were citizens. After which, the executive tried to apply for a loan with Ithala Finance Corporation but were turned down again. Ithala Finance Corporation did a credit check on the members and discovered that one of the members had been blacklisted due to bad credit record. As a result, the cooperative did not qualify for a loan.

Agricultural Cooperative S applied for the Cooperatives Incentive Scheme grant from the DTI but to no avail. At first the reason was that some members did not have South African citizenship. After the affected members pulled out, the DTI insisted that the cooperative must re-register with CIPC afresh. Multipurpose Primary Cooperative S had still not received financial support from the government or any other institutions. Meanwhile as they waited for funding, they invested their shares and monthly contributions in a pre-school business. They employed staff and a friend volunteered to temporarily oversee the business on their behalf because all the other members did not have time to spend at the business.

The membership of this cooperative were all employed either by the state or private institutions, in different parts of the country. As soon as the person who had volunteered to assist with the management of the cooperative projects left, the pre-school business collapsed. The members of the cooperative came to accept that without one of them being hands-on they could not engage in most business ventures as a cooperative. This cooperative had most of the documents as per the DTI requirements: A marketing strategy, a procurement policy, a human resources policy, an investment policy and by-laws but they did not have a finance and accounting policy as well as the inventory and records management. The constitution had been supplied by the DTI through the KZN-DEDT. There was no evidence of minutes of meetings for the year 2012.

Five respondents (two ex-members and three bona fide members) were interviewed from this cooperative, three males and two females. Initially, when there were 20 members in this multipurpose cooperative, 11 members served on the board of directors, three in the supervisory committee and only the eight, who did not live in the district, were not officials.

The executive met monthly but whenever there was a challenge, all the members were called in for emergency meetings. Since then, the majority of the membership have pulled out and at

the time of the study the cooperative had a membership of only 8, of whom only the chairperson and the secretary are still actively involved with the operations of the cooperative. The remaining members tried to apply for the Department of Education's School Feeding and Nutrition Programme. However, after they had gone through the laborious process of filling out the lengthy application form and had prepared all the listed accompanying documents, they were told that they could not submit. They were told that because some of the members are departmental employees, applying for the tender could risk them their jobs. All 8 of the members were experiencing being part of a cooperative for the very first time.

6.1.5 Agricultural Cooperative T

This cooperative was initiated by a lady who heard about cooperatives from the radio station, Ukhozi FM. She then went to the LED official at the local municipality who encouraged her to start a cooperative and promised her support. She then mobilised another four female friends, two of whom were civil servants, like her, while the other two were self-employed. The agricultural cooperative was registered in 2010 and the friends live in different suburbs of the city of Pietermaritzburg but the piece of land they work on is in a township not very far from the town centre. Small Enterprise Development Agencies (SEDA) helped this agricultural cooperative to draw up documents such as a business plan and the marketing strategy. In 2011 they got start-up capital of two hundred thousand rand from the DTI and a six acre piece of land from the *Induna*, or local government.

This agricultural cooperative has specialized in rearing pigs, which the ladies believe requires less land and attention and the pigs take a very short time to mature. The ladies have employed two men to work on their project full-time. Initially they battled with food safety compliance issues but eventually they managed to meet the requirements. When mature, the pigs are sold to an abattoir that supplies butcheries in Pietermaritzburg and Cato Ridge areas with, among other meats, pork products. In early 2013 this cooperative applied and won a tender for the school feeding scheme with the Department of Education and they approached Ithala Finance Corporation for initial funding of this project. They successfully received a loan of three hundred thousand rand. When they don't have money to buy the foodstuffs to deliver to the schools, they sub-contract Private Consultant K to accomplish the task for them at a price.

This cooperative uses a cupboard in one of the member's house as the "office" where the cooperative's documents and records are stored. Although they started as five members, at the time of the study only three of them were still actively involved with the activities of the cooperative. The others pulled out because they feared that the government would not tolerate its' employees earning two incomes or doing business, which includes being part of a cooperative. Their other reason for pulling out was because they did not have time to engage in some of cooperative's activities such as going for tender briefings, filling in the tender documents or able to meet other requirements for being part of a cooperative.

The ladies meet monthly in a restaurant. Three respondents from agricultural cooperative T participated in this study, one a former teacher turned *tenderpreneur*, another had run a catering business and two were designing clothes before joining the agricultural cooperative. They have a duty roster that notes that each member supervises the activities on the farm weekly. In this cooperative there is no joining fee or a stipulation to buy shares or make monthly savings. Of the four members left in this cooperative, one is the chairperson, the deputy, the treasurer and the secretary. All the members are experiencing being part of a cooperative for the first time.

6.1.6 Agricultural cooperative U

Agricultural cooperative U was founded by eight neighbours in the rural areas of uMgungundlovu District and was registered in 2007. Currently this agricultural cooperative has a membership of five, three males and two females. Some of the founder members have dropped out but new members have joined at different times. Three respondents were interviewed from this cooperative, one was the founding member, one joined in 2010 and another one in 2012. Two of the members have a primary school level of education and one a high school education. The founding members were all unemployed at the time of its formation which was motivated by an *Induna*. The members were given a piece of land by the *Induna*. The exact size of their piece of land is not known to the members but their estimation is three hectares.

In 2008 this cooperative got a loan of seven hundred and eighty thousand rand from Ithala Finance Corporation to invest in a poultry project which, seemingly, did not take off. According to the older members, they had serious individual financial problems so they decided to share four hundred thousand rand equally, but the remainder cannot be accounted for. The then

treasurer and chairperson have since left the cooperative. In 2012, this cooperative applied for a two hundred and eighty rand grant from the DTI. At the time of the study, they had not received this grant. This agricultural cooperative successfully bid for the Department of Education's School Feeding Nutrition Programme in late 2012. However, they could not supply the allocated schools with the foodstuffs because they could not get another loan from Ithala Finance Corporation as they had defaulted on the first loan. This cooperative gets technical advice from the Department of Agriculture.

The members are communally working on the farm. After the chicken project failed the members of this cooperative resorted to growing vegetables. They grow potatoes, carrots and spinach on this piece of land which was allocated to them by the *Induna*. When they want to buy farm inputs and there is no money in the cooperative's account, they each contribute. Sometimes they get inputs such as seed and fertilizer from the local municipality that also sometimes sends a tractor to plough for them. This assistance is not timely or coordinated. Each member markets the cooperative's produce for which they are also buyers. Some is sold in the local flea-market but most of the produce is sold at the National Development Authorities shop (New Port) in the City of Pietermaritzburg.

The DEDT organised a course in management for the members of the cooperative which was facilitated by the Further Education and Training (FET) in 2007. The district mentor from the same department has also been training them on book keeping and management, when the opportunity arises. The documents that this agricultural cooperative has includes the constitution, a business plan, a marketing strategy and the human resource policy.

A member keeps the documents and records of this cooperative in his house. Evidently there are no minutes to meetings. Members did not have to pay a joining fee or buy shares or save monthly with this agricultural cooperative. Most of the members hold office in this cooperative, nine of them are in the board of director positions and the remaining three are members. The board of directors and the three members all meet monthly. None of these co-operators had been in a cooperative before this.

6.1.7 Agricultural Cooperative V

Agricultural Cooperative V was registered in 2006 and was founded by twelve members.

The formation of this cooperative was motivated by an *Induna* who gave them a piece of land in 2006, although none of the members know the exact size of their land. On this piece of land they keep laying chicken. The founders reported to the Municipality LED official their intention to start a cooperative and arrangements were made for them to meet the DEDT officials who assisted with the registration of the agricultural Cooperative with CIPC. Arrangements were also made by DEDT and Municipality officials for these members to attend training in management at the FET. SEDA prepared a business plan and a marketing strategy for this cooperative and a loan application was submitted on their behalf to Ithala Finance Corporation. The members of this agricultural cooperative got their first loan of one million rand from Ithala Finance Corporation in late 2006.

They used part of this money to invest in the chicken project and shared some of it. In 2008, through the KZN-DEDT's Gijima project, they benefited with a loan of five hundred thousand rand, most of which the members shared and only fifty thousand rand was invested in the poultry project. By early 2010 the poultry project had stalled because of internal wrangles and the agricultural cooperative collapsed after two years. In mid-2012 three of the founder members decided to start again, so they looked for two friends to join the cooperative. The KZN – DEDT helped the five to change the composition of the membership with CIPC. They then successfully applied for a grant of three hundred thousand rand from the DTI which they used to revive the chicken project. Towards the end of 2012, with the help of a consultant they successfully bid for the Department of Education's School Nutrition Feeding Programme. They got a loan of three hundred thousand rand from Ithala Finance Corporation to invest in the school feeding programme. At the time of this study they had contracted a consultant M1 to supply the allocated schools with the food on their behalf.

The members are supposed to do marketing of their produce and each one of them is involved in the selling of their eggs. There are stokvels which buy their eggs in bulk and then sell to consumers. There are also tuckshop owners in the City of Pietermaritzburg, who buy their produce to sell to consumers.

All the members occupy positions on the board therefore all of them participate in the management of the cooperative. They have monthly meetings in which they discuss their progress as an agricultural cooperative. The documents of this cooperative are kept in the house of the only founder members still left in the cooperative. These include: the registration

certificate, the Income Tax number document, a constitution, a marketing strategy, the business plan and a few bank statements. Conspicuously, there were no record of meeting minutes. The new members have been trained by the District Cooperatives Mentor from the KZN- DEDT in management.

At the time of this study this agricultural cooperative had a membership of only five, three females and two males. Another two the founder members had dropped out. Two of the five members joined the cooperative in 2012, then two joined in 2013 and only one of the founder members was still there. The members pull out as soon as they find employment. Four of the five were introduced to the cooperative by their friends who were members. All five members participated in this study. Three of the five had attained a primary school level of education, and the other two a secondary level of education. Three of them were not involved in any economic activity before joining the cooperative but two had been engaged in small private businesses. All the members are experiencing being part of a cooperative for the first time.

6.1.8 Agricultural Cooperative W

This agricultural cooperative is situated in the rural areas of uMgungundlovu District. Its' formation was motivated by an *Induna*. It was founded by eight members and registered in late 2012. Three of the founding members have since dropped out because they found alternative employment. At the time of the interview there were only five members left, four males and one female who all work on their piece of land that they had recently been apportioned by the *Induna*. In early 2013 they applied for a three hundred and fifty thousand rand CIS grant from the Department of Trade and Industry, although at the time of the study their application had not yet been processed.

In this agricultural cooperative, none of the members was required to buy shares, pay a registration fee or a monthly fee. The members had received training in management which was facilitated by FET, and sponsored by the DEDT. The District Mentor from the DEDT visited this cooperative, together with others in the area, to train them in book keeping and further reinforce their management skills. The documents this agricultural cooperative possessed included the constitution, the business plan and the marketing strategy. One of the members stored the cooperative documents and records in his house. They did not know the exact size of land which they had been allocated by the *Induna* but they were all waiting to

start work on their farm. It was expected that each member of the cooperative would market their produce, but they had also been introduced to the National Development Authority's Shop (New Port) in the City of Pietermaritzburg. This cooperative had not attained its target membership, which is ten members. At the time of the study the cooperative had not submitted its financial statements to SARS or CIPC as it was still new. The cooperative has not received the grant it applied for but the members hoped to share the money equally when it came.

Four members (three females and one male) of this cooperative participated in this study. One of them attained a high school education and the remaining four attained a primary school level of education. The cooperative hopes to receive technical advice from the department of agriculture. Each of the five held a position on the board of directors: chairperson, deputy chair, secretary, deputy secretary and treasurer. All the members met fortnightly in their homes. This was their first cooperative experience.

6.1.9 Agricultural Cooperative X

This cooperative was initiated by one man who heard about cooperatives from the radio station, Igagazi FM. He then went to the Municipality LED official for more information. The LED official advised him to look for four other people in order to be in a position to register an agricultural cooperative. The LED official also directed him to the local SEDA and DEDT offices for more support and advice on how to go about the registration process. The man then mobilized four friends and they registered a cooperative of five founding members in 2012. They were given four acres of land by the local *Induna* for a small fee. Since then, some members have pulled out while others have joined.

At the time of the interview there were four members in this agricultural cooperative, two males and two females who all took part in this study. Members are not obligated to pay a registration fee or to buy shares in this cooperative. Of those interviewed, two had a primary school level of education, one a secondary school level and another a certificate qualification. All the members are on the board of directors and they meet monthly. Before joining this cooperative, three of them were not employed and one was running a small business. At the time of the interview they all worked on the cooperative's farm.

SEDA prepared a business plan and their marketing strategy for them. The DEDT, through the FET has given these co-operators a course in management. The District Mentor from the DEDT trains them in book-keeping and management but these visits are not regular. The LED official keeps updating them about opportunities from the government that are available for cooperatives. This agricultural cooperative receives technical advice from the Department of Agriculture. In mid-2012, they received start-up capital of three hundred thousand rand from the DTI, which they shared equally among themselves. Then in December 2012 they hired a consultant who assisted them to successfully apply for the Department of Education's School Feeding Nutrition Programme. They then received a loan of three hundred thousand rand from Ithala which they used to supply the allocated schools with the food. Shortly after this they got another grant of three hundred and fifty thousand rand from the DTI. At the time of the interview they were still actively involved in the school feeding nutrition programme.

When there is a lot of work on their farm, they hire people to help. These co-operators work communally to grow cereals (mealies and beans) and vegetables such as cabbage, spinach and carrots on their piece of land. They are all involved in the marketing of their produce. They sell their produce to middle men who pick the produce from the farm in bakkies and in turn sell to vendors. The members of this agricultural cooperative are experiencing being part of a cooperative for the first time.

6.1.10 Agricultural Cooperative Z

This agricultural cooperative was registered in 2011, it started with six members but at the time of the study only four were left (one female and three males). Three of the four participated in this study, two of whom attained a primary school level of education and one a high school education. The founder members were introduced to the idea of a cooperative by an *Induna* who sent them to the Local Economic Development offices "where the government had brought money to be disbursed to the unemployed citizens." Among those interviewed, two were farm workers and one was a subsistence farmer before he started the agricultural cooperative. All four members served on the board of directors as chairperson, treasurer, secretary and deputy chairperson.

SEDA prepared the business plan and a marketing strategy for this agricultural cooperative which were kept with other documents by the chairperson in his house. The members of the

agricultural cooperative have received training in management facilitated by FET, sponsored by the DEDT and the District Mentor of Cooperatives also continue to offer the training in management and book keeping. This cooperative receives technical expertise from the Department of Agriculture. These members would meet fortnightly. They worked communally on a piece of land that the *Induna* had given them although they did not know the size of the land. They grew grains such as mealies and beans.

In 2011 this cooperative received start-up capital of two hundred thousand rand, a grant from the DTI. In 2012 they received a loan of four hundred and fifty thousand rand from ABSA Bank. A consultant helped them to successfully apply for the Department of Education's School Nutrition Programme in December, 2012 for which they got another loan of three hundred thousand rand from Ithala Finance Corporation. By mid-2012 they could not feed the schools that the Department of Education had allocated to them. The Local Economic Development (Municipality) sometimes supports them by sending a tractor to plough for them as well as giving them inputs such as fertilizer and seeds. At the time of the study they had not sent their financial statements or tax returns to either DTI or SARS but had instead, through the DEDT asked for a three years exemption, which is constitutional.

This agricultural cooperative sell their produce to middlemen who come in bakkies to their farms, load the mealies and then sell to vendors who, in turn, sell to consumers on the streets of Pietermaritzburg. Each member of the cooperative has the responsibility of marketing their produce. These co-operators had never been in a cooperative set up before so this was their first experience.

6.2 Summary

Among the members of the agricultural cooperatives surveyed in uMgungundlovu District none practised commercial farming before joining the agricultural cooperative: they all engage in commercial farming after the formation of the cooperative. Commercial farming here refers to strictly producing with the objective of making profits, but not any other characteristics such as being highly mechanised or producing in large quantities. In fact, looking at the size of land and the technology being applied in most of these agricultural cooperative farms in the district, one would mistake them for subsistence farmers.

There are three ways through which these agricultural cooperatives have acquired land: firstly, through government grants where the government buys farmland from white farmers and hands it over to the previous farm workers; Secondly, through a loan from Ithala Finance Corporation or ABSA Bank (these are Financial institutions that the DEDT have given money to lend to Small Medium and Micro Enterprise (SMMEs) which include cooperatives.) Some identify farmland that is for sale, then form an agricultural cooperative with the objective of applying for a loan from any of the two institutions to purchase the farmland; Thirdly, the Provincial Government of KwaZulu-Natal Province through the Department of Cooperative Governance and Traditional Affairs (COGTA) and the Local Economic Development branch of the Municipalities have made an agreement with the King, Chiefs or *Indunas* (Elders) who work with the local communities, to give agricultural cooperatives land. All the agricultural cooperatives rely on the Provincial Department of Agriculture and Environment for technical support.

Self-initiated cooperatives are established by one or more people who know or have heard about the benefits of cooperatives from a departmental official or through the media such as radio. The person or people then share the idea with others and if they are lucky, manage to convince a few people to join with them in an attempt to tackle a supposedly common problem, thus form a cooperative. Others could have learnt about cooperatives from either a member of another cooperative or could have been a member of a cooperative in the past.

The members of such cooperatives are literate and well informed and can therefore either draw up their own constitution or hire the services of a consultant. They seek information on how to go about the process of registration, funding and other legal requirements. They have the option of approaching either ABSA Bank or Ithala Finance Corporation a financial institution established by the Kwa-Zulu Natal Provincial Government to support Small, Medium and Micro Enterprises (SMMEs) which includes Cooperatives for funding. The international financial institution, Barclays Bank is known as ABSA Bank in South Africa. These two financial institutions were given money by the DEDT-KZN to lend to SMMEs at very low interests rates, for cooperatives as low as 2%. Because they know that Ithala Finance Corporation belongs to the government and they can default without suffering any consequences, unlike ABSA Bank which is a private entity. In these categories, members are all professionals in various fields and are employed in other sectors. Examples of such

cooperatives are S Multi-purpose primary Cooperative Ltd and N Agricultural Cooperative Limited.

The policy of land reform and BEE has also led to the establishment of DEDT initiated cooperatives. These cooperatives were started when a white farmer decided to sell their farm to those who had been working on that farm. Since the farm workers did not have money, the government offers to buy this farm for them. The DEDT in some instances has bought such farms for the farm workers on the respective farms on condition that they operate as a cooperative. These farm workers are illiterate and financially deprived, they are not able to draw their own constitution and cannot afford to hire the services of a consultant. The farm workers need not raise share capital or pay monthly savings. Because of the well-established infrastructure (processing plants, tractors and other farm equipment) on such farms, when they start, there is usually a lot of activity and the produce would be sold to supermarkets; there is usually an existing market for the produce. Examples of which are P Agricultural Cooperative and Q Agricultural Cooperative. Such cooperatives are literally initiated, financed and managed by the government.

In an attempt to achieve its number one strategy, the KZN provincial government, the LED and the KZN- DEDT has engaged in a series of mobilisation campaigns (KZN-DEDT 2006, KZN-DEDT 2009:) from which there has emerged small groupings that form cooperatives. A group of strangers definitely cannot engage in collective action, so from a gathering (*Indaba*) where people have been motivated to start cooperatives by the *Indunas*, encouragement from departmental officials or Ward Councillors, some cooperatives are formed. A majority of the cooperatives fall in this category. An example of this is Z Agricultural Cooperative which was motivated by the Ward Councillor who in a gathering told people that Ithala Finance Corporation and ABSA Bank have been given money by the government to give to people. All that they needed to do was to form groups of more than three individuals and then register as a cooperative. This group then expresses their intention to start a cooperative either to the District Cooperatives Coordinator (DCC) or the LED Cooperatives Manager (LED CM) who then instructs Small Enterprise Development Agency to draw up a constitution and a business plan for the cooperative. The DCC assist the cooperative to acquire registration with CIPC, then SARS as DTI releases the start-up capital of not more than three hundred and fifty thousand rand, as Ithala Finance Corporation or ABSA processes the loan.

The *Indunas* then give the cooperative a piece of land. Members of the cooperative are trained in bookkeeping and management by the Further Education and Training College (FET) underpinned by the agreement between the Department of Education and the DEDT. In this category, most members of agricultural cooperatives are illiterate but all of them were unemployed at the time of joining the cooperative and were seeking employment or a source of income. Most of these cooperatives were established to alleviate poverty and create employment opportunities and are registered with CIPC as a sure way of accessing funding and other benefits from the government (Nganwa, Lyne and Ferrer 2010: 44).

Of the 50 respondents interviewed, eight were no longer members of any agricultural cooperative. Two belonged to a cooperative that dissolved because the members could not, among other things, manage the farm thus service the loan from Ithala Finance Corporation. Four belonged to a cooperative that collapsed, purely because the members could not work the farm that the government bought for them from a white farmer. Two were from a cooperative that forced some of its members to withdraw because they were made to believe that government does not support cooperatives whose membership is composed of non-citizens. All the members of these agricultural cooperatives are blacks. Studies carried by the Department of Economic Development show that there were more females in cooperatives than males but, surprisingly, in this study there were more male participants (55%) as compared to female (45%). This could be an indicator that males readily attend meetings in comparison to females.

The emerging agricultural cooperatives in uMgungundlovu District, like those in the rest of the country, are being promoted amongst the unemployed in the rural areas which are characterised by high levels of poverty and low literacy levels. According to the Department of Agriculture (2001) 70% of the poor in South Africa reside in the rural areas. KwaZulu-Natal Province is still categorised as one of the provinces with the highest number of cooperatives nationally (DTI 2009) and that in South Africa there are more agricultural cooperatives in comparison to other kinds of cooperatives.

Generally, as mentioned earlier, the mortality rate of cooperatives in South Africa is very high. In uMgungundlovu District, it is not different, according to the department officials in charge of cooperatives like the District Manager of Cooperatives and other stakeholders such as officials from Ithala Finance Corporation who were interviewed, the collapse rate stands at

approximately 90% or more. These cooperatives are relatively young with the oldest having been registered with CIPRO (currently known as CIPC) in 2006 and the youngest in 2012. In most parts of the world agricultural cooperatives are service oriented. For example, storage services, marketing or distribution of members produce, purchase and supply of farm inputs to farmers where each subsistence or commercial farmer work on his/her farm independently under the guidance and support of the cooperative (Hussi et al, 1993: 14; Young et al, 1981 : 15). As mentioned in chapter three this was also the case in South Africa during apartheid.

All the agricultural cooperatives involved in this study are characterised by communal land ownership, which is common, but the unique thing about the whole process is that this one piece of land belongs to all the members of the cooperative and they must all work on it. This calls for equal participation with regards to decision making, effort, time and labour from all members of the agricultural cooperative. Thus, according the Department of Trade and Industry (2009: ii) the current cooperatives in South Africa are worker members or producer cooperatives, where the members of cooperatives are also the employees of these cooperatives

Some of the farms were situated in the outskirts of the towns such as Pietermaritzburg, Richmond, Mooi River and others were situated in the rural areas. The rest of the study will look at the origins of these cooperatives, the resources they utilize, their partnerships and self-governance in an attempt to analyse whether they match the qualities of collective action proposed by Ostrom and other self-organised collective action scholars. The next chapter discusses some of these factors and their possible effect on the success of these cooperatives.

CHAPTER 7

THE COMMUNITY ATTRIBUTES THAT FACILITATE SELF-ORGANISED COLLECTIVE ACTION AMONG AGRICULTURAL COOPERATIVES IN uMGUNGUNDLOVU DISTRICT

A plethora of factors influence self-governance of collective action. Key among them is the origins because the foundations, or what motivates collective action influences their chances of survival. With the enactment of the new Cooperatives Act No. 14, 2005, many cooperatives have emerged among the black communities in South Africa. According to Mpalwa (2013) as cited by Beesley and Ballard (2013: 5), 12 188 new cooperatives were registered in South Africa between 2005 and 2007. This is three times the total number of cooperatives registered between 1913 and 2005. Mpulwa (2008) and Manzi (2008) as cited by Beesley and Ballard (2013: 5) observed that KwaZulu-Natal Provincial government adopted a more aggressive approach in the promotion of cooperatives and as a result by 2008, 40% of 17 000 nationally registered cooperatives were found in this province.

According to Ostrom (1990), some of the factors that motivate collective action include size, incentives and an enabling environment, amongst others. She observes that it is much easier for small groups of people to join hands for mutual benefits, based on the fact that the percentage earned would be higher than in larger groups. Shirking and free-riding cannot go unnoticed in small groups because each person's action is visible to the others, thus people prefer to act collectively in smaller groups. People would also choose to act collectively when given incentives in the form of land, cash and others.

An enabling environment, created by a suitable policy framework, and natural factors such as good climate and fertile soils would also motivate those who would wish to act collectively as farmers to join together. In most instances homogeneity rather than heterogeneity bring people together. Past successful experiences in a collective action set up would attract people into acting collectively again (Ostrom, 1990). Mistaken assumption, lack of trust in the external organisation, dishonesty and rent seeking among members and initial costs of engaging collective action can hinder people from acting collectively (Ostrom, 1990).

This chapter, therefore, sets to look at, in detail, some of the factors that have motivated the establishment of the current lot of agricultural cooperatives among blacks in uMgungundlovu

District, KwaZulu-Natal Province. This would give an insight into these agricultural cooperatives' sustainability and/or the changes that need to be adopted by the stakeholders involved in their initiation in an attempt to increase their chances of survival. The responses of all the interviewees from all cooperatives involved in the study are analysed in an attempt to pre-empt the general picture of what factors influenced the origins of the cooperatives in uMgungundlovu District. In the conclusion sections, the origins of these cooperatives will be compared to Ostrom's (1990) proposition, thus gauge their chances of survival.

7.1 Size of agricultural cooperatives

The agricultural cooperatives in the district vary in size. Some have more than 30 members while others have as few as three members, but generally the membership is small. The observation is that where farm workers have been motivated to form an agricultural cooperative and own the farm they worked on, the membership is slightly more - sometimes over 30. This is because all the farm workers become members of the cooperative. But this category of agricultural cooperatives are very few; of the ten cooperatives involved in this study only two had more than 15 members. Most of the self-initiated and politically (*Induna* and Ward Councillors) initiated agricultural cooperatives tend to have a membership of five which is the minimum number as stipulated in the act.

According to a departmental official, (official C1) sometimes these numbers are just on paper for registration purposes when in reality some cooperatives have only three members. These sentiments are echoed by Satgar (2007) when he says that most of these cooperatives have a "paper membership ..." while referring to the national picture. There have been instances where a person or a few people present the identification details of others who are not part of the group to CIPC in an attempt to meet the required numbers for registering a cooperative (Official B1). In the rural communities and the townships, only friends or neighbours who know each other are likely to form an agricultural cooperative, therefore the membership is varied.

The agricultural cooperative with the highest membership had 34 members and the lowest had three members which is lower than the legal minimum requirement. Thus, according to the official A1, the average membership in agricultural cooperatives in uMgungundlovu District is five.

It is easier to mobilize five people than to look for many people to start a cooperative. For most cooperatives, the smaller the membership, the more the anticipated benefits. For example, when an agricultural cooperative benefits from the DTI's Cooperative Incentive Scheme (CIS) grant, should the membership decide to share the money equally, each person would receive more money than if there are many members. The study also gathered that most stakeholders and other partners such as Ithala Finance Corporation and the LED officials prefer to work with smaller groups.

Official C1 said, "I am more comfortable dealing with a cooperative of three members because I get to meet all of them one-on-one, but twenty? No!"

Official B1 said, "You know when they come to apply for a loan it is all smiles, but after squandering the money, they come here fighting, then you realise it is easier to deal with three angry people than twenty of them."

These officials pointed out that when there were conflicts among members of cooperatives, it had proved easier to deal with a small membership than a big one. Obviously such officials encourage existing cooperatives to maintain small memberships so instead of new admissions into existing cooperatives, aspirants are encouraged to form new groups.

A very small membership can be a challenge, particularly where there is need to raise capital for starting up the business. However, most members of the cooperatives and officials felt that a small membership was good. After all, members of cooperatives were not expected to contribute towards the organisation's capital. The campaigns conducted by the Ward Councillors, and the *Indunas* to motivate jobless people in the rural areas into forming cooperatives in uMgungundlovu District, have led to the mushrooming of loosely attached small cooperatives. Individuals are forming groups to receive benefits from the government but not to work for the interests of the group in order to attain accrued group benefits. All these agricultural cooperatives attain registration then wait for land, technical and financial support from the government before they can engage in any agricultural activity.

7.2 Incentives/coercion

Farming as an economic activity is a relatively new practice among black South Africans to whom forming and managing an agricultural cooperative seems even more complex. Historically, there have not been cooperatives among black South Africans. This therefore calls for some external intervention in order to initiate cooperatives. In early 2005, the Provincial Minister for Finance and Economic Development expressed that development of cooperatives was the way forward to a successful KZN (KZN-LED, 2006). By 2006, the KwaZulu-Natal's Provincial Growth and Development Strategy was already being implemented, part of which was the plan for promotion of the cooperatives movement. This called for marshalling of societies into establishing primary cooperatives as well as organising training and support for cooperatives in all its districts (KZN-LED, 2006).

In KwaZulu-Natal, campaigns have been organised by the premier's office, MECs, local government officials as well as the provincial DEDT in which communities are encouraged to form or join cooperatives. When asked how they got to learn about the cooperative, 31% of the respondents said they had been motivated to join or form the cooperative by an *Induna* or Ward Councillor, 25% of the respondents said they had learnt about the cooperative from departmental officials, another 24% were introduced to their cooperatives by friends who were already members, 14% initiated their cooperatives and 6% got to learn about cooperatives through the media, particularly radio. The graph below (Figure 5) shows how members of agricultural cooperatives involved in the survey got to learn about cooperatives and eventually joined the cooperatives they are currently in.

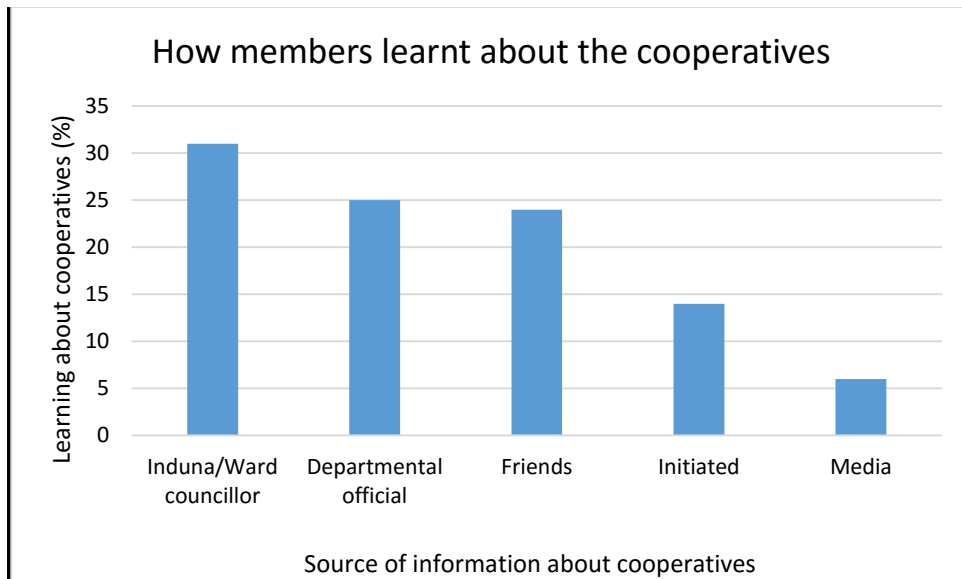


Figure 5: How members learnt about their cooperatives

Source: Authored by student

Most cooperatives were formed or joined because of the incentives promised by the politicians. The *Indunas* and Ward Councillors had been telling members of their communities that the government has availed a lot of money and other resources for cooperatives. As mentioned previously, the Land Reforms Policy allows the government departments to buy land for blacks from white farmers. Where the farm workers were made to form a cooperative so as to own the farm as a group, it is the departmental officials who motivated the formation of such agricultural cooperatives.

The graph above is a reflection of the effort put in by the Provincial Government of KwaZulu-Natal in an attempt to establish not only agricultural but different types of cooperatives in the province. The departmental officials and the other stakeholders interviewed all admitted that the whole process of development of cooperatives in the KwaZulu-Natal Province has been highly politicised. One official complained that the MECs were putting the government employees who work with cooperatives under excessive pressure by giving irrational directives on issues that need to be thought through before implementation. Thus, coercion was being used on government employees to ensure establishment of cooperatives. Incentives such as making land available, easy accessibility to loans and grants, technical support as well as farm inputs were being used by the government to lure the jobless citizens into establishing and keeping people in agricultural cooperatives.

The KwaZulu-Natal provincial departments were mandated to award cooperatives 10% of their procurement for goods and services such as feeding of primary schools and public hospitals, security and cleaning. This was to be monitored closely and reports to that effect drawn up quarterly, while the performance of heads of departments and their respective heads of supply chain were to be assessed based on this procurement deal (Beesley and Ballard, 2013:).

Those that were seeing the benefits or incentives being enjoyed by other cooperatives or listening to the documentaries aired through the vernacular radio stations were motivated to either initiate or join an existing cooperative. Where the founding or existing members motivated others to join/team up with them to form a cooperative the recruits said they had been introduced by a friend. The KZN-DEDT officials used word of mouth as well as the media, particularly the local radio stations such as Igagasi FM and Ikhosi FM as well as the local television stations to encourage people to form or join cooperatives. They also collaborated with the premier's office in hosting *Indabas* (awareness campaigns) on cooperatives.

7.3 Enabling environment

Uncertainty that comes with levels of risks foreseen in an economic undertaking are a threat to collective action, whether natural or political. People are motivated to act collectively when the chances of succeeding are high, thus the risks are minimum. Over 1000ml of annual rainfall, moderately warm temperatures due to the warm Mozambique currents, fertile soils and the suitable terrain have earned KwaZulu-Natal Province the name "Garden Province of South Africa" (South Africa. Info). These conditions are suitable for agricultural activities such as cultivation of crops- sugar cane, meals, carrots, potatoes, cabbage and rearing livestock such as beef cattle, goats, pigs and poultry (South Africa. Info). It is these suitable conditions that have made it easy for the stakeholders in uMgungundlovu District to convince the rural communities to start up agricultural cooperatives.

However, the latitudinal position of South Africa makes the area prone to droughts, unpredictable rainfall and other hazards such as veld fires all negatively impact on farming (Department of Cooperative Governance, 2012: 6). When asked to give some of the challenges experienced by these agricultural cooperatives, all the officials and mentors interviewed pointed out that drought was a big challenge to these agricultural cooperatives. The government

officials and the members of agricultural cooperatives capitalise on these harsh conditions to justify why the cooperatives should get even more support from the government.

The main objective and purpose of the cooperative development policy as stipulated by the South African government was to create an enabling environment for cooperatives (DTI, 2004 5). Thus, government had engaged in policy reforms and made available physical, social and financial capital to cooperatives all in an attempt to create an enabling environment in which cooperatives could thrive. The aim was to ensure that where initially agricultural cooperatives could not be formed among blacks because of the lack of land available to them and the legal framework, an enabling environment where land was no longer a challenge and a friendly legal framework was created.

In uMgungundlovu District although the national government had tried to create an enabling environment through a legal and legislative framework, most co-operators had no knowledge of the Cooperatives Act No14, 2005 and their constitution. When asked whether they had knowledge of the Cooperatives Act 14 of 2005, only 18% of the respondents said they knew about it, while 15% of the respondents who had knowledge of the Cooperatives Act No 14, 2005 found it confusing. It is possible that even the 18% who claim to have knowledge of it were referring to knowledge of its existence, not that they understood the details of it. In their operations as cooperatives there were no instances when the members were forced to refer to the policy document because most of the documents and legal procedures were drawn up or carried out on their behalf by other people or organisations.

This meant that 82% of the respondents did not have an understanding of the Cooperatives Act No 14, 2005. The beneficiaries of the policy, who were the members of the agricultural cooperatives did not know what was expected of them and what their rights were with regards to the Act. The lack of knowledge of the Cooperatives Act No 14 of 2005 and the individual cooperative's constitution could be attributed to the low literacy levels among the members of agricultural cooperatives meaning they are not able to read and understand the policy document (literacy levels will be looked at in detail in the next chapter). The graph below (Figure 6) shows the responses of the co-operators when asked about their understanding of their internal constitution and the Cooperatives Act No 14 of 2005.

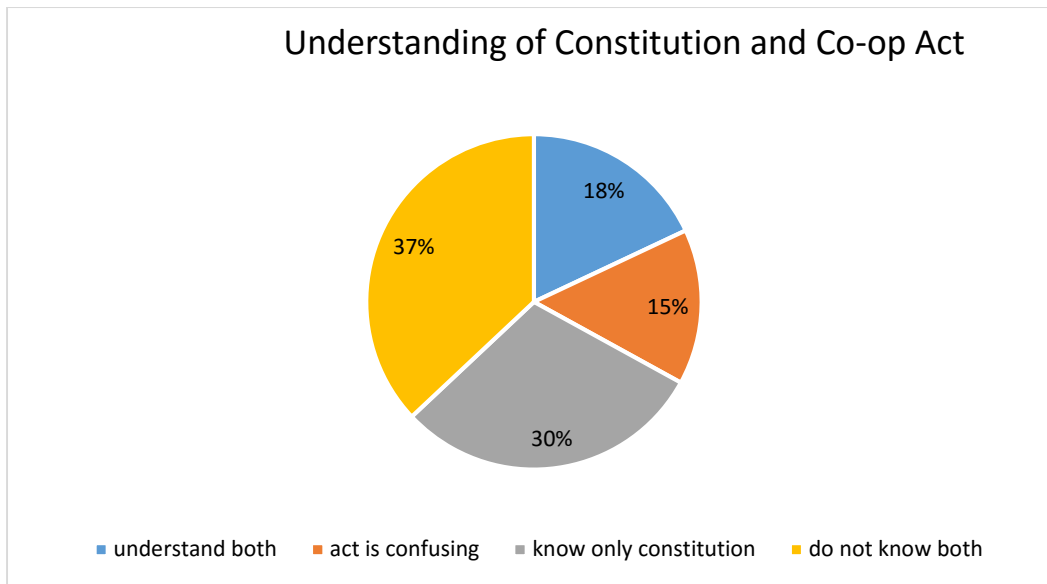


Figure 6: The members' understanding of the cooperative act and constitution

Source: Authored by student

Lack of knowledge about the existence of the Cooperatives Act and the constitution was exacerbated by the fact that some agricultural cooperatives were formed by government officials and the formation of a majority of them was motivated by politicians. The other reason was that cooperatives did not have to draw up their own constitution document because the DTI drew one up for them. Where an agricultural cooperative was formed by departmental officials or motivated by politicians the registration process and drawing up of vital policy documents, such as the constitution, was carried out by departmental officials on behalf of the members of the cooperative.

Official A2, indicated that their organisation had tried to explain to members of agricultural cooperatives the contents of Cooperatives Act No 14, of 2004 without much success. The manner in which the cooperatives are introduced to the would-be members does not motivate them to understand what exactly they are getting into. To members of agricultural cooperatives it is about getting support from the government.

Surprisingly, even among the implementers of the policy; the departmental and LED officials and other stakeholders - most officials involved in this study - were not even aware of the existence of the Cooperatives Act No 14 of 2005. Only three of the four of the 15 stakeholders interviewed were aware of the fact that they are implementing a government policy. If

stakeholders do not understand the policy then they cannot implement it. The public servants and other stakeholders who were aware of its existence say it is too big and therefore refer to it only when challenges arise among the co-operators or between them and the co-operators. They only know the sections they regularly refer to particularly when there is a dispute. This means no matter how logical or suitable the national policy is, the co-operators may not get to take responsibility for it.

7.4 Past successful experiences

Black South Africans have a history of successfully engaging in burial societies and stokvels (DTI, 2004: 4). Stokvels are an example of collective action, but unlike cooperatives they are not business enterprises which have to grapple with issues of competition and price fluctuations. Unlike the producer cooperatives where the members have to spend more time on the cooperatives activities, in the stockvel and burial societies members only make financial contribution and spend very little time on the organisation's activities. When asked whether they had been in other cooperatives before, all respondents indicated that they were having their first cooperative experience. This meant that most of the cooperatives consisted of members who do not understand the concept of a cooperative, thus, they joined cooperatives with a wrong assumption. There were successful old white-only cooperatives in the district whose membership comprised of well established, experienced farmers but these did not encourage black membership.

7.5 Champion

According to Harper and Roy (2000) development of cooperatives is dependent not only on government initiatives but on local leadership as well. Members of agricultural cooperatives were asked about role models or leaders that the members of agricultural cooperatives relied on for motivation, guidance and sometimes cost bearing. 20% of the respondents among members of agricultural cooperatives mentioned the *Indunas*, 15% mentioned the district cooperatives mentor, 12% the Ward Councillor, 11% pointed to the district coordinator of cooperatives, 7% said the white farmer who practices share cropping with them. 8% said the LED official but a majority of 28% said they did not have anyone to look up to. Below is Figure 7, a graph showing role models to agricultural cooperatives in the district.

