

UNIVERSITY OF KWAZULU-NATAL

TITLE

Assessing government's role in the promotion of co-operatives as strategic intervention to accelerate socio-economic transformation

By

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**A dissertation submitted in partial fulfilment of the requirements
for the degree of Master of Commerce in Leadership Studies**

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2012

DECLARATION

I, **Boyce Sithasakhe Mntambo** declare that:

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- (ii) This dissertation has not been submitted for any degree or examination at any other university.
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ACKNOWLEDGEMENTS

Studying as a mature student has never been an easy undertaking. It demands a lot of hard work and sacrifices from various role players that have to provide continuous support towards the accomplishment of a graduate study project. I am therefore grateful to all the members of my extended family who have been the source of inspiration throughout the process. More particularly, I am indebted to my wife, Sibongile and my daughters, Nonsikelelo, Nomalungelo, Nombulelo, Nonkanyiso and my niece Nomfundo who all had to put up with long hours of my absence from my family environment as I pursued various tasks to complete this study.

Having been in academic 'hibernation' for a long time, this was a challenge on its own for me. I also wish to thank my uncle Khombamadoda who motivated me to consider studying for additional qualifications. *Nhlangothi* thanks for your wisdom. You have always been a pillar of support throughout my life!

The selfless role played by my supervisor, Mr Stan Hardman in this study initiative cannot be adequately expressed. He had full understanding of the challenges often encountered by working students, but continued to instil that sense of confidence in me that said; 'Yes you can!'

ABSTRACT

The new democratic government inherited huge socio-economic backlogs caused by the racially-based apartheid system which denied the black majority access to educational and economic opportunities that would have enhanced their quality of life as was the case with their fellow white compatriots. Since 1994 the new government has introduced numerous legislative measures to address these imbalances. This included the establishment of frameworks to promote black economic empowerment through a combination of programmes that were believed to be appropriate to draw more historically disenfranchised communities into the mainstream of the economy.

The Redistribution and Development Programme (RDP) was initially introduced and later replaced with a macro-economic policy in 1996, the Growth, Employment and Redistribution (GEAR) that favoured free market and limited state intervention in private business. The RDP was believed, mainly by civil organizations and trade unions, to be the practical blue print to level the socio-economic playing fields for a post-apartheid society (Knight 2006). However, GEAR with a target of 400 000 jobs created each year only amassed criticism from the governing party's alliance partners that felt it led to job losses whilst its proponents believed it was growing the economy and reducing the budget deficit and inflation. Trade unions further blamed GEAR for 'breeding jobless growth' that benefited capitalist markets at the expense of the poor and workers.

The introduction of Accelerated and Shared Growth Initiative of South Africa (ASGISA) directed at reducing unemployment and poverty by half in 2014 coincided with the promotion of co-operatives as an alternative sector that could be pursued with gusto to fast-track societal transformation that had partly stagnated as claims of growing poverty and joblessness were loudly expressed. While not entirely replacing GEAR, the ASGISA strategy was to reinvigorate the economy through accelerated and shared growth and development, as stated by former President, Thabo Mbeki in his State of the Nation Address in 2006.

Further, government at national level re-activated the concept of co-operatives and KwaZulu-Natal embraced this approach with enthusiasm as it was seen as a solution to the ineffective SMME programme. Held in 2003 the Presidential Growth and Development Summit acknowledged the need to mobilize co-operatives to fast-track job creation to scale down poverty levels. This resulted in the transfer of co-operatives function from the national Department of Agriculture to the Department of Trade and Industry – with the latter given the mandate of widening the co-operatives scope to include various sectors of the economy through various forms of co-operatives (Philip 2003 and Satgar 2007) as opposed to the historical focus on agricultural-based enterprises.

This dissertation attempts to reveal whether the mobilization of communities to consider entering the business world through co-operatives has been a success or not. It will seek to unravel and confirm several factors believed to be influential in the collapse or success of co-operatives, especially in KwaZulu-Natal following the promulgation of the National Co-operative Development Act of 2005. The study is therefore structured into five chapters – with chapter one setting the tone for the project by drawing on the history of the co-operatives sector generally and in South Africa specifically. Chapter two locates co-operatives in the general and economic literature which is essential in enhancing and broadening the theoretical public understanding and appreciation of the role of co-operatives in the province's and the country's economy.

Chapter three is a demonstration of the methods or approaches employed in undertaking this investigative project while chapter four and five respectively provide the analytical overview of various pieces of information gathered from three sets of questionnaires designed for co-operatives, government officials and co-operatives experts – and the conclusive discussion of the findings and recommended approaches to the development and promotion of co-operatives in KwaZulu-Natal and the country as a whole.

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LIST OF ACRONYMS:

ACRONYM	FULL DESCRIPTION
ASGISA	Accelerated & Shared Growth Initiative Of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CDE	Centre For Development & Enterprise
CIPRO	Companies Intellectual Property Registration Office
CIS	Co-operatives Incentives Scheme
COPAC	Co-operatives & Policy Alternative Centre
COSATU	Congress of South African Trade Unions
CPPP	Community, Public & Private Partnership
DEDT	Department of Economic Development & Tourism
DEPARTMENT	Department of Economic Development & Tourism
DTI	Department of Trade And Industry
FET	Further Education & Training
GEAR	Growth, Employment And Distribution
HOD	Head of Department
ICA	International Co-operatives Alliance
ILO	International Labour Organization
KZN	KwaZulu-Natal
LED	Local Economic Development
MEC	Member Of The Executive Council
NAMAC	National Manufacturing Advisory Centre
NCASA	National Co-operatives Association of South Africa
RDP	Redistribution & Development Programme
SACCOL	Savings and Credit Co-operatives League
SAMAF	South African Micro-Finance Apex Fund
SEDA	Small Enterprise Development Agency
SMME	Small, Micro & Medium Enterprise
USA	United States of America

CHAPTER ONE:

1. Problem Statement:

1.1. INTRODUCTION:

Co-operative enterprises have been one of the common commercial pursuits for many years in various communities the world over. Although started earlier in some parts of the world, the well documented period of co-operatives' real entry into the mainstream economy was in 1844 in the English textile town of Rochdale. In South Africa co-operatives became synonymous with white farming communities that started organizing themselves into co-operatives as far back as the late 1800s.

The real commencement of a visible co-operatives movement occurred in the early 1900s according to the Department of Trade & Industry Baseline Study Report on Co-operatives (2009). The establishment of the Land Bank in 1912 and the subsequent passing of the Co-operatives Act of 1922 heightened interest in this form of economic practice – with government providing different forms of support to the participants to ensure their effective contribution to the economy and general social development.

Following various interventions by the post-1994 government to bring about tangible socio-economic transformation amongst the historically disenfranchised black communities, co-operatives were then reinvigorated as one of the alternative strategies to accelerate economic empowerment and to lead poor communities out of the doldrums of poverty and unemployment. The KwaZulu-Natal Government took an even greater interest in this sector of the economy when it started mobilizing communities to consider establishing their own co-operative enterprises, especially in 2005 after the endorsement of national Co-

operatives Act. The province, in its drive to reduce the levels of poverty and unemployment introduced the co-operatives programme – and factored various conditions into the process to make the initiative attractive, viable and sustainable. This included the provision of funding and skills training for aspirant people wishing to enter into co-operative businesses. The government also assured them of a market for their goods and services that would be procured by government departments.

This ‘rejuvenated’ empowerment focus on co-operatives was akin to the Afrikaner community’s economic empowerment campaign during the early years of the 20th century. However, it has not gone without its share of challenges while some positives have also been recorded.

This study has corroborated the findings of some previous brief research projects into the performance of co-operatives in the country where there was consistent indication that the post-1994 government sponsored co-operatives programme has been successful despite numerous factors ranging from lack of appropriate skills on the part of government officials to implement both the 2004 Co-operative Development Policy and the supporting Co-operative Development Act of 2005 and indeed the general absence of entrepreneurial instinct amongst target beneficiaries of this government initiative.

In KwaZulu-Natal the indication is that mobilization of the programme was not preceded with the proper support systems being put in place as this study reveals that the high failure rate within this project could be attributed to a lack of expertise and experience on the part of both government officials entrusted with the implementation of the programme and the people that ventured into co-operative businesses in response to government incentives.

1.2. MOTIVATION FOR THE RESEARCH:

The hype around the introduction of co-operatives has triggered an interest in discovering whether or not co-operatives have effectively met the government's primary objectives of dragging the poor out of the economic peripherals to the mainstream as part of the grand vision of bringing about socio-economic equity in the country. With KwaZulu-Natal being claimed as leading the pack in embracing the new government policy on the promotion of co-operatives as potential vehicles for real economic transformation, this study focused on this province's experience – trying to identify possible causes of the snags despite the reported overwhelming public interest and response to this government initiative.

It also endeavoured to identify challenges experienced in this whole campaign and to try to get an insight into possible solutions that could be considered to sustain co-operatives in the future. It was hoped that the study would also serve as a basis to develop more effective approaches towards ensuring that co-operatives become even more viable as an instrument to effectively combat poverty and unemployment while broadening access for poor communities to real economic empowerment.

Despite the fact that some studies had already been conducted by various researchers into co-operatives, this research project will hopefully benefit policy makers in their quest to design more appropriate strategies to make co-operatives more effective in the process of promoting the entrepreneurial culture amongst ordinary people. Panu Kalmi (2006) observes that in spite of co-operatives being a global economic phenomenon, there has been growing concern that text books on economics are no longer covering the co-operatives in their subject matter. Louw van der Walt (2005) when studying co-operatives in the Limpopo Province also observes that in South Africa in particular there is limited literature and research material on co-operatives. This affects scholarly and general public understanding and appreciation of co-operatives as

alternative economic pursuits to address socio-economic needs of the people. It's anticipated that this study initiative will further contribute to the body of knowledge around the co-operatives' role in the country's and the world's economy.

Moreover, people involved in co-operatives as direct entrepreneurs, government officials, researchers and trainers could be amongst the target users of this study to help them understand the scientific and general aspects of co-operatives as one of the models for economic development.

Having supported this research project, the KwaZulu-Natal Department of Economic Development and Tourism will also be the key beneficiary of the outcome of this study as their concern is to develop better action plans to address possible gaps in the provincial co-operatives programme. Financial institutions that provide support to various enterprises including co-operatives were likely to utilize this study project to enhance their policy and strategic positions regarding funding co-operatives.

1.3. KEY OBJECTIVES OF THE STUDY:

Having witnessed the wide range of government efforts to address poverty and joblessness to bring about social stability and equality in the society, the introduction of co-operatives as alternative instruments to fast-track socio-economic change captured my interest and hopefully that of other people as well. The enthusiasm with which this concept was adopted in KwaZulu-Natal, has been the spur for me to seek to undertake a research project to evaluate the impact of this economic model driven by the Department of Economic Development & Tourism.

I am convinced that despite their long history in the South African economic context, co-operatives as an economic phenomenon – introduced as far back as

the latter part of the 19th century – mainly in the agricultural sector - haven't been given proper academic attention that could help generate insightful information that would effectively inform government policies on how best they could be used as significant drivers of the economy over and above being potential 'weapons' with which to fight poverty.

While acknowledging that some countries in both developed and developing worlds are giving this kind of business serious attention, it's noted that there has been limited interest in meaningfully covering co-operatives business practices in business science text books – making it hard for interested researchers and scholars to have reliable academically-documented information on co-operatives to strengthen their argument and theoretical insight on this subject.

Kalmi (2006) noted that there was greater inclusion of the study of co-operatives in the many business text books prior to the Second World War and attributes this shrinking interest in publishing material on co-operatives to, amongst other things, changes in the economic importance of co-operatives which historically emerged through the farming sector. He warns that this attitude towards co-operatives could adversely affect the study and the role of co-operatives in the economy with the new breed of business students lacking interest in and understanding of the concept of co-operatives. This point will be explored in the subsequent chapters in relation to the South African experience.

As is the case in other countries, co-operatives deserve to be treated as one of the key and serious levers of real economic practices as opposed to their current status which is associated with issues of under-development or with issues at the economic periphery. The KwaZulu-Natal experience, after an aggressive activation of co-operatives offers an avenue to scrutinize this economic concept with a view to advancing co-operatives as an effective and critical vehicle for sustainable economic development. I have always been aware of the breadth of this discussion and hence it has been difficult to pin down a less diverse issue

relating to co-operatives – something that would make the outcome of the study more general instead of focusing on specifics. The research statement below is an attempt to clarify matters.

Research Statement

The study attempts to assess government's (Department of Economic Development & Tourism) role in the promotion of co-operatives as viable strategic intervention to accelerate socio-economic transformation in KwaZulu-Natal – using systems thinking model to evaluate the implementation process of the co-operatives strategy and appreciating lessons learnt since the mobilization of co-operative enterprises in 2005.