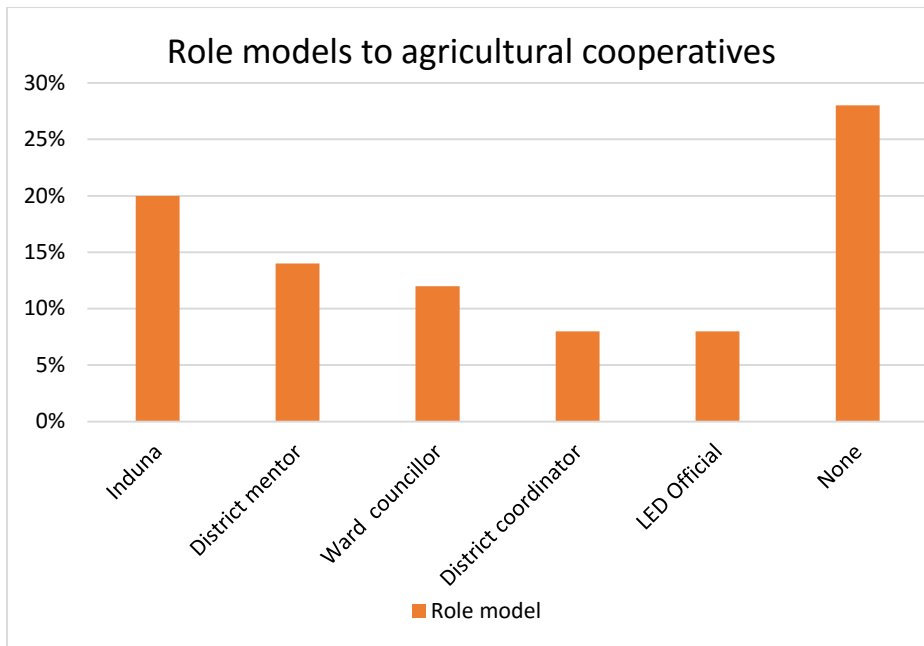


Figure 7: The members' role models

Source: Authored by student

Of the 28% who said that they did not have someone to look up to, when asked what type of a role model they expected to have, one of them said, “I want someone who understands a successful cooperative to come and show us how our cooperative can also succeed.” Another respondent said, “Nobody is showing us what we must do for our cooperatives to succeed.”

Three respondents said they want someone “like the university of KwaZulu-Natal professor who was helping agricultural cooperatives in Umbumbulu.” This statement was later clarified by an LED official who said, “That must be Prof. Modi.” This professor, according to the LED official had been a faithful partner to these agricultural cooperatives. He gave them technical support on organic farming and even helped them establish a market with Woolworths for their organic produce such as *amadumbe*. According to the LED official, unfortunately at the time of this study, it was said that the professor had become committed elsewhere and some of these cooperatives were at the brink of collapsing. The researcher got the contacts of some of the members of these cooperatives but because of time and financial constraints was not able to interview them.

Cooperatives being a relatively new concept among black South Africans, the *Indunas* and Ward Councillors only relate it to government support in the form of grants and training or

farm inputs. These politicians do not understand the concept of a cooperative and they do not view them as forms of business that should operate sustainably, through good self-governance. As local leaders the approach to the propagation of agricultural cooperatives has been more political and has thus failed to make economic sense.

Some LED officials and other departmental officials that work with cooperatives have visited countries such as Israel and Kenya in which the cooperatives movement is said to be successful. But this did not equip them to become leaders to these cooperatives. Firstly, the training sessions were very short. Secondly, the context in which the Small Scale farmers in South Africa operate is very different from the ones visited. Thirdly, these public officials do not understand the complexities in these localities and have never been farmers before. These officials deal with many different forms of cooperatives. The department officials cannot act as leaders to individual cooperatives because their responsibility is to implement the national government's policy and as mentioned these officials are already overwhelmed. Consequently, the leadership required to motivate development of agricultural cooperatives in uMgungundlovu District is lacking.

7.6 Heterogeneity (Diversity in gender, wealth and skills)

Generally, the agricultural cooperatives in uMgungundlovu District are characterised by membership of people with very low incomes. They have lived together in a township, community or on a farm as neighbours engaging in the same economic activity and have no academic or professional qualification. According to Ngwana et al. (2010: 44) members in cooperatives in uMgungundlovu District in KwaZulu Natal “shared similar socio-economic background.” Six of the ten agricultural cooperatives interviewed have engaged in their projects only after receiving funding known as “start-up capital” from either DTI (the Cooperative Incentive Scheme) or the KZN-DEDT.

One of the ten agricultural cooperatives interviewed had not accessed any funding and another one had therefore started with a relatively cheaper project, but not farming. In nine agricultural cooperatives no buying of shares and no monthly contributions from the members was expected. Of the ten agricultural cooperatives interviewed only one, Cooperative S, had membership from different backgrounds in terms of culture and tribes; they were all literate professionals in varied fields such as marketing, education, agriculture accounting, health and

economics. Only this cooperative started a relatively expensive project without support from the government or any other funding institution. It is only in this cooperative that members raised their capital through buying of shares and monthly deposits. In the agricultural cooperatives involved in this study the number of males was slightly less than that of females. The ten cooperatives had a total of 85 members out of which 41 were males. This meant males constituted 48.8% of the membership of these agricultural cooperatives, while females comprised 51.2%.

The gender profile of cooperative members at 2009 showed a very small difference between females (50.1%) and males (49.9%) in cooperatives nationally. Although, agricultural cooperatives had more females than males nationally (DTI, 2009). The findings in this study are slightly different from those of DAFF, nationally 43% males and 56% females make up the total membership of agricultural cooperatives (DAFF, 2010/11). Even in KwaZulu-Natal Province there are more females (3514) than males (2462) (DAFF, 2010/11). The difference can be attributed to the fact that in the two cooperatives that had a bigger membership, it was composed of previous farm workers. The chart below (Figure 8) shows the proportion of males to females in the agricultural cooperatives engaged in this study.

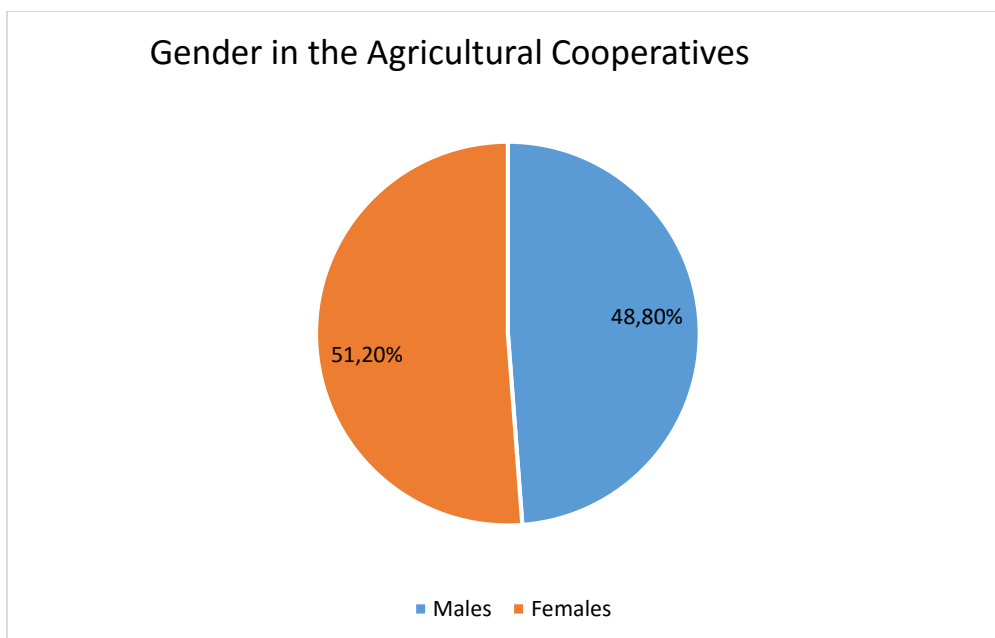


Figure 8: Gender among the members of cooperatives

Source: Authored by student

The percentage of youths in these cooperatives was negligible. Of the 50 respondents from the cooperatives interviewed only two were below 35 years of age. The number of youths in agricultural cooperatives has been an issue of concern; already production from the farms was limited due to the fact that only the elderly who were willing to work on the farm but lacked the energy to do so were on the farms (DAFF, 2010/11). This is also pointing to the lack of continuity in farming in the near future.

In South Africa, racial segregation that was promulgated by the apartheid government brought about intolerance and mistrust among the citizenry. Policies such as the Group Areas Act encouraged people who were from the same cultural background or had common skills to live together. For example, the Zulus lived in their homeland, the mine workers worked together and shared the same hostels, while farm workers lived together on a farm. Thus, people were brain washed and have since not appreciated the good that comes from diversity, in the absence of which, factors that motivate formation of cooperatives are limited. In KwaZulu-Natal Province it was observed that in an attempt to avoid institutional problems, cooperatives opted to exclude from their membership individuals whose income levels were lower and those considered risky to work with (Nganwa et al., 2010). Thus, homogeneity seemed to prevail among these cooperatives.

7.7 Sense of identity/collective identity

This refers to an individual cooperative member's sense of belonging to their organisation. Clearly defined boundaries spell out who are allowed into the organisation and what exactly the organisation stands for. In South Africa, the first step in a cooperative attaining its identity is through registration with Companies Intellectual Property Commission (CIPC) from which a certificate of registration is issued. A requisite for registration is a copy of the constitution, a list of names and ID documents of members and a registration fee of about R245 at the time of this study. The information on the registration certificate includes the individual cooperatives' information; registration number, enterprise name, registration date, business start date, enterprise status, financial year end, tax number, description of principle business and addresses, among other details. On the registration certificate there is also details of an auditor and accounting officer as well as active directors and founding members. This certificate gives the enterprise a legal standing and identity and those involved in any dealings with organisations, understand their position legally.

Nine of the cooperatives engaged in this study were registered with CIPC therefore have the terms “Agricultural Cooperative Ltd” in the name, thus they bring together people with a common interest in agriculture. Only cooperative S had “Multi-Purpose Primary Cooperative Ltd” added to its name. It is convenient and cheap for those who are interested in farming to form or join an agricultural cooperative. The specified name and activities give would-be co-operators an assurance that they are entering an arena where their interests will be taken care of. Although “agriculture” is still too broad and sometimes it pays to be more specific. For example, a dairy farmer does not have common interests with a beef producer or a wheat farmer. It is for this reason that there used to be cooperatives for dairy farmers, wheat growers and beekeepers all in an attempt to clarify what benefits the organisation offers and who the potential beneficiaries are.

The realization that everyone involved face common challenges and the goal is to find a solution together, encourages collective action. Once a cooperative has gained a legal standing through registration it is considered a business entity and can therefore engage in business dealings with all the other stakeholders. This creates a sense of identity and recognition among the co-operators and other stakeholders, respectively.

7.8 Binding Agreements

As mentioned above the first step in making binding agreements is registration with CIPC which gives it a legal standing. To engage in collective action, people want an assurance that the other party is also committed to play their role, hence the need for binding agreements (Garnevska et al., 2011). It is in view of this that the Cooperative Act No 14 of 2005 clearly give a list of internal policies that each and every cooperative should have. Among them was the constitution, cooperative by-laws, human resources, minute’s book, procurement policy and others (DT, 2005). These internal policies ensure that members of cooperatives make binding agreements among themselves and even between the cooperative and other partners, so as to minimize uncertainty and increase assurance. In fact, one of the aims of the cooperatives policy is to protect the interests of the members. Members of agricultural cooperatives were to give a list of internal policy documents that they keep in their office.

Constitution

The constitution document is what constitutes or structures a cooperative; it defines the cooperatives, thus giving it an identity. The contents of a constitution document include: Address of business, mission, vision, areas of operation, activities. It defines the boundaries of the cooperative, what the membership should comprise of, the management structure of the cooperative, amongst other things. It is therefore a very critical document, particularly for cooperatives. Members of these agricultural cooperatives were asked whether their organisation had a constitution. 66% of the respondents said they had a copy of their constitution in their office while, 34% said they did not. The reality is that all of these cooperatives had a copy of their constitution.

More people in these registered cooperatives know about the existence of the constitution because it is a prerequisite for registration with CIPC, without which a cooperative is not recognized and it cannot engage in any activity nor receive support as a cooperative. The pie chart below (Figure 9) shows the members' responses to their knowledge of the existence of their constitution.



Figure 9: Members' knowledge of existence of constitution

Source: Authored by student

Although this constitution should be drawn up by the members of the cooperative, there is already a drawn copy of the constitution at the DEDT district offices which cooperatives can adapt and are supposed to adopt by filling in their name and objectives. Given that all the cooperatives engaged in the study were at one time registered and no cooperative can be registered without its constitution, the chances are that the 34% did not understand what a constitution is.

It is possible that they did not even participate in the filling in of their objectives in their constitution draft or even the registration process. In the case of farm workers being enticed into forming a cooperative, the departmental officials drew up all the documents and applied for registration on behalf of the membership. Where the *Indunas* and Ward Councillors had enticed a group into forming a cooperative, again here SEDA drew up the documents required for registration and then the DEDT took over the registration process. In such instances, only the members involved in the registration process were likely to know about the existence and contents of the constitution.

Those who joined a cooperative after it had been registered were also not likely to know about the existence of the constitution and other documents. Some members who were illiterate neither knew about the existence nor the contents of any of the documents.

Investment Policy

The investment policy is a document that outlines the areas in which a cooperative hopes to invest in and also stating how and when. 24% of the respondents said that their agricultural cooperative had an investment policy while 76% said that they did not have. It is still possible that some cooperatives have these documents but the members did not participate in the drawing up of such document and were therefore not aware of their existence. Some cooperatives might not have been in possession of the Investment policy because their objective for forming or joining the cooperative was not to invest in a business but to access support from the government and various other stakeholders. Both official A1 and official D2 said that they no longer listen to anyone or group that say to them: “We have started a cooperative.” They came to the realization that such people did know what it entails to be in a cooperative and were only seeking financial support from the government and as soon as they got the support, they disappear.

The graph below (Figure 10) shows the responses of the members of the cooperatives on the availability of the documents as required by the act.

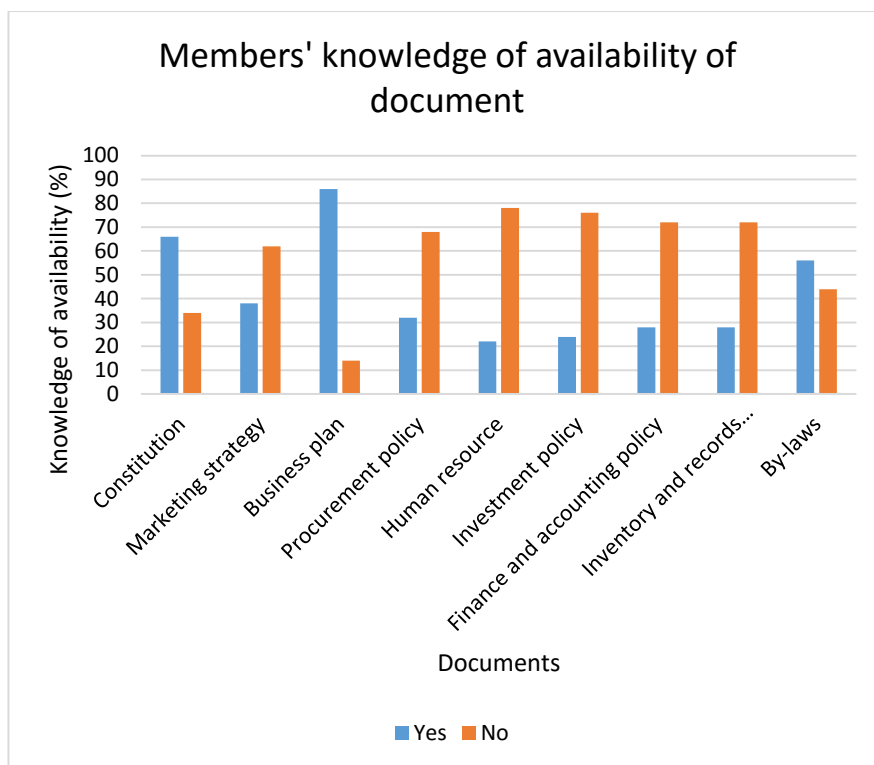


Figure 10: Members' knowledge of availability of documents

Source: Authored by student

Human Resource Policy

The Human Resource Policy describes the relationship between the agricultural cooperatives and its employees who in most instances would also be the owners of the cooperative. For most of these cooperatives, since they also doubled up as employees of their respective cooperatives, the human resources policy defined the terms and conditions of their engagement. As mentioned earlier, members of the six agricultural cooperatives that are currently active in farming are all working on group farms, two that collapsed were involved in group farms, and the two that are still looking for land will engage in group farming as well. On these group farms the members of the cooperatives are also employees, hence the need for a very comprehensive Human Resource Policy.

79% of the cooperatives do not have a human resource policy document. Departmental official A1 has had to deal with cases where members of cooperatives take their cooperative to the Commission of Conciliation Mediation and Arbitration (CCMA) that solves labour disputes, only to be reminded a few minutes into the interrogation that they are in fact the owner of the cooperative. Some cooperatives don't have the human resource policy, others could have the

document but because of illiteracy levels, they do not understand the content and therefore assume it is not there.

Marketing strategy

Agricultural cooperatives are businesses that should make economic sense, hence the need for a marketing strategy. When asked about their marketing strategy 61% of the members said that they did not have. Some of the members wanted to know what they needed it for. The explanation for this could be the same as that of the knowledge on the availability of a constitution, but the marketing strategy is neither a prerequisite for registration with CIPC nor for a loan application. The chances are that most cooperatives have not realised the need to make or acquire one. Given that most cooperatives are characterised with very low literacy levels, such a document can only be obtained by hiring a consultant and this could be very expensive and therefore not worth the effort.

This implies that if the document is not availed to them by a donor, they would spend money on it strictly when it is necessary. Even if the document was required for a loan application most of the cooperatives would not need it since they were being encouraged to get a grant from the DTI instead of borrowing from Ithala Finance Corporation. According to some public officials interviewed, the loans from Ithala Finance Corporation and ABSA Bank have led to the collapse of most of the cooperatives, not only in the district but in the province as a whole. Official D1 confirmed that the advice to cooperatives at that time was for them to seek funding from the Cooperative Incentive Scheme (CIS) grant instead of loans from Ithala or ABSA.

Procurement Policy

The procurement policy gives guidelines on the procedures that need to be adhered to when purchasing goods or services for the cooperative. For example, before purchases are made three quotations must be obtained and the items should be bought from the cheapest seller. Whenever a cooperative applied for the DTI's Cooperative Incentive Scheme, which gave grant for purchase of items, the cooperative was supposed to present three quotations. CIS was then supposed to purchase for that cooperative the item from the cheapest seller unless a good enough reason as to why the item should be bought expensively was supplied. It aims at discouraging misappropriation of the cooperative's funds while promoting transparency and accountability.

When asked whether they had a procurement policy, only 31% of the respondents said “Yes” and 69% said “No.” Again, here it is possible that some cooperatives did not have a procurement policy because they were not aware that the Act requires them to have such a document, or they imagined they did not need one since it was not a requisite for registration or loan application. For some cooperatives however, the chances are that they had the procurement policy but because these particular members were not involved with purchases, they were not aware of the existence of such documents.

When the researcher went to interview official D2 who was in charge of cooperatives in a municipality, this officer was going to purchase some inputs for a cooperative. This could be a justification as to why some members of cooperatives did not know about the existence of the procurement policy. For some cooperatives the inputs are provided by partners, particularly the government, therefore they feel accountability is not a challenge as after all it is not their money.

When the members are not aware of the existence of set and documented procedures on how money is managed or spent, they become suspicious and will have no internal avenue to allay their fears. Official A1 gave an example of instances where members of cooperatives, because of mistrust, came to report that they suspected the treasurer had stolen the cooperatives money. Every time such complaints arose, this official would remind the complainants to refer to their constitution and procurement policy documents and the problem would be solved.

Finance and Accounting Policy

These policies aim at holding the board of directors accountable to the members of the cooperative. When asked whether their cooperative had a Finance and Accounting Policy, 28% said "yes" and 72% said "no." This implied that most cooperatives did not have this document, which is not true, given the significance of the document.

The finance and accounting policy is a document that stipulates how accounting records and financial statements of the cooperatives are to be recorded, presented and stored. These documents of a cooperative were supposed to be audited annually unless an exemption is granted by the DTI (DTI, 2005: 47). Even when an exemption was given the cooperative had to send a simple statement of income and expenditure to DTI and South African Revenues Services (SARS). During application for registration a cooperative must indicate who would

be auditing their books and this must be someone registered in terms of the Public Accountants and Auditors Act. On a Cooperative's Certificate of Registration the details of the appointed auditor must also appear.

If a cooperative fails to send its audit report to CIPC or apply for exemption it is automatically deregistered. In fact, this is one of the reasons why even the District Coordinator of Cooperatives could not give the exact number of cooperatives in the district because according to another official: "Some organisations still behave as cooperatives and yet they have been deregistered."

Either because of the low literacy levels or the members not being involved in their formulation, most members of these agricultural cooperatives were not aware of the documents they have as a cooperative.

Inventory and records Management Policy

An inventory is a record of the assets of a cooperative as members need to be acquainted about their assets and liabilities. A policy on how these crucial records are going to be drawn up and managed give the prospective members of an agricultural cooperative an assurance that their efforts and investments are secure.

When asked whether their agricultural cooperative had an Inventory and records management Policy, only 28% said "yes" and the rest said "no." The few cooperatives that have this document are the ones whose members are literate or the ones that are being managed by the DEDT officials. Most of the cooperatives might not have this policy document because there is nothing compelling them to do so. Where the literacy levels are low, as is the case with most of these cooperatives, it could also be a challenge to find a competent member who is able to keep these records. Officials A1, A2 and A3 and Mentors M1, M3 and M4 observed that some of the cooperatives do not keep even minutes of meetings because of low literacy levels.

By-laws are the internal rules and regulations that members of the cooperative use to relate to each other, yet these laws should not contravene the laws of the land. When asked whether their cooperative had by-laws, 56% of the respondents said "yes" but 44% said "no." For a group of people to work together there must be rules and regulations that guide them. When asked whether they have rules in their organisation, every respondent said "yes." The 44% who claimed to have no knowledge of the existence of their by-laws do not understand what by-

laws are and this is because of the low literacy levels among a majority of the respondents. The chances are that some cooperatives do have the by-laws but the new members have not experienced the effect of these by-laws because they have not been implemented. For example, one cooperative has it on paper that should a member fail to pay monthly savings by the fifth of every month, then the penalty is fifty percent, but no member has ever paid this hefty penalty. This could also be attributed to the fact that some cooperatives opt to have very lenient and flexible rules in the early stages in an attempt to attract more members and also to enable the group to sail through the stormy phase after its formation (Harper and Roy, 2000: 138).

As mentioned earlier, some cooperatives might not have these documents because they are not able to draw them up and cannot afford to hire the services of an expert. It is critical to point out that having these documents does not guarantee that they are being adhered to. Some agricultural cooperatives could have these policies, for example, the constitution, because they were compelled to have them or because they were prepared externally, but that does not mean that their operations as a cooperative are being guided by these documents. Some officials blamed the failure of these agricultural cooperatives to comply with these requirements of the Cooperatives Act No 14 of 2005 on the low literacy levels among members of agricultural cooperatives. Another group blamed the Act which they considered rather too demanding and confusing in some aspects.

7.9 Summary

Since 2004 many agricultural cooperatives have been registered in uMgungundlovu District of KwaZulu-Natal Province. This has been motivated mainly by the aggressive promotion of cooperatives by the KwaZulu-Natal Provincial Government. The premier's office had spearheaded the campaign to mobilise the citizenry, particularly among the unemployed in the rural areas, into forming agricultural cooperatives. The departmental employees were coerced into motivating the formation of cooperatives, and for some, performance was based on how many cooperatives they formed or visited, or how much money was disbursed to cooperatives.

The policy document stipulates that a cooperative can have as few as five members and the public officials tasked with initiating these cooperatives and other stakeholders who supported cooperatives preferred to have cooperatives with a smaller membership. As a result of this, most cooperatives had as few as three members while others existed only on paper. As Ostrom

(1990) observed some of these cooperatives prefer a small membership because of the anticipated higher percentage profits. Whenever they decided to share a loan, grant money or money from sale of their produce they would each get more as compared to when there are many members. This became evident when despite the small membership some of them felt they had enough members and there was therefore no need to increase their numbers. Some agricultural cooperatives had a small membership because it was easier to find five people and form a cooperative, as required by law. Ignorance about the idea of cooperatives hindered people from joining and this kept the numbers low. Those who wanted quick returns from the cooperatives pulled out after realising that such were not forthcoming and this kept the numbers diminishing. There were also complaints about frequent droughts among members of cooperatives as well as the stakeholders. This could also have contributed to the small membership. These memberships are too small compared Ostrom's (1990: 26) of 50. They cannot meet the costs that come with self-governance in collective action

High annual rainfall averages and warm temperatures experienced in these areas make farming attractive and the formation of an agricultural cooperative in uMgungundlovu District suitable. The suitable conditions help to minimize uncertainty among prospective members of agricultural cooperatives (Ostrom, 1990: 33). This reduces the cost of farming, thus motivating people to collectively engage in farming activities (Ostrom, 1990: 30). The government has tried to create an enabling environment for agricultural cooperatives to thrive in by developing a suitable policy (The Cooperatives Act No 14 of 2005) in place and availing all sorts of support. Unfortunately most of the citizenry and even the public servants who were meant to implement the Act were not even aware of its existence. Evidently, as proposed by Ostrom (1990: 33) that an enabling environment motivates collective action, the good weather, fertile soils, gentle terrain and a suitable policy had motivated the formation of these agricultural cooperatives. If the conditions were not conducive for farming members of these agricultural cooperatives could have formed other types of cooperatives.

The DTI has prepared a constitution that is used by all cooperatives, thus none of the cooperative are using a constitution that they prepared themselves. Very few members of these agricultural cooperatives understand the contents of this constitution that has been prepared by the government and therefore no cooperative adheres to it in a serious sense. Without binding agreements or an understanding of the documents, commitment becomes a problem and this makes the management of the organisation difficult (Garnevska et al., 2011: 76)

None of the cooperatives had an influential figure or role model from their community to motivate and introduce them to partners and mentor them. The cooperatives relied on *Induna* who were politicians and neither successful farmers nor businessmen and therefore not the best placed to mentor these cooperatives to succeed as business ventures. Ostrom (1990) gave an example of who motivates the group to act collectively. Some of the members of these cooperatives indicated that someone like the professor from the University of KwaZulu-Natal would have been ideal to mentor them. Unfortunately, none of them had an ideal role model as some of them relied on political figures who knew nothing about government procedures and lacked any knowledge in farming. Other agricultural cooperatives relied on public servants who could not give their organisations the required attention because of their overwhelming workload and who also lacked technical expertise in farming. These agricultural cooperatives need leaders to guide, encourage and shoulder some of the collective costs, especially in times of uncertainty (Ostrom, 1990: 166). Thus, lack of leadership has minimized the likelihood of joining and engaging in self-organised collective action.

In all of the cooperatives with an exception of one (Cooperative S) the membership consisted of Zulu speaking individuals who knew each other well. The cooperatives consisted of a membership that was almost homogenous culturally, economically and socially, although the gender was mixed. These people had a common past and shared norms, they had engaged in the cultural and social activities over the years. They understood each other's capabilities and weaknesses and were therefore able to support and keep each other on check. Culturally there are roles for males and females and beliefs about land this is likely to negatively affect the activities on the farms. For example where it is believed that women are not supposed to own land, it would be difficult for women to lead or actively take part in decision making about the farming activities. Ostrom (2003) observes that among those who appreciate differences, heterogeneity attracted collective action, but among those who felt secure amongst their contemporaries, homogeneity attracted collective action. The effects of South Africa's past in which the Apartheid government entrenched mistrust, not only in racial lines but also among black tribal groups in the country still remains an issue today (Zondi, 2014).

The youth are not attracted to farming, because the notion of the farm that they have is that of poor Blacks farm workers. They associate farming with poverty, therefore farming is not a career option among the youths in South Africa. These explain why in uMgungundlovu District, homogeneity attracted involvement in collective action (Garnevska et al., 2011: 75).

All these cooperatives seemed to have a sense of identity at inception. Having been registered, almost all the cooperatives had acquired a legal standing, although some of soon lost this after they failed to submit their tax returns to SARS and the DTI. Two of the cooperatives had already collapsed. Ostrom (2003) observed that having a sense of identity draws people with common interests into acting collectively. Polletta and Jasper (2001: 286) concur that collective identity which is often expressed in name, narratives and symbols among others, play a critical role in the creation of collective action. The assurance that this is a legal entity formerly recognised by various institutions could have attracted people into forming these cooperatives. Although, according to Ostrom (2003) if the costs of acquiring this legal standing are too high then people would shy off from forming such organisations. As has been mentioned, for most of these cooperatives the costs required for the registration of their cooperative was two hundred and forty five rand (R245.00). The costs for the constitution and SARS number, among other things were met by other government institutions. Thus, they incurred minimal costs in acquiring their legal status which enabled them to solicit support from the government. However, where maintaining this legal status became expensive, for example, when under obligation to send annual returns to CIPC and SARS, cooperatives did not comply and this led to them relinquishing their identity as they were deregistered.

Ostrom (1990) observed that binding agreements motivate people into acting collectively because they minimize uncertainty among actors. The legally binding agreements stipulated in the documents, such as the constitution, by-laws, human resource policy and others enabled a cooperative to acquire not only recognition and support but were also critical in solving both external and internal conflict. None of the cooperatives could be said to have complied with these requirements of the policy as they did not have the required vital policy documents stipulated by the Act. Lack of these documents meant that there was no guidance in times of uncertainty and therefore each of the members concerned could act in any manner they deemed suitable. This subjects participants to unnecessary squabbles that eventually lead to the cooperative collapsing which is discouraging for both the old and new members from joining or forming a cooperative.

These cooperatives lack past successful experience, a sense of identity, binding agreements and there are no champions to assist them to fight the uncertainty that is characteristic to the teething stage of these organisations. Although, the membership for these cooperatives are

homogeneous and small, there are incentives from the government, including an enabling environment but despite this, most of these cooperatives have failed to take off. Their potential to attain collective action is diminishing. Before and after a cooperative is formed, various resources are utilized in order for the membership to realise benefits. The next chapter looks at resource attributes of these agricultural cooperatives.

CHAPTER 8

RESOURCES FOR COLLECTIVE ACTION AMONG AGRICULTURAL COOPERATIVES IN uMGUNGUNDLOVU DISTRICT

Resources are the attributes that present the agricultural cooperative with the means to perform its functions. Availability and accessibility of resources as well as sustainability thereof is critical for the sound operation of an agricultural cooperative. According to Ostrom (1990: 92) success in self-organised collective action is dependent on “congruence between appropriation and provision rules and local conditions,” amongst other things. In these agricultural cooperatives members are not actively involved in farming before joining the cooperative thus appropriation does not arise. This study therefore concentrated on how participants acquire or provide resources as well. Thus, participants are expected to make sound decisions regarding acquisition or provision of time, finance capital, land, infrastructure and equipment, market, information and skilled and unskilled manpower (Ostrom, 1990). Some factors such as a small membership number are suitable for the formation of cooperatives but negatively influence the resource base of a cooperative. As was the case in India where as few as 11 farmers could form a cooperative but this meant limited resources, thus no expansion (Das, Palai and Das, 2006: 8).

This chapter therefore describes in detail the availability, accessibility and sustainability of some of the resources among the agricultural cooperatives in uMgungundlovu District. Provision of these resources is evidence of well-drawn and adhered to rules, thus self-organised collective action among the agricultural cooperatives. Thereafter, under the conclusion these findings are compared with Ostrom’s (1990) views regarding resources’ accessibility and sustainability in collective action. The respondents’ views and also literature on the availability or accessibility of each resource to cooperatives is narrated or presented on graphs and tables.

8.1 Resources among these agricultural cooperatives

Some of the resources looked at by the researcher include:

8.1.1 Time and effort

Participants are expected to have regular meetings in which decisions about the operations of the organisation are made. Most agricultural cooperatives indicated that they held meetings fortnightly, while others held monthly meetings. This indicates that in almost all the surviving cooperatives members set aside time to attend and participate in meetings.

At the time of the study, seven (P, Q, U, V, W, X and Z) of the ten agricultural cooperatives that engaged in the study were composed of a membership that is supposed to work for the cooperative, with the chairperson acting as the manager. One of these seven agricultural cooperatives had already collapsed because of free-riding and shirking, where members of the cooperative who were employees would seek any opportunity not to turn up for work on the communal projects. The members of such agricultural cooperatives are expected to spend time working on the communal projects/farm instead of hiring employees for their activities. Not working on the farm poses a challenge in two ways for such cooperatives: firstly, they would have to raise funds to pay employees' wages and secondly, they would have to entrust a competent manager to act on their behalf in an attempt to ensure that the activities of the agricultural cooperative are carried out efficiently and effectively (Lyne and Collins, 2008). The other three cooperatives (R, S and T) members did not have time or make an effort to spend time on the affairs and activities of the cooperative, due to the fact that they were employed elsewhere. The business was left at the mercy of the employees, who need very close supervision as they were not members of the cooperative, without which, engagement in any form of business venture becomes quite risky. As mentioned earlier, one of these three cooperatives (R) had already collapsed because they could not afford to hire a manager and none of them had time to spend managing the cooperative's projects. The two (S and T) that were up and running at the time of the study had the members supervising the projects in shifts while the other one had a volunteer supervisor for all the cooperative's projects.

When asked what occupation they were engaged in since joining the cooperatives, 59% of the respondents from these agricultural cooperatives said they were employed by their agricultural cooperatives. Since the land is owned communally, they were all supposed to spend equal amounts of time working on the farm. Unfortunately, such cooperatives were struggling with the challenge of free-riding and shirking where some members deliberately spent the least time

possible working on joint activities of the cooperative while still expecting to reap equal benefits (Nganwa, Lyne and Ferrer, 2010).

20.4% of the respondents from the agricultural cooperatives said they were still seeking employment. From the pre-interview discussions held between the interviewer and the members of various agricultural cooperatives, a common problem faced them when members left the cooperative as soon as they found employment elsewhere, particularly in the cities. This implies that the attitude of some members of agricultural cooperatives is that their cooperatives are not good employers and therefore are not worth spending any valuable time and effort with. Seemingly, in the minds of these co-operators, benefits from cooperatives will never be good enough. Cooperatives as a form of collective action require expending time and effort and shifting and acting in order to attain economic benefits and sustainability.

With an exception of cooperative P, where members earned monthly wages, in all the other cooperatives no income was guaranteed to the participants. The attitude of these members towards their agricultural cooperatives may be interpreted as being negative, but on the other hand it can be justified. The members need food, clothing and other basic necessities, not only for themselves but for their families as well and all these require regular income. Since the income from the farming activities of the cooperative is irregular and not guaranteed, they are forced to seek alternative means of survival from elsewhere. This means that members who are employed by their cooperatives which do not offer monthly wages, as is the case with most of those engaged in this study, the members therefore cannot spend all their time working for the cooperative. As was seen with cooperatives S and T where members were guaranteed a better income from other sources, they were able to hire labour for their cooperative.

8.1.2 Information

Members of agricultural cooperatives are supposed to be informed about the government's policies on cooperatives, available opportunities and partnerships, as well as technical issues with regards to management of their organisations, farming and other undertakings. A majority of members of agricultural cooperatives that were involved in this study said they relied mostly on *Indunas* and Ward Councillors for this sort of information. Other sources of information that the respondents admitted to have used included: the DEDT departmental officials like the

District Cooperatives Coordinators, the Mentor, LED officials from the Municipality, officials from Department of Agriculture, newspapers, television and the radio.

About 20% of the respondents indicated that they get information on cooperatives through the community radio stations such as Ukhozi FM, Igagazi FM and the TV. Two cooperatives, T and X attributed their cooperatives' formation to Ukhozi FM and Igagazi FM respectively. These two radio stations have been contracted by the KZN Premier's office and the DEDT to host documentaries and talk shows on cooperatives. There are newsletters and magazines such as the *Farmers Weekly* which give information on farming events and trends, sales of farm equipment, produce and land. However, these are mostly written in Afrikaans and English, thus members of these emerging black cooperatives are not able to read them. Most respondents were not even aware of the existence of this magazine and only three (6%) of the interviewees admitted that they read them.

The local newspapers such as *The Times*, *Edendale Eyethu*, *Isolweze* are also a source of information to members of agricultural cooperatives. Tenders from government departments such the School Feeding and Nutrition Programmes from the Department of Education, support from various organisations such as African Rising Capital and Gijima are all advertised in the newspapers.

Various government departments such as the DTI, the DEDT, Ithala Finance Treasury and others have relevant information and forms for accessing various services on their websites. For example, the CR6 form found on the DTI site is for informing the DTI about any change to the board of directors in a cooperative. Due to poor literacy levels among the agricultural cooperatives membership and also the lack of access to the internet has hindered most cooperatives in uMgungundlovu District from using the internet as a source of information. Only respondents from one cooperative, S admitted to having access to and using the internet to gather relevant information. Other stakeholders such as Ithala and DEDT also advertise on billboards that are displayed strategically, for example, near taxi ranks. However, none of the respondents quoted the billboards as a source of information.

Information could be available but accessing it is the challenge because of illiteracy rates among members of agricultural cooperatives. The impact of illiteracy would also become apparent when the officials or mentors would explain complex concepts from the policy

document as well as while teaching other skills to the members, such as bookkeeping. For example, official A2 said that each time he met a group he had to start all over again, even if it was the fourth meeting he had had with them. He could not explain if it was because either they had not understood the first time, or they had forgotten. When a rally is being held in a far off location, members of cooperatives are not able to travel there because of lack of funds.

8.1.3 Marketing

Modern cooperatives are businesses that must make economic sense, hence the need for a marketing strategy (USDA, 2002). Without a market for an agricultural cooperative's produce, all the effort is in vain. This is why market is a significant resource for cooperatives, just as it is for other businesses (USDA, 2002) Agricultural cooperatives must ensure that a market is available for their products before embarking on any form of production because most of the produce is perishable (Hussi et al., 1993). It is critical to mention here that the findings of this study point to the fact that only the government and its officials feel that finding a market is a challenge to agricultural cooperatives. Members of agricultural cooperatives on the other hand, did not view finding a market a challenge. DEDEA (2008) promises enablement of access to markets as one of the backup and mentoring needs to be made available to cooperatives. The Provincial Public LED Procurement Policy promised to set aside a quota for cooperatives in the national procurement policy (DEDEA, 2008). According to the KZN-DEDT (2008: 7) monitoring and evaluation report, some of the challenges that cooperatives in the province experienced included: lack of business and marketing skills, lack of access to market and flooded markets that resulted from everyone producing the same produce at the same time.

Information from the departmental officials, other stakeholders and departmental literature shows that finding a market is a big challenge to agricultural cooperatives in the district and the country at large. The government officials, officials from the banks, mentors, managers and ex-managers that were interviewed acknowledged that access to markets was a big challenge to these agricultural cooperatives. When asked about some of the challenges experienced by agricultural cooperatives under their jurisdiction, the most common cited problem was marketing. Some of the responses were;

“No market for produce...”, “lack of markets....”

When asked what the government was doing to alleviate this problem most of the stakeholders, particularly Ithala, the DEDT and the Department of agriculture indicated that the agricultural cooperatives were supposed to feed patients in hospitals and school children in disadvantaged schools. The government departments were supposed to give cooperatives first priority when procuring (DEDT, 2009).

The agricultural cooperatives have been guaranteed procurement priority for Departments of Education and Health feeding programmes but a majority of the agricultural cooperatives engaged in this study did not participate in this programme either because they were not aware of this opportunity or they simply did not attempt to tender out of fear of not meeting the required yet elaborate criteria of time, skill and resources. Others put in a tender but did not meet the requirements and were therefore turned down. While still others successfully applied and won the tenders but failed to supply the institutions because of lack of financial capital which resulted in the termination of their contracts. There was only one cooperative whose contract with Department of Education was still valid and they had hired a private dealer to supply the foodstuffs to the institutions on their behalf. Of the ten agricultural cooperatives engaged in this study, none had a contract with the Department of Health to supply hospitals with farm produce.

The farming activity chosen by these cooperatives to concentrate on particularly those with small farms, were influenced by market. These cooperatives knew that they rely on local markets to buy their produce so they therefore chose a product that would be consumed locally. The respondents from agricultural cooperatives indicated that they sell their produce to their members. It is critical to mention at this point that some cooperatives have more than one selling venue, for example, an agricultural cooperative could be selling to its members and at the same time to the local supermarkets and grocery shops or vendors. Cooperative T sells its produce to abattoirs which in turn sells the pork to butcheries in Pietermaritzburg and Cato Ridge areas. Cooperative V sells eggs to unregistered shops in downtown Pietermaritzburg and stokvels to whom compliance to food safety is not an issue. Cooperatives X and Z sell their produce to their members, but most of it is sold to middlemen who pick the produce up from the farm with their trucks/bakkies. These cooperatives prefer to sell to these middlemen because they too are not fussy about food safety compliance and they do the harvesting and transport the goods themselves.

The members who buy from their cooperatives sell the product at subsidised prices and the money is used to feed their families. Other members purchased in bulk from their cooperatives and then sold to their neighbours or at flea-markets at a profit. Most cooperatives sold their produce within the district. The cooperatives that sold in another district were the ones that were situated at the border so they had access to flea-markets in the neighbouring districts.

However, given the low income levels and a small membership number of these agricultural cooperatives, the membership could not be fully relied on for profitable sales. The membership cannot provide an adequate market for the cooperative's produce if it is at all business-oriented (Le Roux, 2008). Only one cooperative (P) processes its produce (carrots, spinach, peas, cauliflower etc) and sells to supermarkets such as Boxer. Of the ten agricultural cooperatives, only one cooperative (U) sold their produce through New Port, a retail outlet built and managed by the National Development Agency (NDA) solely for the purpose of selling agricultural produce from cooperatives. Although cooperative W has not yet started farming, they intend to sell their produce to the New Port. Respondents from six agricultural cooperatives did not even know about the existence of New Port although cooperative S did but they had not received any financial support to enable them engage in farming as yet.

The supermarkets, New Port, registered grocery shops as well as the departmental nutrition programmes require that foods from the farm meet some set safety standards. Unfortunately most agricultural cooperatives are not even aware of these requirements; they only come to learn about them when they want to sell their produce (Official M1). None of the members of the cooperatives indicated that finding a market was a challenge. Somehow the members had come up with means and ways of disposing of their produce. Most cooperatives, with an exception to cooperative P, do not produce on a large scale for commercial purposes. It is not only the quantity that is small but the production patterns were often inconsistent and unreliable and failed to meet food safety standards. For cooperative P, the DEDT is in charge of all their operations, including marketing of the farm produce. The members therefore have no idea of the challenges they would be experiencing in the cooperative.

8.1.4 Land

Land dispossession processes that were entrenched by the Land Acts of 1913 and 1936 and other policies left the blacks almost landless as they were relocated to the homelands or

Bantustans, areas that were geographically unproductive. The apartheid policies allowed the government and whites to own all arable land. As for the natives, the land belonged to the whole community and only the king or his authorised representatives; chiefs and *Indunas* (headmen who work with the chief and the king) could allocate land to the subjects. Sometimes the process of getting a piece of land from the chief could be cumbersome. Although, in KwaZulu-Natal the DEDT, through the provincial government has made arrangements with the Department of Cooperative Governance and Traditional Affairs (CoGTA) to readily avail land to agricultural cooperatives and other emerging farmers. According to Hendriks and Lyne, (2003) the rural areas occupied by smallholder farmers in South Africa have very limited agricultural potential. Other than being small in size, they are characterised by shallow and rocky soils. This implies that land in these areas might not be productive, or if there are productive spots then they would be small in size.

When asked how their agricultural cooperative had acquired the land they worked on, most respondents said they had been given the piece of land by the *Induna*. 20% of the respondents said they had been given land by the government, 8% said they got a loan from Ithala and 20% of the respondents said they were still waiting to get land. Below is the graph (Figure 11) showing responses on how the agricultural cooperatives involved in this study acquired land.

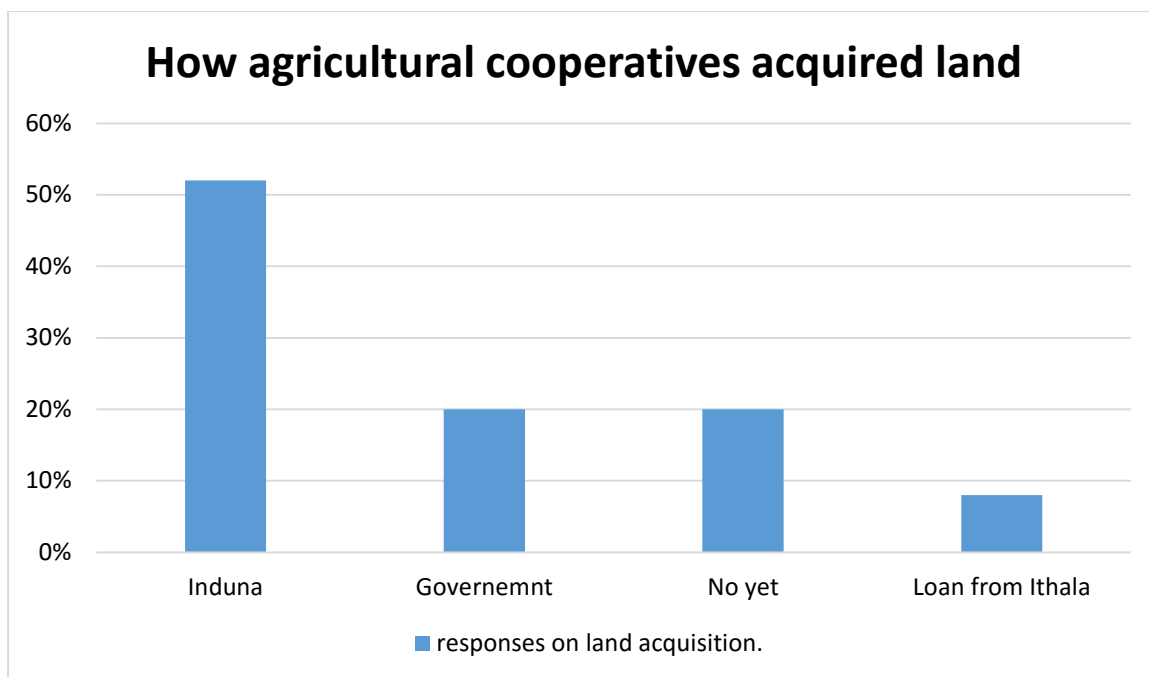


Figure 11: How agricultural cooperatives acquired land

Source: Authored by student

Most respondents belonged to agricultural cooperatives that operated in the rural communities, thus they had to till land from their surroundings. Such pieces of land are very small in size and, as mentioned above, may not be suitable for crop farming. Although when asked about the size of their land, surprisingly, only in one of the eight agricultural cooperatives that were already involved in farming operations, did the members know the size of their land. These are the members of the former agricultural cooperative for which land was purchased by loan from Ithala Finance Corporation. Respondents from the other agricultural cooperatives did not know the size of their land and kept referring the interviewers to the District Cooperatives Coordinator who, according to these members, is responsible for this information. The size and terrain of the land influences whether the farmers would enjoy economy of scale or not and the type of soil influences the type of crops that would thrive in that area. According to the district coordinator of cooperatives, most of these agricultural cooperatives own between five to ten acres which is relatively small for any profitable venture, particularly if it is being worked on communally and does not encourage mechanization.

For the agricultural cooperatives that operate on previously white-owned farms, land and infrastructure is not a challenge. One such cooperative that was still functional at the time of the study had about 50 acres of land under crop. The one that had already collapsed had more

than 100 acres of land, most of which was being rented by a neighbouring white farmer. The white farmer did not rent by paying cash but instead planted mealies on ten hectares for the whole group of former members of the cooperative as an exchange. In all these cooperatives, as mentioned earlier, land is owned communally.

8.1.5 Financial capital/money

As at 2011, only 15 agricultural cooperatives had been funded by the department of agriculture (DAFF, 2011: 20). When asked whether their agricultural cooperative had a bank account, 66% of the respondents said “yes” while 34% respondents said “no” because their cooperatives had already collapsed. Some respondents said “no” but upon further probing, it was discovered that they did not know that the cooperative in actual fact belonged to them. When asked how many shares they had each bought, only five respondents said 200 shares. The other 45 said that they had bought none. When asked how much they contributed monthly in the form of savings, only five said they contribute a minimum of five hundred rand monthly and the rest said they saved nothing with the cooperative. These five are all members of cooperative S. In cooperative Z, when there were no partners to provide for them, members contributed to raise funds for the purchase of farm inputs such as seed. Only two respondents admitted that their cooperative had borrowed from Ithala Finance Corporation but none of the respondents indicated that their cooperative was making monthly repayments for loans borrowed from any financial institution. Two had been financed by the DEDT after inception, one had collapsed (cooperative Q) but the other (cooperative P) was still running at the time of this study. The DEDT continued to fund and oversee all the activities such as repair of machinery, for this cooperative. One agricultural cooperative (R) that started with a loan from Ithala Finance Corporation had already collapsed. Two agricultural cooperatives had started with, and were still dependent on the Cooperatives Incentive Scheme (CIS) from the DTI for survival.

The government, through the DEDT KwaZulu-Natal, gave Ithala and ABSA loans to disburse to cooperatives and other SMMEs. According to an official at Ithala they have been given R330million to disburse. However, the loan repayment rate has been very discouraging, according to officials from Ithala, with the default rate among cooperatives standing at 95% leaving these institutions reluctant to lend to cooperatives in the future. An LED official discourages cooperatives from taking any loans, whether from Ithala or ABSA and should advise instead to apply for the CIS grant from the DTI. According to this official most

cooperatives have had their credit records spoilt due to their failure to pay back their debt. According to this official “loans are not for cooperatives.” Seemingly, even departmental officials are discouraging cooperatives from borrowing money and are instead encouraging them to get grants from CIS-DTI. Ithala Finance Corporation and ABSA bank have also put very stringent conditions on loan applications for cooperatives. This is because most cooperative have failed to pay back loans obtained from Ithala Finance Corporation and ABSA and have instead collapsed.

As already mentioned these cooperatives are characterised by a small membership number. Even the cooperative in which each member bought shares and saved a minimum of five hundred rands monthly, felt that even with what they had raised from the members they could not afford to buy a farm without financial support from the government or a financial institution. Six of these agricultural cooperatives consisted of a membership that was either employed as farm workers or unemployed before joining their respective agricultural cooperatives. Apartheid laws in South Africa ensured that farm workers earned the least, thus they did not have savings or any extra money to buy shares from a cooperative. It is for these reasons that most of the agricultural cooperatives could not engage in any project that requires financial capital, without external financial support.

Some of the inputs that farmers have to access include: fertilizers, seed, animal feed, pesticides fungicides, and others, depending on the type of farming the agricultural cooperative engage in.

The majority (46%) of the respondents from among the co-operators indicated that they rely on the government to supply them with farm inputs. 8% said that they individually supply what is required and 12% said they put their moneys together as a group to purchase the inputs in bulk. None of these cooperatives receives support in the form of farm inputs from an NGO or any other organisation other than the government. The other 34% was no longer involved in farming because the cooperatives had collapsed or they were still waiting to engage in farming. The responses from these members of agricultural cooperatives when asked how their agricultural cooperatives access inputs, is shown in the graph below (Figure 12).

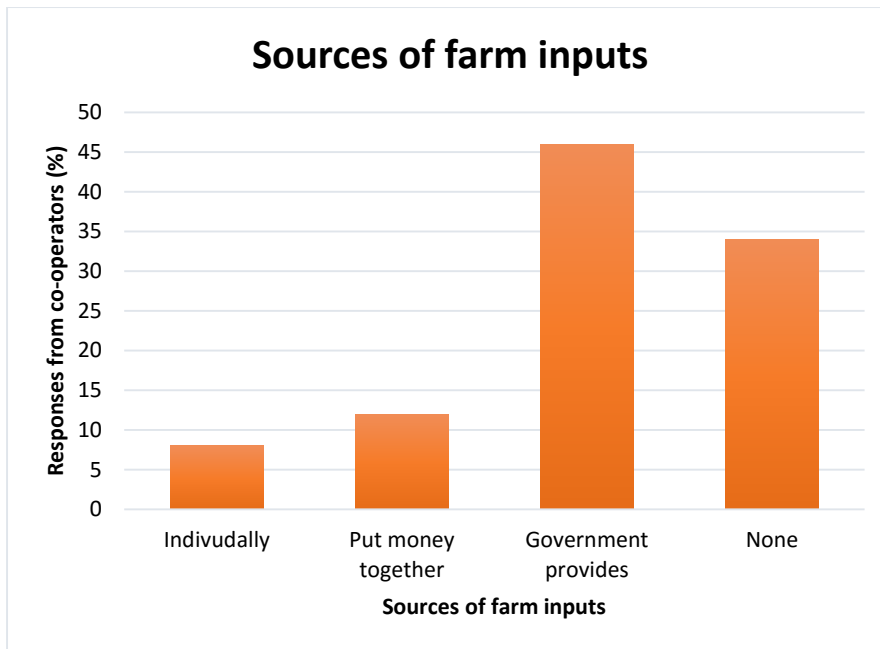


Figure 12: The source of farm inputs

Source: Authored by student

These responses clearly reflect that these agricultural cooperatives were dependent on the government for provision of farm inputs, without which they could not engage in their daily operations.

The Department of Agriculture, Forestry and Fisheries (DAFF) (2011/12: 11) acknowledge that the main challenge facing emerging cooperatives in South Africa, including agricultural cooperatives, is the inability to access funding. The department proposes the need for a development fund devoted strictly to cooperatives to ensure expansion and growth of these enterprises. The trend has been that even in instances where farmers felt motivated, they were unable to implement the idea due to lack of funding. The presence of well-established financial institutions in the country does not benefit the cooperatives movement because often their requirements are too elaborate, rigorous and indefinite for emerging cooperatives to adhere to.

8.1.6 Infrastructure and equipment

Some of the infrastructure and equipment that agricultural cooperatives need includes means of transport, water, energy, office space and office furniture, equipment such as tractors, computers, internet connection, a telephone, storage facilities and various other necessities. Members of agricultural cooperatives who were involved in this study were asked whether

their cooperatives were in possession of or had access to some of the infrastructure and equipment. Their responses have been shown (Table 12) below.

Table 12: Infrastructure and equipment accessible to the agricultural cooperative

Equipment or infrastructure	Yes	No
Vans or trucks(Transport)	1	9
Accessible roads	7	3
Office	3	8
Farming equipment e.g. tractor	1	9
Office furniture	2	8
Computers and internet	1	9
Telephone (landline or cell phone)	8	2
Storage facilities	2	8
Processing plant	1	9
Irrigation system	1	9
Bank account	8	2

Source: Authored by student

Only one cooperative (P) had most of the equipment and infrastructure: Irrigation plant, processing plant, an office block, 2 bakkies, a tractor. Most of the other cooperatives had only a cell phone that they used to communicate and relied on hired transport whenever a need for it arose. This can be very expensive and challenging particularly where the agricultural cooperative is dealing in perishable and sensitive crops such as tomatoes. These cooperatives also had no storage facilities. They were also at the mercy of natural weather conditions and relied on rain water for their crops. Those whose farms are near a river watered their crops manually which was cumbersome and prone to mistakes. For some of these cooperatives the farms are not even fenced and these exposed their crops to thieves and animals such as goats and cows. A majority of the respondents (75%) admitted to having access to passable roads. The National Freeway (N2) cuts across uMgungundlovu District and as Pietermaritzburg is the Provincial headquarter, the roads are relatively good. As such, most cooperatives in the district don't experience the challenge of impassable roads which can hinder farm produce from reaching the market or farm inputs from reaching the farm on time.

The office is where all the documents and records of a cooperative are stored. According to CIPC every registered cooperative must have an office where, other than membership details being stored the Certificates of registration with CIPC and SARS must be displayed on the wall. When asked whether their agricultural cooperative had an office or not, 50% of the respondents said “yes.” One of the qualities of a formal business is having an address, and registered cooperatives being such, it is a requirement that each cooperative have a physical address which should be the location of its office. Other than the two collapsed cooperatives, the other cooperatives must have had places registered as the cooperative’s office since this is a requisite by CIPC. This implies that when some members said they did not have an office, chances are they used one of the member’s house as an office, which can be very challenging. However, if an agricultural cooperative does not have enough resources to build an office on their farm or to hire one then they have no choice but to rely on offers from the membership or public institutions.

Only 24% of the respondents said their agricultural cooperatives have office furniture. Thus, although more agricultural cooperatives have offices, most of them are not furnished. One wonders how and where the documents and records of the cooperative are kept or displayed. When documents are not stored appropriately they can easily disappear or get destroyed and even retrieving such can be problematic.

The five respondents who acknowledged being in possession of farm equipment, such as a tractor, were all from the agricultural cooperative which was sponsored and managed by the DEDT. As mentioned earlier this cooperative inherited the farm and the entire infrastructure from the former white owner. None of the other cooperatives had a tractor. Even the collapsed cooperative which had inherited a farm from a White farmer sold some of her movable equipment during the deregistration process. Owning a tractor does not guarantee profit where the farm is small in size. Economy of scale would not be achieved and thus losses would be incurred. If agricultural cooperatives with small pieces of land formed secondary cooperatives then the tractors would be put to full use and this would make their ownership profitable.

Computers and internet connection are critical tools of trade that a business in this era could not do without. When asked whether their agricultural cooperative had a computer and internet services, only 24% of the respondents (cooperatives P, S and T) said “yes.” The internet offers the cheapest and possibly the fastest means of communication and yet a majority of the

agricultural cooperatives involved in this study did not have access to the internet. This compromises the level and rate at which these cooperatives engage in business.

84% of the members of agricultural cooperatives confirmed that their cooperative had access to telephone services. Almost every member of a cooperative had a personal cell phone which they used to communicate with other members of the cooperative. Only two cooperative (P and S) had both landline and cell phones, the rest had only cell phone services. This was because cell phones are portable while landlines can only be used during office hours by only those who are in the office. As had been mentioned earlier, in most of these cooperatives the members were also the farm workers so nobody spent time in the office in order to receive calls. Cell phones were therefore more appropriate for this set up. In cooperatives P and T the interviewed members said they were able to chat on group "WhatsApp."

Storage facilities are critical for agricultural cooperatives which have to store farm inputs, as well as produce. When asked whether they had storage facilities on the cooperative's farm, only 20% of the respondents, who were all from cooperatives P and Q said "yes," thus the majority of these agricultural cooperatives do not have storage facilities. Not having suitable storage facilities can discourage an agricultural cooperative from investing in farm implements due to safety reasons. Lack of storage facilities also hinder a cooperative from taking advantage of bulk buying of inputs such as fertilizer, diesel and others. Buying raw materials in bulk reduces the overall expenses of an agricultural cooperative (Le Roux, 2011: 4). Since agricultural produce are subjected to price fluctuations, storage facilities can enable a cooperative to time good prices for their produce; by not being in a hurry to dispose of the harvest.

Processing of farm produce means adding value, therefore processed goods earn more money in comparison to unprocessed ones. Only five of the respondents, all from cooperative P said they had a processing plant that adds value to their produce. The remaining 90% did not have. This means that the majority of these agricultural cooperatives fetch lower prices for their produce, thus less profits. Processing on the farm also means more labour, thus more employment opportunities.

Only two cooperatives (P and Q) represented by 20% of the respondents have irrigation systems on their farms. Unfortunately one of these cooperatives (Q) had already collapsed

meaning the irrigation system on that farm is of no benefit. When asked to list some of the challenges affecting these agricultural cooperatives, most stakeholders commented that drought was a problem. The only solution to drought is irrigation of crops. Thus, without an irrigation system, most of these agricultural cooperatives are left vulnerable to the unpredictable weather conditions. This not only results in loss of crops but it also causes a lot of uncertainty and anxiety among the co-operators which could otherwise have been eased with the availability of irrigation systems.

8.1.7 Skills and expertise

According to the DAFF (2011/12: 11) report, most members of agricultural cooperatives, nationally, had low literacy levels and lack of capacity building among the members of cooperatives which hinders the success of cooperatives.

Among the 50 respondents who were members of agricultural cooperatives, a majority of 26 attained a primary school level of education, 11 a high school level, 4 a certificate, 2 a diploma, 6 a bachelor's degree and 4 an honours degree and above. The levels of education of the respondents have been presented in percentage form in the pie chart below (Figure 13).

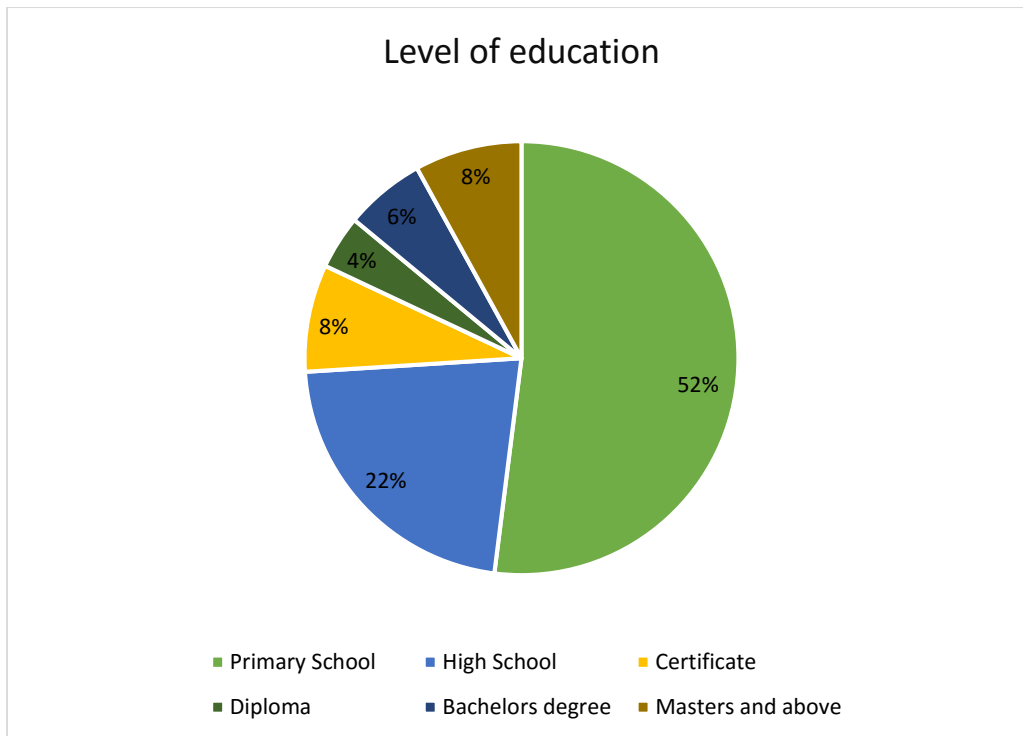


Figure 13: Literacy levels of members of cooperatives

Source: Authored by student

Literacy levels determine whether one is even able to read instructions and follow them, therefore it can be deduced that the literate are better able to communicate. As had been mentioned in the methodology, the semi-structured questionnaire for this study had to be translated into Zulu and then administered by interviewers because most of the respondents were not able to read and write. In South Africa the idea of cooperatives (agricultural cooperatives included) is being promoted among the rural poor, who are also illiterate. Literacy influences the ability of one to understand and respond to issues. Acquisition of skills and expertise begins with academic qualification which influences the level of understanding of complex issues. A departmental official (3) commented that, “empowering with management issues can only come after dealing with illiteracy.” The levels of education of the respondents clearly point out their professional qualifications and their fields of expertise. Of the 50 respondents from agricultural cooperatives involved in the study, there was one book-keeper, one accountant, one agriculturalist, two marketing specialists, five management specialists and 32 did not have any form of professional qualification. The remaining eight were from various fields such as education, health and others.

The graph below (Figure 14) shows the professional qualifications of the members of agricultural cooperatives in uMgungundlovu District who participated in this survey.



Figure 14: Members' professional qualifications

Source: Authored by student

Admittedly, agricultural cooperatives in uMgungundlovu District lack skill and expertise and yet farming not only requires expertise in agriculture but in other areas such as book-keeping, law, marketing and management too (KZN-LED, 2006: 5).

When asked whether members of their agricultural cooperatives had expertise in the type of farming they had engaged in, 48% of the respondents said “yes” and 46% said “no.” Where the respondents were previously farm workers, they assume that since they have always worked on that farm, they have the technical expertise. On the same note when asked who they rely on for technical expertise, the responses contradict the previous ones. The chart below (Figure 15) represents the responses of members of agricultural cooperatives on their source of technical expertise for their organisations.

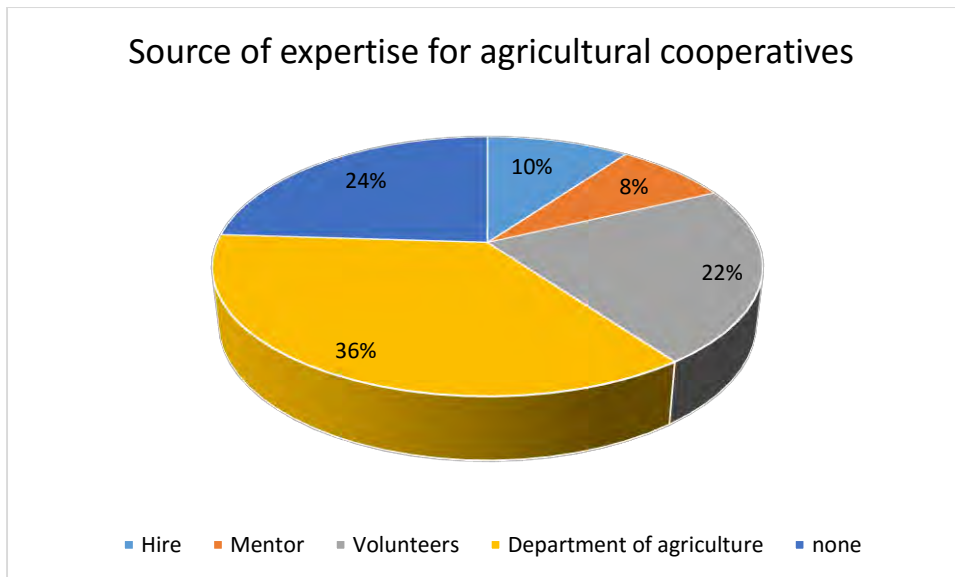


Figure 15: Source of expertise for agricultural cooperatives

Source: Authored by student

10% of the respondents said that they hired technical expert services for their cooperative, 8% said they relied on the mentor from the KZN-DEDT, 22% said they relied on volunteers, 36% said they relied on the extension officers from the Department of Agriculture. The mentor from the KZN-DEDT has no technical skills in agriculture, therefore this 8% did not fully understand the meaning of "technical expertise". For the cooperatives such as Q that had a share-cropping arrangement with the white farmer, the members did not receive technical advice because the farmer carried out all the operations. Most agricultural cooperatives lack financial capital and therefore cannot hire expertise, more so if they are aware that there are free services from the Department of Agriculture.

The challenge of lack of skill and expertise among agricultural cooperatives is rooted in South Africa's history of apartheid policies. Hyam (1967: 297-8) indicates that the recruiting of the labour market "... provided the pattern for much of the twentieth-century economy, a pattern dominated from the first by black unskilled labour, subject to the colour-bar, and in weak bargaining position in industrial relations because the magnates had the support of the law to ensure adequate supplies - taxation pushed Africans into white employment, and land regulations pushed them off the land; and the magnates developed their own monopolistic recruiting system." Thus, the blacks could not engage in farming. Very few resorted to subsistence farming but a majority were driven to work as labourers on the white farms and

mines. In the “emerging” cooperatives not only is the idea of cooperatives new but for agricultural cooperatives, farming is also a new practice.

Apartheid has also played a critical role in influencing the level of education among black South Africans. Blacks were deliberately given inferior education that prepared them for manual work. They did not therefore have an opportunity to acquire basic but important skills such as book-keeping, marketing, management and others.

These cooperatives are relatively young, very small in their membership and they cannot afford to hire a manager. The illiterate members have to elect some of them to the board, who are then supposed to run their cooperatives. According to one mentor, the board of directors is responsible for management of members who are the workers, financial management and preparation for meetings such as the Annual General Meeting, “they actually implement the Cooperative Act of 2005.” This is not possible if the membership and the board of directors has low literacy levels and lacks the understanding of the cooperatives act or the concept of a “cooperative.” This makes the organisation unsustainable and often leads to the collapse of the cooperatives. New businesses, particularly agricultural cooperatives, are seldom established in the absence of close supervision of the owners who need a good understanding of the business. Most stakeholders concurred that the low levels of education among the co-operators negatively influenced their ability to understand the Cooperatives Act No. 14 of 2005 and thus comply with it. The Departmental official A1 felt that the literacy level was a big hindrance to the development of cooperatives in the district because members of agricultural cooperatives are not able to understand what a cooperative is.

The DEDT KwaZulu-Natal through the Further Education and Training College organises training for members of newly formed cooperatives so as to equip them with basic book-keeping and management skills. For agricultural cooperatives the members are also offered training on farming skills at Cedara Agricultural College. The District Mentor also trains members of cooperatives on management skills, book-keeping skills and equips them with an understanding of the Cooperatives Act No 14 of 2005 to enable them comply. When asked whether they had received any form of training since joining the cooperative, 76% of the respondents said “yes” and only 24% said “no.” When asked who had sponsored the training all 34 of the respondents said that government had sponsored their training and 4% said they had been trained by “other”, although they did not specify who this was. Members of a

cooperative were trained as a group and depending on the agreement between the department and the service providers (the FET or Cedara Agricultural Institute) the members of the cooperative go to the institutions for such training.

The pie chart below (Figure 16) shows members who received sponsored training as well as those who had not received training.

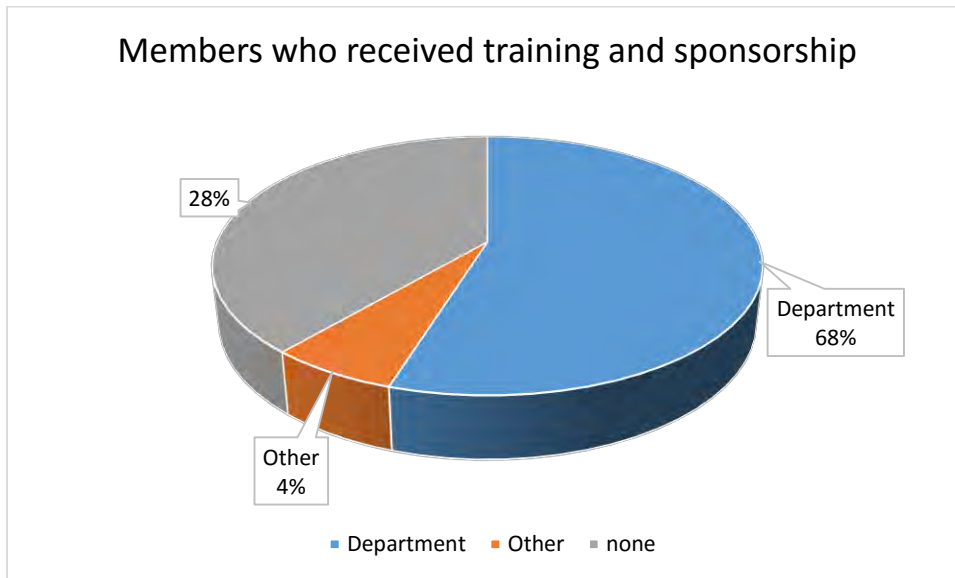


Figure 16: Members who received training and sponsorship

Source: Authored by student

60% of the respondents said they had received training within the uMgungundlovu District, but 16% said they had received training in other districts within the province. The choice of courses offered by the researcher included law, book-keeping, accounting, agriculture, marketing, management and others. When asked which courses they had received training in none of the respondents indicated that they had been trained in accounting and marketing. Only one had been trained in law, 5 in book keeping, 14 in agriculture and 18 in management. Cooperatives have to submit their books for auditing annually to help the government keep track of their financial undertakings as well as to keep their financial records in a way that promotes transparency and trust among the members. It is for this reason that the government and stakeholders consider book-keeping as one of the priority courses for members of cooperatives. But again, how does someone who does not know how to read and write learn to keep accounting books? The graph below (Figure 17) represents the co-operators responses as

to the type of training they had received since joining their agricultural cooperatives and what they still needed to have training in.

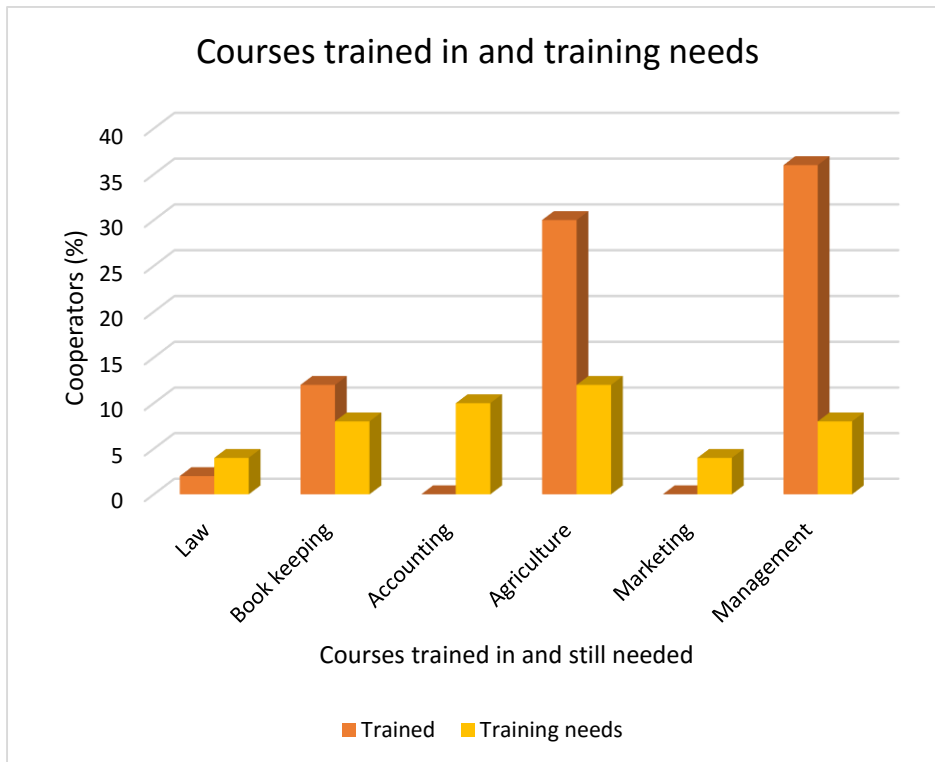


Figure 17: Courses respondents had trained in and their training needs

Source: Authored by student

When asked whether the training they had received helped them become better co-operators, all those who had received training, with an exception of one, said “yes.” As was mentioned earlier, ‘cooperative’ is generally a new concept among black South Africans as it was previously identified with the apartheid system (KZN-LED, 2006). Any form of training therefore, gives participants an understanding of cooperatives. When respondents were asked to advise their training needs, only two indicated that they would be interested in acquiring skills in law, four chose book-keeping, five in accounting, eleven in agriculture, two in marketing and four in management. From these responses it is clear that most members of agricultural cooperatives realise that they lack technical skills in agriculture which is critical to the success of their operations. Most respondents from the departments and other stakeholders all concurred that members of agricultural cooperatives need training in farming skills. One of them even suggested that members of agricultural cooperatives should not be sent to Cedara

Agricultural Institute for these trainings but rather offer onsite training which would make the process more practical and relevant. Agricultural cooperatives have to solicit the services of accountants exorbitantly every year and this could be the reason why some members of agricultural cooperatives felt if they could do this internally then they would save some money.

Although none of the members of these agricultural cooperative have been trained in marketing, the responses from some of them indicate that they have either experienced or come to the realisation that marketing skills are critical to the success of their agricultural cooperatives.

8.2 Sustainability

The collapse rate of cooperatives in the province, and nationally is a reflection of the lack of sustainability in the cooperatives movement of South Africa. According to the department officials and other stakeholders interviewed, the death rate of cooperatives in the district is more than 90%; a clear indication of lack of sustainability. Eight of the ten agricultural cooperatives involved in this study had members who were previously farm workers or unemployed and were enticed into joining or forming a cooperative by government officials or politicians. These members did not buy shares from their cooperatives and did not make monthly contributions. The issues of share capital therefore, do not arise among these agricultural cooperatives. As already mentioned, most of the cooperatives rely on the government and other stakeholders for both financial and non-financial support.

Hussi et al (1993: 20) observed that in the entire continent of Africa, any social grouping, formal or informal that relied on external support survived only for the period the support lasted. They indicate that lack of member investment in “the form of share capital is one of the troubling issues, particularly for African cooperatives” (Hussi et al, 1993: 20). When these members don't raise the capital the cooperative becomes undercapitalised and the member's participation in decision-making is slackened. Therefore a member's commitment is eventually compromised.

The Departmental employees who were interviewed all felt that the top politicians' main concern is about the number of cooperatives established and the amount of funds disbursed and most certainly not the sustainability of them. A number of stakeholder employees lamented

that the politicians' goal was the number of votes that would come out of the whole programme, but not how much poverty would have been alleviated in the long run. "They are responsible for creating the "hand-out" mentality among members of cooperatives," said one stakeholder employee.

Respondents from the departments and other stakeholders have realized that sustainability among cooperatives is a challenge but some of the members of these agricultural cooperatives did not agree. When asked how the problem of lack of sustainability can be solved, one stakeholder employee suggested that the financing of agricultural cooperatives' projects should be done in stages. For example, start with 3 hectares, then expand to 5 hectares until the optimum is reached. Another respondent felt that if members of agricultural cooperatives were equipped with farming skills then they would succeed, while another talked of equipping them with management skills. Another one suggested that extension officers from the department of agriculture need to work more closely with agricultural cooperatives to ensure success. From these views it is clear that these departmental officials and other stakeholders have come to the realization that sustainability is a challenge among cooperatives, but they think the solution is with how and what type of support they should be accorded.

When asked what more needs to be done to improve their cooperatives, a member of an agricultural cooperative said; "the government must add more workers on the farm". When asked who owns the cooperative others said; "the government." These are qualities of members of agricultural cooperatives who have not taken ownership; they can do without these cooperatives. This can be attributed to the fact that they have not invested anything into the organisation. Hussi et al (1993) observed that by having a significant financial stake in their organisations and relying on it for crucial services, co-operators would enthusiastically contribute in an attempt to ensure that it functions both efficiently and sustainably. Other members suggested that cooperatives should be established to generate own revenue but not to receive handouts.

A cooperatives size in terms of number of members and volume of business also influence their sustainability (Hussi et al, 1993). Thus, there is need to ensure that businesses undertaken by a cooperative are profitable. Undertaking high volumes of business requires big financial capital that cannot be raised by a small number of membership who work on a small piece of land.

Financial support to cooperatives should not be based on race or employment status as the criterion for qualifying.

8.3 Summary

Time is a critical resource that each participant is expected to contribute, particularly where they also double up as employees of their agricultural cooperative. Only one cooperative (P) offered its members a monthly wage which enabled them to meet some of their monthly financial obligations. In the other cooperatives where members doubled up as employees, the drop-out rates were very high, with members pulling out whenever an employment opportunity arose. Participants are only willing to spend their time where there are guaranteed and consistent benefits. In most cooperatives there was evidence of shirking and free-riding. Concerns were raised over some participants who did not attend meetings and others that did not turn up for work. Free-riding and shirking symbolises a lack of commitment, thus failure in self-organised collective action (Ostrom, 1990).

The sources of information available to the members of these cooperatives were radio, magazines (Farmers' Weekly), local newspapers, billboards, Indaba (Public rallies) and word of mouth (*Induna*, Departmental officials), unfortunately some of them were inaccessible. Inaccessibility of these sources of information resulted from some members being illiterate and for others not being able to attend the rallies. Some sources like the *Induna* did not give reliable information, while different departmental officials sometimes gave contradicting information to these members. Information is critical to successful self-organisation because it reduces uncertainty among participants thus promotes commitment (Ostrom, 1990: 203).

Most stakeholders pointed out the lack of markets as a challenge to these cooperatives, although members did not think this was a challenge. This is because most of these agricultural cooperatives had organised their own means of disposing of their produce; flea-markets, informal shopkeepers and middlemen. Such markets may be informal but to these farmers the objective is to sell their produce with the least effort. The informal markets also do not require tax clearance, VAT, food safety compliance and many other things. Therefore they are a better option for these emerging agricultural cooperatives. The government, through the NDA has availed the New Port shop as a market for small scale producers, however, most of the

agricultural cooperatives were unaware of its existence. The researcher has not gone into the details of the Department of Education's school feeding and the Department of Health's inpatient nutrition programmes which are aimed at providing a market for agricultural cooperatives because of two reasons: firstly, any cooperative can participate in the feeding programmes; secondly, the institutions used food items such as rice and bread etc which is not produced directly from the cooperative's farm.

Land given to agricultural cooperatives by the *Induna* is usually very small and does not allow for economies of scale. The communal land in the rural areas belongs to the king and therefore no cooperative or individual can use it as security to access loan from the private financial institutions even if it was possible for this financial institutions to do so. Where the whole or part of the membership is female the issues of land become even more complex because of cultural believes around women and land. According to Kabene (udated) in most rural communities in South Africa women lack authentic rights to land and their role and access to decision making around land is limited. This implies that even where the women cooperative have been given land by the Induna, taking ownership is a challenge because of the deeply ingrained cultural belief that they are not supposed to own it. The women wait for a man to make decisions regarding farming operations because they believe only men should make decisions around land. That is why during the interviews whenever a woman was asked to give the size of land their cooperative owned they would turn to their male counterparts to give the answer.

The cooperatives that acquired land through government grants or loans seemed to be at an advantage. They did not only get land, but these were farm lands that were fully operational at the time they took over. The failure of such cooperatives could then be attributed mainly to their inability to self-govern, amongst other challenges.