The research parameters and outcomes were informed by the following questions – which were also not exhaustive as new issues kept on emerging as the study progressed.

- 1. What inspired the leadership (politicians) to adopt co-operatives as an alternative socio-economic re-engineering programme?*
- 2. Who were partners and how did they fit into the system in the process of organizational strategy implementation?*
- 3. What were the organizational/systemic challenges experienced during the implementation of the concept and what are the potential remedial actions for the future?*

The Department remained a central point of departure as an organizational vehicle responsible for the co-operatives campaign while other participants such as co-operatives themselves, other government departments, academic and financial institutions involved in the provision of both skills and financial resources through partnership with the Department, played a role. This helped to illustrate the adaptability of organizations around a common project – and as Gray and Larson (2008) put it, each project has to be aligned with the organization's

strategy to ensure its contribution to the overall strategic priorities of that organization. 'Project Co-operatives' had to be in line with the programmes of the Department and its business allies to ensure its success through harmonious implementation and evaluation – essential in weighing its impact.

1.4. RESEARCH QUESTIONS:

As indicated above this study would be assessing whether or not government involvement in the development and promotion of co-operatives, particularly in KwaZulu-Natal has born any positive results. Amongst the inherent questions associated with this research project is the active state involvement in what should be private enterprises – though the counter argument would be that government just plays a supportive role to ensure that co-operatives are developed and become sustainable as vehicles to create jobs to combat high levels of poverty. However, proponents of the free market economy would stress that the role of the state in the economy should be kept at a bare minimum.

State intervention could only be justified when there are evidential turbulences in the functioning of the economy – threatening social stability, or there was a need to create a fair access to economic opportunities for all citizens in the country's economy. Robert Hall and Marc Lieberman (2005) describe the regulatory role played by governments in the economy as setting up an institutional infrastructure that enables the market to function within a conducive environment supported by various state organs such as the legal system and other law enforcement agencies to deal with those breaking the rules of governance.

Whilst addressing the content of the problem statement, this research project would hopefully indicate if government funding and training of co-operatives was not tantamount to interference in the affairs of private enterprises which is in contrast with the basic principles guiding the operations of co-operative businesses that include their enjoyment of autonomy from external influence.

Moreover, the state's active support of co-operatives raises another question whether this generous intervention wouldn't lead to the development of perennial dependency on government funding amongst co-operatives. To protect their autonomous status, perhaps co-operatives should have been encouraged to seek business funding from alternative financial institutions such as banks where they would be competing against other private businesses.

A qualitative approach or model was used in this research project and some elements of quantitative methodology were also applied to address certain specific aspects of the study – and this has proved to be an ideal complementary approach especially because there has been limited scientific research into co-operative. The process was mainly conducted through questionnaires (*annexures 1 - 3*) sent to selected participants that included co-operative entrepreneurs, senior government officials and academics with an interest in this field of business.

Two hundred and ninety five (295) co-operatives involved in various sectors across the province were approached for this research study. Using the Department of Economic Development & Tourism's office network in the districts, questionnaires were distributed to prospective respondents and this would hopefully give a balanced reflection of the entire province in terms of the impact of co-operatives on the lives of the people.

Fourteen (14) government officials driving the co-operatives programme in the Department were also requested to participate by responding to a set of questions. The co-operatives' and officials' inputs were further augmented by responses from eight (8) independent commentators to ensure a cross-pollination of views regarding the impact and role of co-operatives on the socio-economic empowerment in the province.

Although there is a serious shortage of text books reflecting co-operatives as one of the possible economic undertakings, some government policy and legislative documents as well as strategic plans were used as reference material for the literature survey. Academic papers or presentations delivered by experts in various gatherings were also accessed to add value to the project, as they provided some diverse views and experiences drawn from different societies that had embraced co-operatives as part of their economies. The Kenyan experience was noted as a brief comparative project.

Access to this material was facilitated by the fact that the Department of Economic Development & Tourism has established a partnership with the Kenyan government which has resulted in some experts on co-operatives from this East African nation being seconded to the Department to advise the provincial government on how best co-operatives could be made really sustainable, economic instruments to fast-track socio-economic transformation. Some Kenyan academics have also been recruited by the University of Zululand to help develop a curriculum for the study of co-operatives in the province.

1.5. LIMITATIONS OF THE STUDY PROJECT:

While other areas of the economy have been extensively researched to produce a wide range of documented data, co-operatives, in spite of their long history, have attracted limited study interest. This is demonstrated by the scarcity of scholarly reference material for anyone wishing to undertake any formal research project in this sector. As was anticipated, this study was confronted with a challenge in terms of assessing credible and specialist reference text books, which was again a confirmation of what Kalmi referred to as 'disappearance of co-operatives from text books on economics'.

This argument is further endorsed by Knight (2006) who in the South African context attributes this challenge to the Department of Agriculture which was

responsible for the promotion of co-operatives prior to 1994, but failed to promote research projects that could have resulted in the production of credible text books for educational purposes. He argues that the Department 'collected very little information about the size and composition of co-operatives', and hence there is no adequate data for reference purposes.

The major source of information on this subject was mainly from government policy documents and papers delivered by experts in different forums as previously mentioned. Academic debate around co-operatives was therefore based on these documents rather than on specialist text books which I believe would have strengthened this study project in addressing the problem statement.

While many people have embraced co-operatives with enthusiasm, their response to this study lacked excitement. A great effort had to be made to secure the return of completed questionnaires. This included even senior government officials that proved to be disinterested in participating in the study – in some instances citing busy work schedules that made it difficult for them to get time to attend to the questionnaire.

With regard to questionnaires prepared for co-operatives, there could have been several factors for lack of interest. This could be amongst other things, general human tendency to procrastinate attending to assignments that have no direct personal material gain, or unwillingness to disclose information on areas such as the financial and business performance of individual co-operatives, especially when some of them weren't doing well despite initial financial support and skills training provided by the government.

Both co-operatives and senior officials could have had difficulty responding to certain questions such as whether the co-operatives programme was a success or failure – fearing that this could be interpreted as a direct admission of poor performance by some co-operatives. Furthermore some respondents appear to

have provided irrelevant answers or statements to certain parts of the questionnaire which could be either a deliberate act or a complete misunderstanding of the context of the question. The questionnaires did not allow for the need to clarify the meaning of the question to the individual respondents. This proved to be something of a challenge as some responses had to be ignored, but these weren't in the majority and so did not undermine the essence of this research project.

It must be stated that this project was earmarked for submission during the 2009 academic year, but lack of immediate response to questionnaires by the majority of target respondents resulted in it being considered for the subsequent academic periods. In the process there could have been changes in the co-operatives' programme – which might create some factual gaps in terms of the authenticity of the information shared in this project.

As this was a typical action research, I was part of the organization being studied, and I hope I remained impartial in approaching this project to avoid compromising the integrity of the findings regarding responding to the question statement. But the ultimate objective was to establish possible solutions to the problems besetting some of the co-operatives as they attempted to be sustainable to deal with issues of poverty and lack of jobs essential for social stability.

1.6. CONCLUSION:

Organizations or people do learn from their mistakes and it's for that reason that mistakes could be forgiven as long as they form part of the learning curve for future advancements. Through 'Learning Organisation' which is Peter Senge's 'Fifth Discipline' as quoted in Jackson (2000: 271) individuals are expected to act in a complementary and synergic fashion for the benefit of all involved within an organisational framework. Members of co-operatives are a case in point as

they were likely to bring their previous experiences and expectations based on the other four initially developed disciplines or traits, '*personal mastery, mental models, building shared vision*' and '*team learning*' which have to evolve into a comprehensive and singular image of an organisation able to adapt and survive in a challenging environment through 'organisational learning'.

I also believe that if executed correctly this research project would have established clear parameters to broaden public understanding of co-operatives as effective contributors to real socio-economic transformation in the province and the country. Now that we know that co-operatives are not simple business ventures as they are constituted by human beings that bring individual expectations and aspirations to the exercise, we should acknowledge that they were likely to exhibit conflicting interests, tolerated under the banner of their democratic principles, which could also result in failure or success.

In view of the fact that independent thoughts and actions by members of co-operatives could breed lack of co-ordination, possible failure could be anticipated. Only in a situation where clearly defined areas of responsibility for each member of a co-operative had been established could positive outcomes be expected. If their formation is influenced by basic understanding of foundational principles such as the 'fifth disciplines' where member are prepared to honestly integrate their visions (personal mastery), be flexible to change from pre-conceived cultures (*mental models*), start acknowledging areas of common interest that could collectively benefit everyone under the auspices of the organisation (*building shared vision*), and then celebrate individual capacity to contribute to a team vision expressed through dialogue and exchange of ideas (*team learning*), co-operatives would have been able to overcome challenges and learn to grow as organisations to complete the '*fifth discipline*' - '*learning organisation*').

This chapter serves as a preamble of what this study discovered as challenges facing the co-operative's programme in KwaZulu-Natal and it also presents possible solutions which centre around the target communities' appreciation of the fundamental principles of a successful and sustainable co-operative that benefits its members equitably whilst contributing to the general socio-economic wellbeing of the society through the creation of job opportunities essential in alleviating poverty and other related social challenges.

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CHAPTER TWO:

2. Literature Review:

2.1. INTRODUCTION:

The need to promote socio-economic transformation in both industrialised and developing societies has resulted in the government introducing various economic instruments that are reflected in both legislative and policy frameworks. Co-operatives are amongst the economic measures that have been considered in different parts of the world in addressing socio-economic inequalities and are significantly contributing to the alleviation of poverty and reduction of unemployment whilst making an impact on a nations' general economic growth.

It is said that the world's three hundred biggest co-operatives collectively employ twenty percent (20%) more people than their transnational firms while co-operatives according to Global Corporate Governance Forum (2007) are generally boasting around 1, 1 billion members across the globe as they continue to serve as a combination of commercial and social enterprises designed to meet the needs of their members and societies at large. Lyne and Collins (2008) describe co-operatives as essential in mobilising human and financial capital to help create jobs and the establishment of entities that address basic human needs such as housing and food security.

South Africa has a history of promoting co-operatives and agrarian business has been the major focus of the country's co-operatives movement. Hence government support to co-operatives had been through the Department of Agriculture for many years until 2001 when government resolved that this portfolio should be transferred to the Department of Trade & Industry that was then mandated to develop the new co-operatives policy and legislation as

indicated in the Co-operative Development Policy document (2004). This implied co-operatives approach would be broadened beyond agricultural enterprise to cover other economic sectors to be able to absorb as many historically disadvantaged communities as possible into the mainstream of the economy. Although the policy covered both existing co-operatives that had benefited from the previous government, the main focus would be to support the establishment of new co-operative enterprises to be afforded both skills training and financial incentives.

This chapter will first examine the historical meaning of a co-operative enterprise and its specific denotation within the South African context in relation to the general global interpretation. This will allow a better understanding of what the current role of co-operatives is in the socio-economic environment, their role in the process of sheltering poor members of the society from poverty and other social ills such as unemployment.

It is often argued that this form of business is used to address pressing social needs although it eventually evolves into a commercial undertaking. Using literature written for different audiences interested in the co-operatives sector as points of reference, we will try to establish if the challenges experienced in the process of developing and promoting co-operatives in this country and in KwaZulu-Natal in particular have any parallels in the international experience and what lessons could be learned to facilitate an advance of co-operatives in the province.

This approach will further set the scene for the subsequent Chapter Three that will scrutinize and discuss the findings of the research project undertaken to establish the impact of and impediments experienced in the process of promoting co-operatives in KwaZulu-Natal. More ordinary people were encouraged by the provincial government to venture into business through co-operative enterprises.

2.2. GENERAL HISTORY OF CO-OPERATIVES:

Co-operative business ventures have often been regarded as social enterprises, established by members sharing common objectives to overcome social challenges such as poverty, as opposed to the inherent desire to make a good profit for self-enrichment. Robert Dobrohoczki (2007) states that co-operatives serve to fill the social gap created by the human obsession with capitalist intention to generate more wealth at the expense of social cohesion as people succumb to 'dominance of instrumentalism over modes of communicative interaction'.

Borrowing from Jurgen Habermas's theory of communicative action which compares the decline in social values as a result of a modern form of morality instigated through individual needs to accumulate capital at the expense of social connectivity and primary values of humanity as espoused through the founding principles of co-operatives, Dobrohoczki (2007) argues that the need to found co-operatives could now be interpreted in different ways. With an element of systems theory, Dobrohoczki's argument locates the origins of co-operatives at the centre of human desire to reclaim the spirit of *ubuntu* from the cut-throat open-market system that sometimes undermines the importance of charitable social cohesion and its shared democratic value systems, community identity and indeed the sentiments of solidarity.