Each and every operation in an agricultural cooperative requires finance. With an exception of cooperative S none the cooperatives had raised share capital, and they relied solely on the government for financial support, thus farm operations. As cooperatives defaulted on their loan repayments the two banks (Ithala and ABSA) that had been mandated to give those loans have become stricter and it is becoming more difficult for cooperatives to access loans. Because of the high defaulting rates, the departmental officials felt that the only option left for cooperatives was the DTI's Cooperative Incentive Scheme. The process of acquiring the CIS funding is

cumbersome and often the amounts are small. This left the cooperatives broke and unable to carry out their activities timeously. Delayed operations lead to crop failure which denied participants any possible benefits. This could be the reason for the high drop-out rates from these cooperatives. Without having contributed capital to the cooperative, the participants are not likely to take ownership of their organisation.

Only the agricultural cooperatives that had inherited land from white farmers had the basic infrastructure and equipment required for a farm. Although, even the cooperatives that got these well-equipped farms but did not have a farm manager, did not maintain the infrastructure and equipment which deteriorated until eventually they stopped functioning. At the time of this study only one cooperative (P) had infrastructure and equipment. The others that were still running could not afford infrastructure and equipment due to of lack of funds and also because their land was too small to warrant acquiring machinery, for example, a tractor. Ostrom (1990) observed that in self-organised institutions it is usually very difficult to make decisions of provision and maintenance of infrastructure and equipment because they are costly.

Most of these cooperatives were composed of a membership that had low literacy levels and no professional qualifications. This made it difficult for them to understand the basics of the concept of cooperatives and as a result they struggled to manage their cooperatives efficiently. They were not even able to record and keep minutes of meetings. Training sponsored by the government did not help them much because of an inability to conceptualize complex matters from the act, book-keeping and management skills.

The lack of funds, lack of technical know-how, wrong assumptions among other challenges hindered these cooperatives from attaining sustainability. Most of them operated only when they received money from the government and once that money was exhausted they would take a break and wait for the next grant. None of them showed signs of sustainability.

The officials from various stakeholder organisations and mentors of agricultural cooperatives gave the following as the resources that cooperatives in uMgungundlovu district need in order to survive. Mechanization, training in technical skills such as agriculture, management, marketing as well as regular visits from technical experts from various government departments. Agricultural cooperatives also needed farm inputs such as fertilizer and seed, marketing of their produce and funding. Most of these agricultural cooperatives were still

young, hence the need for immense support in order to acquire these resources. Acquisition of all these resources is critical for their survival. Maybe it is for that reason DAFF (2010/11) proposed the establishment of the Cooperative development Fund for the sector.

The description of what prevailed amongst the cooperatives in uMgungundlovu District does not compare well with Ostrom's (1990) observation with regards to resource accessibility and sustainability in collective action. Most members of cooperatives do have time to work on their communal land. In most cases the pieces of land are too small to allow economies of scale. Agricultural cooperatives lack basic resources such as land, information, farming and management skills, without which the cooperatives cannot endure, thus collective action among these cooperatives is doubtful. The next chapter thus looks at the partners of these agricultural cooperatives, the kind of support they offer and the existence, if any, of challenges of partnerships such as fragmentation and duplication.

CHAPTER 9

PARTNERSHIP/SUPPORT ATTRIBUTES AMONG AGRICULTURAL COOPERATIVES

Ostrom(1990) and other scholars acknowledge that an organisation's success is dependent on having a wide range of support groups, which include private firms, NGOs, government as well as academic and research institutions. These should be associates who provide a wide range of services and backing functions, such as supply of start-up capital, development of commercial linkages and promotions, sharing inventions and information as well as practical training (Vanni 2014). Thus, given the wide range of needs cooperative requires, a multiplicity of partners or support is required for collective action.

The cooperative movement cannot work in isolation, for example, the legislative framework that legitimises procedures such as registration that gives a cooperative its identity in the wider sphere of organisations, must be produced by the government (Hussi et al, 19993). Other than the mandatory legislative framework, an agricultural cooperative needs a range of resources such as information, infrastructure, financial support and labour which confirms that no single agricultural cooperative can claim to be self-reliant. Agricultural cooperatives therefore need support, whether financial or non-financial, from the state, individuals and organisations hence the inevitable existence of interdependences. According to DTI (2012: 13) cooperatives in South Africa receive support from the Department of Trade and Industry which spearheaded the drawing up and adoption of the Cooperatives Development Policy. This policy formed the foundation for the advancement of cooperatives regulations, plans and other back-up interventions. Thus, the South African government, through the DTI has strived to bolster a favourable environment for the creation of cooperatives. The Cooperatives Development Policy of 2005, The Cooperatives Act No. 14 of 2005, The Integrated Strategy on the Development and Promotion of Cooperatives, The Cooperatives Amendment Bills and The Cooperative Banks Act No. 40 of 2007 (DTI, 2012:4) all aim at ensuring a successful cooperative movement in South Africa.

The policy documents outline the responsibilities of the other government departments with regards to their support of cooperatives. The DTI acknowledges the diverse environments in different provinces, thus different needs for different cooperatives. It is for this reason that every provincial government was mandated to draw its own cooperatives development strategy

that is supposed to champion promotion and development of cooperatives, provincially. The DTI has established two bodies: the Inter-provincial Coordination Committee, which comprises of all nine Provincial Departments of Economic Development whose task is to promote and report on cooperatives in their respective provinces. They meet quarterly. The other body established by DTI is the Interdepartmental Committee made up of the twelve national line departments (DOL, DPW, DSD, DAC, SARS, NT, DHED, COGTA, DAFF, DST, NYDA, DOH) (DTI, 2012: 3). CIPC is a commission established by the South African government to deal with registration of cooperatives and other organisations in the country. There is a Cooperatives Unit within the DTI and The Cooperatives Incentive Scheme that offers financial assistance to cooperatives.

This chapter looks at the partnerships to agricultural cooperatives in uMgungundlovu District. It looks at the government's expectations or plans and of who should support the cooperatives under subsidy. Thus, examine the existence of: if any, interdependence, fragmentation, overlapping, duplication, collaboration, coordination and cooperation among the agricultural cooperatives in uMgungundlovu District and their partners. In this chapter therefore, documents on support to agricultural cooperatives and responses of individuals from various organisations, including the members of agricultural cooperatives that were interviewed in this study with regards to partnerships, will be looked at in detail.

9.1 Subsidy and assistance from departmental partners

According to DTI, support to cooperatives has been pre-arranged as follows (DTI, 2009: iv): Financial provisions are made available to cooperatives through the DTI and its agencies and includes: Start up grants, financing of up to 90% of cooperatives start-up costs (not exceeding R300, 000); A special projects fund that is available for projects in excess of R300, 000, subject to strict criteria; and funding to assist cooperatives with compliance, training and administration, subject to a sound business plan.

The DTI has partnerships with other government agencies and organisations that also provide financial support to cooperatives. These include: Samaf, Umsobomvu Youth Fund, the Enterprise Organisation, National Empowerment Fund, Land Bank, Khula Enterprise Finance and Mafisa (Micro Agricultural Finance Institutions of South Africa). Government

departments such as agriculture, housing, social development and public services and administration have also made financial and material support available to cooperatives.

In a workshop chaired by the then KZN Premier Dr. Mkhize, held on the 26 October 2010, various government departments and agencies were given responsibilities as follows:

The DEDT was also mandated to, among other things:

Establish and sustain a database of all cooperatives in the province; at the time of the study no database had been established because, among the officials interviewed, none seemed to know the number of agricultural cooperatives or cooperatives in general within the district. This meant the number of cooperatives, including agricultural cooperatives in uMgungundlovu District, KZN Province and even the country at large, was not known.

Work closely with the DTI and other relevant national departments such as the department of higher education in order to expedite the development of the KZN Cooperative Academy. At the time of the study the Coastal College was up and running.

Establish a provincial funding model and solicit private sector support for cooperatives. The DEDT, the provincial government and the DTI established Ithala Finance Corporation, a government establishment which gives loans to SMMEs. According to an official from Ithala and DEDT who were interviewed, DEDT had given Ithala R330 000 000.00 to disburse to cooperatives in the form of loans at a small interest rate (2% per annum). Although the researcher could not establish how much was given to ABSA, it is the one private bank that was given money by the DEDT to disburse to cooperatives and other SMMEs in the form of loans at the same low interest rate of 2% per annum. The officials interviewed referred to ABSA Business Support Unit as one of the partners they engage with in supporting agricultural cooperatives. Some of the members of agricultural cooperatives who were interviewed also admitted to having approached ABSA for funding as a cooperative. Most agricultural cooperatives expressed that they were reluctant to approach ABSA for funding because they knew it as a private firm and defaulting on loan repayment could have far-reaching consequences. In referring to Ithala, one of the members said, “Because it is government they are a little bit understanding...”

Spearheading a multi-stakeholder forum for sharing involvements and recording developments, the provincial government, in conjunction with the DEDT organises very big Indabas (campaigns). These are held to sensitize the citizenry on the importance of

cooperatives and to inform them about the kind of support available to cooperatives. An *Indaba* with a lot of pomp is organised within the province annually with the objective of creating awareness among existing and prospective co-operators, attracting the unemployed into forming cooperatives and for various government departments and other partners to showcase the various kinds of support available to cooperatives. When asked to name the support their organisations offer agricultural cooperatives, officials from the DEDT listed: financial, capacity building, market opportunities, training, assisting with compliance and mentoring.

The municipalities were mandated to:

Aggressively participate in policy issues and legislative restructuring and to regularly give feedback on reforms of implementation approaches with regard to cooperatives. Surprisingly, the LED officials interviewed knew about cooperatives but none of them were aware of the existence of The Cooperatives Act no. 14, 2005.

Offer economic substructures and inexpensive business grounds for backing of cooperative enterprises. Six of the agricultural cooperatives engaged in the study had been given land by the *Indunas* who are part of the local government or municipality administration structures.

Actively engage in the enactment and be involved in the cooperative enterprises within their jurisdiction. This entails training, mentorship, analysis, advice and counselling of cooperative businesses. This study gathered that the first stop for those aspiring to form a cooperative was the LED officials' offices as they seemed to work very closely with cooperatives, even purchasing inputs for them. The LED officials were always out in the field visiting various cooperatives and those that were engaged in this study had advised cooperatives even on issues of funding, assisting with the application procedures and advised on who to approach for funding (which institutions' funding terms are better than the other). For example, one of them felt that since most cooperatives had failed to service their loans with Ithala and ABSA, the better option for cooperatives in his area of jurisdiction was to rely on the CIS grant from DTI.

Assist cooperatives to access markets through government procurement.

Underscore crucial backing strategies to improve cooperatives. When asked how their organisations ensure that cooperatives are informed about the support they can obtain from the government and other organisations, a local economic development official from one of the municipalities said they organise awareness campaigns and sometimes they invite other stakeholders to meet with the members of cooperatives.

All the other provincial sector departments were made responsible for provision of technical expertise, guidance and mentorship within their areas of operations. Also to afford markets and business prospects to cooperatives as well as supply commercial substructures in order to boost cooperative organisations. For example, the department of agriculture is supposed to offer technical advice to agricultural cooperatives; four of the cooperatives surveyed indicated that they were visited by official from the department of agriculture. While DOH and DOA had given some agricultural cooperatives tender to supply food items to the institutions. Thus, offering a market for their produce. The Department of Health announced on 25 August 2005 that it had awarded tenders to 32 cooperatives to the value of R5.1 million for the supply of services and goods such as foodstuffs to hospitals in the province (KZN-DEDT, 2006).

Of the ten cooperatives engaged in the study, six (Cooperatives S, T, U, V, X and Z) attempted to apply for the Department of Education's School Nutrition feeding Programme of which five (Cooperatives T, U, V, X and Z) submitted their applications and won the tender. At the time of the study, two (Cooperatives Z and U) had breached their contracts with the Department of Education, two were using a consultant to supply the foodstuffs because they could not afford to do so and only one cooperative actually supplied the foodstuffs to the allocated schools.

According to DEDT officials, the Department of Labour had relaxed some labour laws in favour of cooperatives, for example, cooperatives were encouraged to assume that their employees were interns for whom they did not have to contribute for Unemployment Insurance Fund. At the time of this study the DEDT officials were negotiating with South African Revenue Services to exempt cooperatives from paying some taxes (official A1 and official A3).

Other agencies that offer support to agricultural cooperatives in KZN Province include Small Enterprise Development Agency (SEDA) which helped with the drawing of policy documents for cooperatives, such as business plans (Official D2). The National Development Agency (NDA) offered financial, material and marketing support to cooperatives nationally. As mentioned earlier, in uMgungundlovu District, the NDA has a retail outlet through which agricultural cooperatives sell their produce. There were also individuals who supported agricultural cooperatives, for example, the self-appointed mentors. Almost all members of agricultural cooperatives acknowledged that their organisations relied on some kind of support in the form of training, farm inputs, technical advice and most importantly finances (whether loans or grants) to survive. Thus, they could not survive in isolation.

However, because of low literacy levels, most members of agricultural cooperatives were not aware of the existence of various partners. They also did not know that within the government there are many departments. The agricultural cooperatives therefore did not seek the necessary support from the relevant partners. When asked who had supported them they would simply say “the government....” Further probing would not yield any additional information. Seemingly, the *Induna* had directed them to the Local Economic Development Officials who, in most instances, had to run around seeking support on behalf of individual cooperatives or advise them on where to go for assistance. When asked to state what kind of support they needed, most members of agricultural cooperatives often opened their statements with; “the government must....” Members of these cooperatives think that it is purely the government’s responsibility to ensure that they achieve their goals as agricultural cooperatives. They did not seem to realize that support can come from individuals or organisations, both private and public.

When asked whether their cooperative were affiliated to any a secondary cooperative, members of two agricultural cooperatives responded “yes.” Only cooperatives V and X seemed to have informal links where the two cooperatives shared ideas and information. None of the other eight primary agricultural cooperatives had ever been, and none were affiliated to a secondary cooperative at the time of the study. It is the responsibility of individual primary cooperatives to form secondary cooperatives, but seemingly because the members of these cooperatives neither understood their cooperatives nor realized the benefit of being in a cooperative, they did not think of working with other cooperatives in order to increase mutual benefits. Given that these cooperatives were composed of a membership that own and work on a small pieces of land communally, they obviously did not enjoy economies of scale. Teaming up of agricultural cooperatives that produce the same product could enable them to purchase farm inputs in bulk, thus less expenditure and more profits.

When were asked what their responsibilities were with regard to supporting cooperatives, the responses of individuals from various organisations engaged in this study were as follows:

Official A1 – Helping to register with CIPC, managing cooperatives, and training them to understand the act and the cooperative principles solving disputes among members of cooperatives.

Official A2 – Training and mentoring coops.

Official A3 –Ensure that members of cooperatives, provincially, understand the act and coordinate implementation of the act.

Official B1– Assess and evaluate properties for loan applicants.

Official B2 – Manage investment after disbursement of funds, ensure cooperatives don't fall into arrears and identify any challenges before the challenges occur in a cooperative after they have been funded.

Official CI – Receive loan applications and scrutinize them to ensure all the required documents have been submitted then forward the application for processing.

Official DI –I am the link between them and the government. I mentor and advise coops and deliver materials from the government.

Official D2 –Managing cooperatives, telling them what to do, and how to go about it. I deliver materials from the government.”

Official E1 –I basically teach the cooperatives in this area how to take care of their crops and animals. I also refer them to other organisations that can give them help.

Official F1 –Receive and sell products produced from agricultural cooperatives; I offer marketing support.

Evidently, the government organisations had employed people to impart both the financial and non-financial support to cooperatives. In an attempt to confirm whether the support reached the targeted beneficiaries, members of agricultural cooperatives were asked whether they received support from the government. On the contrary the majority of 58% said "no", 32% said “yes” and 10% marked both “yes” and “no.”

The graph below (Figure 18) shows the responses of members of these cooperatives when asked whether their cooperatives received support from the government.

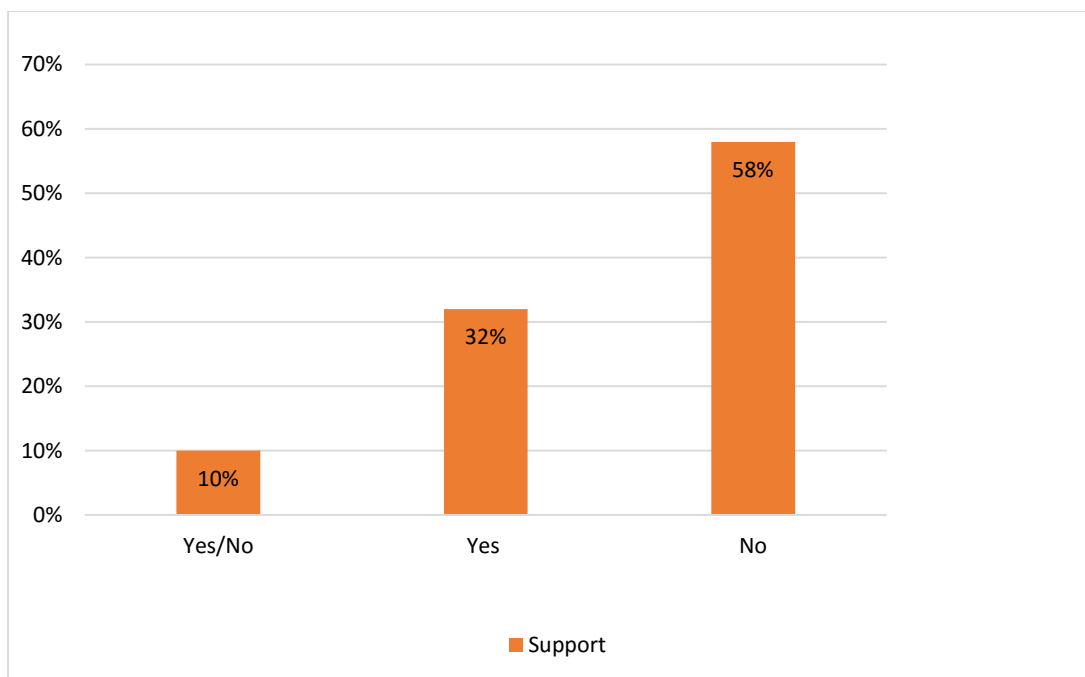


Figure 18: Members responses about receiving support from the government

Source: Authored by student

The responses could be an indication that the support did not reach all the cooperatives. Only a few informed cooperatives that had links to government departments received the bulk of the support. The other reason could have been that the co-operators in this cooperative did not understand the source of their support and for those who thought the cooperative did not belong to them, that the support was not for them.

When members of cooperatives were asked to give some of the challenges they experience with regards to partnerships, some of the responses included:

Our partners' (e.g. department, banks) demands are not attainable.

Support from government and partners is inappropriate.

Rules from our partners conflict with our rules.

Support from partners/government is not coordinated.

At this juncture, it is critical to point out that the mere existence of partners and the availability of support does not warrant accessibility and suitability and thus success. Apparently, the more partners and support there is available, the greater the need for coordination, collaboration and cooperation in order to avoid duplication, overlapping and fragmentation.

9.2 Interdependences.

There was clear evidence of interdependencies between agricultural cooperatives in uMgungundlovu District and various partners. These agricultural cooperatives rely on partners, mostly government departments, for their existence. Of the ten cooperatives surveyed, five attributed their initiation to their local *Indunas* or Ward Councillors. All the cooperatives engaged in this study had been registered by CIPC through the DEDT district offices in Pietermaritzburg. Each cooperative used a copy of the ready-made constitution to apply for registration. Most agricultural cooperatives had received a grant from the DTI, a few had received loans from Ithala Finance Corporation and only one had received a loan from ABSA Bank. Members of these cooperatives had received training from the FET, Cedara and the District Cooperatives Mentor, all sponsored by the government through the DEDT. 70% of the agricultural cooperatives engaged in this study had their business plans and other vital policy documents drawn up by SEDA. Four agricultural cooperatives acknowledged relying on the Department of Agriculture and Environment Affairs for technical support. Some of these agricultural cooperatives sold their produce through New Port (NDA), supermarkets, shopkeepers, stokvels and vendors.

When asked to list the other stakeholders with whom they work in partnership with to support agricultural cooperatives in uMgungundlovu District the responses officials gave were as follows:

From DEDT - SEDA, DTI, Municipalities, NGOs, Ithala, ABSA, DAEA

From the Municipalities – DEDT, District Municipality, DTI, ABSA Business Support, Ithala, DAE, Ithala, IDC

From Ithala –SEDA, DAEA, DEDT, DTI and Department of Land Affairs (DLA)

From DOA – DTI, Municipalities and DEDT

From NDA – not aware of any

From ABSA – DEDT, DTI and SEDA

The official from NDA was not aware of other partners who support cooperatives and seemingly the other organisations did not name NDA as a partner. This could be because NDA being a national body did not take part in the provincial development consultative forums.

9.3 Collaborations and cooperation

In an attempt to build collaborations, the various stakeholders are supposed to make their presence known to other partners as well as clearly indicate the kind of support they offer and the procedures to acquire the assistance they offered. From there it becomes easier for stakeholders to identify who they can work with. Officials were asked how they make their presence known to agricultural cooperatives in uMgungundlovu District. Their responses are shown in Table 13 below.

Table 13: How stakeholders make their presence known to agricultural cooperatives

Organisation	Medium of relaying Information
Ithala	Radio and TV, Internet Sms Billboards
DEDT	Radios and TV Newspaper Provincial Indaba (Campaigns) Mobilisation Internet Through other departments and municipality
New Port (NDA)	Radio and TV (Media Marketing) Through other departments and municipality
Municipality (LED)	Awareness campaigns Through other departments and municipalities
National Department of Agriculture Forestry and Fisheries (DAFF)	Awareness Campaigns (National Indaba)

Source: Authored by student

Ithala has two branches in uMgungundlovu, District Treasury and Long market, both in the city of Pietermaritzburg (DEDT, 2006). This ensures that they are readily reachable. The DEDT, DAFF, DTI and Municipality officials who work with cooperatives have also been sent to learn about cooperatives in other countries such as Israel, India, Kenya and others to gather information which they are supposed to share with members of cooperatives locally (DAFF,

2011: 4). Official A1 who was among those who had visited Kenya, confirmed that there is an agreement between the governments of Kenya and South Africa where public servants working with cooperatives are sent for training to the Kenya Cooperatives College.

Gijima was collaborating with the provincial Government of KwaZulu-Natal by offering grants to cooperatives and other SMMEs in the province between 2006 and 2010. This is an example of collaboration (KZN DEDT, 2009). Although, none of the cooperatives engaged in this study benefitted from this programme, other agricultural cooperatives from the province did.

Among the agricultural cooperatives involved in this study, there existed collaboration between a white farmer and the deregistered cooperative Q, where the farmer produced, for example 30 acres of mealies for the group annually, who in turn allow him to work on 30 acres of their land for his private use. All the other cooperatives waited upon the government for all forms of support.

9.4 Duplication and overlapping

Generally there is lack of programme coordination between the National Department of Agriculture, Forestry and Fisheries (DAFF), Provincial Departments of Agriculture (PDAs) and other government agencies, resulting in each department or institution assisting farmers or cooperatives without consulting other relevant stakeholders. This normally results in duplication of activities and resources. An integrated development approach needs to be adopted. (DAFF, 2011/12: 11).

According to the DAFF (11/12), coordination between national and provincial departments, as well as other government agencies is also lacking. This was confirmed by Official D1 who, when asked about the existence of duplication or a clash between departments in the support given to agricultural cooperatives, the official indicated that despite the establishment of an LED Forum meant to avoid duplication, this problem still persists because of the national government officials who don't work in consultation with the provincial departments and the local government officials. The politicians, *Indunas* and the Ward Councillors also give wrong information to prospective or existing members of cooperatives who end up making unrealistic demands on LED and DEDT officials who deal directly with cooperatives. For example, they would tell people to "form groups of five people, called cooperatives then go to the LED

official for money which the government has already released for such groups.” Another public official said that the ministers subject them to a lot of pressure when they give directives to establish and support cooperatives. These ministers don't put into consideration the fact that there are procedures which the public official must follow when dispatching support from the government. Another official said, “I wish they would consult us first to find out about the procedures and what is on ground.” The politicians and ministers give contradicting directives to public servants and promises to members of cooperatives while the street-level bureaucrats or implementers of the cooperatives policy such as the LED, DoA, DEDT officials on the ground who are expected to follow set government procedures even when supporting agricultural cooperatives.

When the public officials were asked to give examples of instances in which, as implementers of the policy, they had experienced duplication or clashing, one official said: “The services seem to overlap, for example cooperatives are not sure where the line is drawn between a loan and a grant.” Funding from Ithala Finance Corporation is usually a loan, while finance from DEDT, Municipalities and DTI is a grant. Finance from DOE and DAE is for services or goods delivered but because, according to members of these agricultural cooperatives, this is government money, they feel entitled and on most occasions do not realise or feel the need to service the loans. Another official said, “There is a lot of duplication because of pressure from the cabinet,” when citing instances the minister was pushing the street-level bureaucrats to the extent that officials from different departments found themselves offering the same type of support to a cooperative. Official E1 gave an example of one cooperative that found itself with two sets of fencing material, one from a national department and the other from National Development Agency (NDA).

Among the interviewed government officials, there were complaints about other departments. For example, an official from one department would complain about the other department claiming that they were not cooperating, or that they were not doing their work properly. Among the members of cooperatives there was evident division in their reaction to various public servants. From the same cooperative there would be different responses of “so and so is my mentor, or only so and so helps us or so and so knows nothing.” These evidences point to clashes amongst government officials which eventually infiltrates into the cooperative due to uncoordinated support from the government.

9.5 Fragmentation

Fragmentation occurred in two ways: among the cooperatives and among the government departments. According to the government officials and mentors there were too many cooperatives being registered daily. The registered cooperatives collapsed just as fast as they had been formed. The number of cooperatives registered contradicted the number of functioning cooperatives.

In the workshop (KZN Premier's Office, 2010) already mentioned above it was acknowledged that a fragmented enactment of the cooperative programme was being implemented; every government department wanted to work directly with cooperatives which was risky and could easily lead to even bigger challenges. All the attendees (representatives from all provincial departments) resolved to work collectively in an attempt to achieve the workshops' resolutions which aimed at coordinating as well as developing the cooperatives in the province. In this workshop various provincial departments were assigned different responsibilities in an attempt to avoid fragmentation.

During these research interviews, some officials indicated that they worked together with other departments, for example, officials from Ithala indicated that they worked closely with the local government officials. However, some officials still felt that officials from other departments did not embrace team work. Official A1 lamented that officials from the DAE were the most uncooperative. Strangely, other officials from the DEDT, Ithala and local government said the DAE officials were supportive.

In looking at the manner in which support was given to cooperatives, fragmentation was evident with almost every government department still wanting to work directly with cooperatives. The challenge of fragmentation had driven members of some cooperatives to a state of confusion, because in some instances there were many different agencies offering varied support to a cooperative; some of which was inappropriate. Evidently agricultural cooperative Q is one of those that collapsed as a result of a fragmented implementation, among other problems. The interviewed members say that sometimes the government would send a tractor to plough the farm and then forget about them. Other times seed came after the planting season had passed. These members were not able to distinguish between the various government departments. It is the volunteer-mentor who clarified that even after the

cooperative had collapsed, the local government/municipality sent a tractor to plough the farm, without any prior consultation with anyone. Later on NDA brings seed but by then the season is over and they are not able to grow fodder for their animals or mealies for their food. This is because both the volunteer-mentor and the members of the agricultural cooperative don't know the government's intentions or plans and the two government agencies do not communicate.

9.6 State control/Autonomy

As has already been mentioned, the cooperatives movement cannot succeed where the government keeps a tight grip on it. National legislation such as the South African Cooperative Act No 14 of 2005, the Cooperatives Development Policy and the Integrated Cooperatives Development Strategy are critical for a healthy existence of cooperatives in the country and according to DAFF (2012: 3) they are aimed at creating an enabling environment for cooperatives to develop. The legislation on cooperatives may not be perfect but they seem fair given that the intentions are for the betterment of the cooperatives. The challenge is the implementation of these policies that have resulted in cooperatives becoming dependent on the government for every activity, thus the cooperatives have lost their autonomy. According to Mentors, M1, M3 and M4, the government seem to be offering excessive support to the cooperatives, which is misdirected.

When mentors to cooperatives were asked about government support to cooperatives, their responses were as follows:

Mentor M1: Government support is inappropriate, often not enough and untimely.

Mentor M2: I feel that government support often goes to those who do not deserve it because it goes to the cooperatives that rarely use this money for the intended purposes.

Mentor M3: There is support for cooperatives but it is not coordinated.

Mentor M4: Every government department is supporting cooperatives.

Mentor M5: The cooperatives are overwhelmed by free money from the government.

In an attempt to ensure that the cooperatives succeed, the government has released too much support to some cooperatives and this has created a sense of dependability among members of such cooperatives.

When members of cooperatives were asked what kind of support they got from the government, the majority said financial, training and mentoring, farm inputs, technical advice and market. Although for some, like cooperative S other forms of support had been attained. When asked to give their views with regards to the support they received from their partners 33% of the respondents said, “good” and the other 67% said, “bad.” When asked to explain why they felt the support was good, the answers included:

We are employed and we earn a salary every month

Though not enough, we get some money from the government which is a good thing

The government is good, only our people are not working together

They give us everything, money, seed and fertilizer

Some of these answers came from those who thought that they were employed by the government to work on the farms; they had not taken ownership of their organisations. There also seems to be some form of partiality in the way different cooperatives were treated by the various government departments. Where some cooperatives got it all, others struggled to get something, or got nothing at all from the government. For example, for any cooperative to do business with government they had to be registered in the DEDT and the Treasury databases. Any business that applied with KZN Treasury was registered in the database. On the contrary, with the DEDT database that was used to recommend cooperatives to other departments for procurement of tenders, it was the departmental officials who decided who to include and who not to include. Some cooperatives were not included and such cooperatives could not do business with any government department. Members of cooperatives felt that if you showed signs of aiming at self-reliance then you would not be supported.

Otherwise, a majority of the members of these cooperatives felt the relationship between them and the only partner they had, ‘the government’, was not a good one. For some the support took too long to come as it always arrived late. This is because agricultural activities are dependent on time or seasons of the year. For others, the procedure for financial support was too demanding and unnecessarily long. They also indicated that the demands are not as stipulated on the organisations application forms. One member of a cooperative said: “the list of requirements depends on who you find at the counter.”

Respondents from Cooperative S claim to have had the worst experience when trying to get financial support to purchase farmland. When they applied to Ithala, the organisation took too long to accept their application and the land was sold to another buyer. They then tried ABSA which also did not take their application, while other banks like Standard Bank, Nedbank and FNB either did not know cooperatives or did not want anything to do with cooperatives. This means that in KZN Province the only financial Institutions that worked with cooperatives were Ithala Finance Corporation and ABSA. As had been mentioned, these two institutions were lending out money that had been given by the government for this purpose.

Below is figure 19 showing the list of requirements to be submitted for a loan application with Ithala Finance.

<p>Page Content</p> <p>Kindly note that all Applications must be accompanied by the below items:</p> <ol style="list-style-type: none">1. Business plan or profile2. Certified copies of ID's of Owners, members and directors3. Certified copies of marriage certificate for married members;4. Founding statement of the business;5. Latest Tax or Vat Return;6. Proof physical address;7. Proof of telephone number;8. Proof of cell phone number;9. Details of assets and liabilities;10. Curriculum Vitae of Members;11. Last 2 years of financial statements and latest management accounts for existing businesses;12. Copy of lease or franchise agreement where applicable;13. Copy of contract or contract award letters where applicable.
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Figure 19: Ithala's list of requirements for loan application

Source: Ithala portal

According to the South African government, agricultural cooperatives should be made up of the poor, unemployed, illiterate members of communities but the list of requirements Ithala expects is very complex. Ithala insists that even cooperatives should meet these requirements when submitting a loan application.

Some queries arise from Ithala's list of requirements:

1. The business plan can only be made by SEDA or a consultant.
2. The founding statement of business most members of the agricultural cooperatives dig dip into their pockets to raise money for opening the cooperatives bank account. Most likely this bank account has the minimum amount so of what use is this to Ithala.

Ithala insist on getting proof of physical address and cell phone number (6 and 8) for every member of a cooperative and yet cooperatives are like a limited company, meaning the liability is limited to the member's investment in the cooperatives only. In most of these cooperatives members neither had shares nor did they guarantee any asset with cooperatives. Therefore asking for every member's proof of residence and cell phone number is a waste of time and resources. On top of these Ithala Finance Corporation is expected each and every member of the cooperative to sign the application form for liability and yet the executive of a cooperative is mandated to engage in agreements on behalf of the cooperative as long as there are resolutions to prove the same.

9. Details of assets and liabilities, where are the poor and employed to get assets from?
10. Curriculum Vitae of each member. What should be the content of this curriculum vitae?
11. Last 2 years of financial statement or latest management accounts for existing business. This can only be prepared by a consultant at a cost, but the cooperatives lack the capacity to meet these requirements and do not have the money.

The diagram below (Figure 20) shows the sources and structure of support to agricultural cooperatives with the government as the only partner to agricultural cooperatives in KwaZulu-Natal.

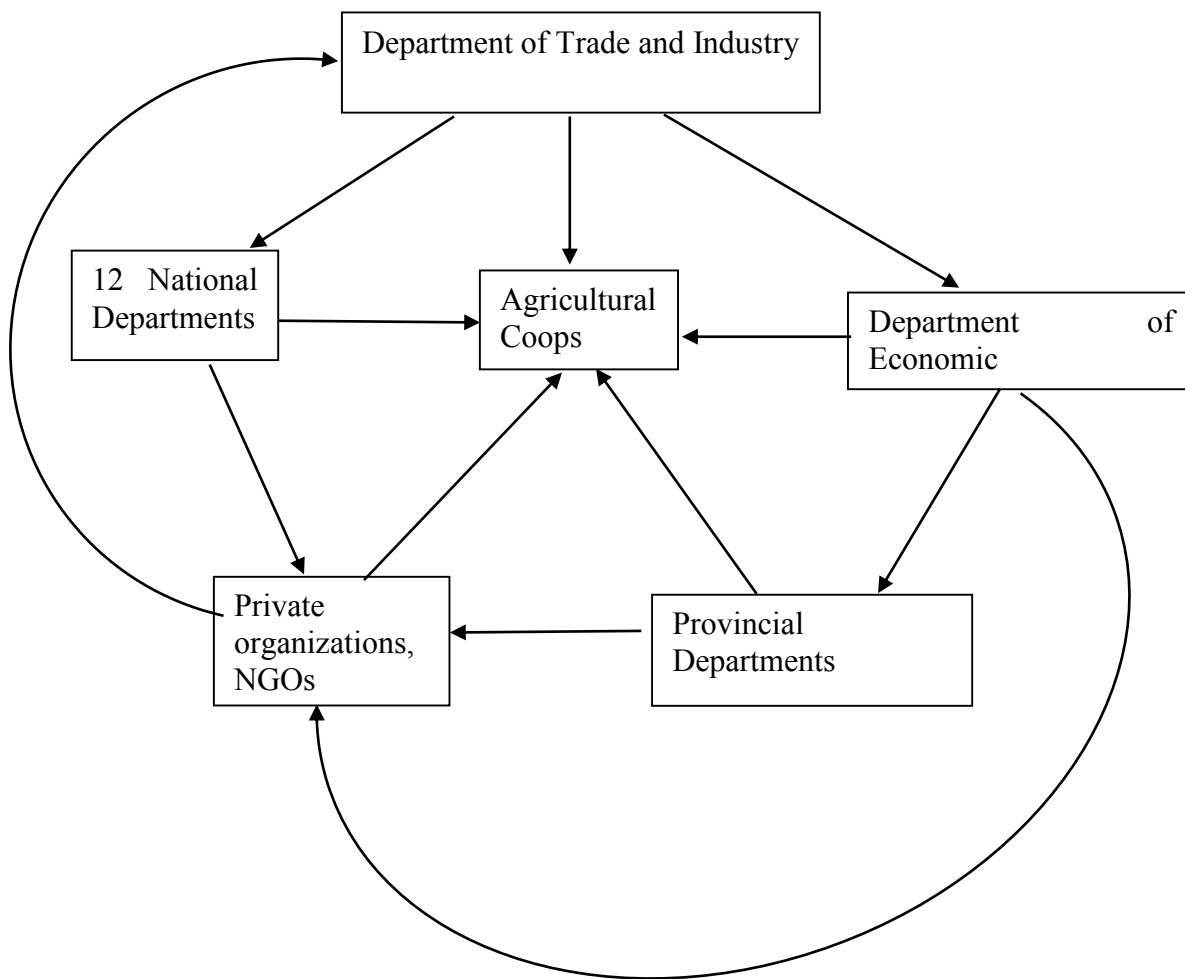


Figure 20: Movement of resources to support cooperatives in South Africa

Source: Authored by student

The nine provincial departments headed by the Provincial Departments of Economic Development also support cooperatives. Each of these government departments, whether national or provincial, can offer their support directly or hire a private organisation or NGOs to deliver the support. Hence the complex nature of the diagram, which is a true representation of what is on ground, even among the cooperatives engaged in this study. While some cooperatives receive too much attention, others receive minimal support. The support to cooperatives is therefore fragmented, uncoordinated and characterised by a lot of duplication and clashing. Duma (2014) indicates that the emerging cooperatives do not receive any coordinated formal backing. He points out that despite all levels of government (local, provincial and national) being involved with cooperatives, there are no tangible results due to

lack of coordination. DTI, as cited by Duma (2014) states that the support to cooperatives is “negligible, unfocused, uncoordinated, lacks systematic and sustained targeting and is somewhat scattered and inaccessible.”

9.7 Summary

All the support to cooperatives is from the government. The relationship between the government and these cooperatives is not a partnership because a partnership is a give-and-take relationship. There are no binding contracts or agreements between the cooperative and the various levels of government. In this case, the government is giving, but receiving nothing from the cooperatives and the cooperatives are receiving but giving nothing in return.

The partnership between the government and cooperatives somehow interfered with the relationship between cooperatives and others partners. For example, financial institutions such as Standard Bank, Nedbank and FNB who perceive cooperatives as a millstone; the cooperatives movement is considered a government project. The government introduced these emerging black cooperatives, not as businesses that should be supported to attain self-reliance, but as conduits for transferring money to the rural poor. Cooperatives have no share equity because members do not own shares in the cooperative and have no guarantees at all therefore, no banks can partner with these cooperatives. The fact that the government is the only partner to emerging cooperatives has made it impossible for self-motivated cooperatives to thrive because no cooperative can survive without support. The government’s approach has made it impossible for cooperatives to get assistance from anywhere except government.

The various government departments that support cooperatives do so independently, the support is not coordinated and as a result some cooperatives have it all while others are not able to engage in any activity. Within the departments team work lacks among the employees for a number of reasons; most employees have not understood the concept cooperative which they are supposed to implement, some employees are in positions for political reasons not for the purpose of building the cooperative movement. During the interviews of government officials for example an interviewee while in the presence of others would views that contrast what they say in confidence. These are the committed employees who are ready to admit that the approach taken by the government needs to be revised. While those in employment for political reasons do not care whether the cooperatives function or not, they give “support”

without confirming its appropriateness. It is for this reason that some mentors observed that the cooperatives are a venture that the ANC is using to capture votes and not to empower the communities economically.

Although countries such as Canada successfully used the top-down approach in developing the cooperative movement, the KZN provincial government need to understand the context in which this happened. The KZN-DEDT (2009: 12) admits that using the same approach to aggressively mobilise cooperatives in the province has resulted in premature organisations whose chances of survival are slim.

The cooperative movement requires strong vertical and horizontal linkages in order to survive. Members of a cooperative were not all farmers before they formed the cooperative and most of them came together because an *Induna* or a departmental official had suggested they do so. This means that even the partnerships in the cooperative are very delicate and the rate of drop-outs from the cooperatives points to this fact. Culturally and socially the *Induna* play a critical role in a subjects live, they make decisions on who should occupy which piece of land, for what purpose should a piece of land be used and what size of land should who get. Those who are not in good terms with the local traditional leadership are likely to remain poor and rejected by the rest of the community. The *Indunas* influenced the composition of a cooperative and the size of land a cooperative worked on. In referring to Ostrom's (1990: 101) proposition that stresses the need of strong horizontal and vertical linkages for an organisation to survive, these agricultural cooperatives in uMgungundlovu District obviously lack supporters or partners that could help them take-off and sustainably remain successful as cooperatives. The problem of lack of strong linkages negatively impacts on the management of collective action. The KZN-DEDT (2009: 12) stressed that there was limited support for cooperatives in the province. The next chapter looks at how these agricultural cooperatives manage or govern themselves.

CHAPTER 10

GOVERNANCE/MANAGEMENT OF AGRICULTURAL COOPERATIVES IN uMGUNGUNDLOVU DISTRICT

Being organised is key to actors in collective action attaining their mutual benefits. On managing collective action, Ostrom (1990) observed that there has to be a strong leadership to initiate and guide participants in change of rules that are applied in governing the organisation. Ostrom (1990) proposed that for collective action to be successful the actors should be guided in understanding their common problem and sharing a common view on how to solve the problem. The process of making rules is referred to as decision-making, which is often determined by the actor's resources, their ability to process information, personal value attached to and the cost of an action. Abiding by the rules in collective action requires commitment from the members, but because of the constant temptation to dodge or free-ride, there has got to be monitoring measures and graduated sanctions put into place. This would ensure that the actors don't take chances, knowing that they are being monitored, while errant members are dealt with reasonably (Ostrom 1990). Knowledge of monitoring measures is an assurance to actors that those who try to shirk will be caught and with graduated sanctions, relevant penalties are meted on the offenders, thus a sense of fairness.

Effective communication means an understanding of each other, which boosts trust, moulding and cementing customs and subsequently, building group identity (Ostrom 1990); communication is key to collective action. In collective action there is bound to be conflict between the actors or the actors and their leaders. To successfully manage collective action, it is therefore essential that the group have access to low cost conflict resolution arenas (Ostrom 1990). She also observes that wrong assumptions from the actors or their partners hinder the formation or successful management of collective action.

This chapter details how the cooperatives in uMgungundlovu District of KwaZulu-Natal govern themselves under the sub headings: existence of problems/objectives; managers/leadership; formulation of operational rules; decision making/power; monitoring; credible commitment and trust; communication and conflict resolution mechanisms among other factors. Implementation of the Cooperatives Act No. 14 2014 among these cooperatives will be looked at in this chapter in an attempt to ascertain whether the government's objectives were being attained. After which, the conclusion, which compares Ostrom's (1990) proposal

on self-governance among collective actors with the happenings among agricultural cooperatives in uMgungundlovu District.

10.1 Management of Agricultural Cooperatives in uMgungundlovu District

Once a cooperative is initiated, it has to be kept running, which requires management of the resources and the business operations as well as tactfully dealing with problems that emanate from the unique features of cooperatives where the membership doubles up as the owners and the customers. Cooperatives require the same decision-making techniques as other business enterprises but because their objectives are not the same, it is expected that the outcome of the decision-making would be different. The KZN-DEDT (2009) observed that cooperatives, “differ from other business enterprises in their purpose, control and surplus allocation systems.”

Managing a cooperative requires not only commitment to meet its objectives, but a proper understanding of the legislative framework that governs their operation and the ability to work with the various partners. According to mentor M1 the efficacy of any enterprise is dependent on management systems. To successfully self-govern, members of cooperatives should have an acknowledgment of problems, employ a skilled manager, and be able to make decisions, formulate and change operational rules, make credible commitments, put in place conflict resolution and monitoring mechanisms accompanied by graduated sanctions as well as make the right assumptions about their organization.

10.1.1 Existence of problems or objectives

The resolve to deal with an existing problem drives people to work towards attaining set goals. Satgar (2007) confirms that cooperatives in South Africa are neither motivated by the prescriptions of state establishments nor by the economic pressures of the market but by member needs. All the cooperatives involved in this study had a common constitution already drawn up by the DTI, in which only the name of the cooperative and the objectives were to be inserted. In most cases these objectives were also similar, meaning they had a common origin. Because of low literacy levels in most of these cooperatives, the name and the objectives of such cooperatives had to be filled in by DEDT officials on their behalf. The fact that most members did not participate in the drawing up of their constitution and even in the setting of

their objectives means that they did not have proper knowledge of their objectives. Even if these members were well acquainted with these objectives, the fact that they had not originated from them would make it difficult for the cooperative to achieve them.

When asked to give their definition of a cooperative: 59% of the respondents said they are a business venture; 24% of the respondents described their agricultural cooperatives as avenues of receiving money from the government; 12% of the respondents associated cooperatives with owning shares while 5% said they did not have an idea of what exactly a cooperative is. The chart below (Figure 21) shows the respondents' definition of a cooperative

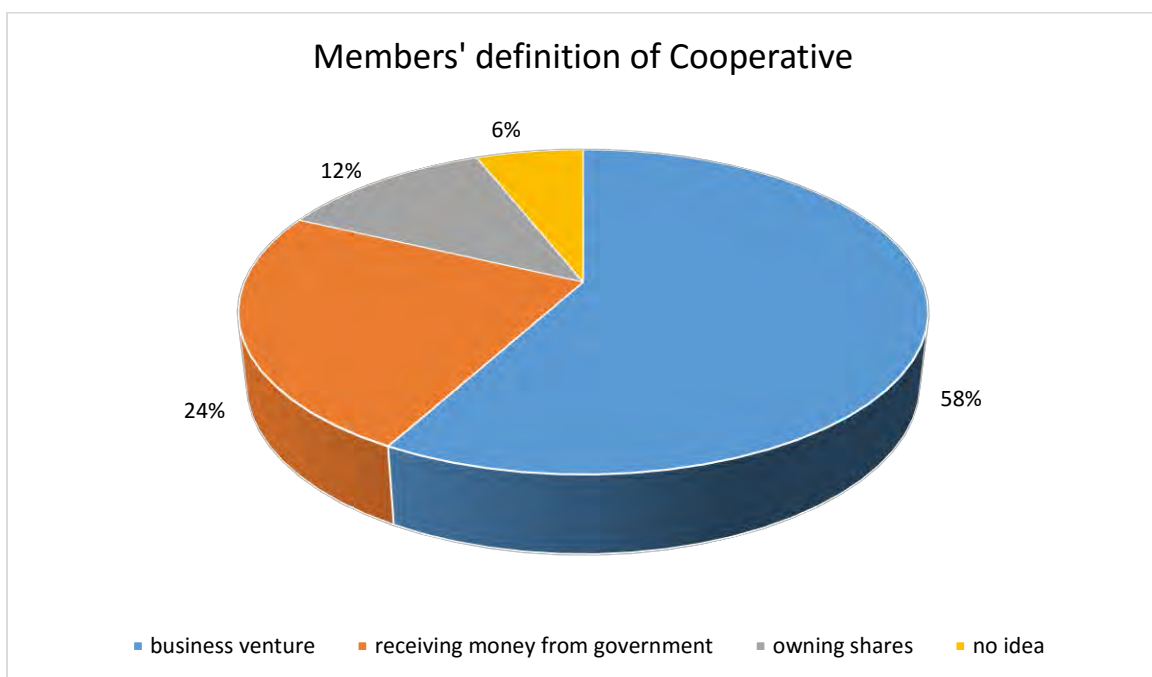


Figure 21: Members' definition of cooperative

Source: Authored by student

Although most respondents defined a cooperative as a “business venture,” 30% of the respondents from the cooperatives did not know what cooperatives are. This is a relatively high percentage given the fact that when people engage in collective action with wrong motives or assumptions then the objectives of collective action becomes unattainable. Those who described the cooperative as a business venture perceived their cooperatives as their employers, particularly for those that were managed by department officials like cooperative P. In such cooperatives members felt the organisation did not belong to them and therefore did not share in the vision of the cooperative.

Members of these agricultural cooperatives were asked why they joined their cooperatives, 44% said to engage in a business and earn money, 20% said to get a grant from the government, 26% said they thought it was mandatory to join as they were part of the community, and 10% said they hoped to get produce on credit. The chart below (Figure 22) show the members responses as to why they joined their respective cooperatives.

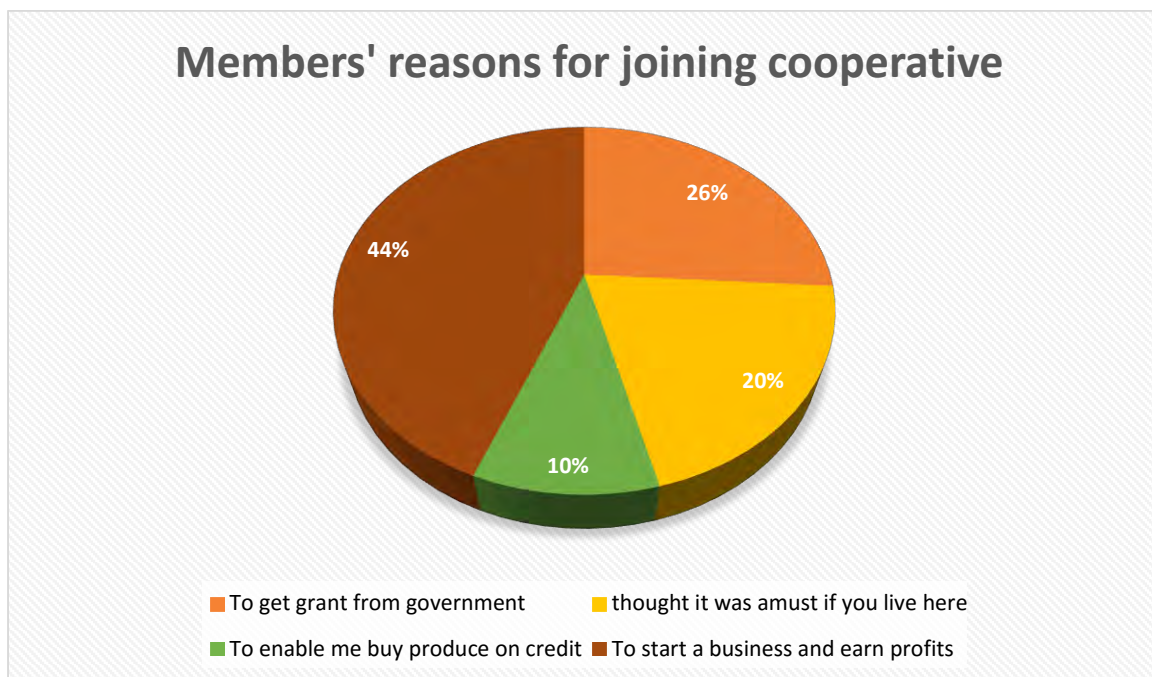


Figure 22: Members' reasons for joining cooperatives

Source: Authored by student

From these responses it shows that a majority (56%) of members of these cooperatives joined their organisations for the wrong reasons. Their objectives for joining their respective cooperatives do not bode well for the survival of these cooperatives.

All the cooperatives involved in this study were relatively young, the oldest among the surviving cooperatives, cooperative V was established in 2006 but was also dormant for two years from 2010 to 2012. Before joining their respective agricultural cooperatives 20% of the respondents said they were employed as farm workers, 28% were departmental employees, 34% were unemployed and 18% were involved in small personal business.

The chart below (Figure 23) shows the economic activities that the respondents engaged in before joining their cooperatives.

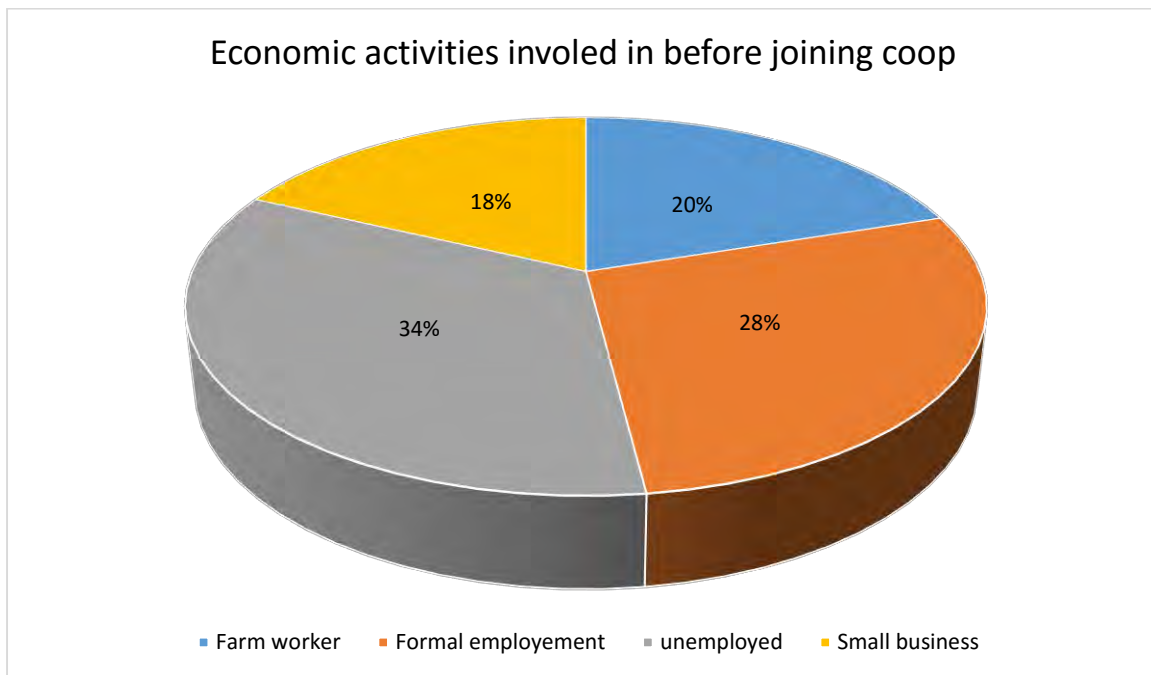


Figure 23: Economic activities that members engaged in before joining agricultural cooperatives

Source: Authored by student

A majority (72%) of the members of these agricultural cooperatives earned very small or no wage at all, which points to low standards of living. This is an indicator that they needed a higher income, hence the government's intervention by introducing cooperatives to them.

The farm workers were given the cooperatives by the government and the previously unemployed and small business owners were lured into forming cooperatives by the *Indunas* or by departmental employees. It is only those who were formerly employed who were self-motivated to start or join a cooperative, possibly because they wanted to supplement their income. Although self-motivated, some of those who were employed by the government department still dropped out of the cooperatives because they feared they would lose their jobs which offered better, secure and steady income. Members of cooperatives pointed out that most members, particularly those who were previously unemployed, pulled out of their cooperatives as soon as they found what they considered formal employment.

The idea of forming cooperatives did not originate from most of these members, they joined or formed cooperatives because of the promises from the politician or public officials. They joined the cooperatives with wrong assumptions, thus, their objective and goals are misplaced. An official said the members of cooperatives had developed “ a bad hand-out mentality where they want everything done for them.” Politicians were blamed for the bad attitude among members of cooperatives.

There were very few of the cooperatives involved the study classified as youth, most of the members were mature. This could have been because most youth don't find farming attractive. Old apartheid policies that reduced blacks to farm workers also shaped the attitude of the members to associate working on the farm with being a servant and earning a low income. According to DAFF (2012), the absence of youth in agricultural cooperatives has continuously weakened the governance or management skills in these organisations.

Admittedly, most members of these agricultural cooperatives dwelt in poverty, which every human being wants to get away from. Seemingly, for these members to whom farming was a new practice and the concept of cooperatives was a new idea, agricultural cooperatives were a channel for receiving organised financial support from the government. To them a cooperative did not offer an opportunity to move out of poverty and adopting good farming practices and becoming successful in farming was not a priority. When asked to list some of the support they needed from the government some members of the cooperatives, particularly the previous farm workers said that the government should have sent more people to work on their farms for them. This indicated that their objective was not to maximize on profits from their farms as they did not realise that employing more people would have a negative bearing on their gross income or profits. Employing more people would have also placed more demands on the teams tasked with the running of these organisations that were already battling with the management of the cooperative.

As previously mentioned the drop-out rates from these cooperatives was worrying, especially to the members who were left behind in the cooperatives? Members dropping out from these cooperatives that already had a small membership, not only distorted the management structure but also reduced the labour output. The operational plan of the affected cooperatives were adversely affected and some cooperatives collapsed as result. Some public officials pointed out that some members did not take their cooperative seriously and that they did not know “what

is good for them.” On the contrary, the high dropout rate of members from the cooperatives should not be perceived as an indicator of a lack of set objectives. With or without set objectives, it is critical to note that these members of cooperatives have daily financial obligations that need to be met. The fact that the South African cooperatives development policy targets the unemployed in the rural areas, could also explain the high turnover among the members of cooperatives. These cooperative brought people together who were in desperate need of an income, while the cooperatives only earn income after investing time, effort and money. The members' financial needs are urgent and cannot wait for the cooperative to stabilise, these members therefore jump at any opportunity that allows them to earn an income. This justifies why being a member of an agricultural cooperative is just a temporary occupation to these people, as they can engage in it only while they await greener pastures.

10.1.2 Manager

Since in a cooperative the ownership, management and patronage is the same, it is critical that the manager or the leader possess strong leadership and management skills (USDA 1995: 3). Leadership here refers to coordination and overseeing the activities of the agricultural cooperative as well as ensuring implementation of both the external and internal policies that govern the organisation. At the time of this study, none of the cooperatives involved in this study had someone with the organisational management or agricultural skills employed as manager or leader. Cooperative P once had a farm manager and cooperative Q once had two farm managers, who were all paid from the funding received from the government, but were not members of the cooperatives. When asked whether any of the cooperatives under their jurisdiction had employed a qualified manager, all the mentors and officials from the government said, “No.”

They indicated that the cooperatives were still young and did not have money to employ a qualified manager. Official A2 explained that where the cooperatives employ a manager, as in cooperatives P and Q, the managers end up earning the bulk of the grant that these cooperatives had been given by the government making the whole idea of employing a farm manager unsustainable. The fact that these were well established farms that employed farm managers at the time these emerging cooperatives took over, leaves one wondering whether the farms stopped producing and selling. It is assumed that operations should continue normally so that the income from the sale of the farm produce should continue to flow. But, official A3

explained that because government processes are slow, by the time the cooperatives took over the activities on these farms, productivity would have slackened or totally stopped. During the long extended transfer period, which could take up to two years, the farm equipment and operation systems deteriorated or were sometimes stolen. There is rarely a smooth transition process that allow the new farm owners enough time to familiarise themselves with the running of the farm.

When asked who manages the cooperatives, seven of the officials said the chairperson of the cooperative and three of them said the public officials. At the time of the study, none of the cooperatives had a manager; most of these cooperatives were being managed by their chairpersons. Cooperative P was being managed by officials from the DEDT, possibly because that department had invested and continued to invest over twelve million rand in this cooperative and also because it was the only cooperative they had to show for all government's effort. A municipality LED official was managing almost all of the cooperatives under his jurisdiction; this official even undertook purchases for these cooperatives.

At the time of the interview, out of the eight surviving cooperatives only two (S and T) were being managed by graduates. P and X were being managed by high school drop-outs and the rest (U, V, W, and Z) were managed by primary school drop-outs. Of the two cooperatives that had collapsed, cooperative R had a Diploma-holder as the chairperson while cooperative Q a primary school drop-out as its chairperson. This implies that 20% of the cooperatives were chaired by graduates, 10% by a diploma holder, 20% by high school drop-outs and 50% by primary school drop-outs. The chart below (Figure 24) shows the qualifications of the chairpersons of the ten cooperatives.

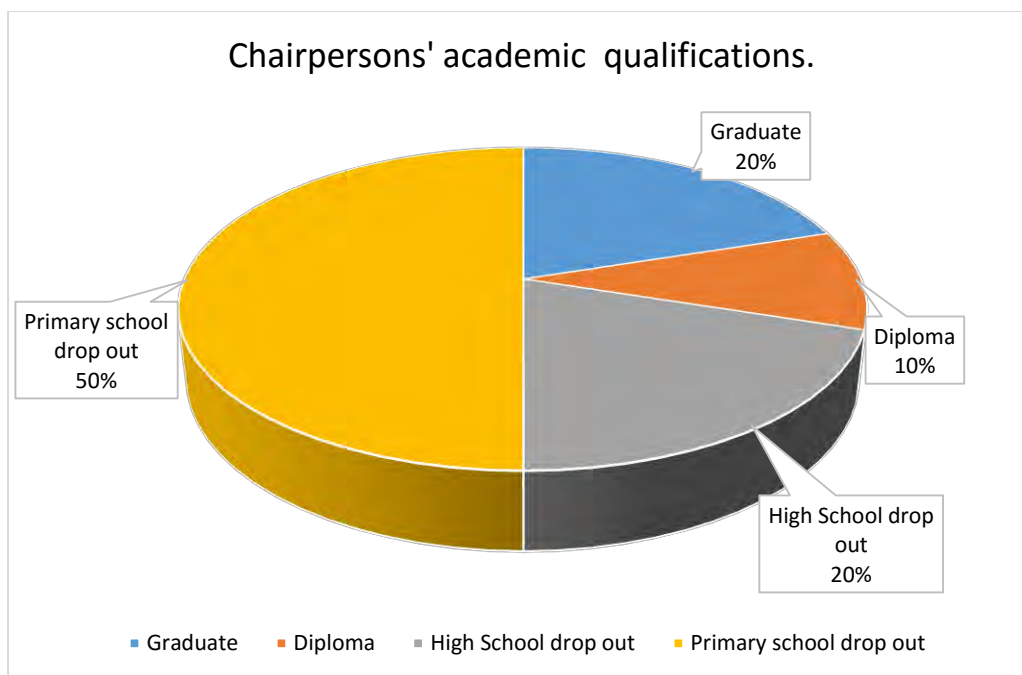


Figure 24: Academic qualifications of chairpersons

Source: Authored by student

Only one cooperative (S) was managed by a chairperson who had a qualification in management. One official confirmed this by saying that in most cooperatives the chairperson and the board did not have capacity. All the chairpersons of these cooperatives were having their cooperative experience for the first time. This lack of academic, lack of professional qualifications and lack of experience within cooperatives influenced the management of these cooperatives negatively. Cooperatives, being democratic organisations require a tactical, experienced and informed leadership if they are to succeed.

Of the eight running cooperatives, all had a board of directors. Depending on the membership, some had as few as three people on the board while others had as many as eleven. Only cooperative S had a supervisory committee. When asked why most cooperatives did not have a supervisory committee as required by the policy, of the ten officials interviewed three gave the small membership as one of the reasons.

Official A1: Because of low literacy levels having a supervisory committee would complicate things.

Official A2: The membership is small if all five are in the board, there is no one left for the supervisory.

Official A3: Having a supervisory committee would cause more infighting among the members of the coops.

The other seven officials did not understand that according to the policy there was supposed to be a supervisory committee. But they did know that most cooperatives had a small membership and commented that with as few as five people in the cooperative, almost every member was in the board of directors so there was no one left to be in the supervisory.

The chairperson was expected to coordinate the activities of the cooperative as a representative of the executive, who in turn represented the board of directors who were answerable to the membership. According to the act, when there was a supervisory committee, it monitored the activities of the board of directors in between AGMs. There was in fact, no fixed management structure for the agricultural cooperatives. Given the variations in the size of membership, where the membership was small, there was only the executive. Where there were less than ten members they would all be in the board. But where there are more than fifteen people, eleven of them would be in the board of directors who would be accountable to fewer people.

The public officials who understand the policy, indicated that in most of the agricultural cooperatives, particularly where most members were illiterate, they did not advocate for a supervisory committee. As one of the officials said, doing so would bring more confusion. The public servants explained that the members of the board who already do not know how to go about the whole process would most likely feel threatened. They said that some members of the supervisory committee might not understand their role and would therefore begin to police members of the board, which could result in division and animosity in the organisation.

The diagram below (Figure 25) shows the management structure of agricultural cooperatives.

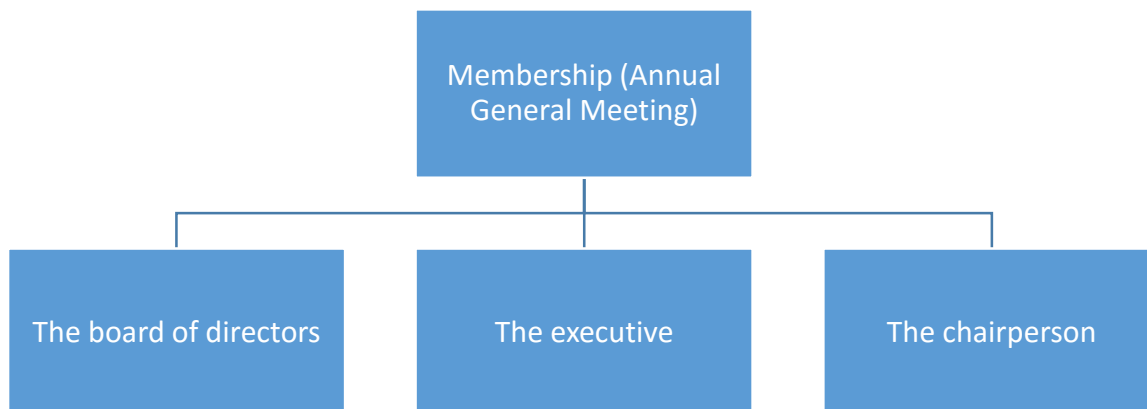


Figure 25: Management structure of agricultural cooperatives in uMgungundlovu District

Source: Adopted from DTI 2005

When asked to give the extent to which they think the members of agricultural cooperatives were able to govern themselves:

Official A1: They are illiterate, although they are exposed to farming, they do not have business management skills and lack an understanding of what coops are

Official A2: The level of understanding is currently very low, members struggle when it comes to adhering and complying with cooperative principles and values.

Official B1: Not equipped

Official D1: They do not understand what cooperatives are therefore cannot manage them.

Official C1: They don't have knowledge on how to manage the coop.

Official F1: Members don't understand what coops are and they don't want to work in the coop but want to get profits.

Mentor M1: There is a lot of clannism which causes some members not to respect those on the board.

Mentor M2: Some members don't want to spend time on the coops activities so the cooperative fails.

Mentor M5: There is a lot of mistrust among the members of the coop.

Almost all stakeholders admitted that members of these agricultural cooperatives had failed to manage themselves. The lack farm managers meant these organisations were left in the hands of inexperienced and incompetent board of directors. This negatively influenced the operation and running of the agricultural cooperatives, hence inefficient management. Management of the cooperative requires that the right decisions are made by the membership while the board

ensures implementation. The main decision-making organ in a cooperative is the entire membership, because the cooperatives govern themselves.

10.1.3 Decision-making

It takes less time and effort for a few people to agree on an issue and make decisions, in comparison to a big group of people. It is therefore easier for a few people to form a cooperative. Normally these are people who know each other's capabilities and weaknesses, thus the decisions they make take into account anticipated "misbehaviour" or free-riding by the members of the group. It is expected that in these cooperatives where the membership is generally small, decision-making should be easier and faster, however this is not the case with these cooperatives. Mistrust coupled with lack of information made it difficult for them to make the right decisions. Mentor M5 commented that it was unfortunate there were such a small membership and that the problem was mainly because of mistrust among the members and lack of understanding of what cooperatives are.

When asked to briefly ascertain whether members of cooperatives were able to freely and fairly elect a competent board of directors to run their cooperatives, six out of the ten interviewees (mentor and officials) said, "yes." They went further to explain that the election process could have been free and fair but the choices were not appropriate. Some of their explanations include:

Official A1: Fairly, but they don't look at whether the person is able to carry out the functions or responsibilities that come with the position.

Official A2: The main problem is that the elected board is not able to fulfil its functions, they lack skills such as record-keeping and writing minutes.

Mentor M4: There is a lot of clannism, some members of the cooperative believe that certain clans are not supposed to lead them.

Official D1: There is clannism and prejudice within the coops.

Official F1: They can but sometimes the decision is narrow minded.

Officials M5: There is a lot of mistrust even among themselves

When asked to elaborate what this meant, the respondent explained that culturally some members of the cooperatives believed that other clans, identified by their surnames, were inferior and were therefore not supposed to instruct them. Where such beliefs existed, those

from the supposedly inferior clans could not be elected to a position of leadership irrespective of their capabilities. However, if elected then they did not get the support of the whole membership and this interfered with the smooth running of their organisation.

However, a number of explanations could justify why the membership should not be blamed for not voting the right chairperson or any of the other leadership positions in their cooperatives: firstly, these cooperatives were characterised by a small membership which does not give the members a variety to choose from; Secondly, the cooperatives policy did not allow a member to serve in the same position of leadership for more than two years, so once the few capable people had served their time in leadership positions then only the less capable members were available to take over as leaders; And thirdly, where all the members were illiterate there lacked professionalism even in their choice of leaders, they did not know what qualities to for in a leader.

The membership of these cooperatives lacked an understanding of the cooperative Act no 14 of 2014, their constitution, their business plan and all the other policy documents. The decisions made by these members were definitely not underpinned by the policy documents whose content they were not familiar with. Their choices therefore were likely to contradict what was stipulated in those policy documents. It is important to point out that the decision-making process among them could have been fast, but making decisions or rules and policies does not amount to anything if they are irrelevant, not implemented or adhered to.

10.1.4 Formulation and change of operational rules

Rules and regulations provide a structure to the strategy and coaching on how the plan should be executed and achieved. Rules and regulations clearly state what is acceptable and what is not permissible. Successful management of cooperatives therefore relies on the membership's ability to formulate and adhere especially to their internal rules. Other than the constitution which had already been drawn up by DTI and the business plan which was drawn up by SEDA or FET, the other policy documents such as by-laws, human resources policy and minutes of meetings were not in the possession of most of these agricultural cooperatives.

When asked whether it was important to have rules and even to change rules in their cooperative, every member said yes, yet they did not have records of these rules. This could be

because they did not know that documents such as by-laws and human resources policy actually contained rules and regulations that they needed for smooth running of their organisations. It is also possible that when members of a cooperative met they discussed and made rules but because they were not written down the cooperatives did seem not to have rules.

The process of formulating rules in a cooperative is during a meeting, which is evidenced by minutes. The researcher attended several meetings with cooperative S. The cooperative secretary always arrived more than 30minutes late and with a baby. She would then start feeding the baby and the meeting would carry on with nobody taking down the minutes. Once the secretary had finished feeding the baby, she put it to sleep and only then would take out pieces of paper and begin to scribble. By the end of the year when the cooperative wanted to apply for funding and resolutions were required, the secretary produced three incomplete minutes of meetings from a series of about twenty meetings that were held during the year. The minutes were not proposed or seconded, they neither had the secretary's nor the chairperson's signature on them. The meetings did not start with matters arising, there was always a new issue on the table for discussion. Whenever there was an issue that required clarity, some members of this cooperative could say that they had already discussed the issue. Everyone then gave their version of what had been agreed upon because there was no record in the form of minutes to verify. Eventually decisions had to be taken afresh over the matter. This was not only a waste of time but it brought about discontent among the members who felt that the decisions taken prior were fair and the new decision partial. This is because when dealing with an issue at hand emotions and time play a critical role (Anyaworksmart, 2013).

When these members of cooperatives were asked whether they were happy with their rules, 90% said "yes" and only 10% said "no." This implies that the 90% members are happy with the status quo.

If cooperative S, one of the few cooperatives that had a professional among their members, had no record of meeting minutes, then one is justified to conclude that all the other cooperatives certainly didn't have either. An official referred to the meetings held by members of agricultural cooperatives as "informal meetings," since there were no minutes. Sometimes the minutes that they had were not a true record of the deliberations held. Mentor M1 indicated that often cooperatives had been disillusioned into thinking that the responsibility of drawing up the required policies and regulations lies with the public institutions that helped the

cooperative establish. When asked about the cooperatives capacity to make and obey rules, the following was the response:

Official A2: even if they make rules some obey others don't

Official A3: Almost all the coops don't have records so they don't even have knowledge on how to manage the coop.

Official C1: Sometimes these cooperatives unknowingly make rules that contradict the act, whose existence they are not aware of.

Official A1: The rules they make don't promote growth of coops, they overlook so many things because they lack information. They don't stick to rules, they mix business with personal issues, and fights are common because of mistrust.

Whenever an issue arises, rules and regulations are there to be used to solve the problem. If the rules regarding the matter are not clear then the rules have to be amended. Due to changes that occur externally or within the cooperatives it is inevitable that the cooperative also change its rules in order to adapt to the changes. When members of the cooperatives were asked where they ever rule changes within their organisations they all said "yes." When asked who initiates rule changes in their cooperatives, 40% said the board, 30% said the membership, 16% said the department, 10% said the manager and 4% said the supervisory committee.

The graph (Figure 26) below represents members' responses when asked who initiates rule changes in their cooperatives.

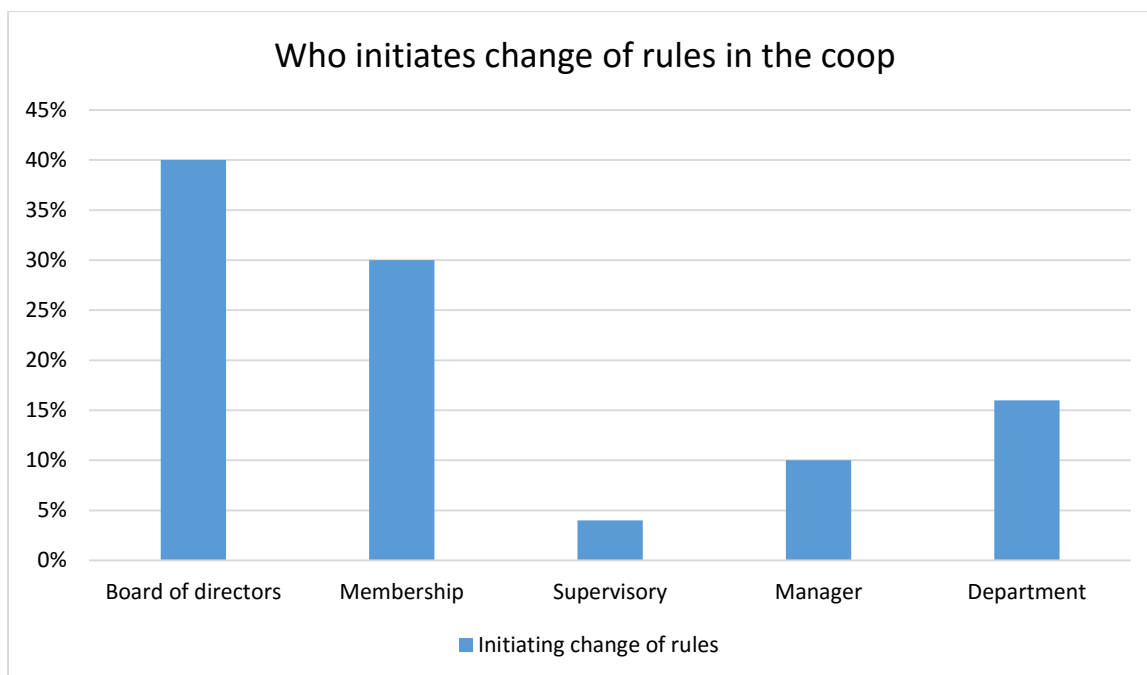


Figure 26: Who initiates change of rules in the agricultural cooperatives

Source: Authored by student

The responses stating that in most cooperatives the board of directors initiate a change of rules, but this is only likely in cooperatives where the entire membership is also the board of directors. In some cooperatives where the membership is actively involved in the affairs of their cooperative the membership initiates change of rules but this is only possible where there are many people in the cooperative. In agricultural cooperatives where a government department was actively involved in the running of the organisation, some members felt it was the government officials who were responsible for formulating and changing rules. It is surprising that some members indicated that a manager was responsible for changing of rules and yet none of these cooperatives had a manager, unless they were referring to the public servants. Most of these cooperatives did not have a supervisory committee but where there were, some members felt that they initiated change of rules. This could be because of an active supervisory committee that should be the first to pick up any loop holes in the system therefore make the call for a change in the rules. When asked whether it was necessary to change rules and regulations, 68% said “yes” and 32% said “no.” When asked why it was necessary to change rules, 44% of the respondents from the agricultural cooperatives chose to cope with any changes that rose around us, 12% said to foster cooperation and 42% said to please those who support us and 2% said change of rules was not necessary. The table (Figure 27) below represents the respondents’ views on why it is necessary to change rules.

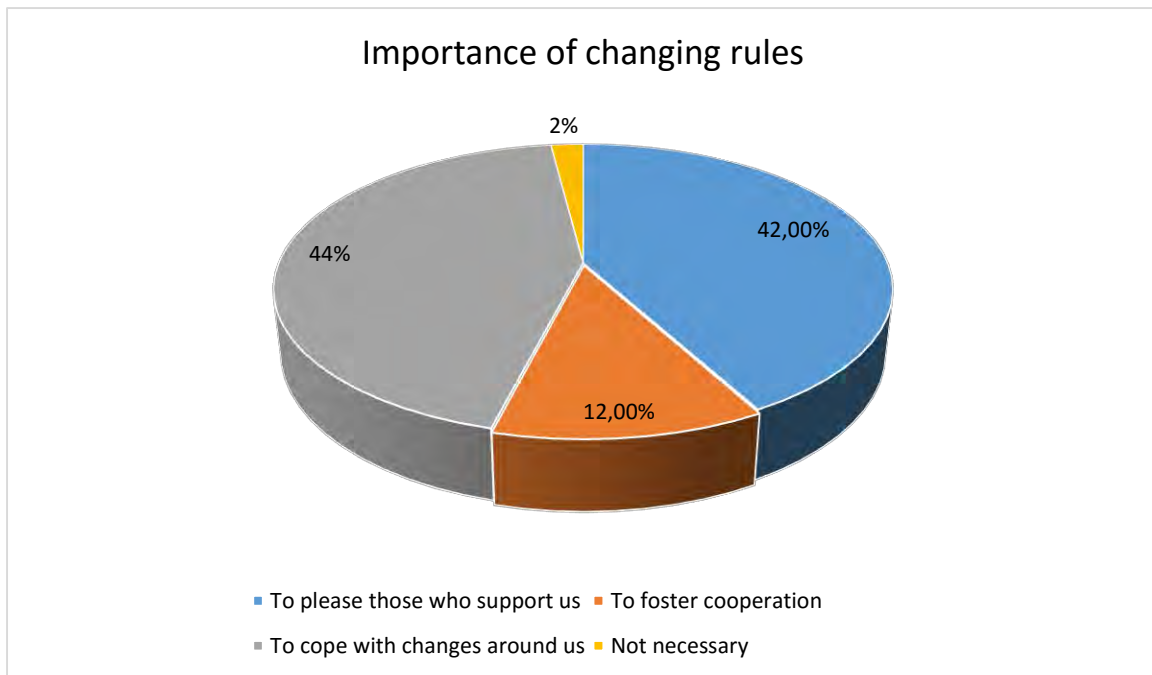


Figure 27: Why it is necessary to change rules

Source: Authored by student

A majority of the members feel in order to cope with changes around them it is necessary to change rules and a good number feel that a change in rules should be motivated by their partners. Only a few members (12%) of these cooperatives realised that it is adherence to their internally made and modified rules that hold their organisation together. There were those who felt that the process of changing rules was time consuming. For others changing of the rules did not amount anything because the process did not result in the expected changes. Therefore there was no need to change the rules in the first place.

A majority of the cooperatives involved in this study did not have internal rules and regulations, while those who did have them did not refer to them. They relied on the government officials to tell them what to do. Each and every cooperatives constitution had initially been prepared by the DTI and any time a cooperative wanted to amend anything in its constitution it had to first hold a special or general meeting and draw up resolutions from that meeting. These resolutions then had to be sent, together with a copy of the registration certificate and a bank slip from ABSA as proof of payment of two hundred and forty six rand (R246.00) to DTI

through the DEDT. This would then take a month to process and be sent back to the cooperative.

10.1.5 Credible commitment and taking ownership

As mentioned earlier, the formation of these cooperatives were motivated by either public servants or politicians. Most of these cooperatives were given land by local government (*Induna*), while the DEDT bought farmland from white farmers for two of the cooperatives (P and Q) and only one cooperative (R), that had already collapsed at the time of the study, bought land with a loan from Ithala Finance Corporation. When members of agricultural cooperatives were asked who owns the cooperative they were in, a majority (60%) of the respondents said all the members, including themselves. There were still about 10% of the members who said that the department owned the cooperative, 14% said the community and 16% said the board. The graph (Figure 28) below shows the respondents understanding of the cooperative's ownership.

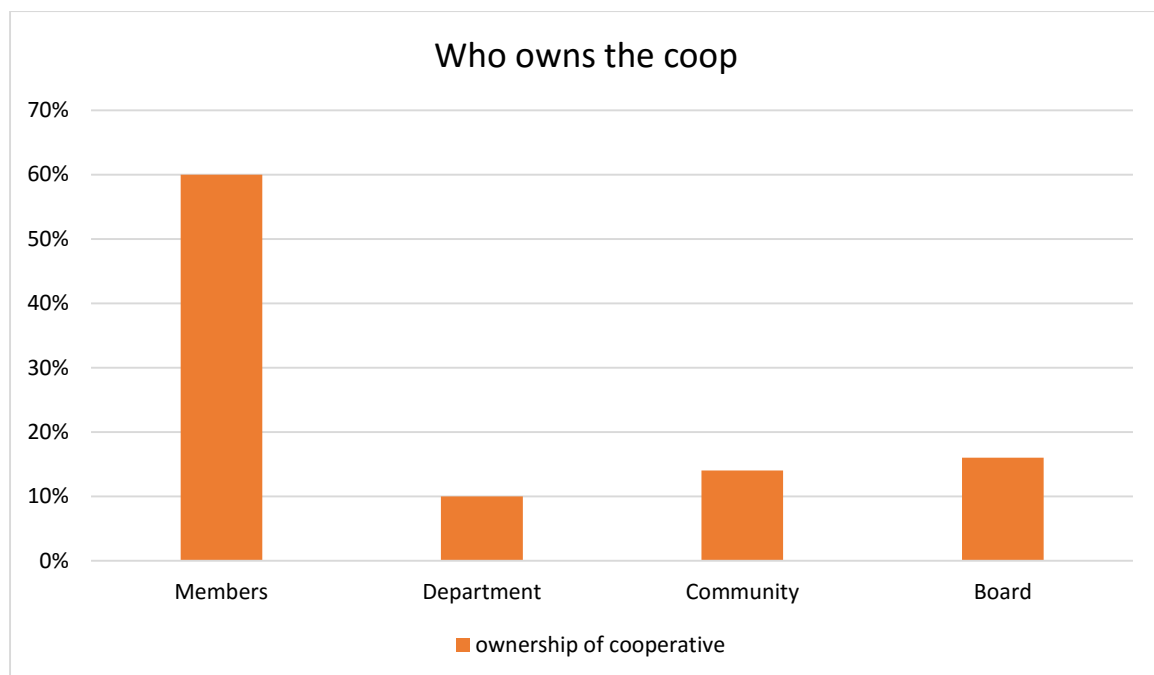


Figure 28: Members understanding of ownership of cooperative

Source: Authored by student

Other than cooperative S, in all the other cooperatives members did not buy shares, neither paid registration/application fee nor month subscription fees. In December 2012, members of agricultural cooperative P went on strike demanding better terms of employment. Official A1,

said that there had been instances of some members of cooperatives going to seek redress at Council of Conciliation, Mediation and Arbitration (CCMA) over poor terms of employment by their cooperative only to be reminded that they are their own employers. Members of cooperatives thought the cooperatives were government institutions and they were therefore working for the government. To these members it was much about their rights and the benefits they would gain from a successful agricultural cooperative. With support flowing from the government they thought their organisations were the responsibility of the public servants who worked with them. There was clearly a lack of commitment among the members of these cooperatives.