Speaking during the Inaugural Ubuntu Conference hosted by Moses Kotane Institute, Sathiasiven Moodley (2009) shared these sentiments when describing linkages between the driving force behind the establishment of co-operatives and the spirit of humanity, *ubuntu*, especially in the South African experience. The co-operatives movement is seen as a reflection of socio-economic tension between the capitalist oriented individualism and community partnership networks; the latter being eroded by market forces currently defined in terms of growing liberalisation of the global economy as further stated by Dobrohoczki (2007).

2.2.1. Definition & Meaning Of Co-operatives:

While there is a dominant view that co-operatives are social business operations, Wuttunee, W; Chicilo, M; Rothney, R & Gray (2008) warns against confusing co-operatives with non-profit charitable organisations – saying co-operatives are active participants in the market economy offering goods and services with the intention of earning a profit or surplus. However, one of the distinctions with other profit-oriented organisations is that co-operatives as social enterprises do place a high premium on social and environmental issues, besides financial gains which they call *blended return* as it blends its business activities for the benefit of members with social and environmental consciousness.

It becomes apparent that while there has been universal definition of what constitutes a co-operative, this is still subjected to various interpretations depending on the sphere and sector within which the enterprise operates. The role of co-operatives in the society is contained in its definition and its allied principles and values which had all been adopted in 1995 by the International Co-operatives Alliance (ICA) and International Labour Organisation (ILO) which agreed that: 'A co-operative is an autonomous association of persons united voluntarily to meet their common socio-economic and cultural needs through a jointly owned and democratically controlled enterprise', as stated by the Global Corporate Governance Forum (2007: 7).

The inclusion of culture helps illustrate that co-operatives are more complex than the traditional capitalist and profit-bent organisations although general commercial entities do also include cultural elements in their operational definition in the form of corporate cultural values that psychologically and in terms of attitudinal relations amongst different spheres of authority, are guided by sets of rules including taboos and sanctions against deviation or incentives for compliance and conformity.

ENTERPRISE FEATURES	CO-OPERATIVES	LIMITED COMPANIES
Corporate objectives	Service to members, promotion of collective action, participation of members through democratic processes & empowerment.	Profit, competitive power & survival
Ownership	By members who join primarily to use services of the co-operatives.	By investors who may or may not be involved in the operation of the enterprise.
Control	One member one vote, regardless of shares held, prominence of elected officers & board, considerable oversight & intervention by government authorities in many countries.	One share one vote, prominence of elected officers; board & management.
Nature of subscribed capital	Shares are purchased & redeemed at par, redemption may be time-consuming, capital revolves as new members join & old members leave, shares may be issued in lieu of cash payments to members or from deductions from cash payments by members for services used, regarded as the least expensive form of capital or source of finance.	Shares are negotiable (i.e. they can be bought & sold freely, unless otherwise agreed by shareholders) but they are not redeemable, price determined by negotiations between buyers & sellers or through bid/offer transactions, regarded as the most expensive form of capital or source of finance.
Financial structure	Often dominated by members' shares where credit is difficult to obtain, dominated by debt when foreign or government assistance is readily available, varies by type of industry or activity.	Varies by industry & by firm.
Value of investment by owners	Redeemable value of shares plus savings from favourable prices offered by the co-operative on services used by the member.	Market value of shares.
Return on owner's investment	Limited return on shares, limited by law, tax considerations or by custom, benefits from use of services provided.	Dividends as decided by the board of directors, plus appreciation or depreciation in share values, depending on performance & financial market conditions.
Distribution of net income	In proportion to patronage, i.e. the extent of use of services provided by the co-operatives measures in financial terms.	In proportion to shareholding.

Table 1: Comparisons between co-operatives and private enterprises, (Sourced from Von Pischke, JD and Rouse, JG, 1997)

A classic illustration of differences between co-operatives and pure profit making enterprises is presented by Von Pischke and Rouse (1997) as shown in the table above. In the traditional business venture, the essence of culture is set as an operational parameter within which those employed as managers and workers are expected to be bound in a rather compulsory fashion whereas it's the opposite with the co-operatives that emphasise voluntary and autonomous engagement amongst members – with shared spontaneous cultural relations that could be defined in their common experience of poverty and unemployment that

necessitated their union into a co-operative. While there could be common features in the practices of co-operatives and pure commercial enterprises in terms of corporate culture as defined in the South Africa's Code of Corporate Practice (King, 2002), the definitive difference lies in the founding purpose and organisational objectives of the two kinds of business ventures.

Co-operatives are expected to balance their business with the social needs of their members and society at large while profit organisation have to amass wealth for their shareholders and the social consideration of other immediate stakeholders are peripherally and secondarily covered as part of non-core social responsibility initiatives. In addition to the textual definition of what makes a co-operative, the Rochdale Society (Fairbairn, 1994) adopted prime principles that defined operational guidelines for co-operative entities which have since been embraced by the ICA and other related structures.

2.2.2. Key Co-operatives Principles:

The universality of co-operative principles has become the rallying point to build a coherent global community of co-operatives practitioners that have common objectives that centre around the socio-economic empowerment of members participating in various sectors of the world economy.

These principles differentiate co-operatives from pure commercial enterprises and are useful in informing governance or management structures for this type of business which is based mainly on consensus by members rather than on the judgement of entrusted directors. In the absence of adherence to these principles, co-operatives could face all sorts of challenges that might include conflicting views when making decisions on the strategic and business direction the enterprise has to pursue to survive in the market place and to achieve its objectives.

Quoting from the International Co-operatives Alliance's statement of 1995 in defining the context of co-operatives, the Global Corporate Governance Forum (2007) describes the seven co-operatives principles shown below as pillars that have been used by many countries in formulating laws and policies designed to promote co-operatives with a harmonious global understanding of what constitutes a co-operative business.

The following principles have been captured in both the South African Co-operative Development Policy of 2004 and Co-operative Development Act of 2005 and have been used frequently by practitioners responsible for the development of co-operatives as a means to contribute towards the expansion of socio-economic opportunities to include ordinary and poor members of the society:

- ***Voluntary & open membership*** – demonstrates the essence of a democratic and autonomous engagement amongst members regardless of race, age, belief or political differences,
- ***Democratic member control & self-administration*** – with full member participation in setting up policies and business strategies to ensure sustainable growth. The nature of organisational and administrative arrangement has to be decided by members who have to be responsible for both the benefits of effective decisions or calamities of maladministration,
- ***Education & training*** – to ensure that members and those participating in co-operative continuously contribute to the growth of the organisation through the provision of relevant skills and competencies to take the organisation forward, and this includes the dissemination of information within and outside the organisation about the business of the organisation,

- **Concern for community** – Unlike other forms of enterprise co-operatives are integrative of both commercial practices and social responsibility as members are aware of the need to protect the environment whilst pursuing sustainable profit that benefits members and the larger community,
- **Co-operation amongst co-operatives** – Social aspects of co-operatives are often reflected in their spirit of solidarity as part of strengthening and perpetuating the co-operatives movement locally, nationally and globally.
- **Autonomy & independence** – One of the key characteristics of co-operatives is their independence from direct influence either by government or other bodies they engage with in the process of either securing a market for products and services or for financial support,
- **Member economic participation** – The survival of co-operatives hinges on the role played by each member in an equitable manner as the benefits are proportionate to each member's contribution.

Failure by co-operatives to respect the applicability of these principles in their daily business operations could signal their collapse which has been the case in some instances. As reflected in *Figure 1* below, Von Pischke and Rouse (1997) also believe that deviation from these basic principles could have detrimental implications on co-operative enterprises. This has been evident in some of the newly-established co-operatives in KwaZulu-Natal and the rest of the country which we will discuss in the subsequent sections of this document.

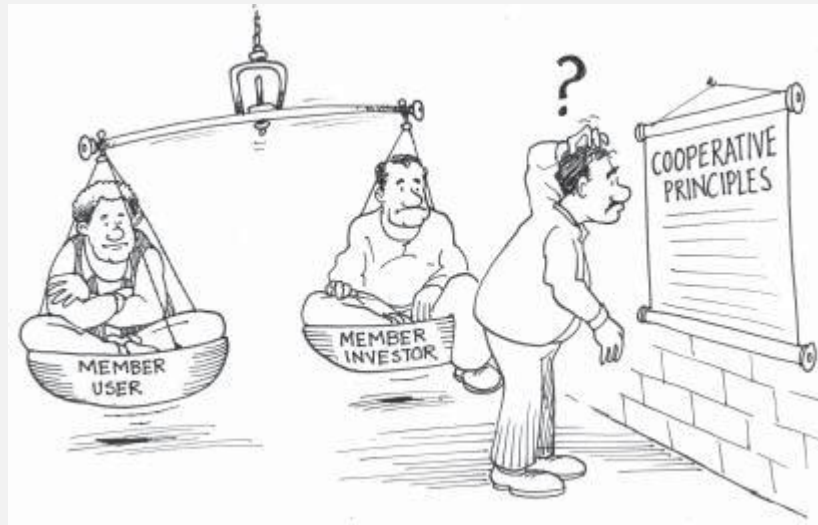


Figure 1: Adherence to basic principles is crucial for the survival of co-operatives,
(Sourced from Von Pischke and Rouse, 1997)

There is always, of course, a possibility for these principles to be deliberately undermined or not taken on board through ignorance when developing and promoting co-operatives as alternative economic vehicles to counteract poverty and unemployment levels. This is sometimes attributed to the complexity of co-operatives which in most cases are characterised by the duality of their function that includes commercial and social aspects, as co-operatives are often founded to address the immediate socio-economic needs of its founding members.

The basic desire to ensure that co-operatives meet the social needs of its members to be shared with the rest of the community is complimented by its capacity to generate income to sustain its functionality. Depending on the sector in which the enterprise operates, the commercial part of the co-operatives exposes them to global transactions.

Dobrohoczki (2007) stresses that the internationalisation of local enterprises threatens their local community identity and control, giving rise to the need of locals to seek solidarity to retain social cohesion through co-operative businesses that demonstrate their capacity to help address their immediate socio-economic challenges within clearly defined community parameters. On the

one hand, there are those that regard co-operatives as social entities in which individual efforts are stifled through emphasis on group or community efforts while others describe co-operatives as vestiges of a social economy embedded in the fear of consequences related to the typical survival of the fittest in the market economy that promotes innovations and continuous change to respond to unpredictable market operations. Dobrohocski further describes co-operatives as instruments to promote social cohesion compared to general profit driven corporate organisations.

However, while there are various contentions as to the exact origins of the co-operatives movement and who the pioneers of this phenomenon were, the fact is that co-operatives have become a global 'infection' forming part of modern economies. According to the International Co-operatives Alliance as reflected in the report on Corporate Governance and Co-operatives workshop held in London in 2007 there are more than one billion people (as stated earlier on) who are members of co-operatives worldwide although the previous year's estimates had put the figure at 760 million (Shaw, 2006).

The well-documented period of co-operatives' real entry into the mainstream economy was in 1844 in the English textile town of Rochdale according to Fairbairn (1994). The consumer co-operatives movement that became known as Rochdale Society of Equitable Pioneers is credited with setting the foundation for the modern ICA's universal co-operatives principles which are critical for uniform establishment and promotion of co-operatives enterprises the world over.

Formed by depressed textile factory workers mainly weavers and artisans that had been subjected to poverty due to deployment of new machinery on the shop floor as a result of the Industrial Revolution, Fairbairn (1994) says the co-operative set up a store selling basic affordable food stuff. Started by only 28 members it became the basis for the establishment by 1855 of about 1000 co-operatives across Britain. Poverty and the need for social support amongst

members of the society were key factors for the establishment of the co-operatives movement in the United Kingdom and there seems to be a parallel with other societies including South Africa.

In other parts of Europe, Markus Hanisch (2005) says co-operatives became a common phenomenon – extending their services to cover not only the immediate needs of their members, but also the interest of broader communities. For co-operatives to function effectively, he says they established themselves into network structures that related to specific services they offered such as education, marketing, finance and insurance.

Such structures or associations became common in different European countries like Germany, Italy, France, Switzerland, Netherlands, Austria and the Scandinavian nations. For more than 150 years of their existence, these bodies have contributed to the development of many communities, especially in rural areas according to Hanisch (2005).

2.2.3. The South African Experience:

In South Africa co-operatives became synonymous with white farming communities that started organizing themselves into co-operatives as far back as the late 1800s (Department of Trade & Industry, 2009). According to Ortmann and King (2007) the first co-operative in this country was a consumer co-operative established in 1892 and this paved the way for more consumer oriented co-operatives and eventual expansion into worker co-operatives.