When the officials were asked about the attitudes of the members of the cooperatives towards them regarding their support:

Official A1: Gone are the days when people I have helped start a cooperative could come to me and I advise them on how to access resources from the government. Nowadays I ask them, as a cooperative what they have done so far.

Official D1: Cooperatives have to understand that nowadays they must comply before we can give them support.

Official B1 suggested that the membership should be sieved by financing the coops in stages; “start with 5acres, for example, and when that succeeds move on to 10 acres. This way the committed ones will continue as the others drop out.

Only cooperatives P and R had title deeds for their land, the rest did not own the piece of land they worked. Q’s title deed was with Ithala Finance Corporation because they had defaulted in their loan repayments. For the other agricultural cooperatives, all the land in these former homelands belongs to the King. Lack of property rights lead to a lot of anxiety among collective actors and could have been a hindrance to members of these agricultural cooperatives who were committed and wanted to take ownership of their cooperatives.

The government did not give these cooperatives an opportunity to take charge of their organisations. Neither did they encourage the cooperatives to follow the set purchasing procedures as stipulated in the procurement policy, where the members of the cooperative were supposed to get various quotations then decide on which service provider to do business with. The government is doing purchases for most of the cooperatives and loans and grants are sent directly to suppliers. No wonder when asked whether it was necessary to change rules, some members said it is not necessary as changing of the rules had no positive impact on their cooperatives. The public servants had taken over the running of some cooperatives.

10.1.6 Conflict Resolution Mechanisms

The primary objective of having rules and regulations in an organisation is to ensure that every actor abides by them so as to avoid conflict, thus allowing co-existent and smooth management. Conflict arises when the benefits of others are threatened because a member has failed to adhere to the rules and regulations, or because there are no rules and regulations regarding the matter. Those who abide by the rules would feel cheated or short changed by those who go against the agreements. According to the members of these cooperatives, conflict arose, for example, when:

Some members thought that the executive had misappropriated their money.

Some members did not turn up for work on the cooperatives farm.

Money had mysteriously disappeared from the cooperatives bank account.

Those who had withdrawn money were supposedly mugged and the money disappeared

When some members pulled out of the cooperative without warning in the middle of a project.

Some members refuse to listen to the executive

Some members felt that their wages were too small

Some members felt they could not work without pay

Some members felt that the workload was too much.

Among the members of the cooperatives, most conflict arose because of money and labour. In most instances, some members accused the treasurer or the executive for misappropriation of the cooperative's funds. The Official A1 commented that on most occasions members of cooperatives rush complained to them that the treasurer or the executive had "eaten" the cooperatives money. The official's office had become so used to such complaints that they stopped paying attention or investigating such cases so instead, the complainants were told to go and refer to their cooperative's constitution. An official from Ithala Finance Corporation commented that members of cooperative applied for loans as friends but sooner or later they became enemies as the former friends were not even willing to sit around a table to iron out issues in the official's presence.

Conflict arising from labour disputes became evident when official A1 commented about having to deal with a number of cases in which members of cooperatives had gone to the CCMA to seek redress because their cooperatives were not complying with the labour laws by subjecting them to harsh labour conditions. When asked what some of the challenges they faced in their cooperatives were, 69% of the respondents said the members of their cooperatives were lazy and not ready to work. As was mentioned in chapter 5 most of these cooperatives did not have a human resources policy as required by the Act and were also not familiar with their constitution.

There had been conflict, not only between the members of the agriculture cooperatives but also between the cooperatives and their neighbours. As had been mentioned in chapter 6 where an agricultural cooperative's farm was not fenced, thieves stole their produce and livestock strayed into their farms. Due to the problem of lack of fencing there had been animosity between the members of agricultural cooperatives and the neighbour that keep livestock. Thus, there was seemingly a lot of conflict, a condition that makes management of cooperatives difficult and often leads to their collapse. Conflict is a common occurrence among collective actors hence the need for conflict resolution mechanisms.

The South African government (DTI, 2004: 19) stipulates that arbitration and settlement of disputes should be treated and handled internally by the cooperatives movement. However the cooperative movement in South Africa had not developed hierarchal links from primary cooperatives to the apex. None of the primary cooperatives engaged in this study were linked to a secondary cooperative.

When members were asked whether their cooperatives had a channel for expressing their concerns, a majority of 78% said, 'Yes.' When asked to state who they share their concerns with, 38% said they inform a member of the executive, 24% said they tell another member, 16% said they report it in a cooperatives meeting and 22% said they report to the relevant government officials.

When members were asked to specify the means they commonly use to express their concerns a majority (56%) of the respondents said by cell phone, 8% said by landline, 28% said face-to-face and 4% said 'other' without specifying. Below is the graph (Figure 29) showing the means by which members of cooperatives express their concerns.

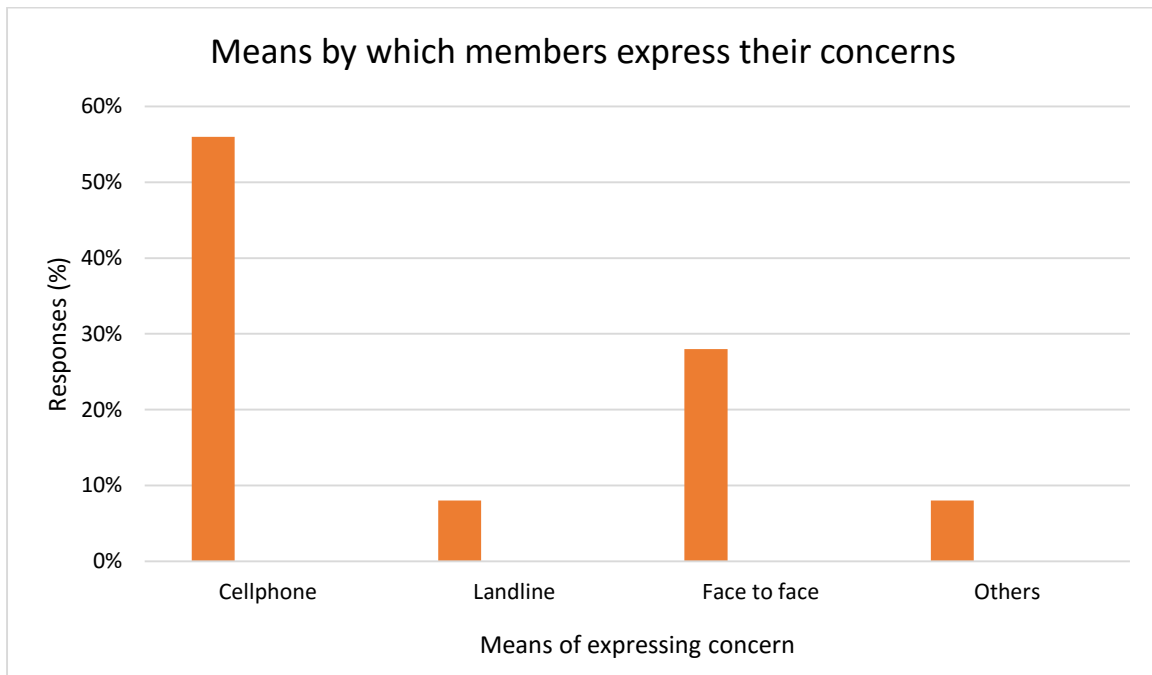


Figure 29: The means by which members express their concerns

Source: Authored by student

When members use phones to report issues there is no room for detail because of the cost of a phone call. These might lead to misreporting or lack of communication. Reporting face-to-face could be effective but it also depends on who is receiving the report. For these members of emerging cooperatives, phones should not be the preferred mode of reporting concerns. Below is the pie chart (Figure 30) showing responses about who members of cooperatives report their concerns to.

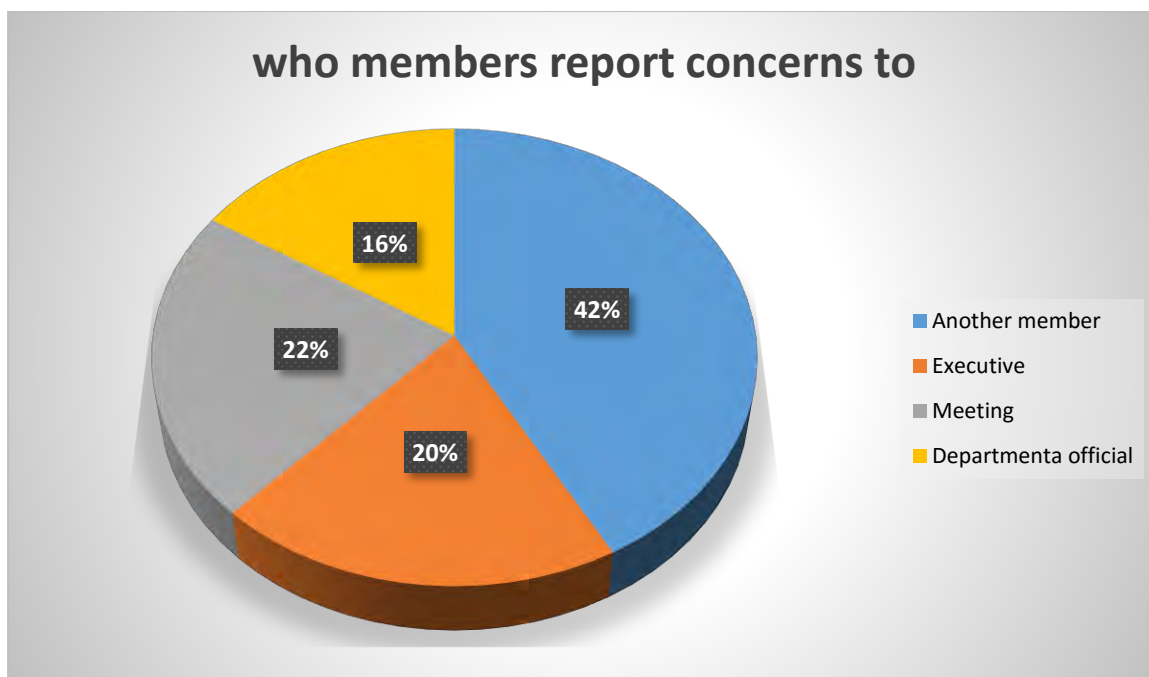


Figure 30: Who members report concerns to

Source: Authored by student

When members of cooperatives were asked to indicate who they report their concerns to, a majority (42%) indicated that they report to other members, while 20% said they report to a member of the executive, 22% said they report it in a meeting and only 16% said they report to a departmental official. When members report to other members, the members receiving the report might relay a distorted version of the original or fail to present it at all. The members of the executive are more likely to bring the matter to the attention of the board of directors who will handle the problem as set out in the organisations policy documents. If the matter is not addressed in the organisation’s policy documents then, depending on the seriousness of the issue, an ad hoc meeting can be called. A general meeting is the correct place to present issues but as these are not held frequently, urgent matters can be discussed at regular meetings. Members who report to the departmental officials could indicate that some members of cooperatives do not have faith in their board of directors. It is possible they felt that the board was responsible for their issue and it was impossible to report the board to itself.

10.1.7 Monitoring mechanisms and graduated sanctions

In these producer cooperatives, on their far, the members were also the employees so the need for monitoring each other is somewhat limited to labour, time and money. The members of

these cooperatives had to ensure that each and every member of the cooperative spare time and energy to do their share of work as assigned by the group. The members of the cooperative had to ensure that those in charge of the organisations finances were engaged in genuine dealings that benefit the whole group. The cooperative as a group is supposed to adhere to the laws of the land by engaging in dealings and activities that do not contravene the legal system of the country. In cooperatives, therefore, there is need for monitoring both from within and externally.

In a cooperative, the membership monitors the activities of the board of directors, but for these cooperatives in uMgungundlovu, the membership is small which meant that the whole membership was in the board and therefore there was no one to monitor the board of directors. The new Cooperatives Act No 14 of 2005, unlike the older cooperative policies, does not address issues of supervision or inspection of cooperatives. In the governance structures there were no public officials tasked with supervision of the activities of cooperatives. This is confirmed by the KZN-DEDT (2009: 12) which points out that the government had not put in place measures to control the activities of cooperatives and there were no monitoring and evaluation services for cooperatives.

One public official indicated that it was never easy to be a treasurer in these cooperatives.

Official A1 said: “Every now and then somebody would report that the treasurer had eaten their money.”

According to this official, in most instances, such allegations proved not to be true, and these false allegations were attributed to mistrust among the members. Initially, the government put financial support directly into the cooperatives account but this was abused by the executive of the cooperatives who were signatories to their accounts. Money could be withdrawn from the cooperatives account without the knowledge of the members of the cooperative. Among the agricultural cooperatives some monitoring mechanisms put in place included having three signatories to the cooperative’s bank account, any two of who could withdraw cash. Although a cooperative’s cash could not be withdrawn from the Automated Teller Machine (ATM) but it could be used for purchases. There were many reports of two signatories withdrawing all the cash without the knowledge of the others. There were also cases where a signatory had secretly

purchased personal items using the cooperatives debit card. This led to a lot of fighting and mistrust among the members of the cooperative.

According to the KZN cooperatives development strategy (2009), in an attempt to put financial monitoring mechanisms in place, it was stipulated that cooperatives would no longer be given cash. Instead, when seeking support the cooperatives must produce a business plan and three quotations for the items they wished to purchase. The lending institutions such as Ithala Finance Corporation and government departments such as DTI and DEDT that give grants would then write a cheque to the suppliers and the cooperative's executive (chairperson, treasurer and secretary) would be expected to acknowledge receipt of the items or service. According to some officials the new strategy has resulted in corruption between the public servants and the suppliers or service providers. The cooperatives, on the other hand were experiencing delays in the delivery of farm inputs while the members of the cooperatives were unjustly made to feel irresponsible.

There were no monitoring mechanisms in place; this built a lot of uncertainty among these members of cooperatives, pushing them to act on suspicion or instinct. Management in an environment that is crowded with uncertainty is difficult.

In most of these cooperatives there were no sanctions put in place to deal with the offenders. Surprisingly, even where the sanctions had been stipulated they were never applied. For example, cooperative S, well drawn up graduated sanctions existed on penalties or fines to be meted on late payments of monthly subscriptions and failure to attend meetings but these were never enforced. Members would make the monthly subscriptions three months late, and they weren't penalised. The membership did not understand that a cooperative is a business, like any other - to them it was a social gathering. Also, because the membership was small and not strict, members looked for any small excuse to drop out of the cooperative. Any form of punishment, no matter how small, resulted in the affected member pulling out which would not auger well for the cooperative.

10.1.8 Assumptions

In uMgungundlovu District, KwaZulu-Natal, wrong assumptions by members and prospective members of cooperatives, government officials and other stakeholders have led to cooperatives

collapsing soon after they had started. Some assumptions made by different stakeholders include:

Some members of cooperatives assuming that the cooperatives belong to the government and therefore they were employed by the government. On a visit to Cooperative P in early February 2013, the researcher was shocked to find the farm neglected and covered in bush because the members of the cooperative were on a strike. During the administration of the questionnaire the members of these agricultural cooperatives were asked who owns the cooperative and almost all the respondents from cooperative P said, “The government.”

Prospective members of cooperatives assuming that the moment they inform the District Coordinator of Cooperatives or an LED official of their intention to form a cooperative, both financial and material assistance will be given immediately. They assume that a registered cooperative automatically qualifies for support from the government. Official B said that members of cooperatives expected to be supported even when they did not qualify. When members applied for funding from Ithala Finance Corporation they did not expect to go through a screening process, they assumed that so long as they are a cooperative they qualify for funding from that financial institution. Mentor M1 said that co-ops were disillusioned by the promise of financial and non-financial assistance that seldom materialized or took an excessively long time to occur because they had not complied to set requirements.

The DEDT, Provincial LED and Department of Education promise agricultural cooperatives a market for their produce, which does not materialize because schools are not fed on unprocessed farm produce such as mealies or beans. Often the individual cooperatives did not produce enough goods, have feasible distribution mechanisms and were not food safety compliant (M1).

The other wrong assumption that the government and other stakeholders had was that a farm worker is a farmer. For example, when officials were asked whether the members of an agricultural cooperative have expertise in farming, the response was “Yes because most of them are ex-farm workers.” This is not true though, because a farm worker participates in a piecemeal of operations on a farm and has no knowledge of the overall workings. A farm worker operates under close supervision, is coerced or lured into action but a farmer is self-driven by the benefits or incentives accrued from the whole process. Official B2 commented

that there is need for the government and other stakeholders to realize that; “agriculture is and requires specialized skill.”

The assumption among the ANC government officials, the DEDT and other Local Economic Development (LED) officials in KwaZulu-Natal has been that since Community Based Organisations (CBOs) such as stockvels and burial societies are thriving among the communities then equally cooperatives, being social enterprises with a very simple structure would thrive (KZN-DEDT, 2006).

The government assumed that everybody in the rural areas had aspirations of becoming a farmer and people in the rural areas had no choice of which type of cooperative to form or join. They all had to join an agricultural cooperative.

Most national policies such as the South African Land policy and the Cooperatives Development Policy depict “an apparent assumption by the government that communities and groups are a homogenous entity” (Mokgope, 2000). The policies and the implementers’ actions often depict assumptions that members of a community have common interests. For example, a piece of land being allocated to a cooperative with expectation that the members of the cooperative will all participate equally in offering their services to ensure that the farm operations are carried out successfully.

As stipulated in the KZN Cooperatives Development Strategy, when a cooperative applies for a loan or grant the money is given directly to the supplier. The assumption here is that the members of these cooperatives are not responsible enough to budget and use the money wisely by getting the best value for the money. This also shows that members of cooperatives are not trustworthy. Partnerships should be built on a foundation of trust and when members of cooperatives are made to feel that the government does not trust them then their level of commitment to these organisations would lessen.

The government (DTI 2004) assumes and categorizes cooperatives with SMMEs - transitional entities in which the poor establish small business which should eventually transform into big companies. The cooperatives policy does not therefore cater for large cooperatives and does not give room for the small cooperatives to expand. Thus none of the existing cooperatives has a future as a cooperative because of the narrow vision set by the government. While SMMEs

can survive with minimum support, cooperatives require both horizontal and vertical linkages, particularly with other cooperatives in order to develop a strong cooperative movement in the country (Satgar, 2005).

10.1.9 Implementation of the Cooperatives Act no. 14 of 2005

As stipulated in chapter 3 of this thesis, the Cooperatives Act No. 14 of 2005 is the policy framework which underpins development of cooperatives in South Africa. Among the officials interviewed, none of them implemented or worked under the old Cooperatives Act 19 of 1981. Like the members of the cooperatives, they are still getting a feel for the updated Cooperatives legislation for the first time. As mentioned earlier some of them were not even aware of the fact that in working with cooperatives they are implementing a government policy; only four out of the ten officials interviewed knew about the existence of the Cooperatives Act No. 14 2005. Only three officials from the DEDT said they had to refer to the policy document regularly. Of the three, two said they had only mastered the sections they had to refer to every now and then.

In implementing this act, some of the areas of the policy that some of the officials found challenging were:

The public officials wondered whether members of cooperatives who work for their cooperative should be governed by the Labour Act. As was mentioned earlier, occasionally the DEDT and Municipality LED officials who work with cooperatives on a daily basis would have to deal with labour disputes among members of cooperatives. Such disputes, being labour related, under normal circumstances required the intervention of the Department of Labour's CCMA. The laws of the department of labour contradicted or did not cater for circumstances in the Cooperatives Act. When the aggrieved member of a cooperative took their case to CCMA, by the time the case was dismissed, a lot of time and resources had been wasted. Such cases also brought about animosity and mistrust among the members of the cooperatives and this negatively impacted on the management of the cooperative.

The Cooperatives Development Policy (DTI, 2004: 21) allows members of cooperatives to be members of trade unions. It is practically impossible for an employer to be a member of a trade

union. Such provisions in the government's cooperative policy documents have bred a lot of confusion among the members of cooperatives.

The cooperatives policy categorizes cooperatives with SMMEs: two entities whose ownership, management and functions contrast (DTI, 2004: 17). Unlike SMMEs, cooperatives should expand as cooperatives and not grow into private companies.

The minimum membership for a cooperative, according to the act, is five people; this poses several management challenges and some officials felt that the minimum membership of a cooperative should be pushed up to at least fifty. When there are so few people in a cooperative they all end up becoming members of the executive (chairperson, deputy chair, treasurer, secretary, and deputy secretary) or the board of directors. In a cooperative the executive or the board of directors is answerable to the members or the Annual General Meeting (AGM). With the membership lacking, the management structure is distorted. For these agricultural cooperatives a small membership means a small labour force and this impacts negatively on the productivity and hence the management. A small membership coupled with the fact that members do not buy shares means small share equity or none and a shortage of financial capital negatively impacts on the management of these agricultural cooperatives. The collapse of a cooperative symbolizes failure in implementation of the cooperatives policy by the concerned institution.

The officials were asked to comment on the cooperatives level of compliance to the requirements of the Cooperatives Act No. 14 of 2005.

When stakeholders were asked whether, in their view, the Cooperatives Act No.14 of 2005 had been implemented among the cooperatives under their jurisdiction, the responses were as follows:

Official A1: To a very limited extent we try to explain but they don't grasp.

Official A2: Their understanding is very minimal and most members of coops are not serious.

Official A3: To a very small extent, their level of understanding is very low.

Official B1: They have not."

Official B2: It is not simplified, the common man cannot understand it.

Official C1: They have a long way to go.

Official D1: I don't think so.

Official D2: No they have not.

Official E1: Maybe but not that much.

Official F1: They might not even be aware of it, so the answer is no.

From these officials' responses and the responses of the members of cooperatives (looked at earlier on in chapter 5), the members of cooperatives had limited knowledge, if any, of The Cooperatives Act No 14 of 2005. This must have negatively affected its effectuation among the cooperatives in uMgungundlovu District. Organisations cannot successfully manage the implementation of a policy that they lack knowledge of unless they are given external expertise.

In an attempt to gather from members of these agricultural cooperatives what problems they experienced in implementing the act in their organisations, they were asked to list some of the challenges they experienced. Below are some of their responses:

We do not understand what a cooperative is

The constitution is not clear or easy to understand

What we agree on in the meetings is never implemented

We do not know how to farm

Members are not committed and do not trust each other

Not all members work hard they just wait to share benefits

Our supporters' (department, banks) demands are not attainable

This place is dry, water is never enough, and the climate is not suitable

We do not receive financial updates or reports from the treasurer

Support from government and partners are always delayed and too small.

The responses above from the members of the agricultural cooperatives clearly point to the fact that the cooperatives act was not being implemented by these agricultural cooperatives.

When members of cooperatives were asked to give some benefits of agricultural cooperatives or what the policy had attained, the only response they had was:

“Blacks now have land”

Government officials on the other hand listed the following:

Some land has returned to black hands.

There is employment among blacks.

Some agricultural cooperatives were feeding schools.

When the idea of cooperatives was first introduced in the province of KwaZulu-Natal all the stakeholders assumed that once given training in management and book-keeping and financial and material support was available to them, cooperatives would just flourish. But on realising that this kind of support without knowledge in agriculture and commitment does not guarantee establishment and success of agricultural cooperatives the government officials and the Ithala Finance Corporation officials have changed their approach. One official said, “Nowadays when they come to me to say they have started a cooperative I ask them what they have done so far” The officials expect the prospective co-operators to show initiative and commitment before they can receive any support. The *Indunas* and politicians, however have not changed their approach because they still remind people to form agricultural cooperatives and then go to the municipality or DEDT offices or Ithala Finance Corporation for money. According to these politicians the government has given these institutions money to disburse to cooperatives. This has created a dependent mentality among the members of cooperatives. An interviewee (M2) said: “the government should give these organisations another name other than cooperatives: social grant something...”

10.2 Summary

Ostrom (2004) proposed that the first step in managing collective action is an appreciation of the existence of a problem among the participants. This should motivate the actors into coming together for a common purpose; that of solving their problem collectively. Looking at the cooperatives engaged in this study, there was generally an acknowledgement of the existence of problems of poverty, unemployment and food security among them. However, their coming together in agricultural cooperatives did not aim at solving those problems communally. The members did not sit down as a group to decide that they have a common problem that they need to tackle collectively through by forming an agricultural cooperative. Instead these

members of cooperatives were motivated into forming cooperatives by the government officials and the Indunas.

Most members of cooperatives joined their organisations for the wrong reasons such as to get grants from the government. For others it was to enable the purchase of produce on credit, while others joined because they thought it was a must to join if you lived in the locality. For most of these members their organisations were just a transition area where they kept themselves occupied in wait of greener pastures. According to Ostrom (1990) participants in collective action should have a common goal which drives them to share in the organisations vision, making management of such organisations stress-free. This did not seem to be the case with the agricultural cooperatives in uMgungundlovu District.

Ostrom (1990) also stresses that members of the cooperatives need to have as much information as possible about their joint venture. For example, every existing cooperative in South Africa is governed by the Cooperatives Act No 14 of 2005. It is therefore critical that each and every member of a cooperative and the public servants who work with cooperatives master it. Unfortunately this is not the case, a majority of the members of these cooperatives were not even aware of its existence, and only three out of the ten public officials knew that they were implementing the policy and referred to the policy document regularly, and only two mentors knew sections of it. People cannot work with something they know nothing about and more so in collective action.

Some areas of the policy did not seem to rhyme with other policies such as the Labour Act. These made management of the agricultural cooperatives in uMgungundlovu District difficult. Some conditions proposed in the Cooperatives Act, such as unemployed membership and small membership of five did not favour successful management of cooperatives at all. Cooperatives lack share equity. No cooperative could engage in any economic activity without support from the government. There seemed to be a lack of understanding of what cooperatives are among the cooperatives' membership and the public officials who were the implementers of the policy. The members of cooperatives think that the cooperative belongs to the government. Ostrom (1990) states that where understanding of concepts or resources lack, information can be sourced from libraries and internet or it can be communicated by experts. Only one cooperative had access to internet. For most of the cooperatives, the members were illiterate, and the cooperatives were situated in the rural areas where there were no libraries, but they relied on

radio documentaries from DEDT, provincial government and Ithala Finance Corporation. Obviously the lack of knowledge of the concept of cooperatives, the policy, and the lack of other resources have interfered with the management of these agricultural cooperatives.

According to Ostrom (1990), collective action required a strong and skilled leadership for successful management. None of the cooperatives in uMgungundlovu had employed a cooperative manager, instead they were all being managed by their board of directors. In most instances these boards of directors comprised an illiterate membership that lacked basic management skills and experience. In most of these cooperatives the leadership was elected not on capabilities but on how vocal they were. In some instances even where a capable leadership was in place, the influence of culture or clannism frustrated their efforts. Thus, as indicated in most government documents and scholarly articles, poor management is a big challenge to emerging cooperatives in South Africa (DAFF, 2011/12; Thakhathi, 2013)

Ostrom (1990) further proposed that collective action groups can be successfully managed in an environment where the participants are able to create and change rules. It is rules and regulations that shape or guide the participants' actions. An organisation cannot achieve its objectives unless the participants adhere to the rules and regulations. In collective action, failure to adhering to the rules implies shirking, free-riding or dodging. Changes within the organisation, such as change in behaviour of some participants might call for modification of rules. Changes that arise from the external also force the participants to modify their internal rules and regulations. For example, national cooperative policy reforms can force cooperatives to change their constitution or by-laws or procurement policy. Looking at the agricultural cooperatives in uMgungundlovu District, as has been mentioned most of the members had a limited understanding of the concept of cooperatives and the cooperatives policy. While the constitution and the business plans had been drawn by government institutions. They had not formulated the vital documents that underpin their organisations. This also depicts dependency on the government, where members of the cooperatives wait for the government to supply them with rules. Chances were some of the rules that members of cooperatives made or changed contradicted the national cooperatives policy, whose understanding they lacked. If such rules existed they could only make management of cooperatives more complex. This was because of low literacy levels and lack of skilled leaderships to guide them into making rules that are both in line with the national policies, and suit their organisations. Thus, most of these agricultural cooperatives did not have the capability to formulate and change rules. There was

a possibility that these cooperatives had their own internal rules which though not recorded, were known by the members. Non-existence of, or failure to adhere to internal rules and regulations among the members of cooperatives resulted in failure of self-governance among these agricultural cooperatives.

Ostrom pointed out that there is need for credible commitment and a sense of ownership among actors for successful collective action. Among the agricultural cooperatives survey, there was a clear lack of commitment among the members. This was evidenced by the members' actions. There were cases of some cooperatives going on strike because of poor working conditions. Such strikes led to delay or a total halt in farm operations. The result was a loss to the whole membership. In some instances, members reporting their cooperatives to the Department of Labour's CCMA seeking redress over labour disputes. Such members did not realize that they were the owners of their cooperatives and by reporting to the Department of Labour they were actually reporting themselves. When asked who owns their cooperatives, some members indicated that the cooperative belonged to the government. Such members did not only consider themselves as government employees but had also failed to take ownership of the cooperative. Thus, these agricultural cooperatives failed to meet Ostrom's condition of individual commitment among the actors for successful self-management among collective actors.

Ostrom (1990) observed that long lasting collective action was equipped with affordable conflict resolution mechanisms in place. Apparently the cooperatives in uMgungundlovu District did not have conflict resolution mechanisms in place, and even where they had them on their policy documents, the members were not aware of their existence. Either there were no stipulated channels for airing concerns, or the members were not aware of their existence. Ignorance among members led them into taking wrong channels such as reporting to CCMA, or a departmental official, in an attempt to air their concerns. There was lack of communication, and in most instances the board of directors were not able to deal with the conflict satisfactorily due to the lack of management skills. These cooperatives risked collapsing due to inability to adequately tackle members' concerns. In most of them there lacked conflict resolution mechanisms and where this existed, the management lacked the capacity to apply them. Duma (2014) points out that "conflict in member relationships" has contributed to collapse of many cooperatives in South Africa. Thus, self-governance among these agricultural cooperatives had failed, rendering collective action doubtful.

Ostrom (1990) suggests that for collective action groups to endure, they should have both external and internal monitoring mechanisms and graduating sanctions catching or hindering the offenders from going against the agreed upon rules and regulations. The cooperatives did not have monitoring mechanisms, and where they had them they did not enforce the sanctions to deter repeats or future offenders. Members of cooperatives failed to realize that cooperatives were a business that required enforcement of sanctions or penalties to discourage noncompliance among the actors. For agricultural cooperatives, the government had tried to put some monitoring mechanisms, particularly with regards to finances but these were inadequate and irrelevant. Giving the cooperatives money to suppliers or service providers added more delays onto the existing elaborate government bureaucratic system. This also resulted in the members' failure to take responsibility for their organisation, thus lack of ownership. Self-governance among these agricultural cooperatives was failing, because there were no monitoring mechanisms and graduating sanctions in place, or where there existed they were not implemented. The board of directors in all of the cooperatives engaged in this study lacked the leadership skills required to govern these organisations.

This chapter has looked at self-governance among agricultural cooperatives in uMgungundlovu District. Apparently they did not apply the cooperative principles or meet most of the design principles that Ostrom (1990) proposed for successful self-governance in collective action. Among the agricultural cooperatives involved in this study none seemed to have the potential to self-govern and collective action lacked. The next chapter is the conclusion and recommendations.

CHAPTER 11

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This study was set to analyse self-governance among agricultural cooperatives in uMgungundlovu District in KwaZulu – Natal Province, thus, implementation of the Cooperatives Act No 14 of 2014. This entailed looking at the formation of these organisations, accessibility and utilization of resources, the kind and source of support they had and how members of agricultural cooperatives managed their organisations. The values and principles of cooperatives make them comparable to collective action groups or organisations. In collective action, just like in cooperatives, independent individuals agree to act jointly in order to achieve mutual benefits.

The conceptual framework used in this study was Ostrom's "*Governing the commons: The evolution of collective action*" and the works of other scholars on collective action and cooperatives. Ostrom observed that a ruler from outside, an entrepreneur or a group of leaders can initiate and successfully sustain mutual benefits as long as the problems of collective action are dealt with. Tackling of collective action problems entail managing free-riding, ensuring commitment among actors and ensuring a constant supply of new rules and supervision to ensure adherence to the agreed upon rules. The actors must be able to supply the rules and monitor each other's degree of adherence, thus achieving self-governance. According to Ostrom (1997), a number of variables stimulate collective good problems, among them, size of group, heterogeneity of participants, dependence on the benefits received, their discounted rates, the type and predictability of transformation processes involved in nesting of organisation level monitoring techniques and information available to participants."

In answering the key research questions for this study it is revealed that collective action among the agricultural cooperatives in uMgungundlovu District, and most likely South Africa as a whole is doubtful. None of the agricultural cooperatives engaged in the study strived towards attaining good self-governance, and neither of them had successfully attained it. Evidently, collective action lacked among these agricultural cooperatives. This explains the high collapse rate (88%) of cooperatives nationally, and failure in effectuation of the Cooperatives Act No 14 of 2014 (Parliamentary Monitoring Group, 2010).

In this chapter, the four research questions will be answered in an attempt to expose failure in collective action among the agricultural cooperatives. The four research questions have been answered under the headings "Community attributes for self-organised collective action", "Resources for self-organised collective action", "Partnership/Support attributes for self-organised collective action" and "Governance/management of self-organised among the agricultural Cooperatives". After which the researcher gives her recommendations that could be used to gradually turn things around in an attempt to ensure successful implementation of the Cooperatives Act No 14 of 2015 and thus, promote sustainable collective action among the members of agricultural cooperatives in South Africa.

11.1 Summary

11.1.1 Community attributes for self-governed collective action

According to Ostrom (1990) the manner in which collective action is initiated points to the objectives, attitude and level of commitment of the participants, thus the organisations chances of survival. In looking at the kind of motivations that attracted and therefore kept participants or members in the agricultural cooperatives, the findings of the study revealed that chances of collective action succeeding are minimal because of a number of factors:

Most of these agricultural cooperatives were initiated by *Indunas* and departmental officials. The *Induna's* knew nothing much about cooperatives except that when a group of five in their wards come together to form a cooperative then they are entitled to receive grant/money from the government.

The community attributes such as size, self-identity, past successful experience and homogeneity among other things did not satisfy the criteria for collective action.

Since the Act stipulates that a cooperative must have a membership of at least five, agricultural cooperatives in uMgungundlovu District had a small membership of five on average. According to Olson (1990), a small membership motivates formation of collective action because it is easier for few people to organise, and actors know that the accrued benefits would be shared among fewer people, hence more per beneficiary. Ostrom (1990) on the other hand feels that small group size is not much about numbers but more about being able to bear the cost, thus small membership also means that uncertainty is reduced as the actors feel that they are able to monitor each other's activities or actions at a minimum cost. For the agricultural

cooperatives involved in the study, the sizes were small because of the national policy benchmark that has been set at five people. Since cooperative was a new concept among the communities it was easier and cheaper to mobilize five people. In fact in other instances where the founders could not meet the target of five they resorted to forgery; names and ID documents of people who were not members were submitted to CIPC without their knowledge. According to Satgar (2007:10) there are cooperatives “with a paper membership, and they are dysfunctional.” This was done in an attempt to get legal standing as a cooperative and access support from the government, but not operate as a cooperative. Thus, the other reason for a small membership among these agricultural cooperatives was higher percent share benefits from the government. For these cooperatives there were no dividends, so members could only share funds from the government. Officials from public organisations that support cooperatives also encourage a small size membership. Given the frequent and heated disagreements among members of agricultural cooperatives, the public officials felt it was easier to resolve conflict among smaller groups as compared to bigger groups. The attribute of small group size among these cooperatives met Olson’s (1965) proposal of being easier to organise and Ostrom’s (1990) hypothesis of individuals receiving more when benefits are shared among fewer actors. On the other hand the small group size did not work in favour of these cooperatives which could not afford the costs of engaging in any project without the support from the government. Thus the community attribute of group size did not satisfy the criteria for self-organised collective action.

Ostrom (1990) and other economists (Olson, 1965; Oliver, 1980) proposed that coercion or incentives were required to motivate actors into forming collective action. This proved true for almost all of the cooperatives engaged in this study, the village leadership (Induna), government official and even radio documentaries that motivated people into forming cooperatives had been directed or sponsored by the government. As had been mentioned earlier the KwaZulu-Natal provincial government has invested in mobilisation campaigns in an attempt to lure communities into forming cooperatives (DEDT – KZN, 2009). The government had provided most of the resources (land, farm inputs, technical expertise, and money). There were many public institutions DTI, KZN-DEDT, Ithala Finance Corporation, Department of Agriculture, The Municipalities and many others that offered various forms of support to these cooperatives, all in an attempt to encourage people to initiate, join or stay in cooperatives. However, this contradicted the case of public servants who felt that government ministers subjected them to a lot of pressure by giving directives which sometimes contradict the

stipulated government procedures and the cooperative principles. Ostrom's (1990) argument that formation of collective action requires incentives or coercion was found to be true for the cooperatives involved in this study.

Ostrom (1990) and Hussi et al (1993) pointed out that an enabling environment or conditions that favour the activities of the group was a factor that motivated collective action. KwaZulu – Natal is the wettest province in South Africa, the temperatures are moderate as compared to other provinces, and thus the climate favours farming. In these areas the soils were good and the terrain was gentle. It was because of these suitable physical factors that agricultural cooperatives were formed in this area. In KwaZulu-Natal Province most (22%) cooperatives are agricultural (KZN-DEDT, 2009:10). Although factors such as frequent droughts and veld fires posed challenges to farming and were likely to negatively impact on collective action. All the same, in uMgungundlovu District because of good physical conditions that favour farming and the prevailing act, there existed an enabling environment that should have motivated formation of agricultural cooperatives. The government of South Africa had the new Cooperatives Act no. 14 of 2005 carefully tailored in an attempt to suit formation and survival of the emerging black cooperatives, some of which were engaged in this study. The KwaZulu – Natal Cooperatives Development Strategy of 2009 also favoured the development and promotion of cooperatives in the province. Thus, there existed policies that seemingly created an enabling environment for formation of cooperatives. The community attribute of an enabling environment appears to work in favour of self-governed collective action among these agricultural cooperatives.

However Hussi et al. (1993) and Ostrom (1990) all concur that policy beneficiaries stand to gain nothing from a policy no matter how much the policy offers unless they understand it. Members of agricultural cooperatives, the local political leadership and a majority of the public servants lacked an understanding of the Cooperatives Act No 14 of 2005. Most of them were not even aware of its existence. Even among the Public Servants tasked with ensuring and guiding the implementation of the policy, a majority did not understand that there was a cooperatives policy. The question then is, how do people successfully execute what they have no understanding of?

Ostrom (2007) and Ostrom (1990) after many surveys of collective action concluded that actors in collective action easily developed trust for participants who had a history of having

successfully participated in collective action. Although, there still exists very successful white only agricultural cooperatives in South Africa no integration has taken place. Unfortunately among the members of the emerging agricultural cooperatives involved in this study a majority were having their cooperative experience for the very first time with no one to look to for guidance. Even the public servants who were supposed to mentor the cooperatives had no experience with cooperatives. Not only was the concept of cooperatives new to them but farming as a business was also a new experience to them. Being a farm worker is not the same as being a commercial farmer. The latter is more demanding and complex than the former. The black cooperatives, comprised a membership of inexperienced smallholder farmers who were made to come together by the government in an attempt to “fight poverty and create employment opportunities” (Ngwane, Lyne and Ferrer, 2010: 44). The two groups of cooperatives have contrasting backgrounds, functions and objectives. In the emerging cooperatives members own and work on the farm communally while the well-established white cooperatives were service cooperatives, the management techniques and requirements were not the same. Thus, these emerging cooperatives cannot learn from the white cooperatives. Ostrom (1990) had observed that past successful experiences motivate actors to join collective action. The Cooperatives Act No 14 of 2015 does not give guidelines on how the old but strong cooperatives should relate to the emerging cooperatives, if anything the BBBEE policy draws a big barrier between the two groups that should have been encouraged to work together (Satgar, 2007). Past successful experiences were not a motivating factor to the members of agricultural cooperatives in uMgungundlovu District forming or joining cooperatives. In alluding to Ostrom’s proposal then, lack of past successful experiences contributed to failed self-organised collective action among these agricultural cooperatives.