However, there are various types of co-operatives that tend to be determined by sectors that members believe would be able to address their immediate socio-economic needs. These types can also illustrate the economic profile of a given society as they are reflected below. In certain countries the focus would be on agricultural co-operatives whereas in others, the service sector would be dominant:

- **Workers' Co-operatives:**

Workers' co-operatives are those co-operatives that enable individual workers particularly in the informal sector to come together and carry out common activities to improve their enterprises for self-improvement and the improvement of all members.

- **Consumer Co-operatives:**

Consumer co-operatives assist members to organize for acquisition and sale of goods and services through centralized places like shops and warehouses.

- **Saving & Credit Co-operative (SACCO):**

These are focussing on the promotion of savings and they lend money collected from members to build mass capital to be accessed by members in the form of loans or dividends – and those borrowing will be paying cheaper interest rates if they are members.

- **Agricultural Marketing Co-operatives:**

These types of co-operatives provide farmers with agricultural inputs and sell their crops and produce to wholesalers; marketing boards and inter-co-operative partnerships.

- **Arts & Craft Co-operatives:**

These co-operatives assist individual crafts-people to access raw materials, control quality of items made and market them to various buyers for the benefit of members.

- **Housing Co-operatives:**

Housing co-operatives to enable members to assist in the construction of houses for each other or save or borrow money to build houses.

- **Fisheries Co-operatives:**

These co-operatives help their members to manage fish farming including acquisition of fishing equipment and accessing the market.

- **Production or Marketing Co-operatives:**

These are mainly concerned with the collection and packaging as well as storage of products that have to be distributed to the market.

But the real commencement of a visible co-operatives movement started in the early 1900s according to the Department of Trade & Industry (2009) which coincided with the passing of the first Co-operatives Act in 1908 that was replaced by the Co-operatives Societies Act of 1922. The establishment of the Land Bank in 1912 and the subsequent passing of this latter legislation heightened interest in this form of economic practice. Government, say Ortmann and King (2007), provided different forms of support to the participants to ensure their effective contribution to the economy and general social development.

Following various interventions by the post-1994 government to bring about tangible socio-economic transformation amongst the historically disenfranchised black communities, co-operatives were then resuscitated as one of the alternative strategies to accelerate economic empowerment and to extricate poor communities from the doldrums of poverty and unemployment. As observed by Satgar (2007), the KwaZulu-Natal Government took a keen interest in this sector of the economy when it started mobilizing communities to consider establishing their own co-operatives enterprises, especially in 2005 after the endorsement of national Co-operatives Act.

The province in its drive to reduce the levels of poverty and unemployment actively introduced the co-operatives programme – and factored various conditions into the process to make the initiative attractive, viable and sustainable. This included the provision of funding and skills training for aspirant

people wishing to enter into co-operative businesses. The government also assured co-operatives of a market for their goods and services that would involve procurement government departments (Mkhize, 2005).

This 'rejuvenated' empowerment focus on co-operatives was akin to the Afrikaner community's economic empowerment campaign in previous years, especially during the 20th century. However, it has not gone without its share of challenges while some positives have also been recorded.

As indicated above there are different factors that set the tone for the establishment of co-operatives and the recent history of South Africa's co-operatives movement, shows that co-operatives emerged or were promoted to deal with socio-economic inequities. This is mainly seen in the manner in which government legislated the framework within which co-operatives would operate which does raise questions as to whether or not all co-operatives were spontaneously and democratically established by members, which is one of the essential features for co-operatives democratic principles.

Satgar and Williams (2008) in their study of the origins and role of co-operative enterprises in Africa doubt if co-operatives have always been a pure creation of members, claiming that various abuses of the co-operatives model came to the fore in these state-led processes. Basic co-operatives autonomy was compromised through their link to state patronage and bureaucratic influence as government wanted to use them to achieve their political objectives camouflaged through proclamation of the need to accelerate development.

The liberalisation of African economies further exacerbated the plight of co-operatives as this led to vice and exposed these organisations to the rigors of fierce global market forces – undermining the essence of co-operatives founded to address the immediate socio-economic needs of members within a free and democratic environment. But the emergence of the Afrikaner political power

replacing the colonial British regime saw a concerted effort to address the Afrikaners' poverty through the promotion of the agricultural sector.

This resulted in the predominance of agricultural co-operatives compared to other sectors – with government playing an active role in empowering *boers* through co-operatives. Other commentators believe that the government had a hidden agenda to use co-operatives as levers to organise cash crop sectors for massive exports to the capitalist West as it was the case with the introduction of co-operatives by colonial powers in the rest of the continent.

The new government targeted co-operatives as additional vehicles to drive the broad-based black economic empowerment agenda as claimed by Satgar (2007) and expressed in the Co-operative Development Policy (2004). Further, apart from the historically marginalised sections of the society being the main beneficiaries, certain social categories were identified and these featured rural communities, women, youth and people living with disabilities. While also covering existing co-operative enterprises, the emphasis would be on new emerging enterprises that required various forms of support to survive in the marketplace and these were encouraged to diversify to other sectors rather than focusing on agriculture which has been the hallmark of the previous government.

Although the most common kinds of co-operatives in the country were consumer-co-operatives and worker-co-operatives the new government acknowledged the breadth of the scope for such enterprises within the country's economy and hence all types of co-operatives would be encouraged. These included, apart from the above two, agriculture, housing, financial services, supply & marketing, transport and purely charitable co-operatives – and these sectors could be in any of the three forms of co-operatives like primary, secondary and tertiary.

It was believed that the new policy and legislation would contribute towards the formalisation of many informal financial establishments that operated mainly in

the black communities – amongst other things in the form of burial societies and stokvels, savings & credit unions – which while not defining themselves as co-operatives, in their scope of operation they reflected basic criteria for co-operatives especially in the manner in which membership is organised as claimed in COSATU submission on the Co-operatives Bank Bill presented in parliament in 2007. However, Philip (2003) argues that the establishment of the Savings & Credit Co-operatives League (SACCOL) in 2003 set the tone for the formalisation of some of the historically informal organisations into co-operatives which would help them access government support to meaningfully participate in the economy while ensuring the interest of their members.

It's therefore clear that while the previous government prioritised agriculturally-based white co-operatives, some black communities organised themselves into parallel groupings that could then be used as the basis to advance a more integrated co-operatives movement in the country.

2.3. KWAZULU-NATAL EMBRACING CO-OPERATIVES – RESPONSE TO NATIONAL CALL.

KwaZulu-Natal is amongst the country's provinces with high levels of poverty which bears testimony to a history of neglect and under-development under the previous apartheid government (Satgar, 2007). Despite its strategic location which features access to the sea and good rail and road network with the country's industrial heartland of Gauteng, this province, which also has the largest population compared to other eight provinces, remained dependant on the jobs created in the mineral- rich provinces of the north to absorb its huge labour force.

However, under the new democratic government KwaZulu-Natal continues to show signs of growth – with strategies being developed and implemented to ensure it gradually realises its economic potential (Department of Trade &

Industry, 2009). The promotion of co-operatives through the development of the new Co-operative Development Policy in 2004 and Co-operative Development Act in 2005 was aggressively implemented in KwaZulu-Natal which has seen the province now having the lion's share of the co-operatives businesses in the country as mentioned earlier on. The policy and legislation has been intertwined with the government's Black Economic Empowerment strategy that is aimed at creating an environment to bring about socio-economic equity in the country (Satgar, 2007).

The National Co-operative Development Act of 2005 was an outcome of an exercise that started in 2000 to review extensively the 1981 Co-operatives Act that favoured white co-operative enterprises mainly in the agricultural sector to help absorb as many historically marginalised communities into the economy as possible. KwaZulu-Natal and Eastern Cape with similar poverty levels have since experienced a higher concentration of co-operatives.

Whether this concerted effort with regard to KwaZulu-Natal has been able to achieve the key objective of bringing about real economic empowerment is still to be discussed in the subsequent chapters. But it is worth stressing that the co-operatives campaign hasn't been without challenges, not only in KwaZulu-Natal, but in the country as a whole (Moodley, 2009) and hence government collectively has been working on intervention measures to prevent this programme from sliding into complete failure – using lessons learned since the implementation of the policy and legislation from 2005.

One of the measures introduced by KwaZulu-Natal government to ensure that co-operatives lived up to the founding objectives of the policy and legislation was to assure prospective co-operative practitioners of a viable market since their goods and services would be procured by government departments (Mkhize, 2005). This was supported with a condition that all participants do undergo a short but rigorous business and technical skills development programme through

designated Further Education Training (FET) Colleges (The Department of Trade & Industry, 2011) before being considered for business loans from *Ithala* Development Finance Corporation – the province's development institution. This was to equip new entrants with necessary means to pursue sustainable enterprises.

The initial R110 million allocated to kick-start the co-operatives 'revolution' in the province wasn't enough considering the desperate unemployment situation on the ground. But this amount has since been increased each year to respond to the demand. For instance by 2007/2008, the province injected around R200 million towards co-operatives funding while R13 million went to skills training.

In the national status report on the promotion of co-operatives in the country that covered financial years from 2005 to 2008, Jeffry Ndumo (2008) revealed that KwaZulu-Natal received almost 94% of all the funding spent on the development and promotion of co-operatives in four provinces. The other three provinces were Gauteng, Western Cape and Limpopo. This demonstrated the province's commitment to use co-operatives as a means to fight poverty which has bedevilled it for many years.

2.3.1. The Co-operatives Programme & Interpretations:

The above brief description of how the government attempted to respond to pressing expectations to bring about real change in the lives of the formerly deprived sections of the society was indicative that organizations had the ability to respond to changing environmental factors. This illustrated that government, like other organizations, could be better understood as a living organism. This is the view put forward by Michael Jackson (2000) when referring to argument advanced by Miller (1978) in his *Living Systems* that organisations are complex structures like amongst other things organisms characterised by sub-systems that carry out specific processes of functions for sustainability.

Government is indeed a multi-faceted system shaped by different factors causing it to adapt to them to maintain relevancy. In *Action Research in Organizations* Jean McNiff and Jack Whitehead (2000) locate the organization within the 'generative transformational theories' that intimately likens organizations to products of the members of such organisations that have the capacity to exhibit behavioural and cultural patterns learned through their experiences. Government as an organization of *the people for the people* is not immune to change and therefore it has to adjust to new situations.

The failure of Growth, Employment and Redistribution (GEAR) to live up to its 'glorious' billing of generating employment for the majority of the population forced government to consider alternative models to bring about socio-economic transformation. Co-operatives seem to be one of the state interventions to address socio-economic inequities – and its strength was perceived to be the widening of access to mainstream of the economy as, unlike in a normal business venture, interested people could only have their applications for funding to start their co-operative businesses considered if they were a group of not less than five people.

McNiff and Whitehead therefore stress that when people gather together for a common purpose this generates collective power for personal-social power, which could be a reason why government felt it necessary to promote co-operatives, having learned that reliance on financial institutions to finance SMMEs was retarding transformation. Co-operatives are therefore loosely defined as 'autonomous associations of people united to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise', according to Kate Philip (2003: 7). McNiff and Whitehead (2000) warn of treating organizations as static and lifeless objects in what they called dominant propositional theories that undermine the fact that organizations are subject to external social and cultural influences and also to internal changes, hence learning and growing from experiences.

While I have given a generic image of government as an organization, the focus of this study was on the KwaZulu-Natal Department of Economic Development & Tourism as the champion of economic growth in the province. Co-operatives as an economic pursuit were closely linked to this Department.

This study was influenced by systems thinking where the organizational profile as part of government system was looked at with an intention to identify its strengths and weaknesses to carry out the government's strategic mandate of growing the economy to absorb more communities into the mainstream of the economy. Systems theory had to be used to define the interconnectivity between government, society, co-operatives and other socio-economic entities that had an influence on the co-operatives programme and the economy in general. This implies that the Department's success in implementing the programme depended on the strength of participatory contributions by other role players in the complex system of government and social networks.

As indicated above, organizations are human creations justifying their complex dispositions that are demonstrated in their unpredictability and dynamism triggered by numerous factors impacting on their complex behavioural patterns. The existence of other role players in the development and execution of the co-operatives programme could further serve as an additional yardstick to weigh the Department's organizational ability to adapt to external influences. It has to demonstrate the strength of its organisational identity despite the existence of other different participating agents forming part of the complex and adaptive system which Robert Maxfield (1996) refers to as an open-ended system laden with different elements.

We are aware of *Ithala's* role in providing technical and business support before allocating funding to co-operatives while the provincial Department of Education served as an agency that provided training to its network of FET Colleges. The

symbiotic relationship between these organisations could be described in terms of social systems that are prone to emergent changes requiring constant reactions.

In this case government as a super system could manifest its dynamic nature through the functions of its various agencies such as departments and state-owned entities which have to respond to constant change through the formulation and implementation of policies, laws and strategies to adapt to new developments.

Ralph D Stacy (2007) points out that organizations could be better served and enhanced through emergent interventions as opposed to long term strategies that could lose sight of constant change taking place as a result of the organization's propensity to learn new things. This is based to theories of complex adaptive systems that define organisations as unpredictable because of the nature of agents that could exhibit different patterns of behaviour what Stacy called nonlinear and chaotic models. But such instability is regarded as a positive trend in an organisation as it could imply new developments and growth for those involved. Co-operatives being the body constituting people with varied thoughts and actions could be described along the same with complex systems.

As claimed above, co-operatives were given priority by government, and it should be worth looking at how this business sector compared to other instruments believed to be potential levers of socio-economic transformation.

2.4. CO-OPERATIVES & SMMES – COMPLIMENTARY OR DUPLICATIONS:

South Africa has often been cited as one of the most unequal societies in the world (Bhorat, Van Der Westhuizen & Jacobs, 2009) due in the main to it's legacy of apartheid that perpetuated unequal access to opportunities amongst the country's racial groups – with blacks having been denied access to better

education to improve their prospect of engaging in any meaningful economic activity. The high levels of poverty and growing army of unemployed people are a testimony to the historical discriminatory policies that denied the majority of the people the opportunities to participate in a sustainable fashion in the economy of their country – which has now become a huge challenge for the new government that has to attempt to reverse this terrible legacy through a combination of interventions.

Although various policy options have been introduced to try to address poverty and general socio-economic inequalities, the scale of the problem appears to be too deep to deal with in a short period of time as this would require amongst other things sustained economic growth that provided sufficient resources to be redistributed for the benefit of the poor whilst ensuring an improved education system that could produce highly skilled people to engage in real economic activity. The latter point has been emphasized in many quarters as the key to reduce people's dependency of state support since skilled people are often industrious enough to take care of their destiny.

The promotion of co-operatives as one of the vehicles to address socio-economic inequalities and to lift many people out of poverty and unemployment has been intertwined with skills training which will be covered in this part of this document. But it's worth mentioning that one of the factors that adversely affects most government interventions is that of an ill-educated population that lacks essential skills – an observation recently stressed by Altbeker, Hay and Bernstein (2010) in the Centre for Development & Enterprise's (CDE) Round Table Executive Report Summary – arguing that this could be addressed through policies that generate job-intensive growth that allows already employed people to acquire more skills delivered through work place environment to ensure that they become more productive.

2.4.1. Instruments For Accelerated Small Scale Enterprise Development:

One of the initial government efforts was to escalate the establishment of new small scale enterprises while strengthening existing ones through a combination of incentives. This saw the establishment of state bodies geared towards the achievement of this objective and these included Khula Enterprise Finance Limited and Intsika Enterprise Promotion Agency.

This effort didn't necessarily achieve the targeted results and hence restructuring of some of the entities designed to promote growth through small scale enterprises was introduced with the latter integrated with amongst other structures, the National Manufacturing Advisory Centre (NAMAC) and Community Public-Private Partnership Programme (CPPP) in 2004 to form Small Enterprise Development Agency (SEDA) This was a period during which focus was on the mobilisation of co-operatives as alternative instruments to address socio-economic challenges.

Since then, SEDA through its network of branches and other local-based business liaisons has taken the promotion of co-operatives as part of its key initiative to broaden the entrepreneurial culture in the country through the provision of various business support services. The persistence of poor conditions experienced by rural and semi-urban communities which featured high levels of unemployment that bred poverty and potential criminal activities required visible state intervention. Co-operatives were then given priority to stimulate economic activity especially in poverty-stricken communities.

The seriousness of elevating co-operatives as one of the prominent tools to accelerate economic growth to combat poverty and joblessness whilst broadening the black economic empowerment initiative emerged when government task of promoting co-operatives was transferred to the Department of Trade & Industry as it was attached to the Department of Agriculture in the past. Richard Knight (2006) attributes to government the desire to expand the co-operatives phenomenon beyond the agricultural sector to cover other kinds of

economic sectors as it was stated in the National Co-operatives Conference held in 2005.

2.4.2. Co-operatives & Challenges:

Like any enterprise the success of co-operatives hinges on the existence of an entrepreneurial culture which is backed by a combination of entrepreneurial skills and capacity to resolve business problems as claimed by Louw van der Walt (2005). He argues that co-operatives are no exceptions from other business operations and hence entrepreneurs should have knowledge of basic business skills and know how to apply it to their co-operative. Knight (2006) also points out that co-operatives have been, in the main, survivalist business operations since they were founded by unemployed people with limited business skills to pursue sustainable ventures.

This assertion reminds us of the manner in which the campaign to promote co-operatives was put into motion. While there was an acknowledgement that co-operative participants had to be exposed to business and technical skills training before being granted financial support, there is an indication that this was done in a hurry to ensure they fully developed requisite means to pursue sustainable enterprises.

There also seems to be a lack of appreciation for the fact that co-operatives are voluntary entities in which members spontaneously engage in this form of business in a democratic fashion with an intention of collectively benefiting from the enterprise's wealth. This implies that while the principle of running a sustainable business requires basic and universal business capabilities, there was an element of confusing co-operatives with small and medium enterprises (SMMEs). The former is based on a kind of a group as opposed to the latter which could be run by an individual.

The confusion according to Satgar and Williams (2008) lies in the government's utilisation of co-operatives as a means to accelerate black economic empowerment as part of the Broad-Based Black Economic Empowerment Act of 2003. They argue that this creates a problem as this undermines some of the fundamental principles of co-operatives which are voluntarism and democracy since the state intervention meant that co-operatives had to bend to the funding rules imposed by government first by ensuring preconditions that co-operatives have to be constituted by a certain number of members and should be in line with the black economic empowerment objectives.

Direct and continuous government influence on how co-operatives should be run is believed to have been one of the contributing factors to the post-endorsement of the co-operatives policy and failure rate of co-operatives. It has also been pointed out, in the last chapter, that the newly established enterprises were at risk as some members formed themselves into co-operatives just to comply with the regulations, but didn't share common objectives as to what they wanted to achieve through their association.

The brief study conducted by McIntosh Xaba & Associates (2009) in KwaZulu-Natal warns that excessive government support to co-operatives could diminish the flame of an entrepreneurial culture and breed the sentiments of entitlement as beneficiaries of government financial and non-financial support were developing an attitude that said, this is government money and we have to be funded even if there was no proof that the co-operatives would be sustainable. Failure to adhere to basic and founding principles of co-operatives could have negative repercussions for this form of enterprises.

In all respects government wanted to widen the economic empowerment through co-operatives as Satgar (2007) acknowledges the adoption of the Co-operative Development Policy coincided with the promulgation of the Broad-Based Black Economic Empowerment Act of 2003 which eventually led to the birth of the Co-

operative Development Act of 2005. The resultant activation of supporting frameworks such as micro-finance, business development and registration programmes like SEDA and CIPRO were typical measures demonstrating government determination to maximize the role of small scale business entities like co-operatives in the socio-economic transformation campaign which cascaded down to provinces and municipalities.

Satgar (2007) observes that in spite of the effort to re-engineer the co-operatives movement from a group of monolithic agricultural-oriented and racially biased co-operative enterprises, as reflected in the Co-operative Development Act of 1981, and with the new approach restoring the basic principles that define the essence of co-operatives, there was, nonetheless, an element of dilution on the part of the state which could blur the proud reputation of co-operatives as autonomous entities hinging on the interest of the founding members.

The ensuing debate whether or not co-operatives should be approached in the same vein as the SMMEs and their entanglement in the black economic empowerment legislation, has created confusion and contradiction regarding the independence and democratic profile of co-operatives. The get rich quick logic of BEE, in general, does not assist with institutionalising co-operatives in a sustainable way. Corruption that flows from this has made it extremely difficult to build trust amongst groups in co-operatives development processes, according to Satgar (2007) who further warns that the BEE ethos, by being based on a racial context negates the co-operative's spirit of solidarity and freedom of association by citizens from all backgrounds and persuasions.

While acknowledging the need to create a complementary environment for both co-operatives and SMMEs to co-exist and contribute to the process of growth and social stability, it's obvious that a distinction should be made in the manner in which co-operatives and SMMEs are conceived by individual or group members

of the society and the kind of support provided by the state and this has to be clearly defined in the policy framework.

The alleged corrupt tendencies associated with accessing financial support for SMMEs appears to be clouding the honest founding principles of co-operatives – probably because unscrupulous individuals find it possible to exploit the co-operatives programme by just grouping themselves into set structures to be able to access funding even though their union is not based on co-operatives principles. In some instances some failing SMMEs found it fashionable to convert into co-operatives for the wrong reasons, which supports Satgar's (2007) observation that there are get-rich-quick motives behind this which he believes have become prevalent under the guise of broad based black economic empowerment.

The Report on Corporate Governance and Co-operatives (2007: 11) compiled after the Peer Review Workshop held in London in 2007 states that: 'the trend over the past 20 years has been to roll back the role of government and remove onerous regulations...but this process of limiting government intervention has not taken place in the co-operative sector, partly because co-operatives have not been regarded as part of the private sector'. This assertion provides some insight into the real independence of co-operatives compared to other forms of enterprise. It suggests that government has shifted from being a commander and controller to become a regulatory entity within which autonomous establishments should conduct their businesses and account for their own actions, and that this should also apply to co-operatives.

However, across the world governments don't want to take their hands off the co-operatives as the workshop observed that they continue to over-regulate, interfere and be major investors in the co-operatives development. It should be further stressed that the historical insulation of co-operatives from competition has generated complacency regarding the need for them to be innovative to

remain sustainable in a competitive market place which has in some part exposed them to exploitation by the state. This diminishes the autonomy of the co-operatives and their ability to define their destiny in terms of deciding on the scope of their business and continuous skills training to sustain themselves in accordance with the accrual of benefits for the members and immediate communities.

2.5. CONCLUSION:

Co-operatives were received with enthusiasm in the Province of KwaZulu-Natal in that they were believed to be critical instruments to quickly address the gap between those operating within the precarious second economy and those enjoying the sustainability of the first economy. Head of Co-operatives in the Department of Economic Development & Tourism, Mrs Simangele Manzi acknowledges the province's commitment to co-operatives when she said: 'My observation is that we undertook a programme at a large scale where very few people in the country had any prior knowledge or experience in'.

She concedes that the belief that the programme would produce instant results wasn't equal to the level of skills and experience the province had in ensuring that the initiative was a success. The challenges co-operatives experienced since the mobilisation of communities to form co-operatives in 2005 were mainly reflective of a lack of capacity to efficiently train aspirant entrepreneurs into becoming sustainable and profitable members of co-operatives that successfully meet the common objectives of members whilst practising all values and principles associated with co-operatives businesses.

This chapter set the tone for an exploration of whether the province's drive to accelerate growth and socio-economic transformation using co-operatives succeeded or not. By briefly reflecting on the history of co-operatives at a global level and then aligning this with the South African and KwaZulu-Natal

experiences, this could help provide the framework to guide the exploratory exercise and conclusive analysis of this research study project. The flaws often found in the formation and operation of co-operative businesses with regard to the adherence to the basic co-operatives principles has been one of the common features in the failure of co-operatives.

It therefore became imperative that before venturing deeper into this study, a succinct reminder of a common list of co-operatives principles as universally prescribed by the International Co-operatives Alliance is provided as there has been a general concern that co-operatives principles were being interfered with, even by governments under the pretext of providing support.

With both national and provincial governments having provided an impetus to the development and promotion of co-operatives, one shouldn't under- estimate the possibility of their involvement having adverse consequences on the development of co-operatives as it's often argued that government's role should be the provision of a suitable environment for co-operatives to flourish in through the development and implementation of business-friendly policies and legislative frameworks.

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CHAPTER THREE:

3. Research Methodology:

3.1. INTRODUCTION:

This study sought to establish if the co-operative programme had made any positive contribution towards the set objective of fighting poverty and joblessness in KwaZulu-Natal since the re-invigoration and mobilisation of the co-operatives programme in 2005. This chapter sets the tone towards conclusive details as it is designed to show basic steps that were pursued in the process of gathering information to enlighten us as to whether the co-operatives campaign had been a success or failure.

It details how this research study project was conducted using different instruments and sources of information to arrive at certain conclusions. Hopefully this will help demonstrate the status of the province's co-operatives sector in relation to the national trend in terms of the benefits, challenges and lessons that could be drawn with a prospect of building up mechanisms to protect co-operatives from potential pit-falls in the future.

In his study of the relationship between co-operatives and the state in Australia and the USA, Brett Fairbairn (2000: 3) observed that while governments do make interventions in the development and promotion of co-operatives, in the two countries, states tend to adopt a hands-off approach to co-operatives as they 'see their role with respect to co-operatives as largely passive and regulatory in nature'. This implies that while there was a need to provide a legislative

framework for co-operatives to develop and grow, these enterprises should be encouraged to operate like other forms of private businesses with reduced state intervention in terms of material support. It would also be interesting to establish if government intervention under the auspices of helping promote the development of co-operates in KwaZulu-Natal wasn't interfering with the basic principles that identify co-operatives as unique social enterprises that should enjoy an autonomous status.