According to Ostrom (1990) role models can motivate actors into engaging into collective action. Among the agricultural cooperatives involved in the study there were no role models. This is because as has been mentioned agricultural cooperatives are a new concept among black South Africans. Even though there are still some successful white agricultural cooperatives, these cannot act as role models to the black agricultural cooperatives. This is because the approach adopted by the government for these emerging cooperatives is totally different from the one that worked for the white farmers. While the blacks worked on small pieces of land communally, white individuals owned and worked on large tracts of land. The emerging cooperatives are producer/worker owned while the white cooperatives are service/use owned (Phillips, 2003). Most of the emerging black cooperatives were therefore operating without

any role models. A majority of the members of these cooperatives relied on the village elders, Ward Councillors and the district coordinator of cooperatives office for motivation and guidance on what to do in the organisations. *Indunas* and Ward Councillors are politicians who should not be relied on because the focus is normally on votes. If anything they are not farmers. The district mentor cannot afford to be there for a group whenever required; the district is too wide for one person. Furthermore a public servant like the district mentor cannot support one cooperative at the expense of the others. The people these members of agricultural cooperatives are relying on for guidance and professional support are not well suited for that purpose. Underpinned in Ostrom's (1990) observation therefore, given the prevailing conditions of lack of experience, the chances of self-organised collective action thriving among these agricultural cooperatives are minimal.

Poteete et al (2004) and Ostrom (2004) proposed that in most instances issues of heterogeneity in gender, skills and affluence have a bearing on collective action. Ostrom (1990) observed that where the gap between the rich and the poor is too wide collective action is hindered. Among the agricultural cooperatives studied, homogeneity seems to transcend heterogeneity in the formation of collective action groups. This could be attributed to the government's approach to development and promotion of cooperatives, which direct that agricultural cooperatives for example, are for the unemployed in the rural areas (DTI, 2009). This means that those who live in a neighbourhood and do not engage in any economic activity would form a cooperative. These are people who in most instances do not have access to land and would therefore rely on the chief or king to give them land. In some instances the government bought a farm from a commercial farmer for the farm workers to form a cooperative so as to own and work on the farm. The other reason for homogeneity is the problem of mistrust among South Africans where people prefer to interact strictly with those that they are familiar with (Mail and guardian, 2011/09/16). So when an *Induna* or a Ward Councillor advises an individual to form a cooperative, the individual would get their contemporaries and establish a cooperative whose membership live in the same village, have a common past, are in the same economic bracket and have the same attitude towards issues. Among the agricultural cooperatives there also existed heterogeneity in gender and clannism, which as will be discussed later negatively influenced management of these cooperatives. Diversity in gender adversely affects formation of cooperatives, in that when women approached men to join their cooperative, the men refused. As indicated by DAFF (2010/11), male dominion is a challenge to formation and management of cooperatives nationally, because the men imagine that nothing good can come from a

woman. Men also imagine that women are inferior and therefore no man should receive instructions from a woman. Among black South Africans there are clans (identifiable by surname) that imagine because of their superiority they should not be guided or led by someone from a supposedly inferior clan (Le Roux, 2007).

The fact that the number of youths in agricultural cooperatives is very small and continues to decrease is worrying because it means as the older people retire, sooner there will be no one to work on the farm (DAFF, 2010/11). Most youths in South Africa lack an interest in farming, they prefer white collar jobs or working in the cities instead of the rural areas. Farm work is associated with poverty and servitude. The issues of youths not wanting to engage in farming because of negative attitudes towards farming, has both positively and negatively impacted on management and sustainability of agricultural cooperatives among the youths in South Africa. Cooperatives composed of the elderly lack continuity thus, sustainability; with no one to take over when the elderly retire (DAFF, 2010/11). On the other hand homogeneity allows a smooth and fast decision making process which is healthy for cooperatives. In South Africa therefore, homogeneity instead of heterogeneity has motivated establishment, but at the same time disfavoured management and sustainability of collective action. Homogeneity is harmful to collective action, particularly where the participants have no resources to contribute to the organisation. In this instance therefore homogeneity is a community attribute that has failed self-organised collective action among the agricultural cooperatives in uMgungndlovu District.

Ostrom (1990) argued that there is need for binding agreements which brings about assurance among prospective actors and encourages collective action. In South Africa the Cooperative Act recognizes the need for binding agreements among members of a cooperative and has given a list of policy documents that a cooperative should have to minimize uncertainty among the members and to enable smooth running of the organisation. Documents such as the constitution, by-laws, human resource policy, procurement policy, and others, should be available to all members and the contents well understood by all members. However, most of the agricultural cooperatives engaged in this study did not have these documents and even where they had them, their existence and contents were not known to the members. Given that these are worker cooperatives members want to know for example, from the human resources policy, how their services would be rewarded, and how would those who refuse to cooperate be dealt with? Individuals know that collective action is crowded with a lot of uncertainty which can only be minimized by binding agreements and where these are not available then

people would be hesitant to engage in collective action. Non-existence or lack of knowledge on the existence and contents of these documents among existing cooperatives and prospective membership thereof has contributed negatively to the establishment and survival of cooperatives in South Africa. Evidently, among these agricultural cooperatives collective actions was failing because of lack of knowledge on the existence of or actual lack of the binding agreements.

Often most cooperatives are deregistered by CIPC because of the members' lack of understanding of the legal requirements on management of their organisations and low literacy levels. Most cooperatives neither ask for exemption nor submit annual returns to CIPC, resulting in deregistration. This sometimes happens before the cooperative engages in any project given that they rely on support from the government for start-up.

Other factors that have hindered establishment and management of agricultural cooperatives, hence, successful collective action include; the high preliminary costs required to set-up and start operations, as well as the fact that returns from farming projects are never immediate. Availability and accessibility to resources could motivate people into forming farming collective action groups.

11.1.1 Resources for self-organised collective action

Ostrom(1990) and other collective action scholars agree that collective action is about mutually exploiting common pool resources in order to earn joint benefits. In a successful self – organised collective action set up, these resources would not only be available but be timeously accessible in a sustainable manner. This is an indicator that participants have the capacity to make sound decisions and implement them.

Olson (1965), Ostrom (1990) and Ostrom (2004) all point out that actors in collective action must be willing to expend time and effort in an attempt to engage in communal activities thus success of collective action. Members of these worker cooperatives were expected to spend equal time and effort working on the group's farm, participating in the other activities such as attending meetings and transporting inputs or produces so that the benefits arising from their efforts can be shared equally. There were agricultural cooperatives that had collapsed because some members were not willing to work on the farms. Some members of the cooperatives felt

that the work was too demanding, and for others it was demeaning to work on a farm. The farm workers, turned into farm owners, felt that they had taken a new position of being the boss and therefore as the government bought the farm for them it should have also employed people to work for them on this farm. Farm workers turned into farm owners often went on strike refusing to work on their farm, citing poor working conditions as a grievance. In such confusion the agricultural cooperative suffered losses and sometimes ended up collapsing. Some members of agricultural cooperatives reported their complaint of poor working conditions to the Department of Labour's Commission of Conciliation, Mediation and Arbitration (CCMA). Such disputes were never resolved by the CCMA since they arose out of the allegedly aggrieved member being ignorant of the fact that they were their own employer. With that kind attitude grounded in ignorance obviously the members of the cooperatives who work on their communal farm did not produce to capacity. This resulted in lack of collective action.

One reason for high drop-out rates from these agricultural cooperatives was because most members felt that working on a farm was a more inferior form of occupation. As soon as something better came up they left their cooperative. The members' unwillingness to work on the farm could also be attributed to the fact that in most cooperatives members do not earn anything until after the produce is sold. Without a steady income members of cooperative could not support or sustain their families financially. It is for this reason that employment that seemed to offer steady income such as house-help or garden-boy was preferred to being a member of an agricultural cooperative, where the income is unreliable and unpredictable. The culture of work seemed to lack among members of agricultural cooperatives. Some members joined their cooperatives with ill motives. They thought that cooperatives were avenues for channelling or accessing government funding. Such members had not signed to work on farms and would therefore not work to earn benefits but would instead wait to receive hand-outs from supporters. Some opportunists deliberately formed agricultural cooperatives to earn the start-up capital of the three hundred and fifty thousand rand from Ithala Finance Corporation or DTI then informally dissolved the cooperative. Such opportunistic behaviour was encouraged by the government issuance of grants without establishing the viability or the legibility of such cooperatives (Jara and Satgar, 2008). Successful collective action could not be attained in scenarios like these because of wrong intentions and assumptions both from the government and the supposed members of the cooperatives.

Most cooperatives did not have share equity because the members did not pay registration fee or buy shares from the cooperative. Members did not save with cooperative so they did not pay monthly subscription, or the annual registration fee. The cooperatives therefore relied on grant from government departments of loans from government corporations to fund their farm operations. Because this support was unpredictable and unreliable it meant the cooperatives' farming activities could not be planned. No single supporter sponsored the whole project or the operations from the start to the end (for example from ploughing to harvesting to marketing), this meant that there was no guarantee that the operations would run up to completion. Sometimes after a government department had ploughed the farm, members of a cooperative would then start to look for seed and by the time they got seed, the planting season would be over. Thus, operations on cooperative farms were characterised with a lot of uncertainty because they did not have a dependable financial base.

These cooperatives could not get loans from commercial financial institutions such as Standard Bank, Nedbank, First National Bank (FNB); they lacked security for such loans and they were also not economically viable. The commercial banks have been reluctant to support cooperatives also because of the manner in which the government introduced the cooperatives to the masses as well as the Cooperatives Development Policy that did not depict them as business like ventures. Another reason could be because the agricultural cooperatives have not operated as business ventures, they have no share equity and the members have not set for success in farming. As such they could only get loans from institutions such as Ithala Finance Corporation and ABSA who had been given money by the government to lend to cooperatives and SMMEs. Among the cooperatives engaged in this study none could be said to be financially sound, they were all struggling financially. Successful collective action could not be attained among the agricultural cooperatives because of lack of financial capital.

Only one cooperative that had been formed for farm workers and was being managed by the DEDT had machinery equipment and processing plan, all the others did not have any physical capital. The other two cooperatives whose farms initially belonged to white farmers at one time had machinery and equipment but since they collapsed all these had degenerated due to misuse or vandalism. Lack of physical capital meant that the cooperatives that relied on external support were at the mercy of natural forces for a successful harvest. Cooperatives often lost their crops to drought, veld fires and sometimes the seasons passed without the relevant operations being carried out due to lack of machinery or farm inputs. Most of the cooperative's

farms are situated in the former homelands which were neglected by apartheid government and therefore lack even the basic infrastructure such as storage facilities, irrigation system and roads. This means the quality of their produce could have been low and the cost of production could have been high and their produce could therefore not compete with those of commercial farmers whose produce is of high quality and the cost of productions is low. Thus, for these cooperatives lack of physical capital was a big challenge that hindered them from achieving successful collective action.

Ostrom (1990) and Vanni (2014) propose that collective action works well where the appropriators have knowledge and skill about the resources they are working with. Farming requires expert skills not only in the types of crops or animals being reared but knowledge on soils, weathers, markets and storage among other things. However the members of agricultural cooperatives engaged in this study lacked knowledge on the concept of cooperatives and did not possess the required farming skills. Most members of these cooperatives did not have academic and professional qualifications to enable the successfully practice of farming and manage their cooperatives. They relied on government extension officers for technical advice, yet these officers who also had to attend to other smallholder farmers were generally few in number and thus overwhelmed (Aliber and Hall, 2010). With no information and lack of knowledge among the members of agricultural cooperatives farming activities led to crop failures or death of livestock/poultry on farms. Lack of the long awaited benefits often resulted in some members pulling out of their cooperatives, or total collapse of cooperatives. Because of lack of financial capital these agricultural cooperatives could not afford to hire qualified managers to successfully operate their organisations. Admittedly, lack of skills in farming and management among the members of agricultural cooperatives is a resource attribute that negatively impacted on self-organised collective action.

KZN-DEDT (2006) and Ostrom (1990) observe that a critical resource for a business venture like an agricultural cooperative is market. The produce should be sold at the right time in order to attain optimum benefits for the collective actors. As has been mentioned, at the time of the study members of most agricultural cooperatives had not experienced lack of market for their produce, and did not therefore view this as a challenge. Those, whose produce was small, were able to easily sell their produce to informal retailers and middlemen and even sell in flea markets. Other small scale producers sold their produce through the NDA's New Port shop in Pietermaritzburg. The one cooperative that produced large scale was being managed by the

KZN-DEDT and the members were not concerned with the entire operations of the farm. The government officials had organised market for this cooperative's produce with a registered retail shop in Pietermaritzburg.

Left on their own the large scale cooperatives would not have been able to access the registered retail shop, because of the laborious criteria that a producer must meet in order to engage with such markets. The government cannot take over the running of all agricultural cooperatives while it is expected that the small scale producers should expand and become commercial farmers. As a result the government is not only concerned, but is putting measures in place to ensure accessibility of markets to agricultural cooperatives. Hence, the government's initiatives such as giving procurement priority for the Departments of Health and Education's feeding programmes to cooperatives (KZN-DEDT, 2009). The study revealed that a majority of the cooperatives were not aware of the existence of such privileges, some did not participate in the bidding process, and others tried and failed while very few succeeded. Evidently, the agricultural cooperatives need money, tender application skills and time for their farm produce to successfully participate in the feeding programmes. It is not a surprise that only one cooperative which was more of a proxy for a private dealer was still contracted by the Department of Education for this purpose.

Ostrom (1990), Ostrom (2004), and Vanni (2014) suggest that collective action flourishes where natural resources such as land is available, and there is security of tenure. Agricultural cooperatives use land as the main natural resource. Among the agricultural cooperatives in uMgungundlovu District land was acquired by; 1) the government or 2) Ithala Finance Corporation purchasing a commercial farm from a white farmer. Or 3) being given a small piece of land by the chief or king who owned all the tribal land in the former homelands of South Africa. Cooperatives that acquired formerly white farms had big and well-resourced farms while those in the formerly black areas had small under-resourced pieces of land which was mostly less arable and crowded (Lahiff and Cousins, 2005). In both the instances land was worked on communally. Individual members of these agricultural cooperatives lacked property rights. Agricultural cooperatives in the former homelands that were given land by the chiefs or kings, did not have title deeds, and therefore could not apply for loans using such land as security. On tribal land, agricultural cooperatives were allocated relatively small pieces of land (five acres on average) to accommodate ownership and usage of farm implements such as tractors, and this made farming a less viable economic activity. These cooperatives could not

enjoy economies of scale either. These issues of small size of land and lack of security in land tenure result in uncertainty among actors and thus adversely affected collective action among these agricultural cooperatives.

It is expected that cooperatives on previously owned White farms that acquired land through redistribution (government purchase) or restitution (land claims) according to the land reform policies, should apply for commercial bank loans using their land as security. That has not been the case because even though such cooperatives have inherited infrastructure and productive land they don't survive. As depicted in the expressions of the Rural Development and Land Reform Minister who complained about "a person who sits on farms and do not work,....The biggest problem in South Africa is that the people are too lazy. People are given land all the time, but all they ever do is complain about what the government did not do for them" (Daily Dispatch, April 8, 2013).

The South African government has found itself on a tight rope, not knowing whether to transfer agriculturally productive land to blacks, emerging cooperatives included. The situation has become rather sensitive and complex, the emerging agricultural cooperatives need arable land, but where previously land has been transferred to blacks, production has either decreased or ceased altogether. As a result of which the country is faced with the challenge of food and nutrition insecurity and trade imbalance because of food imports. Lack of a passion for farming and commitment among members of agricultural cooperatives resulted in failed collective action.

Ostrom (1990), Ostrom (2000) and Vanni (2014) observe that for collective action to succeed, deterrents such as lack of information that result in social dilemmas must be dealt with. Accessibility of resources among the agricultural cooperatives in uMgungundlovu District was a big challenge. In as much as there was a lot of support from various government departments and corporations for these agricultural cooperatives the support was either inaccessible or inappropriate for a majority of them. Most of these challenges mentioned here emanated from or were exasperated by lack of information. In some instances the procedures taken to process and access support were unnecessarily tedious and elaborate. This led to the cooperatives not keeping time or failing to operate within the seasons. Either because of low literacy levels or lack of resources among the members of cooperatives, these organisations lacked information, a very critical resource to cooperatives. Various government institutions that support

cooperatives had tried to avail information to cooperatives through billboards; Indabas; internet; short text message on cell phones; local/vernacular radio stations and Television documentaries as well as local newspaper, but seemingly this did not reach the members of cooperatives. There was lack of communication between the cooperatives and the supporters, often the support came way too late for the sponsored farm's operations. Other cooperatives received excessive support while others did not receive any because of lack of information, poor communication and co-ordination. Some cooperatives were not informed about the various kinds of support available to them and therefore did not apply for the support. Members of cooperatives lacked information on weather, soils, funding opportunities, farming techniques or methods, markets, partners among others. Thus, for most cooperatives lack of information or knowledge on availability of resources led to failure in accessing critical resources hence, ineffective and dwindling collective action.

Ostrom (1990), Ostrom (2004), Vanni (2014) and Wade (1987) propose that, since collective action involves appropriation of resources, there is a need to skilfully manage resources to ensure enduring collective action. Because of small size of land and lack of skill in scientific farming methods, the emerging cooperatives did not engage in good farming practices, which led to deterioration of soils and low productivity. Thus, the projects became unsustainable and the cooperatives collapsed. Inability of the emerging agricultural cooperatives to conserve and manage resources hindered successful collective action from being sustainable.

Ostrom's (1990) argument that enduring collective action groups can be initiated externally by a ruler or a group or from within by the actors as long as supply of rules and monitoring from within is guaranteed, seem to apply among the agricultural cooperatives studied. Top – down approach used by the South African government and the provincial government of KwaZulu-Natal in the creation of cooperatives without supple guidelines has resulted in unsustainable organisations that are either struggling for survival or collapsing.

11.1.3 Partnership/support attributes for to collective action

According to Ostrom (1990), successful collective action requires both horizontal and vertical levels of support or partnerships. At the time of this study almost all the national and provincial government departments supported cooperatives. There were national agencies such as NDA that supported cooperatives and one private bank that supported cooperatives. None of the

cooperatives belonged to a secondary cooperative. A few individuals (mentors and consultants) whose input was more or less significant, worked with some of these cooperatives. The most conspicuous challenge with regards to partnerships with cooperatives in uMgungundlovu District, and South Africa as a whole, is the existence of an “information gap at grass root level” There lacks an understanding or knowledge of who offers what kind of support to cooperatives (Jara and Satgar, 2008).

Unfortunately for these agricultural cooperatives, there is only one partner, the government. Various government departments are pushing to support cooperatives. Despite resolutions made at a meeting attended by provincial departments and chaired by the then Premier of KwaZulu-Natal, Dr. Mkhize, there was limited evidence of coordinated support to cooperatives. The government officials who dealt directly with cooperatives were under a lot of pressure from the MEC’s who had not consulted with their contemporaries from the other departments. This resulted in government support to cooperatives being fragmented and uncoordinated.

Some cooperatives had it all, the farm inputs and implements were supplied by the government, wages and salaries paid by the government and the cooperative being managed by government officials. Too much support from the government had made such cooperatives over dependent on them. The worst challenge that emanated from too much support was that members of such cooperatives failed to take ownership of their organisation. They indicated that their cooperatives belonged to the government; to the extent that they went to the CCMA to seek redress against their ‘employer’ whom they thought was the government. The entire membership of such cooperatives went on strike to protest against the poor working conditions they were being subjected to. From the start there was never collective action in such organisations and at no time did the members agree to come together to pursue mutual benefits or to act collectively. The government has done very little to change the members’ attitude towards their organisations. Failure by the members of these cooperatives to take ownership of their organisations have rendered collective action unsustainable or, worse still, on-existent among such cooperatives. The day the government pulls out, the cooperative will definitely collapse.

Other cooperatives were about to collapse because they had not received support in the form of land, finance, farm inputs and implements from the government. Because the only source of

support for these emerging cooperatives was the government, without this government support forthcoming, the cooperative collapsed. What aggravated the situation was that the cooperatives policy targeted the unemployed in the rural areas. Thus, only the unemployed who had no income could form cooperatives and get support from the government who was the only partner to cooperatives. In South Africa, cooperatives received no support from any other source, to the extent that if the government's support delayed or did not materialize because of bureaucracy, the cooperative collapsed. In reference to Ostrom's (1990) theory, in such instances collective action fails because of lack of sufficient and timely support from various partners.

Uncoordinated and fragmented support resulted in delays and uncertainty among some cooperatives, to the extent that they could not plan or budget. For instance, the municipality would send a tractor to plough a cooperative's field with no knowledge of where the seed was and when the planting would be done. The municipality did not consult with the board of directors or any members of the cooperative. After ploughing, the farm would remain fallow for the rest of the year because the members of the cooperative, who do not have an alternative source of income, would be waiting for the government to bring seed and fertilizer. Meanwhile the municipality officials expected the cooperative to seek assistance elsewhere. Such cooperatives ended up collapsing. Ostrom (1990) and The CEO WATER Mandate (2013) propose that successful collective action was dependent on coordinated support. These cooperatives did not have successful collective action because of lack of coordinated support.

With every provincial department and some national departments trying to support cooperatives, there were a lot of confusion among the members of cooperatives and the public servants who dealt directly with cooperatives. Clashes between the public servants who dealt with cooperatives were very common, resulting in some withdrawing their support and taking it to another cooperative or region. Sometimes this meant a cooperative receiving the same form of support more than once, for example, two sets of fencing material were sent to one of the cooperatives. What is the point in having two sets of fencing with no crop inside the perimeter? In some instances members of cooperatives did not know whose support to take and whose to leave. Sometimes they took the short lived support instead of long-term support to the detriment of their organisation, only to regret it at a later date. Members of cooperatives also ended up taking sides with the government officials; such that from one cooperative there would be members wanting to work with a certain official and another group wanting to work

with a different official. It therefore appears that a lack of coordination among partners resulted in clashes and duplication. With an exception of DEDT that so to say ‘owned’ some cooperatives by offering all the resources, all the other partners offered limited support. The cooperatives therefore relied on various departments for different forms of support; hence clashes between public servants meant no support for some agricultural cooperatives. These cooperatives could not survive without support and so were threatened with collapse. Lack of coordination among various government departments has resulted in clashes or conflict among public servants, thus influencing support to cooperatives and their survival. Collective action among these cooperatives was failing because of clashes emanating from within or externally, resulting from uncoordinated support.

In the workshop of 2010, the provincial government of KZN province admittedly observed that “everybody” (department) was supporting cooperatives which resulted in a fragmented implementation of the cooperatives movement. This led to even more challenges such as conflict among the various stakeholders. Fragmented implementation had brought about confusion among the members of individual cooperatives who were still learning the concept of cooperatives. Most members of these cooperatives did not understand the difference in the various government departments that supported them, they referred to them all simply as the government or department.

The South African National Apex of Tertiary Cooperatives (SANACO) is allegedly an association of secondary and tertiary cooperatives nationally; it represents the interests of tertiary and secondary cooperatives in South Africa (Moreotsenye, 2014). There were no secondary cooperatives and none of the primary agricultural cooperatives were affiliated with a secondary cooperative. The fact that none of the cooperatives were affiliated to a secondary cooperative and none of the members knew of the existence of either a secondary or a tertiary cooperative leaves one wondering who the members of SANACO are. SANACO as a national body of cooperatives was structurally and financially very weak as it lacked a support base. Relying on support from the government means being controlled by the government, thus lack of autonomy (Satgar, 1999b: 4). It was hanging at the top there with no backup from the bottom; it relied on support from the government instead of primary and secondary cooperatives. These cooperatives lack vertical and horizontal links which are a prerequisite for successful collective action (Ostrom, 1990; Berkes, 2009).

11.1.4 Governance/management of collective action

Collective action among the members of agricultural cooperatives in uMgungundlovu District, KwaZulu-Natal was absent because of poor self-governance techniques, amongst other things. According to Ostrom (1990), collective action is about self-governance or self-management, the success of which requires a strong and skilled leadership that guides the group in making decisions. The decisions made become rules and adherence to the rules is influenced by commitment and monitoring of the actors. In collective action, just like in a cooperative, the membership makes decisions which underpin the management of the organisation. Among the agricultural cooperatives in uMgungundlovu District, collective action lacked because in most of the cooperatives skilled leadership was wanting. None of the cooperatives had a manager, the board of directors who were either illiterate or semi-illiterate and lacked experience did not guide the membership in decision-making or in the implementation of the adopted decisions.

Phillips (2003: 5) pointed out that given the worker/owner nature of these cooperatives, conflict resulted between the functions and interests of these members. In a worker cooperative, managers are accountable to members who are the owners, while at the same time, the members as workers are expected to submit to the manager. The situation is even more complex for these agricultural cooperatives that do not have qualified managers, and are therefore expected to play the roles of owner, management and employee. Thus the inability of actors to fit into their conflicting roles has negatively impacted on collective action.

The membership, which is illiterate or semi-illiterate, uninformed and unskilled, seldom made the right decisions that would promote the success of these agricultural cooperatives. The membership's inability to take ownership of their organisations also posed a challenge to the decision-making process in the agricultural cooperatives. Thus, in these cooperatives the membership was not able to make the right decisions as well as not having managers or leaders to guide them in decision-making and the implementation thereof. The members' inability to make the right decisions can be attributed to the fact that these members found themselves in the dilemma of having to choose between making decisions as independent workers or for production effectiveness (Phillips 2003). Failure among the membership of these agricultural cooperatives to make the right decisions has limited the possibility of successful collective action.

Ostrom (2007) suggested that information which could be communicated through the media or handed down from generation to generation was critical to the management of the common pool resources and in influencing the behaviour of actors. Effective communication lacked among the members of these cooperatives, most of whom were experiencing being part of a cooperative for the first time. The members of cooperatives did not refer to any periodicals, magazines or documentaries on resources, partners, farming, and management of cooperatives. They lacked access to vital information, while amongst the membership there was nothing much to share, not even from their past experiences. The public servants did not offer the cooperatives much assistance with regards to the management of their cooperatives. The members' actions were influenced by a lot of uncertainty which hindered them from running the cooperatives in an appropriate and sustainable way. Thus, there was bound to be failure in collective action among the agricultural cooperatives because of lack of information and lack of communication.

Collective action is motivated by the thought of conquering a challenge as a group. The participants must therefore have a common objective. For the agricultural cooperatives in uMgungundlovu District the objectives of the members of agricultural cooperatives did not seem to favour sustainability. Some members did not even know that they owned the cooperatives; these members thought that their cooperatives belonged to the government and that they were mere employees. Others joined their cooperatives with the objective of receiving money from the government. There were members of agricultural cooperatives who felt they were obliged to join the organisation as they lived in that community. This does not augur well with the cooperatives principle of open and voluntary membership and also points to the fact that such members would not support the objectives of the organisation. Lack of knowledge of cooperatives, wrong assumptions about cooperatives and lack of objectives for joining their cooperatives were some of the issues that negatively influenced the survival of cooperatives. When people join a cooperative without an understanding of what they are, then wrong expectations and objectives hinder them from appropriately and actively participating in the governance of their organisation. Successful collective action requires actors to work toward common goals, which seemingly was not the case with these agricultural cooperatives.

As proposed by Ostrom (1990), wrong assumptions by stakeholders in collective action negatively impacts on collective action. The government used its' officials and politicians to set up groups that they, wrongfully, imagined would most certainly assume collective action.

Most of these cooperatives did not originate with the membership but with the government officials or politicians. The members' objectives of joining the cooperatives were therefore misplaced. If the objective was to obtain funding from the government, then the members would not actively engage in farming, they would instead wait for the government to give guidance on every step of the process. The danger in this type of arrangement or assumption is that the moment the government withdraws, the organisation collapses. Lack of sustainability does not augur well for collective action.

Generally, the attitude of black South Africans towards farming has not been very encouraging (Mathivha, 2012: 24), as blacks attribute farm work to oppression under white rule. This is more apparent from the following observations: (1)The very small number of black youths interested in farming as a career; (2)Some members of agricultural cooperatives requested that government send them workers; (3)The high number of drop outs from cooperatives; members of cooperatives dropped out as soon as there was an opportunity to earn income from elsewhere. In as much as nearly all members of agricultural cooperatives had an objective of earning income, actively engaging in farming was not their idea of how they would earn that income. Obviously, farming does not offer immediate income, funding from the government was unpredictable and insufficient while the cooperatives lacked a financial base. These unemployed members of cooperatives were not guaranteed an income, hence the high drop-out rates. In uMgungundlovu District, members joined their agricultural cooperatives with wrong motives, assumptions and objectives. This negatively impacted on the management of these organisations resulting in a lack of collective action.

Admittedly, managing agricultural cooperatives is complex and challenging (USDA, 1995). These organisations therefore require a skilled and tactful leader to oversee the day-to-day operations of the agricultural cooperatives (Ostrom, 1999; Ostrom, 1990; USDA, 1995). This seemed to be lacking among most of the cooperatives in the district. Some cooperatives were managed by government officials who could not afford to be there regularly to oversee all the operations of these cooperatives, because they had all the cooperatives in the province to attend to. These government officials had not been trained on how to run agricultural cooperatives. As has been mentioned too large a presence of government officials discouraged the members from taking ownership and responsibility for their organisations. This led to too much dependency on the government, thus failed self-governance in collective action.

Most agricultural cooperatives were supposed to be managed by the chairpersons but whose literacy levels were low and they lacked any experience with cooperatives. The chairpersons were supposed to work with the members of cooperatives although they also lacked skills in farming and had no experience in cooperatives either. This made the running of these cooperatives impossible, resulting in failed self-governance among the agricultural cooperatives.

The CEO Water Mandate (2013), Ostrom (1990) and Vanni (2014) observe that the participant's ability to make decisions is a key determinant to successful, self-organised collective action. Decision-making in agricultural cooperatives has been a big challenge given the lack of experience and low literacy levels among the members of agricultural cooperatives. In cooperatives, members have to make informed decisions in electing the leadership, recruiting employees, what type of agricultural practice to engage in and handling of funds. For the agricultural cooperatives in uMgungundlovu, the decision-making process should have been easier given the small membership, but this was rarely the case. Most members lacked the capacity to make informed decisions while others did not realise the importance of making the right choices. In the event that members with the right qualities were elected to position and yet their backgrounds rendered them unacceptable, then some members would refuse to support them at the expense of the organisations success. Decision-making among the members of agricultural cooperatives was overridden by mistrust and favouritism. Wrong decisions impact negatively on the running of the organisation as people are put in leadership positions not because of their capabilities but because of their appearance/origins. The goals of the organisation can only be achieved with proper decisions.

Although clannism and homogeneity of the membership could be blamed for poor decision making, other factors such as a small membership and lack of information also contributed to the members' inability to make the right choices. The small membership and the policy demands limited the choices available to members, forcing them to use the rotation system in choosing the leadership. The members also lacked information on what to look for when electing for leadership positions. In other agricultural cooperatives, members thought that decision-making was the responsibility of the government. Evidently, wrong choices by members of agricultural cooperatives made governance of these organisations difficult.

Some products of decision-making are rules and regulations which result in the smooth running of an organisation, if adhered to. Some of the rules that these organisations had to adhere to were stipulated in the government policy documents but a majority of them were to be drawn up internally by the members. Because of failure to take ownership of their organisations, some members left the responsibility of internal rules to the government. While they waited for internal rules and regulations that were not forthcoming from the government, free-riding became entrenched in their organisations.

Where the members acknowledged the importance of having internal rules, they could make rules that looked very good on paper but unfortunately they lacked the capacity and the will to enforce them. When rules are not enforced, no matter how good they may seem to be, the intended objectives cannot be achieved. Making internal rules and regulation and enforcing them are critical aspects of self-governance in collective action. In these agricultural cooperatives, where internal rules and regulations did not exist or were not enforced where they did exist, collective action could not thrive. As Ostrom (1999), Ostrom (2000), Ostrom (2008) and Vanni (2014) observed, the inability of actors to formulate, amend and adhere to rules and regulations, hinders the realisation of collective action.

Strikes and labour disputes reported to the CCMA among members of agricultural cooperatives and others who said their cooperatives belonged to the government, clearly indicates lack of ownership, hence lack of commitment. According to Heckscher (2014), the CEO Water Mandate (2013) and Ostrom (1990) long lasting collective action requires the commitment of participants. As was mentioned, the manner in which these agricultural cooperatives were introduced to the members gave them wrong assumptions, resulting in wrong objectives and failure to take ownership. Most of these agricultural cooperatives were headed on the path of collapse because of lack of credible commitment from the members who did not understand what cooperatives were and had not taken ownership. This made the governance almost impossible, and as such collective action was missing.

Ostrom (2007) and Ostrom (1990) observed that successful collective action was also dependent on access to inexpensive conflict resolution systems. Seemingly, the agricultural cooperatives in uMgungundlovu District did not have access to affordable conflict resolution arrangements. Members reported each other to government officials, others dropped out of their organisations unceremoniously without following the laid down procedures and still

others resolved to mass action. Where the policy documents were available, some members were not aware of their existence and would therefore seek redress elsewhere whenever there was a challenge. Such members lacked information because the management system did not work towards minimizing uncertainty among the members of the agricultural cooperatives. Lack of self-management skills hindered the establishment of the critical, inexpensive conflict resolution arrangements that would assure members that their challenges can be resolved internally. Collective action was dwindling in these agricultural cooperatives.

As at the time of this study, implementation of the Cooperatives Act No 14 2015 was somewhat questionable, if not lacking. All the public servants interviewed were experiencing being part of a cooperative for the first time. Although some of them had visited other countries to learn about cooperatives, the time they had spent there was too short and for each country the context of a cooperative is not necessarily the same. For example, while in Israel, Kibbutzim was self-initiated by members/communities (Rosenthal and Elgar, 2013) but in South Africa, cooperatives are being motivated by the government. While in Kenya, formation of service cooperatives were motivated by the government, in South Africa the government motivates formation of worker cooperatives (DTI, 2009). These differences put the government officials in a dilemma where they do not know what could work and what might not work, given that they lack previous experience with cooperatives.

Collective action is about the actors taking ownership, being committed and the ability to make and amend their own rules and then adhering to these rules and regulations. As had been mentioned, most members of agricultural cooperatives failed to take ownership of the organisations because they imagined that their organisations belonged to the government. Such individuals restricted themselves strictly to the role of employees in their organisations and did not get involved in decision-making and in monitoring each other. Because of lack of commitment, such members did not care about benefits that would accrue from joint efforts and therefore did not put in much effort and time.

Members of agricultural cooperatives also assumed that the moment they introduced themselves as a cooperatives to a public servant, financial and other forms of support would begin to flow in their direction. At first, when cooperatives were introduced, this did happen but with time the government tightened the bolts; cooperatives no longer received cash from their supporters instead they received goods or services. At the time of the study it had become

rather cumbersome, it resulted in delays. Members of these cooperatives had not prepared for the delays that came about as a result of the rigorous procedures involved in acquiring government support, when the government changed its operational methods. In some instances, cooperatives collapsed before the start-up capital came to them.

The assumption among public servants that the Department of Health and Department of Education's nutrition programmes would provide a market for agricultural cooperatives (KZN-DEDT, 2006: 24) was misplaced. As had been mentioned, the bidding process was too rigorous for the ordinary members of an agricultural cooperative to successfully follow through with the bid. Those who attempted to apply used consultants which made the process expensive. This survey gathered that only one cooperative was supplying a school through a consultant because they could not afford to buy the foodstuffs to be supplied. Furthermore, the schools were not supplied with fresh farm produce, so the cooperatives needed money to buy foodstuffs from retailers or wholesalers. The survey revealed that individual agricultural cooperatives had made their own arrangements to sell their produce. The challenge is if these agricultural cooperatives expanded then they would not have a market for their produce, a very critical resource for such an enterprise.

The government had wrongly assumed that a farm worker is a farmer, as mentioned by some respondents. The government did not realise that some people worked on the farm because they did not have a choice and that farming is a technical skill which most of the farm workers did not possess. Evidently, most farm workers turned farm owners did not take ownership of their organisations which therefore had to be either managed by government officials or face collapse.

Unlike agricultural cooperatives, the community based organisations (CBOs) like stokvels and burial societies that survive among blacks in South Africa are self-motivated. It is wrong for the government to assume that agricultural cooperatives, which communities have no knowledge of, would survive without them taking ownership and responsibility of these organisations. The members of agricultural cooperatives were struggling to govern their cooperatives because they had not taken ownership of their organisations. The government also made the wrong assumption by thinking that everybody in the rural areas was ready to engage in farming and should therefore join an agricultural cooperative. Thus, the agricultural cooperatives were comprised of some members who were ready to jump out of the organisation

whenever another opportunity arose. High turnover rates resulted in labour shortage and sabotaged the planned processes of the organisation. Wrong assumptions by various stakeholders involved with the cooperative movement negatively impacted on the governance of these organisations and thus, failed collective action.

Most of the public officials who were supposedly implementing the act did not know of its existence and this all points to the fact that the members of the agricultural cooperatives did not therefore know much about the policy either. The officials who are aware of the existence of the Cooperatives Act No 14 of 2005, concluded from their interactions with members of the agricultural Cooperatives that their understanding of the act was very minimal. While the public officials who are not aware of the existence of the cooperatives act felt that if they, as literate public officials were not aware of the existence of such a policy, then it was not possible for the members of cooperatives to be familiar with it.

The South African government's intention was to create an encouraging "policy and legal environment" for cooperatives through the national and provincial cooperatives strategies. But the Cooperatives Act no 14 of 2005, has a few areas that do not seem to favour the survival of cooperatives. For example, the objective of the act that targets the unemployed in the rural areas of South Africa who have no income and no land, stipulates that a cooperative can have a minimum of five members (DTI, 2004; DTI, 2004). In collective action, participants are supposed to earn joint benefits from joint efforts. However, members of these agricultural cooperatives had no resources to contribute to their organisations in order to earn mutual benefits, as should be done in collective action. As the policy targets only the unemployed, it does not only hinder the cooperatives from being financed by financial institutions due to lack of share capital, but it also contravenes the cooperatives principal of open and voluntary membership. Thus, according to Satgar (2007), without membership fees, the cooperatives are being established on a weak financial foundation that denies the cooperative movement a chance of becoming sustainable. Lack of knowledge of the cooperatives policy among government officials, contradiction with other policies and loopholes in the policy itself have rendered the management of its implementation almost impossible and thus failure in collective action.

In the Cooperatives Act No 14 of 2005, section 4, no.29, the cooperatives organogram provides for a supervisory committee and a minimum of five members in the board of directors, this

contradicts the stipulated minimum of five members in a cooperative. When there are only five members in a cooperative, they all end up being on the board, with no one to account to. There would be no one in the supervisory committee to oversee the activities of the board of directors and no AGM to account to. Although on registration documents, the required minimum membership was five but the actual membership was less than five for other cooperatives because either some members had dropped out or because the registration document had some ghost memberships.

The Cooperatives Act no 14 of 2005, which is premised on, among other policies, the Broad-Based Black Economic Empowerment (BBBEE) (DTI, 2004) which does not promote survival of these agricultural cooperatives as it does not encourage partnerships between the emerging black cooperatives and the well-established white cooperatives (Jara and Satgar, 2008). The labour laws also seem to contradict the cooperatives policy and principals, the government official who worked with these cooperatives did not know when the cooperative policy or the labour laws were applicable. When members of cooperatives who owned and worked in their organizations had grievances the officials did not know where to apply the labour laws or the cooperative principles.

Collective action organisations such as these cooperatives were exposed to the problem of free-riding and unless monitoring mechanisms and graduated sanctions were put in place they would collapse (Ortman and King, 2007; Ostrom, 1990). Agricultural cooperatives in uMgungundlovu District experienced free-riding which manifested in the form of: (1) Some members taking money without the consent of the others; (2) Some members not turning up for work on the group farm; (3) Others failing to attend meetings. These cases of free-riding are rather rampant among these agricultural cooperatives which lack monitoring mechanisms and graduated sanctions. While in other cooperatives, where these sanctions existed in writing, they were never enforced because of poor management skills. The members of the board were partisan when meting sanctions, or were afraid to deal decisively with the culprits. The small membership meant that in some cooperatives the whole membership was on the board, resulting in favouritism. In other instances, the small membership acted in fear of not wanting to lose a member in case the culprit decided to drop out after being reprimanded. In other instances, there were fears that some members would retaliate if punished. Hence, sanctions were not used to deter bad behaviour.

The actual management structure used by the agricultural cooperatives was not similar to the one provided for them in the policy document. There was no supervisory committee in most of them and in others there was only the executive or the board and no AGM. These problems came about as a result of a small membership that did not have rules, and did not have monitoring mechanisms in place.

The financial position of these agricultural cooperatives left them with very little options for sanctioning. Given that in most cooperatives, members worked for no pay, a sanction like ‘no work no pay’ would work, but this was not possible among these organisations.

Vanni (2014) and Ostrom (1990) warned that if external partners do not trust collective action, this is harmful to their success. Previously if a cooperative qualified for funding from the government the money would be put into the cooperatives account. The government realised that this privilege was being abused by members of cooperatives who would share the money instead of investing it in the project. In an attempt to enforce external monitoring mechanisms the government had decided not to give the agricultural cooperatives cash but to pay the service providers who would in turn deliver the farm inputs. This has resulted in corruption, where the government officials collude with service providers to overprice the inputs or to give the cooperatives low quality items in order to accrue balances for the officials. The procedures for the cooperatives to apply for support from government departments have been made stricter, resulting in long delays which negatively impact on farming operations. Failure in supplying or enforcing internal monitoring mechanisms and graduated sanctions, as a result of lack of self-governance among the agricultural cooperatives, has rendered collective action unsuccessful.