3.2. BALANCING POSITIVE & DETRIMENTAL STATE INTERFERENCE IN CO-OPERATIVES:

Despite the visible government commitment to have co-operatives claiming the centre stage with regard to the acceleration of social change in KwaZulu-Natal there were murmurs that the campaign was riddled with failure. In the face of this, government remained optimistic and bullish about the programme getting a reasonable footprint in the mind of the citizenry as it was and is still believed to be a better option to get millions of poor communities out of the economic quagmire. The pooling of people into groups of five entrepreneurs (precondition to form a primary co-operative) into an entrepreneurial unit where they would be drilled in the basics of running a co-operative enterprise before being offered start-up finance that would ensure that poverty and joblessness became a thing of the past ,was an ambitious move.

Almost five years down the line and notwithstanding some investigations that might have been conducted, there is still the need to confirm reports that the initiative was back-firing, as more and more start-up co-operatives collapsed prematurely creating problems for *Ithala* Development Finance Corporation as beneficiaries of government financial support were unable to pay back the loans. Many causes were blamed for this distressing experience and these will be discussed in the following chapter, which is about the foundation on which the overall research study was built, as it illustrates the manner in which information

that influenced the outcome of the study was accessed and evaluated for use in relation to general debates around the co-operatives business.

3.3. RESEARCH METHODOLOGY:

Having been part of the KwaZulu-Natal Department of Economic Development & Tourism, I initially thought researching on co-operatives would be an easy to handle project since I was aware of the initial stages in which the programme was given provincial government priority.

But the first few months of an effort to get going proved to be a huge challenge. First there was the absence of written academic or specialist literature on co-operatives and secondly the fact that even some key departmental personnel dealing with co-operatives were unwilling to co-operate in terms of providing basic information that would assist in shaping the scope of the research. This eventually determined the methodology to be pursued in the process of conducting the study.

3.3.1. Selection Of Research Method & Potential Respondents:

The complexity associated with co-operatives sector led to a combination of methods being considered to inform the content of this study project as I battled to identify reliable participants to be the source of information required to undertake research. Co-operatives are like living organisms as they constitute human beings whose behaviour is generally unpredictable making them complex as they are predisposed to continuous learning and dynamic change requiring adaptation to new environmental conditions. This made this study inclined towards soft systems and complexity theories and hence its framework hinged on the academic work by various systems commentators who regard organisations as entities that embrace the concept of learning to be able to replicate themselves.

The nature of this research project and the scarcity of previous material forced me to deliberately settle for three groupings that appeared to be more relevant to this study as they were all affected by the subject matter though in different ways. These were co-operatives themselves, government officials dealing with co-operatives within the Department of Economic Development & Tourism and of course experts or economic commentators on co-operatives as illustrated in *Figure 2* below. The rationale was to draw information from and build an insightful picture from the practical experience of co-operatives themselves, the policy and legislative perspective from government officials and an independent view point from experts.

The reference material for this study consisted mainly state documents such as policy, strategy and legislative publications, especially on the co-operatives economy. This was supported by scholarly writings like specialist subject papers, journal articles and both political and civilian speeches and presentations prepared for various audiences on broad economic or specialist co-operatives themes. In terms of selecting potential target respondent candidates, first the co-operatives themselves were the key target research group as they were the real image of what government has prioritised as an economic 'revolution' to get ordinary people out of poverty and unemployment.

With government officials, especially in the Department of Economic Development & Tourism, being at the coal face of implementing the co-operatives programme, became one of the essential participants while specialist commentators on co-operatives economics would provide a rather 'soberly' input which could be trusted as being factually impartial. Perception that both co-operatives entrepreneurs and government officials could be tempted not to provide fully unbiased details about their experiences was based on personal experience relating to pre-research informal engagement with both of these target participants.

There was an element of reluctance to disclose detailed information about the performance of the programme unless the subject of discussion was about the glorification of a few successful co-operative organisations that the officials in particular wanted to be publicised in the media to counter growing public awareness that the programme was hitting serious potholes. Co-operatives on the other hand, were cagey as apparently they felt that discussing the programme was aimed at exposing their own frailties that contributed to the campaign hitting some snags which could have implications regarding existing contractual loan agreements they had with the Department through *Ithala*.

The McIntosh Xaba & Associates (2009) succinctly stated that some officials were not willing to give out critical information fearing that this could have dire consequences since some facts relating to the failure of co-operatives imply direct political interference in the programme that should have been left to the rigours of market economy – with just partial state support. This kind of attitude from proposed government respondents was further noticeable in the manner in which they responded to the study questionnaires that were circulated to seek their participation as this will be discussed in the next chapter. But the final study has been shaped by a combination of primary data collection that included structured and open ended questionnaires to different but complementary target groups as well as reading of documents on broad economic subjects and specialist co-operative business. An attempt was made to locate this exercise within the academic discipline of systems thinking.

This study has incorporated both qualitative and quantitative research methods as it became clear that due to the lack of broader researched material in the co-operatives business and the observation, already noted that even scholarly books on economics now lack suitable coverage of co-operatives as one of the active sectors in the global economy, contributed to the failure to opt here for a clearly defined research approach. The selection of co-operatives respondents in

particular wasn't necessarily based on whether the enterprise was successful or not.

There was no focus on specific sectors as it's assumed that most co-operatives in developing economies tend to concentrate on agriculture and the provision of socially-oriented goods and services. But the interest in having government officials that are directly involved in the implementation of co-operatives within the Department of Economic Development & Tourism – and a handful of academics or experts with special interest in co-operatives was influenced by the fact that these were accessible participants to reach and would be able to provide critical practical and theoretical insight into the concept of co-operatives in general and the state of the co-operatives programme in KwaZulu-Natal.

3.3.2. Questionnaire:

Having acknowledged the limitations posed by the absence of a body of researched reference materials in the co-operatives sector, which confirmed Panu Kalmi's (2006) observation of shrinking inclusion of co-operatives in the economic books, the need still existed to provide a clear guideline on how to select and develop the most appropriate research methodology for this project. A set of structured and open-ended questions were crafted for questionnaires designed for the target research groupings.

However, the co-operative respondents were the only ones with two types of questions – the multiple-choice and open ended type. Both the officials and academics or specialists were restricted to an open-ended format of questionnaire. There was a presumption that each of the respondent groupings could be more comfortable with a specific kind of questioning. On the basis that this form of survey is generally detached from human interaction that provides an avenue for the researcher to converse both verbally and non-verbally with respondents, the questions were structured in such a way that respondents

wouldn't need further clarity on what was expected from them in the form of responses.

Plain English language also took cognisance of the fact that most of the participating respondents had English as their second language. The challenge was with the distribution of the questionnaires especially to the co-operatives as this depended on the support of officials working with co-operatives in all eleven districts of the province. On the basis that they knew co-operatives enterprises that were succeeding and those that were battling, officials were requested to distribute these questionnaires accordingly and to help co-ordinate their return.

The co-operatives programme district co-ordinators were the major partners in the process of facilitating the co-operatives response to questionnaires. However, the co-ordinators had varied levels of enthusiasm towards this project – some actively participated while others were not that keen and didn't even bother expressing what might be the reasons for lukewarm co-ordination of the questionnaires' distribution.

Two hundred and ninety five (295) co-operatives, fourteen (14) government officials and four (4) co-operatives academics or independent experts were targeted for this research exercise and relevant questionnaires were prepared for distribution.

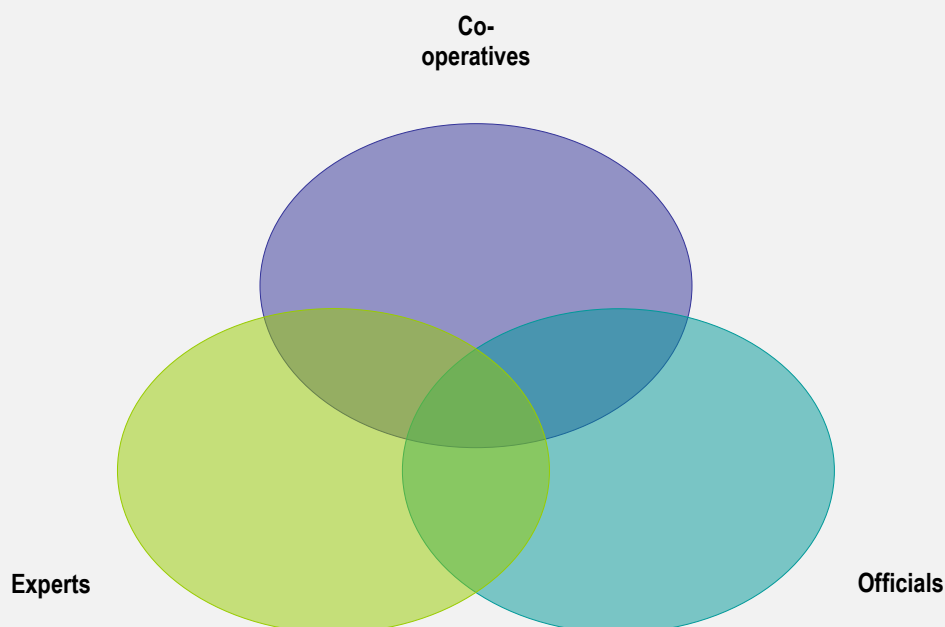


Figure 2: Three categories of target respondents to research questionnaires

In all categories but one, the response was not that impressive – with the co-operatives being reluctant to respond to the questionnaire designed for them which was presumed to be an indication that the programme was not a success as it was expected to be when the campaign to promote it was initiated in 2005.

The poor response was further exacerbated by lack of interest demonstrated by some co-operatives co-ordinators to distribute questionnaires or to help with the co-ordination of the research study in their respective districts. Ninety four (94) out of 295 questionnaires issued for co-operatives were returned as indicated in *Table 2* below – and were used as the primary data for this study. Moreover, 14 government officials, particularly those working in the co-operatives programme were included in the research and only 8 filled in and returned the questionnaires

(See *Table 4*) while only 2 of the 4 targeted co-operatives experts or specialists participated in the study.

3.4. COMBINING LITERATURE REFERENCE & COLLECTED DATA:

Reading from various written materials, featuring government policy, legislation, strategic plans, annual reports and policy speeches and as well as academic, scholarly researched and general journals or papers, formed a major part of this study. The content of these documents varied extensively as in some instances, the authors focused on the legislative or policy framework within which a co-operatives project should be developed and promoted. This was more pronounced in the government documents while the academic work seemed to be more interested in reviewing the role of co-operatives in the global or local economies. It raised diverse issues that amongst others included whether or not the universally adopted co-operatives principles and values were being applied consistently to achieve the common objectives that dictate the founding and management of co-operatives in general.

This reading was also complemented by contextualisation of the content of these varied textual materials within the discipline of the complex systems theory and general economics. For the most part these reference materials were harvested from the internet especially the journals and academic papers on co-operatives – with the Co-operatives and Policy Alternative Centre (COPAC) providing more research literature referencing on the development and promotion of the South African co-operatives sector.

The literature review was in the main a desktop survey which was about gleaning information on topics relating to co-operatives, particular targeting information that could contribute positively in building an argument within the subject matter of this research project. This helped provide the basis for establishing the historical context material of co-operatives at both local and global levels in terms

of the glorious and depressing experiences that might illustrate the role of various factors that contribute to either the positive or negative impact of co-operatives on the socio-economic performances in different countries.

Comparing the South African attitude towards the co-operatives sector to the international view point, there was a general consensus that co-operatives should be left to determine the nature of their members as one of the basic tenants of the International Co-operatives Alliance that acknowledges the trans-nationality of the co-operatives movement. This implies that while each country has priorities in terms of its socio-economic plans, policy and legislative issues, institutional frameworks and support mechanisms shouldn't interfere materially with the criteria guiding the life and functionality of co-operatives as this could compromise their independence and the spirit of voluntarism that should reign within these organisations.

These observations were used to establish if some of the challenges experienced by co-operatives, especially those that emerged after the promulgation of the Co-operative Development Act of 2005 related to the perceived state 'interference' in the work of co-operatives. This will be weighed against the comments by international writers and their local counterparts as there seems to be a collective view that co-operatives require minimal state involvement to avoid diluting their basic founding objectives and principles.

It is acknowledged that if time and resources allowed, the literature could have been supported with the use of case studies in countries that have successfully introduced co-operatives to inform future development of a sustainable co-operatives movement in this country. The 2009 Baseline Study commissioned by the Department of Trade & Industry to assess the impact of co-operatives in the country's economy and social change should be hailed for astutely selecting and studying nations that have different levels of development and comparing them

with the South African situation, which could go a long way in creating a serious reference for the best practices to be emulated.

While the baseline study could be used as an authoritative reference for one to understand the actual location of the co-operatives in the country's economy and possible globally recommended models to be applied to ensure that this sector becomes effective in addressing both economic and social challenges, it wasn't able to indicate any single empirical method that could be used to undertake effective research initiatives in the co-operative sector.

Various approaches were used which didn't necessarily stress any strong alignment with any specific methodology – obviously because the purpose of the baseline study was not influenced by an academic objective, but by the need to provide information to government policy makers to be able to decide on appropriate interventions to make co-operates work. For the purpose of this dissertation, as an investigative research initiative, the major reliance has been on the reading and assessment of government policy and legislatives documents as well as on public statements together with some online materials produced by various research or academic institutions from all parts of the world,

Initially the intention was to concentrate on questionnaires and interviews – targeting three kinds of participants – the co-operatives that had benefited from the state support, government officials involved in the promotion of the co-operatives programme and academics or specialists in the co-operatives sector. But the nature of the study which was influenced by different circumstances including the absence of credible reference works on co-operatives, limited the study to questionnaires in addition to reading literature. Interviews were not conducted. The recommendations and conclusions made in the final chapter are based on the above-mentioned literature materials and questionnaires distributed among the three types of research respondents within the scope of a combination of qualitative and quantitative approaches.

3.5. CONCLUSION:

While there is a wealth of researched literature and advanced empirical analyses of other aspects of the economy, quantitative and qualitative focus on co-operatives as one of the growing economic drivers in some developed and developing economies is still very scarce. The increasing public interest in the field of co-operatives has not been reciprocated with academic attraction to the undertaking of empirical studies on the impact of co-operatives on the socio-economic milieu which could positively help influence the policy formulation by both government and other interested parties to ensure that co-operates are not treated as inferior economic activities.

The research project is just one of the sparsely occurring investigative projects that seek to investigate the role of co-operatives in the promotion and sustenance of quality of life in society with special focus on KwaZulu-Natal which developed great interest in co-operatives after the endorsement of the Co-operatives Policy and Act in 2005. The limited written material in archives on co-operatives has had a bearing on the research approach pursued to complete this study undertaking as it hugely relied on a combination of various non-text book journals produced by government and interested academics or co-operatives experts.

Notwithstanding its weak points influenced by the hybridisation of the methods used to gather information, however, the study could be used as a basis to design the most appropriate approaches to investigate the effectiveness or ineffectiveness of co-operatives in addressing the socio-economic needs of the poor communities that have since embraced the government-sponsored co-operatives programme in the province and the country as a whole. The restrictive use of questionnaires that lack personal interaction with subject respondents was destined to be received with lack of passion by both people expected to help

facilitate the participation of designated audiences and the respondents themselves as there was no incentive attached to those willing to participate and there was no opportunity for respondent to seek clarity from those familiar with the context of the questions they had to respond to.

The process could have been improved if direct interviews with all or a sample of respondents in all three categories had been conducted, but time constraints deprived the study of the opportunity to enhance the quantity of respondents and quality of their input – hence further studies should broaden the scope and methodology to undertake empirical research on co-operatives in this country and the world over.

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CHAPTER FOUR:

4. Analysis & Results:

4.1. INTRODUCTION:

The promotion of co-operatives programme in KwaZulu-Natal has been characterised by a mixed bag of fortunes – with most operations failing to survive in a highly competitive business environment. Like in the rest of the country the majority of newly established co-operatives that emerged mainly after the passing of the Co-operative Development Act of 2005 were exposed to all sorts of difficulties. But this appears to have been more pronounced in KwaZulu-Natal simply because the province compared to other parts of the country took a more aggressive stance in promoting co-operatives development (National Status Report on the Promotion of Co-operatives, 2008).

This is further confirmed in the outcome of this study project in which most government and private documents and as well as most of the respondents, especially government officials conceded that the co-operatives programme has been dogged by difficulties. In spite of the fact that co-operatives have been a known business phenomenon in South Africa and have been pursued by various communities, especially in the agricultural sector, this hasn't served as a basis for the establishment of a strong foundation upon which new entrepreneurs could build.

Being more inclined towards community developmental goals, co-operatives are often expected to remain entrenched in the founding principles of contributing to the well-being of their members and to the community at large. As their primary objective, co-operatives have to contend with the need to make a profit to be able to sustain themselves as associations of people united in a democratic fashion to

render services and goods to enhance the quality of life amongst themselves and the communities they live in.

4.2. DUALITY OF CO-OPERATIVES:

The fact that the existence of co-operatives is intertwined with enterprising values to be able to sustain themselves opens them to the crude realities of a competitive market place that requires profit maximisation instead of charitable and poverty alleviating pursuits. Members, like all participants in a market economy, have first and foremost to learn the intricacies of running a sustainable business.

In this study a number of factors which were in the main a confirmation of findings by other preliminary research projects in the co-operatives sector emerged as prime causes for co-operatives not surviving to address the founding expectations of the owner members. While there are some co-operatives that demonstrated spectacular successes that could be used as examples to inspire others, the KwaZulu-Natal experience has been littered with depressing failures despite the huge fanfare that has gripped the province since 2005 when the campaign to promote the co-operatives programme to address the province's socio-economic challenges was initiated.

This study records a critical account of the co-operatives programme while acknowledging that this could still be seized upon as an opportunity to address the gaps that might have contributed to the considerably high failure rate amongst co-operatives in the province. Although the provincial Department of Economic Development and Tourism as a custodian of the provincial administration's initiative to accelerate job creation to reduce the levels of poverty had put in place reasonable measures to ensure co-operatives' sustainable development through the combination of skills development and financial support, there seems to be other worrying impediments that should have been

addressed to reduce the failure rate amongst these social enterprises. Some relate to the manner in which the programme was introduced while others refer to possible diverse individual expectations of the benefits to be accrued and dispensed for participating in the co-operatives business operations. Some of the causes of failure appear to be universal as they have been identified in other countries as the key weaknesses in the life of the co-operatives sector the world over.

Against the backdrop of the lack of relevant economic text books focusing on co-operatives, this study was mainly informed by a combination of published and unpublished research papers, government policy and legislative documents and specialist articles extracted from various journals. However, the most influential material that has been produced on co-operatives that was used in this study came from respondents from the Co-operatives and Policy Alternative Centre (COPAC) and mainly written by its Executive Director, Vishwas Satgar and many documents by the Department of Trade & Industry, including its report relating to Baseline Study of Co-operatives in South Africa published in 2009. Again in 2009 the Department of Economic Development & Tourism also published a report that generally looked at its SMME and the Co-operatives programme which was conducted by McIntosh Xaba & Associates.

There are indeed similarities in the findings of these research projects and some of this chapter will carry some excerpts from these documents which reflect the common trends affecting co-operatives in this country generally and in KwaZulu-Natal in particular. While questions posed to co-operatives might have been different in terms of their textual frames, it looks as if they produced similar responses from these target audiences.

It was also the intention of this study to establish if the co-operatives programme that was actively promoted soon after the passing of the national Co-operative Development Act in 2005 had made an impact in terms of addressing poverty

and unemployment in the province and what might have been the key challenges and possible mitigating factors that could be considered in moving forward.

Certainly all studies come to the conclusion that the majority of co-operatives, especially the newly established enterprises, have not been successful due to numerous factors, though there are slight contradictions in the findings presented by the McIntosh Xaba & Associates Report and the response from the Head of the Co-operatives Unit in the Department, Mrs Simangele Manzi.

The former reported that the failure rate amongst provincial government-funded co-operatives was around 97% while the latter, basing her position on the *Ithala* Development Finance Corporation's loan book, claims that out of 1177 co-operatives funded by the KwaZulu-Natal Department of Economic Development & Tourism since 2005, only 13% were fully functional. In other words a 87% failure rate. Both figures are unacceptably high.

Ithala has been acting as a holding entity for the provincial government's funding of the co-operatives programme. Unfortunately these differing positions weren't queried further to establish the actual performance of co-operatives although there is a consensus that the co-operatives project has been a disappointment. It's acknowledged that co-operative enterprises that were able to access government contracts such as the provision of supplies to government departments were successful.

According to the McIntosh Xaba & Associates' (2009) report this was evident in those involved in the school feeding scheme – a government sponsored programme where scholars, especially from poverty stricken communities are provided with nutritious meals. As indicated above several factors were raised as being behind this astronomical failure rate. These amongst others, were lack of technical and management skills and lack of market for co-operatives and will be discussed in the subsequent parts of this chapter.

4.3. CATEGORIES OF RESEARCHED RESPONDENTS:

The main purpose of this part of this study project was to collect information on co-operatives in general to be able to locate the position of co-operatives in the economy before assessing if these social enterprises were contributing towards socio-economic advancement in the province of KwaZulu-Natal in particular. The study has therefore attempted to establish if the claim that co-operatives were collapsing was real and what might be the ingredients for such failure – and moreover what could be the possible lessons that could be drawn from such experience in attempting to move forward.

Using a combination of literature references and research outcome that focused on three respondent groups reflected below, the study has found a number of flaws that have adversely affected the government's effort to use co-operatives as vehicles to lift poor communities out of poverty while encouraging them actively to participate in the economy as part of the Broad-Based Black Economic Empowerment initiative.

4.3.1. Co-operatives:

The co-operatives that responded to a combination of structured and open-ended questions as presented in the questionnaires were the beneficiaries of the Department's support either in the form of skills training or financial support or both. Ninety four (94) co-operatives returned the questionnaires against the 295 total that was targeted for this study project as shown in *Table 2* below.

Since this programme was promoted across the province, it felt appropriate to include each of the ten districts and eThekweni Metro in the study. However, the allocation of targeted respondents yielded no positive results as the Departmental district co-ordinators of co-operatives were not themselves co-operative in terms of helping with the distribution and recovery of fielded forms.

The lack-lustre co-operation by co-ordinators was believed to be based on their awareness that most of the funded co-operatives in their respective districts had collapsed and yet were not willing to tell the researcher the reality of the state of co-operatives in the areas of their responsibility.

Some districts did not render any returns and same attitude was also reported in the McIntosh Xaba & Associates' study (2009).

Distributed & returned questionnaire reports per district:

DISTRICT	TARGET RESPONDENSES	RESPONSES
EThekwini	35	23
UMgungundlovu	30	12
UThungulu	30	14
UMkhanyakude	25	0
UThukela	25	13
Ugu	25	6
UMzinyathi	25	7
Amajuba	25	11
Zululand	25	8
Sisonke	25	0
Ilembe	25	0
TOTALS	295	94

Table 2: Number of co-operatives that participated in the study per district

Despite a small number of co-operatives responding to the study (32%), it is my view that those that participated represented a cross-section of the co-operatives business in the province. Their inputs could therefore be considered as tentatively reflective of the status of the government funded co-operatives since 2005.

As stated in Chapter Two there are various types or forms of co-operatives in the world and South Africa (Philip, 2003) also boast a wide range of co-operatives that include consumer co-operatives, worker co-operatives and user-co-operatives which could illustrate the social history of the country. But this study

didn't dwell on finding out what could be the real reasons that people opt for a specific kind of co-operatives except that the survey tried to establish amongst other things the identity of co-operatives in terms of their rural-urban status, sectors, monetary size, age, staff or member profile, gender composition, key customers, business infrastructure ownership and many more other critical characteristics as shown in summarised analysis in *Table 3* below. The responses were sought from a single representative of each participating organisation.

The operational level of enterprises whether at primary, secondary or tertiary levels wasn't considered in this research project, as the basic priority was to gauge the current sentiments held by co-operatives with regard to their role and performance within the KwaZulu-Natal economy and weigh them against reports both locally and internationally. Besides this, the study was not restricted to successful enterprises only.

Co-operatives acknowledged that the government-driven programme was experiencing difficulties and they believed that skills development was amongst the leading frailties that required to be addressed if the co-operatives programme was to be sustainable and live up to its founding objectives. Fifty eight percent (58%) admitted that they received training though they felt the nature and period of the training programme at FET colleges couldn't sufficiently prepare them to run sustainable businesses in a highly competitive environment.

Only 23% rated skills training at FET colleges as being very good or generally good and 42% recommended improved and long term technical and management skills training to ensure co-operatives' meaningful impact on the province's economy. This was emphasized in both structured and open-ended questions and some of the four open-ended questions were deliberately designed to establish the strength of the respondents' conviction to answers relating to structured questions.