11.2 Conclusion

Having extracted that the agricultural cooperatives were not implementing the Cooperatives Act No 14 of 2005 as expected, it is then logical to conclude that the government’s intentions are not being met. The high mushrooming rates, the high member dropout rates and the collapse rates of cooperatives (which stood at 88% nationally) (DTI, 2010; DTI, 2012) clearly points to the fact that the government is not achieving its objectives. Failure of the cooperatives movement to take off can be attributed to failed self-organised collective action among cooperatives in South Africa.

11.3 Recommendations

The researcher agrees with Ostrom (1990) and other scholars on design principles that must be upheld in order to create enduring collective action. When people come together without a common objective, collective action is not guaranteed and more so if it is not self-motivated. In South Africa, the policy document allowed groups of as few as five members to form a cooperative and the government offered incentives, but there did not seem to be any signs of successful collective action. It would be easy to form a group of fewer people but collective action is only successful as long as it endures and the objectives are being attained. Given the high levels of poverty among the members of agricultural cooperatives, only small cash contributions from a large membership could afford these cooperatives the much needed capital equity. Small membership did not only affect the financial bases of these organisations but it resulted in low labour output and curtailed the choices in decision-making. The small membership negatively impacted on the management of the cooperatives because everybody ended up being in the board, which left no one to monitor the activities. It is imperative that the government considers raising the number of people required to form a cooperative to a minimum of 50. This suggestion was also given by government officials from the department of DEDT- KZN.

People should be motivated into joining cooperatives through education and information on cooperatives, this will ensure open and voluntary membership in which dependency on the government is minimal. In uMgungundlovu District and the greater KwaZulu-Natal Province as a whole, members of agricultural cooperatives depend on the government for funding, provision of land, farming equipment, materials and technical support and some were even demanding for labour from the government. Politicians and public servants have instilled an attitude of dependency among the members of the cooperatives, which has resulted in their collapse. There is therefore the need to adopt a new approach for introducing cooperatives to the people. Through Radio/TV programmes, *Indaba's* and integration with the former white-only cooperatives in the country, agricultural cooperatives can be re-introduced to the people in a manner that motivates independence. These channels should be used to inform and educate both prospective and existing members of cooperatives. From the start, prospective members need to understand that it is about earning benefits from joint efforts and not receiving hand-

outs from the government. Thus, before forming cooperatives, members need to have a good understanding of what cooperatives are, through training and mentoring.

Experts in farming or business from the respective communities, or even neighbouring research institutions, should be encouraged to mentor agricultural cooperatives. This way, they would have an individual to motivate them into believing that it is possible to thrive socially and economically as a farmer. The government should deliberately initiate programmes that would build relationships between agricultural cooperatives and the relevant researchers, particularly academic institutions.

At the time of this study, every cooperative used a common constitution which had been drawn up by the DTI. As such, most participants did not know about its existence, let alone contents. Members of an agricultural cooperative should be allowed to actively participate in the drawing up of and understanding of their constitution and other policy documents that guide the operations of their organisation. This will not only give them an understanding of how their organisations operate but also what is expected of each one of them, thus putting them in a position to identify what should be modified, when the need arises. Members of cooperatives would then be able to make and change rules, which will lead towards the success of their organisation. Members of these cooperatives will then have a good understanding of their rules so they would be able to adhere to the rules and even monitor each other's actions.

The government is the sole supporter to cooperatives at the moment and strictly support cooperatives formed by Black communities only. This support is often irregular, inappropriate and selective; it leaves out many people who could run successful cooperatives if given the chance and support. The government should therefore review the target beneficiaries of the Cooperatives Act No.14 of 2005 which is currently aimed at the poor, who are unemployed and landless. This does not only go against the cooperatives principle of open and voluntary membership, it has also hindered those with the necessary skills and resources to be part of the cooperative movement, as members of cooperatives or supporters. If people were allowed to freely form or join, then heterogeneity would prevail and the cooperatives would benefit from the diversity in membership. Allowing open and voluntary membership would broaden the partnerships, where private institutions and Non-Governmental Organisations would become supporters of the cooperative movement. This would avail the agricultural cooperatives with

much needed information, market, funds, infrastructure, skills and expertise and other resources.

Open and voluntary membership, which creates a long-lasting commitment, is not attainable when the government dictates who should form a cooperative, in order to receive the much needed human and capital support. This means that the government would not have to force every farm worker to become a member of the agricultural cooperative when the farm is taken over for a cooperative. Not every farm worker aspires to become a farmer. Forcing people to become members of cooperatives does not only go against the cooperatives principles of voluntary membership but also minimizes the chance of success of collective action organisations.

The government should create an enabling environment to all cooperatives in the country; allowing the cooperatives that cannot currently get their support, to access support from other supporters. The policy should encourage everybody, even the employed to be members of cooperatives; whether service, producer or savings and credit cooperatives (SACCOs). This will motivate a good experience and understanding of cooperatives, nationally. Agricultural cooperatives would benefit from the support of other types of cooperatives as well. The BBBE, which is plagued with corruption, has only but drained resources from the cooperative movement, thus hindering it from growing (Satgar, 2007; Ashton, 2011). There is therefore an urgent need to disassociate the Cooperatives Development Policy of 2004 - The Cooperatives Act No 14 of 2005 from the Broad Based Black Economic Empowerment Act of 2003.

There is need to establish communication channels between the agricultural cooperatives and their supporters, for example, there should be provision for reminding the cooperatives about the due date for submission of SARS and CIPC returns (DTI, 2012) and the consequences for failing to meet the deadline. This will save the cooperatives from the embarrassing experience of unknowingly operating as a cooperative when they have already been deregistered. This will also save the already overwhelmed public servants time and resources in trying to serve illegitimate organisations. Communication and coordination among various stakeholders would minimize the challenges of duplication and inappropriate support to agricultural cooperatives. This is possible only if there is an independent ministry or department of cooperatives.

Cooperatives, whether agricultural or SACCOs, should be removed from the bracket of SMMEs and not be managed by the DTI. The DTI has not given the cooperatives movement the attention it requires; it seems to lack the capacity. To group cooperatives with SMMEs weakens the authority and significance of the cooperative movement (Ashton, 2011; DTI, 2004). Thus, there should be an independent, national department for cooperatives if the cooperatives movement is to thrive in South Africa as it has done in other countries.

There is need to have a national cooperatives bank with branches all over the country, where every cooperative in the country should have an account. This financial institution would be in a better position to manage the finances, give financial advice and also give financial support to cooperatives.

Ostrom (1990) proposed that successful long term collective action requires the actors to be equipped with property rights, because collective action cannot thrive in environment that is characterised by uncertainty. Agricultural cooperatives, particularly the ones in the former homeland areas, should be allowed to own the land they work on; they should be given title deeds. The lack of title deeds among the emerging agricultural cooperatives in the former homelands has resulted in people abusing the concept of collective action. A group would register as a cooperative then approach a funding agency for start-up capital. They would then present another groups functioning field as theirs for inspection by the funders and once they have received the money they share it and informally dissolve the cooperative. Such problems would not arise if agricultural cooperatives had title deeds, because the document could be used to identify whose farm is being inspected for funding approval.

Having title deeds would motivate the members of cooperatives to take ownership of their organisations. If agricultural cooperatives had title deeds they could use them to secure funding from commercial institutions and because of fear of not wanting to lose their land, they would stay committed and work hard at keeping it. This would also widen their net of supporters; not all the emerging cooperatives would have to wait for the government, who is already overwhelmed, for every form of support.

Ostrom (1990) pointed out that preliminary costs, if too high, hinder the success of collective action. Other than start-up capital for the projects, members of cooperatives also need to meet their basic household needs. As observed by Phillips (2003), often members of cooperatives

had to choose between their immediate desires and the long term demands of their organisation as a business. As had been mentioned earlier, the lack of income for meeting pressing basic needs could have been the main contributor to the high drop-out rates and hence collapse among cooperatives in South Africa. The government could support the less privileged members of cooperatives, making provision for basic monthly income until the cooperative is steady. As Ashton (2011) suggests, a small portion of the payment should be made to their cooperatives in order to keep them committed to their organisations.

The government acknowledges that lack of skills is a big a challenge to the cooperatives movement. In KwaZulu-Natal Province, the Coastal College has been established in an attempt to address that problem. Given the fact that most members of cooperatives are illiterate, it is not advisable to take the members of cooperatives for training in book-keeping, accounts and even management of cooperatives. Members of agricultural cooperatives should be given practical lessons in farming, on their farms as well through cross visits and be sensitised to the concept of a cooperative. Literate people should be trained to become professionals in management of cooperatives who would then be employed by the cooperatives as managers. With increased membership and more contribution from the membership, it should be mandatory for every agricultural cooperative to hire a qualified cooperative manager. The manager would be answerable to the members of the cooperative and the assigned government official.

At the moment the primary cooperatives do not have any bargaining power and they cannot buy farm inputs at discounted prices because they do not buy regularly in bulk. High costs of benefits, hinder collective action (Vanni, 2014) hence the need to reduce costs. These agricultural cooperatives are not able to compete with private farmers and the well-established white cooperatives in attracting market for farm produce because of high costs of production and sometimes poor quality produce. These are worker cooperatives that seem not to offer the critical services that are a lifeline to an agricultural cooperative. Agricultural cooperatives need cheap, quality inputs such as seeds, fertilizer, veterinary services, pasture or animal feeds, diesel for machinery as well as machinery and a market etc. To retain the minimum membership of five and still realise the benefits of collective action could be achievable with well-established secondary cooperatives. This would also help minimize the tension experienced by these members of worker owned agricultural cooperatives. In order to acquire expertise and inputs cheaply, the primary agricultural cooperatives should be encouraged to

form secondary cooperatives which should be equipped with the resources required by the primary cooperatives that subscribe to them and be able to manage their operations. This way the agricultural cooperatives would embrace their role as producers and leave the business side to be supported and managed by the secondary cooperative.

Currently, most primary agricultural cooperatives do not have machinery, but it would also be uneconomical for these cooperatives to have big machinery because they work on small pieces of land. If there were secondary cooperatives then the secondary cooperatives would be own equipment that could be used by all its primary cooperatives. Thus, the secondary cooperative would be like a service cooperative, providing services cheaply and even on credit to all its affiliate primary agricultural cooperatives. This would ensure that the operations of an agricultural cooperative are carried out on time because all the resources required by a primary cooperative are available and accessible. However, it will require that any support to a primary cooperative is channelled through the secondary cooperative.

The secondary cooperatives can afford to hire and exploit expertise. When many primary agricultural cooperatives unite, they could raise enough money to hire the services of skilled employees and given that the farms are small, their organisations would share these services the same way they share machinery and equipment, thus enjoy economies of scale. Whereas single agricultural cooperatives cannot afford to hire a manager, when these organisations work as secondary cooperatives they would share the costs and enjoy the crucial services of this manager.

By giving cooperatives the opportunity to self-govern would increase their chances of collective action. Each and every primary and secondary cooperative must have clearly defined boundaries. These are the distinct qualities or interests that an individual must possess in order to be considered for membership and the institutions must also have defined boundaries in terms of areas of operation and functions (Meizen Dick et al., 2004; Ostrom, 1990).

Members of the cooperatives should have supply rules and regulations that suit the actors, the environment and their activities as an organisation but also do not contradict the laws of the land. The members would then be able to apply and implement these rules and regulations without going against the government laws. Because the context in which the rules and

regulations are implemented is subject to change, the members of cooperatives should be in a position to modify their rules whenever the need arises (Ostrom, 1990).

Supervisors who are answerable to the members of the cooperatives, or are members of the cooperatives themselves should be encouraged to monitor the behaviour of the members. Each cooperative should have well documented sanctions for various types of 'offences' that are likely to be committed by the members. Whenever a member of a cooperative fails to adhere to the rules, an assessment should be done by the other members or their agents to ascertain the gravity and the context of the offense. They should then determine the kind of sanction the offender must receive.

There should be committees both externally and internally that deal with various forms of conflict that are likely to arise among the members of the cooperatives. In collective action, often well drawn up and sound rules remain unambiguous until they are applied. Cooperatives can deal with the ambiguity of rules and regulations that arise during their application by establishing conflict resolution systems.

Cooperatives should be allowed minimum rights to make internal rules that work for their organisations. Sometimes these rules contradict the government policy, but if they are not harmful to the rest of the community then the government should be lenient. For example, a cooperative could decide that to deter members from delaying in making their monthly contributions, the penalty for offenders would be 20% per month. This should not be considered an offence because it goes against the credit act.

The areas of the policy that equate cooperatives to SMMEs should be modified leave cooperatives as such and instead encourage primary cooperatives to expand and form secondary cooperatives, which in turn should form tertiary cooperatives and eventually one national cooperatives body at the apex, which would subscribe to the International Cooperative Alliance. Cooperatives survive on interdependencies. Appropriation, provision, monitoring, enforcement, conflict resolution and governance are organised in multiple layers of nested enterprises (Chow and Beeden, 2012; Ostrom, 1990). This contradicts the South African Cooperatives Development Policy advice that cooperatives should develop or graduate into companies and renders it misguided as it does not augur well for the cooperative movement.

As mentioned above, government support is directed at cooperatives formed by the unemployed, and yet the government has not cultivated ground for support to cooperatives from other agencies. Cooperatives cannot get loans from private banks, and neither can the members. This means that members of cooperatives and their families have no income to survive on. This has resulted in a high number of member dropouts and thus collapse rate of cooperatives; members seek for means of meeting the basic needs of their families elsewhere. The South African Government should put into consideration the livelihoods of the members of these 'emerging' cooperatives by giving them some basic income to survive on while they are establishing their organisations.

Last but not least, the South African government should consider contracting NGOs to form and manage cooperatives in an attempt to remove politics and corruption from the cooperatives movement. The NGOs would then guide the members of the primary cooperative to appoint a board of directors who have the qualifications and an appropriate standing in society. The primary cooperative should belong to the members only once they have proved their worth.

Scholarship on cooperatives such as Wanyama (2009), Prakash (2000), Garnesvska et al (2011) acknowledge the significance of partnerships or appropriate external support from government, professional NGOs and private firms to cooperatives. This study found that the agricultural cooperatives had only one partner, the government who was actively involved in all the stages of development and operations of the cooperatives from initiation to winding up. The government used the top down approach in managing these cooperatives. The situation was exasperated by the fact that without coordination and communication almost all government departments and branches worked with the cooperatives.

From this study therefore the research body is informed that a fragmented implementation of the Cooperatives Act No 15 of 2005 policy by the government has produced fragmented organisations in uMgungundlovu District, KwaZulu-Natal in which self-organised collective action is missing. Agricultural cooperatives are purely self-organized organizations which cannot be managed by external organizations or persons without deliberate contribution of the membership. The following areas are proposed for further research:

There exists very little research on self-governance among cooperatives in South Africa, what exists is economics based and often covers small pockets of the country. There is therefore the

need for further research which is social science oriented and covers wide areas that will authenticate and compare the findings of this study.

With the Cooperatives Act no 14 of 2005 and the government officials advocating for a small membership there is need for research on the impact of group size on the success of 'emerging' cooperatives in South Africa. This will advise policy makers on the appropriate minimum membership of cooperatives in the South African context.

Unlike in other countries where cooperatives are formed by the employed, for example farmers, in South Africa the formation of cooperatives are promoted among the unemployed. A comparative study between cooperatives initiated among the employed and those initiated among the unemployed. There is need to ascertain impact of individual member's incomes on the resilience of collective action among 'emerging' cooperatives.

Suggestions have been made that the BBB-EE policy has a negative effect on the development of 'emerging' cooperatives in South Africa (Ashto, 2011; Jara and Satgar, 2008; Satgar, 2007). A study should be conducted to establish the impact of this policy on the implementation of the Cooperatives Act no 14 of 2005.

While other governments support cooperatives by creating an enabling environment, the South African Government goes beyond this to offer total support (financial, capacity building, production and marketing processes) (DTI, 2010; Jara and Satgar, 2008). There is need to establish what level of support influences sustainability in these collective action groups.

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APPENDIX 1: Letter of Consent

Collective Action: A policy analysis of self-governed collective action among agricultural cooperatives in uMgungundlovu District of KwaZulu – Natal, South Africa.

My name is Florence Shisanya. I am a PhD student being supervised by Professor Ralph Lawrence in the School of Sociology and Social Studies at the University of KwaZulu – Natal in Pietermaritzburg. I am conducting a research study whose focus is on management of agricultural cooperatives in uMgungundlovu District.

The purpose of my study is to find out how the boards of directors and members of the cooperatives are managing their agricultural cooperatives in an attempt to implement the Cooperatives Act No. 14 of 2005. The study will also look at among other things, community and resource attributes, the support available from other partners and the challenges that general managers and mentors encounter.

The interview will take thirty minutes of your time. No one in your cooperative or the department or office will know your response to the interview. Your responses will remain confidential. There is no right or wrong answers to the questions in this interview. Your opinion, perceptions and judgments are valuable to this study. I hope you will find this very interesting.

Your participation in this survey is voluntary. If you choose not to participate or to withdraw from the study at any time there will be no penalty. The results of the study may be published but your name or the name of your organisation will not be used. All your responses will be grouped with responses from other participants. During the course of the interview a tape-recorder may be used but your permission will be sought to do so. Should you not agree with this, the researcher will write down answers to the questions. If you agree to the use of the tape recorder, the researcher will ensure that all the information recorded is safe and deleted immediately after use. The data collected through this study will be kept in a safe place for at least five years (according to the UKZN policy on Research Ethics) in the School of Social Sciences.

The research should be completed in November 2013, and the results will be shared, through the UKZN Departments of Trade and Industry (DTI), Economic Development and Tourism (DeD), Agriculture (DoA), the Agricultural Cooperatives and their partners, academics and policy makers. I would like to assure you that this study has been reviewed and received ethical clearance through the office of Humanities and Social Sciences Ethics Committee at UKZN.

However the final decision about your participation is yours. Should you have comments or concerns resulting from your participation in this study, please contact Professor Lawrence (e-mail: lawrencer@ukzn.ac.za) or myself at fshisanya@gmail.com.

I have read the above information, and I have decided on my own free will to participate in this research.

Name..... Signature..... Date
.....

APPENDIX 2:

Questionnaire for members of agricultural cooperatives

Respondent number _____ Cooperative number _____ Year of registration _____ Membership _____

Type of cooperative: Primary _____ Secondary _____ Tertiary _____

Land ownership: communal/ Private _____ Size of land _____

In what year did you join the cooperative? _____

Were you in another cooperative before? _____. For how long? _____

Which secondary cooperative is your cooperative affiliated to? _____

1.1 Gender

Female	1
Male	2

1.2 Race

Black	1
Coloured	2
Indian	3
White	4

1.3 What is the highest level of education that you have completed?

Primary school	1
High School	2
Certificate	3
Diploma	4
Bachelor's Degree	5
Other, specify	6

1.4 What professional qualifications do you have?

Law	1
Book-keeping	2
Accounting	3
Agriculture	4
Marketing	5
Management	6
Other, specify	7

2.0 What is a cooperative?

People who come together to receive funds from the government	1
A business venture	2
Where people have shares	3
I don't have an idea	4

2.1 Who owns this cooperative?

Induna	1
Department, specify	2
Members of the board	3
Community	4
All members including me	5
Other, specify	6

2.2 How did you learn about this cooperative?

Through the Induna	1
through departmental official	2
My friends who are members	3
I initiated it	4
Other, specify	5

2.3.1 What economic activity did you engage in at the time of joining this agricultural cooperative?

Farm worker	1
Formal employment	2
Own small business	3
Unemployed	4

2.3.2 Since you joined the cooperative where are you employed?

I am still looking for a job	1
Still working in my old place of employment	2
I am now employed by the cooperative	3
The cooperative has helped me become self-employed through training or marketing of my produce.	4
I am self-employed we own and work on the cooperative farm	5

2.4 Why did you join this cooperative?

To enable me get grant from government	1
I thought it was a must to join if you live here	2
To enable me buy grocery on credit	3
To start a business and earn profits	4

2.5 How much does a share cost? _____. How many shares must each member have? _____

2.6 How much is your monthly saving? _____

3.1 What is your position in the agricultural cooperative?

Chairperson	1
Treasurer	2
Secretary	3
Member	4
Supervisory	5
Manager	6
Other, specify	7

3.2 For how long have you served in this position?

≤ 1 year	1
2 years	2
≥ 3 years	3
Other, specify	4

3.3 Which positions of leadership exist in your cooperative?

Chairperson	1
Treasurer	2
Secretary	3
Member	4
Supervisory	5
General Manager	6
Other, specify	7

3.4 In which position have you serve?

Chairperson	1
Treasurer	2
Secretary	3
General Manager	4
Supervisory	5
Other, specify	6

If the cooperative does not have a General Manager state why _____

3.5 If the cooperative does not have a general manager who is involved in the day to day running of your cooperative's activities?

4.1 Have you received any training since you joined the cooperative?

Yes	No
1	2

If YES, who sponsored the training/workshop?

Government	1
Self	2
Other, specify	3

4.2 Where did you attend the training/workshop?

uMgungundlovu, specify	1
Another District, specify	2
Another province, specify	3
Another country, specify	4

4.3 What sort of training have you received?

Law	1
Book-keeping	2
Accounting	3
Agriculture	4
Marketing	5
Management	6
Other, specify	7

4.4 Has the training enabled you become a better co-operator?

Yes	No
1	2

If NO, what sort of training do you still need?

Law	1
Book-keeping	2
Accounting	3
Agriculture	4
Marketing	5
Management	6
Other, specify	7

5.1 What are the schedules of meetings for the board of directors and the manager?

Fortnightly	1
Monthly	2
After every two months	3
Quarterly	4
Half yearly	5
Whenever there is a crisis	6

5.2 What is your level of participation in any of the cooperative's meetings?

I do all the talking the others are shy	1
We all participate equally, everyone is given a chance	2
I feel the others don't listen to me so I just sit	3
I am shy, I lack what to say	4
There is no time for everyone to contribute	5
I don't understand much, at least the others know more	6

6.1 Are you able to share your concerns about the running of the cooperative to any other member of the cooperative at any time?

YES	NO
1	2

If YES, by what means?

Cell phone	1
Landline	2
E-mail	3
Face to face	4
Other, specify	5

7.1 Which of the following do you have as an agricultural cooperative? [Use 1 (Yes), 2 (No)]

Item	Amount/Quantity	Yes/No
Vans and Trucks		
Accessible roads		
Office		
Farming equipment e.g. tractor		
Office furniture,		
Computers and internet		
Telephone Landline or cell phone		
Storage facilities		
Processing plant		
Irrigation system		

7.2 How did you get the land that you are farming on?

Land restitution	1
The government bought it for us	2
We bought it ourselves from a bank loan	3
The Induna gave it to us at a small fee	4
Other, specify	5

8.1 Which agricultural produce does your cooperative engage in?

Poultry (pigs and chicken) specify	1
Livestock (goats, sheep, cattle e.t.c),specify	2
Bee-keeping	3
Grains and cereals (mealies, beans e.t.c), specify	4
Vegetables and Flowers (tomatoes, carrots e.t.c) specify	5
Members produce different things	6
Others, specify	7

8.2 Do members of the cooperative have the expertise for this type of farming?

Yes	No
1	2

8.3 From who/where else do you get technical expertise?

Hire	1
Mentor	2
Volunteers	3
Department of agriculture	4
Other, specify	5

9.1 What are your inputs as farmers?

Fertilizers	1
Seed	2
Animal feed	3
Water	4
Pesticides, fungicides and herbicides	5
Other, specify	6

9.2 How do you access these inputs?

Members buy individually	1
We put money together then order as a group	2
The government gives us inputs, specify department	3
An NGO gives us input, specify	4
Other, specify	5

10.1 Where do you sell your produce?

To our members	1
Local Flee market	2
Local supermarkets and grocery shops	3
Another district	4
Outside the province Specify	5
No market/buyer	6

10.2 Who does the marketing of your produce for you?

Self/ Individually	1
Department, specify	2
NGO, specify	3
Broker/agent, specify	4
Other, specify	5
Don't have	6

11.1 What is your target membership of the cooperative?

Less than 10	1
10 – 19	2
20 – 29	3
30 – 39	4
40 – 49	5
50 or more, specify	6

11.2 Have you achieved your target membership?

Yes	No
1	2

If NO, what difficulty do you encounter in an attempt to recruit new members?

There are few people in this community	1
Lack of trust in each other	2
People don't know much about cooperatives	3
People lack money to pay as joining fee	4
Other, specify	5

11.2 As an agricultural cooperative who do you look up to for motivation and encouragement?

Local Economic Development official	1
Induna	2
District Cooperatives mentor	3
Ward councillor	4
District coordinator of cooperatives	5
White farmer	6
Don't have	7

If “**Don't have**” what type of a role model are you looking for?

12.1 Did you take part in the drawing of your cooperatives constitution?

Yes	No
1	2

If NO, how have you learnt about it?

Reading a copy	1
Departmental officials, specify	2
Other, specify	3

12.2 Do you have the following policy documents in your office? (Use 1 for Yes and 2 for No)

Document	YES/NO
Constitution	
Business plan	
Marketing strategy	
Procurement policy	
Human resource policy	
Investment policy	
Finance and Accounting policy	
Inventory and Records management	
By laws of the cooperative	

13.1.1 Do you have rules and regulations in your cooperative?

Yes	No
1	2

13.1.2 Do you ever change rules and regulations in your cooperative?

Yes	No
1	2

13.1.3 Who initiates change of rules and regulations in you cooperative?

The board of directors	1
Any member	3
Supervisory	4
Manager	5
Government officials	6
Other, specify	7

13.1.4 In your opinion is it necessary to change rules?

Yes	No
1	2

13.1.5 Why is it necessary to change rules?

To please those who support us	1
To enable us cope with change around us	2
To foster cooperation	3
Not necessary	4

13.1.6 Are you happy with the rules of your cooperative?

Yes	No
1	2

13.1.7 If No, what are you unhappy about?

The process is time consuming	
It is not necessary to change rules	
The change of rules does not improve anything	
The change in rules only benefit others	
I don't understand the whole thing about rules	

13.1.8 Are all members abiding by the rules?

Yes	No

13.1.9 What happens to the members who fail to obey by the rules?

Other members warn them or report them to the board	
They are summoned before the board and warned	
If it is serious they are expelled from the cooperative	
They don't get equal benefits as everybody else	
Nothing is done to them	

13.1.10 Who is in-charge of ensuring that all members abide by the rules?

The board	
Manager	
Supervisory	
Members	
Government officials	
The police	
No one	

13.2. How much of your cooperatives constitution and the Cooperative Act No. 14, 2005 do you understand?

I have read both of them, they complement each other	1
I have read both, but did not understand the Cooperatives Act.	2
I have only read our constitution not the Cooperative Act	3
I have not read our constitution but I have read the cooperative Act	4
I have not heard about both of them	5

13.3 As a member of the cooperative is there a procedure for channelling your concerns?

YES	NO
1	2

13.4 By what means do you express your concerns?

Cell phone	1
Landline	2
Face to face	3
Others, specify	4

13.5 Who do you tell your concerns about the cooperative?

I inform a member of the executive	1
I tell another member	2
I tell a cooperative's meeting	3
I report to a departmental official	4

13.6 What caused conflict in your cooperative?

13.7 How did you resolve that problem? _____

14.1 Do the members of your cooperatives understand your goals or objectives as a group?

Yes	No
1	2

14.2 What is your description of your cooperative?

We all work as a team, we are united.	1
The members trust the officials	2
We have all read and understood the cooperatives Act No 14, 2005	3
All members understand our constitution and by-laws	4
Every members have paid joining fee and bought shares	5
Every member is up to date with their monthly contributions	6
Members don't run away after borrowing from the cooperative	7
Our board of directors don't know what they are doing	8
We all waiting for the government to give us direction	9
Our board think they know everything they are not consulting us	10

15.1 Are you visited regularly by an official from Department of Economic Development or the Department of Trade and Industry?

Yes	No
1	2

15.2 Which records do you keep in your office? [Use 1 (Yes), 2 (No)]

Records of members contributions	1
Framed SARS registration	2
Framed CIPC Registration	3
A list of directors	4
All communication with other organisations	5
Individual members' files	6
A minutes record book	7
There is no time to prepare all these policies and records	8

15.3 As a cooperative, who do you submit your returns to?

CIPC	1
SARS	2
BOTH	3
NONE	4

If NONE, give reasons why?

We don't know the procedure	1
It is expensive to hire an accountant	2
We have not been keeping record of our financial transactions	3
We have not started business	4
The board knows why they have not submitted returns	5

16.1 How do you fund your projects in the cooperative? **(It is ok to give many answers)**

The department give us money, specify	1
We got a loan, specify	2
We raised the money through selling of shares and making monthly savings	3
An NGO gave us money	4
We are still trying to get money, specify	5

If by loan, did you borrow as an individual (1) or a cooperative (2)? _____

6.3 What did you offer as security for this loan?

Share capital	1
My personal savings	2
My piece of land	3
The cooperative's assets	4
No we did not need any security	5

16.4a) What percentage deposit did you give for the loan?

0%	1
5%	2
10%	3
15%	4
Other, specify	5

b).What interest rate are you paying back the loan with _____

16.5 Do you normally have a budget as an individual or a group on how borrowed money should be spent?

Group	Individual
1	2

16.6 How is the money distributed?

We share equally	1
Members of the board decide	2
The members decide who gets what	3
The departmental officials decide who gets what	4
Individual members apply and motivate	5

16.7 How do you pay back the loans?

We don't have to pay back, its government money	1
We were not told that we must pay back	2
I used the money for food, sickness, I don't have any more money	3
We don't know who to pay back to	4
We are paying back in monthly instalments	5
I invested it in farming but I did not make profits	6
As soon as I start making profits I'll start paying	7

16.8 In your opinion, how should money from the government or the bank be spent?

We should immediately share the money equally	1
Members of the board should take more and leave the rest for members	2
Invest the money in farming and wait to share dividends	3
Those who work hard should be given more	4
May be the government should tell us what to do with the money	5

16.9 Do you earn dividends?

Yes	No
1	2

If yes, do you think cooperatives are worth the effort and waiting?

Yes	No
1	2

17.1 Who do you collaborate with as a cooperative?

Other cooperatives, specify	1
Government departments, specify	2
NGOs, specify	3
Private organisations, specify	4
Other, specify	5

17.2 What kind of support do you get from them?

Financial	1
Advice	2
Farm Inputs	3
Marketing of our produce	4
Training/mentoring	5

17.3 Describe the relationship between you cooperative and your supporters? **Good/bad**

Explanation: _____

18. Of what benefit is your cooperative to you?

I am earning dividends	1
I am selling my produce easily	2
I am interacting/ socializing with others	3
I am getting money from the government	4
I am feeding my family from my farm produce	5
I am self employed as a farmer	6
We are letting out land	7
We are benefitting from share cropping with white farmers	8

19. In your opinion what contributions have the cooperatives made towards empowering the black communities in South Africa?

Blacks now own land	1
Blacks farmers are producing enough food for the nation	2
Food exports from these farms are exported	3
Blacks are self-employed on their farms	4
There is equal distribution of resources	5
There is more unity among the cooperators	6

20. 1 As a cooperative do you experience any of the challenges listed below? Write **1 if Yes** and **2 if No**

CHALLENGE	1 or 2
We do not understand what a cooperative is	
The constitution is not clear and easy to understand	
We do not have enough land	
There is no someone to write the records our discussions/minutes	
Minutes of our meetings are not clear or not there	
The executive has no authority and direction	
What we agree on in the meetings is never implemented	
We do not know how to farm	
Members are not committed and do not trust each other	
Not all members work hard they just wait to share benefits	
Our partners'(e.g. department, banks) demands are not attainable	
There is no market for our produce	
This place is dry, water is never enough, the climate is not suitable	
We do not know how to manage the cooperative	
We do not receive financial updates or reports from the treasurer	
We are forced to receive instructions from our inferiors	
Members of the board do not have leadership skills	
Support from government and partners are always late and small	
Rules from our partners conflict with our rules	

21.2 What are you doing to cope with those challenges you have mentioned (**refer to 21.1 above**)?

22. What more needs to be done to improve the cooperatives movement in South Africa?

THANK YOU

APPENDIX 3:

Semi-structured Interview Schedule for mentors or managers

Respondent no. _____ Cooperative no. _____ Year of registration _____

Membership of the cooperative _____

Type of cooperative: Primary _____ Secondary _____ Tertiary _____

Land ownership: communal/ Private _____ Size of land _____

In what year did you start working with this agricultural cooperative/association? _____

Did you work with another agricultural cooperative/group before? _____.

For how long? _____

How many agricultural cooperatives/associations do you mentor?

Which secondary cooperative is/are these agricultural cooperative affiliated to?

1.1 Gender

Female	1
Male	2

1.2 Race

Black	1
Coloured	2
Indian	3
White	4

1.3 Age group

20 – 29 years	1
30 – 39 years	2
40 – 49 years	3
50 – 59 years	4
60 – 69 years	5
70 – 79 years	6

1.4 What is the highest level of education that you have completed?

Primary school	1
High School	2
Certificate	3
Diploma	4
Bachelor's Degree	5
Other, specify	6

1.5 What professional qualifications do you have?

Law	1
Book-keeping	2
Accounting	3
Agriculture	4
Marketing	5
Management	6
Other, specify	7

2.1 Who owns this agricultural cooperative/association?

Induna	1
Department, specify	2
Members of the board	3
Community	4
All members including me	5
Other, specify	6

2.2 What is your position or which role do you play in this cooperative?

General manager	1
Mentor	2
Coordinator	3
Manager	4
Accountant	5

2.3 Who has employed you to work for this cooperative?

The cooperative	1
The Government Department, specify	2
I have volunteered	3
An NGO, specify	4
A private company, specify	5

2.4 Are you paid for assisting this cooperative?

Yes	No
1	2

2.5 In this position that you hold what are some your responsibilities? _____

3.1 Does your cooperative have all the necessary policy documents and records e.g. minutes book, constitution, procurement policy e.t.c as required by the government?

Yes	No
1	2

3.2 If yes who prepared this documents for them? _____
If No, why: _____

4.1 Cooperatives are supposed to govern themselves, and yet self-governance is very difficult. To what extent do you think these cooperatives are equipped to self-govern?

4.2 Does your cooperative have a governance structure in place? _____

4.3 In your opinion what are the functions of the board of directors that it is undertaking effectively as per requirement of the government?

4.4 How often do they meet? _____

4.5 Among the agricultural cooperatives what is the general level of exposure and competency of the members? Do the members understand what cooperatives are about and how they should operate?

4.6 Briefly ascertain whether members of cooperatives are able to freely and fairly elect a competent board of directors to run their cooperatives?

4.7 To what extent are the rules and regulations made by the members or the board sound/promote growth of the cooperative?

4.8 What is the level of support from members with regards to obeying the rules and regulations?

4.9 What are some of the challenges that the board of directors of this cooperative are experiencing?

4.10 How is conflict resolved in your cooperative?

5.1 What is your description of the work relationship between you and the cooperative or members of the cooperative?

5.2 As an individual working with agricultural cooperatives or associations, what problems do you have to deal with?

6. In your opinion what contributions have the agricultural cooperatives/associations made towards empowering the black communities in South Africa?

7.1 What do you understand about the Cooperatives Act No 14 of 2005?

7.2 To what extent do you think members of this/these cooperative understands the cooperative Act no 14, 2005?

8. What are some of the challenges experienced by these agricultural cooperatives/associations?

9. Do you think the government is doing enough to help these agricultural cooperatives/associations stand on their feet?

10. In your opinion, what needs to be done to improve the cooperatives movement in South Africa?

THANK YOU

APPENDIX 4:

Semi -structured Interview Schedule for public officials and representatives of other agencies

Organisation no _____. Position _____. Interviewee no. _____. (For Interviewers Use)

1.1 Type of organisation: Public NGO Private

1.2 For how long have you worked in this position? _____. Was someone else in this position before? _____

2a). Gender:

Female	1
Male	2

2b). Race

Black	1
Coloured	2
Indian	3
White	4

2c) What is the highest level of education that you have completed?

Primary school	1
High School	2
Certificate	3
Diploma	4
Bachelor's Degree	5
Honours Degree	6
Masters or higher, specify	7

3.1) What is the average membership per cooperative in your area of jurisdiction? _____

3.2 As at last year approximately how many black owned agricultural cooperatives had registered with CIPRO /CIPC since the new dawn of democratic rule in South Africa?

3.3 From your observation what is the collapse rate of agricultural cooperatives in your area?

4.1 Cooperatives are supposed to govern themselves, and yet self-governance is very difficult. To what extent do you think these cooperatives are equipped to self-govern?

4.2 Among the agricultural cooperatives what is the general level of exposure and competency of the members? Do the members understand what cooperatives are about and how they should operate?

4.3 Briefly ascertain whether members of cooperatives are able to freely and fairly elect a competent board of directors to run their cooperatives?

4.4 To what extent are the rules and regulations made by the members or the board sound/promote growth of the cooperative?

4.5 What is the level of support from members with regards to obeying the rules and regulations?

4.6 A general manager is critical for the smooth running of a cooperative; do all agricultural cooperatives in your area of operation have general managers? Yes/No How many?

4.6.1 For those that have a general manager who is paying them?

4.6.2 For those that don't have, why don't they have?

4.6.3 And, who is responsible for the daily activities of the cooperative?

4.7 In your view other than sound management skills, which other resources do agricultural cooperatives need in order to succeed?

5.1 In your organisation what is the flow of command with regards to cooperatives? When was this structure put in place?

What kind of support do you offer agricultural cooperatives?

5.2.1 If financial do you offer grants or loans? _____

5.2.2 If loans do you need security? _____

5.2.3 If yes, what kind? _____

5.2.4 The loan is given to an individual member or the cooperative?

5.2.5 On average what are the loans recovery rates?

5.3 If people don't know that help is available they would not seek it, how do you market yourselves (make your presence known) among agricultural cooperative?

5.4 How do you determine which areas of the cooperatives' operations need what kind of assistance?

5.5 How do you deal with conflict within a cooperative?

5.6 In your opinion, what is the agricultural cooperatives' attitude and response to your organisations support?

5.7 What does your organisation use to gauge whether you have delivered with regards to agricultural cooperatives?

5.8 What are some of the challenges you (organisation) experience as a partner to agricultural cooperatives?

6.1 Who are the other stakeholders/partners that also support agricultural cooperatives?

6.2 There is bound to be some form of clash or duplication with regards to the support that you and the other partners offer agricultural cooperatives? Give a few examples of such occurrences

7.1 In your opinion what was flawed in the old Cooperatives Act 19 of 1981.

7.2 What is the difference between the old Cooperatives Act of 19 of 1981 and the new Cooperatives Act No 14 of 2005?

7.3 Did your organisation deal with cooperatives under the old Cooperatives Act No. 19, of 1981?

If yes, in an attempt to implement the new policy:

Which positions that existed in the old policy have been done away with? _____

which ones have been retained? _____

and which new ones have been created? _____

7.4 What is your responsibility with regards to the implementation of the Cooperatives Act No. 14 of 2005?

8.1 What measures has your organisation put in place to ensure that the Cooperatives Act No 14 of 2005 is implemented by Agricultural cooperatives?

8.2 What challenges hinder you as an individual or organisation from successfully implementing the Cooperatives Act No 14 of 2005?

9.1 Are there any parts/sections of the Cooperatives Act No. 14 of 2005 policy that in your view are not clear? Which sections are these?

9.2 In your opinion what should be included or removed from the Cooperatives Act No.14 of 2005?

10.1 What are some of the policy documents and records required by the Act, that from your observation most cooperatives don't have or keep?

10.2 In your opinion, to what extent has the Cooperatives Act No. 14, 2005 been implemented by cooperatives in general?

10.3 What are some of the challenges agricultural cooperatives have to deal with in trying to implement the Cooperatives Act No 14, 2005?

11.1 To what extent have cooperatives minimized the problem of poverty and uneven wealth distribution among the black communities in South Africa?

11.2 In your view what should be done to enable the cooperatives in South Africa to sustainably self- govern?

THANK YOU.

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APPENDIX 5:

Letter to Heads of various public departments and other agencies

Florence Shisanya,
School of Sociology and Social Studies,
University of KwaZulu-Natal,
Private Bag X01,
Scottsville, 3209.
Pietermaritzburg.
Tel. +27742172271
E-mail: fshisanya@gmail.com
15- 9 – 2011.

The Head of Department,

Dear Madam,

RE: SURVEY OF AGRICULTURAL CO-OPERATIVES

My name is Florence Shisanya, a PhD student at the University of KwaZulu-Natal, being supervised by Professor Lawrence. My research topic is: **A policy analysis of self-governed collective action among agricultural co-operatives in uMgungundlovu District, of KwaZulu-Natal Province.** I am kindly requesting you to grant me permission to interview about five managers in your department who deal with co-operatives both at provincial and district levels.

The managers have a choice to participate or not, no one will be forced to take part in the survey. Thank you.

Yours Faithfully,

Florence Shisanya
(Researcher)
Student No. 208516496

Professor R. Lawrence (Supervisor)
Tel: +27 828200374
E-mail: lawrencer@ukzn.ac.za