The responses illustrate that while there was a general appreciation that government support was linked to the provision of basic skills, this was felt to be not enough. Further, it would have been unrealistic to anticipate trainers at FET colleges to master the complex field of co-operatives which is hampered by limited research and lack of text books serving the needs of a relevant curriculum for those wishing to pursue business careers through co-operatives. However, the future of co-operatives becoming one of the key economic sectors in the province hinges on their promotion amongst young people that would still have the will to be subjected to formal training.

This study also found that co-operatives were more appealing to older people than youth as the majority of co-operative members were older than 45 years of age – a 58% of all respondents. Only 23% were youth and this is disappointing considering that 70% of the country's 25% unemployed people are classified as youth as shown in the National Youth Development Agency's Integrated Youth Development Strategy of South Africa (2011). The agency states that there is poor entrepreneurial capacity amongst the country's young population.

Brett Fairbairn (2000: 4) argues that, 'Co-operative development is open-ended and involves education of members, officials, managers, and staff to fulfil their respective roles. Such development and education builds social capital and cohesion within communities'. It is important to note that defined training programmes specifically for co-operatives are needed as opposed to the general business curriculum since co-operatives have a special profile. Mobilisation amongst the youth would have to be initiated to ensure that co-operatives become attractive business options for the country's future citizens.

As social enterprises, co-operatives are a hybrid of profit making business ventures and socially inclined entities concerned with the welfare of their members and society in general. Even in this country, there is a growing feeling,

especially amongst government officials and experts that until specialist co-operatives colleges, as they exist in some African countries such as Kenya, are established, there is no way that the mediocre training at FET colleges will help to produce sustainable enterprises.

Further more the study established that women were more likely than their male counterparts to engage in co-operatives business. Budlander (2002) argues that there were more unemployed women than men in this country and hence co-operatives could be regarded as an alternative economic activity for unemployed female citizens and this study shows that 63% of respondents were women compared to men at 37%. Certainly, for meaningful and sustainable growth in this field of the economy, there should be equitable gender and age distribution.

QUESTIONNAIRE DETAILS	RESPONSES %	COMMENTS
1. PROFILE OF THE CO-OPERATIVE BUSINESS		
i. Age of your co-operative business. <i>How old is the business?</i>		
• 1 – 3	42%	This confirms that most co-operatives are young
• 4 – 10	35%	
• Other	12%	
ii. Business (products & services). <i>Indicate the type of business pursued.</i>		
• Services	19%	
• Catering	19%	
• Manufacturing	4%	
• Craft & arts	0%	
• Other	54%	Mainly agribusiness, catering & cleaning.
iii. Size of business. <i>What is the monetary value of your business?</i>		
• R150 000 – R500 000	38%	These were apparently co-operatives that benefited from government support
• R500 000 – R1 million	15%	Mixture of government & self or privately funded co-operatives
• R1 million – R5 million	4%	
• Other	15%	
iv. Business facilities. <i>Indicate the status of the business outfit.</i>		
• Own premises	31%	Own premises could be a combination of home-based industries & a small-scale factory type setting
• Rent premises	35%	Rental costs could be contributing to co-operatives' profitability
• Other	27%	Majority of these used schools & were in school nutrition programmes
v. Number of staff. <i>How many staff members including management?</i>		
• 1 – 5	15%	
• 6 – 10	35%	

• 10 – 20	35%	
• Other	4%	
vi. Gender composition. <i>How many females & males?</i>		
• Females	63%	Females dominated most of the respondent co-operatives as this is reflective of females participants
• Males	37%	With men being more likely to get formal employment, that could be the reason why there are relatively few men in co-operatives
vii. Age group. <i>Average age if members.</i>		
• 16 – 25	4%	
• 26 – 35	23%	
• 36 – 45	8%	
• Other	58%	Predominantly co-operatives members are older than 45 years of age
viii. Skills training. <i>Did members get skills training provided by government?</i>		
• Yes	58%	
• No	23%	
• Other	12%	
ix. Source of funding. <i>Did you receive funding from government?</i>		
• Yes	42%	
• No	31%	
• Other	12%	
x. Geographical location of the enterprise. <i>Where does the enterprise based?</i>		
• Urban area	15%	
• Rural area	73%	Like in most countries, co-operatives tend to reflect rural communities & are biased towards agriculture
• Other	4%	
2. CUSTOMERS OF THE BUSINESS. <i>Indicate your main customers (Consumers of your services/products).</i>		
• Government departments	54%	Dependency on government as a key customer could have adverse implications
• Private sector organisations	12%	

• Other	46%	Some co-operatives claimed both government & private businesses as customers
3.RATING OF SUPPORT FROM GOVERNMENT.		
i. Skills training provided at FET Colleges. <i>Select one answer from each of the categories and explain if necessary.</i>		
• Excellent	15%	
• Very good	23%	In spite concerns on duration of skills training, but co-operatives seem to have some confidence in the training quality
• Good	23%	
• Poor	15%	
• Very poor	8%	
• Other	4%	
ii. Financial support from government. <i>Select one answer from each of the categories and explain if necessary.</i>		
• Excellent	4%	
• Very good	4%	
• Good	19%	
• Poor	23%	
• Very poor	8%	
• Other	27%	While acknowledging government funding, delays had been blamed for co-operatives' collapse.
4. WHAT ARE YOUR THOUGHTS ABOUT THE PERFORMANCE OF CO-OPERATIVES IN THE PROVINCE?		
<i>Select one answer from each of the categories and explain if necessary.</i>		
• Good	38%	The positive response contradicts the officials' and experts' view on co-operatives' sustainability
• Satisfactory	15%	
• Unsatisfactory	31%	This percentage suggests differing opinions amongst co-operatives regarding their performance
• Other	4%	
5. WHAT COULD BE DONE TO INCREASE THE ROLE OF CO-OPERATIVES IN THE ECONOMY OF THE PROVINCE?		
<i>Select one answer from each of the categories and explain if necessary.</i>		
• Provision of more technical & business training	42%	Skills training programmes @ FETs is believed to be too short to ensure sustainable business

• Broadening market for co-operatives	8%	
• Creation of partnerships between co-operatives & big industry	27%	Partnership with established business could offer market access & skills transfer
• Provision of business information	8%	
• More funding	12%	
• Direct monitoring & coaching of new co-operatives	0%	
• Other	35%	Some respondents felt that some or all six activities applied
6. WHICH SECTORS COULD BE MORE SUSTAINABLE FOR CO-OPERATIVE BUSINESS?		
<i>Select one answer from each of the categories and explain if necessary.</i>		
• Services	12%	
• Manufacturing	8%	
• Craft & Arts	8%	
• Catering & Hospitality	27%	The catering service could confirm the strength of co-operatives in the schools nutrition scheme
• Information Technology	0%	
• Transport & Logistics	4%	
• Clothing & textiles	8%	
• Other	35%	Some co-operatives believe that all the above sectors have potential
7. DO YOU THINK THE CO-OPERATIVES COULD BE USED AS INSTRUMENTS TO PROMOTE ECONOMIC TRANSFORMATION?		
<i>Select one answer from each of the categories and explain if necessary.</i>		
• Yes	100%	Notwithstanding challenges experienced by most co-operatives, respondents still believe these are vehicles for empowerment
• No	0%	
• Other	0%	
8. WOULD YOU AGREE THAT CO-OPERATIVES HAVE HAD A HIGH FAILURE RATE IN THIS PROVINCE COMPARED TO SMMEs?		
<i>Select one answer from each of the categories and explain if necessary.</i>		
• Agree	31%	
• Strongly agree	0%	
• Disagree	31%	The relative optimism about co-operatives performance could be influenced by the fact that some respondents were successful
• Strongly disagree	19%	
• Don't know	15%	
• Other	4%	
9. WHAT DO YOU THINK COULD BE THE MAIN CAUSE OF CO-OPERATIVES STRUGGLING TO SURVIVE?		
<i>Select one answer from each of the categories and explain if necessary.</i>		

• Lack of technical & business skills	23%	Requisite skills were also stressed in open-ended answers to questionnaire
• Poor training offered by government	4%	
• Lack of market	12%	
• Internal squabbles amongst members	4%	
• Lack of raw materials and expensive production costs	0%	
• Irresponsible use of profit by co-operative businesses	12%	
• Other	31%	Some co-operatives think most of the above factors were sources of business challenges
10. WHAT COULD YOU ATTRIBUTE AS KEY REASON(S) FOR SUCCESS IN THE CO-OPERATIVES BUSINESS?		
<i>Select one answer from each of the categories and explain if necessary.</i>		
• Skills profile of co-operatives members	19%	While other support mechanisms were essential, skills training remains the major element in co-operatives' sustainability
• Sufficient financial support	15%	
• Good business management	15%	
• Access to market	12%	
• Appropriate sector	0%	
• Physical location of business	0%	
• Other	27%	Most co-operatives feel the other points were equally important
11. WHAT DO YOU THINK IS THE MOST IMPORTANT INITIATIVE TO BE CONSIDERED TO ENHANCE THE CONTRIBUTION OF CO-OPERATIVES TO THE ECONOMY?		
<i>Select one answer from each of the categories and explain if necessary.</i>		
• Establishment of skills based co-operatives colleges	19%	
• Creation of co-operatives bank	12%	
• More government financial support for co-operatives	12%	
• Expansion of market for co-operatives products and services	27%	Like skills training, access to market is critical for survival of co-operatives
• Diversification of products & services offered by co-operatives	12%	
• Other	23%	Mainly believing in all or some of the five points

Table 3: Brief summary of co-operatives respondents to structured questions of the questionnaire

The co-operative respondents acknowledged that the programme was experiencing difficulties, but were still optimistic about its future – contradicting the officials and experts that had painted a gloomy picture about the performance of the initiative. Thirty eight percent (38%) of co-operative respondents were content with the co-operatives future in the province compared to 31% that agreed that there was a high failure rate amongst co-operatives in comparison to the SMMEs. Certainly, the optimism displayed by co-operatives could be the reason why there was no call for the programme to be abandoned as this was also reflected in the findings and observations by other independent studies, including those commissioned by the Department of Trade & Industry.

While most appreciated government support and commitment through the provision of financial support, access to markets was mentioned as another challenge and they believed there should be more attention to this area to ensure sustainable growth in the co-operatives sector. As stated in the initial parts of this study, when the initiative was first mobilised in 2005 there was a promise that government departments would be the leading consumers of goods and services supplied by co-operatives.

What was interesting though was the admission by almost all co-operatives that they knew at least one co-operative organisation that was performing well and some indicated that this could be due to the successful enterprises having embraced all or most of the co-operatives business principles or were able to access skills development and market access.

As reflected in the DTI Baseline Study (2009) as well, a large number of co-operatives that responded to this research also claimed they were very young which implied that they were the product of the post 2005 mobilisation campaign directed at encouraging communities to form co-operatives. Forty two percent (42%) were 1 to 3 years old and very few were older than 10 years of age. The baseline study postulates that in their own survey less than 10% of co-operatives

were more than five years old and their ability to survive beyond this age could illustrate their positive response to government support which could include financial and non-financial incentives.

Although the issue of poor governance in the co-operatives was often mentioned by official respondents and highlighted in some studies, the majority of co-operatives respondents still believe that the 'prescriptive' criteria for the formation of a co-operative enterprise which has to have at least five people or more was acceptable. In their open-ended responses they described this as essential for more members to bring various skills, experiences, expertise and competencies to enhance the organisations' prospect of sustainability.

There was little mention of the membership at some stage being marred by internal squabbles because of internal differences as highlighted in Satgar (2007) and McIntosh Xaba and Associates (2009). Certain officials noted that some co-operatives weren't founded on the basic principle of mutual interest amongst members. They were established through opportunistic desires to access funding for personal enrichment and hence there were personal conflicts since members that lack a common vision conveniently formed the enterprise to meet the five members threshold as prescribed by government.

This had bred internal strife and hampered performance in many instances though only 4% of co-operatives agreed that internal conflicts were amongst key causes of problems in the sector. Head of Department, Ms. Carol Coetzee believes that to avoid conflicts amongst co-operatives' members there was a need for, clearly defining what co-operatives are and detailed orientation on co-operatives governance issues for people considering starting co-operatives.

According to Bill Turner (2006), tensions are caused by various factors that tend to have more to do with leadership than anything else, as it was possible to have certain people becoming more pro-active in the co-operative and eventually

taking charge of leadership positions even though lacking in true leadership qualities. These people, he says may cling to these positions for too long ending up preventing the generation of new ideas while conversely, '...the second situation arises when no one person or group can undertake a leadership position for any length of time', leading to a constant turnover in the leadership and lack of continuity.

In the KwaZulu-Natal situation, problems were identified and these included members abusing co-operatives' resources for personal benefits. This is also highlighted in Turner's study of corporate governance in the co-operatives as he observes that this becomes serious when the enterprise becomes bigger and more complex.

While co-operatives were critical of government support, many didn't take a furious swipe at government except in expressing their feeling that there could still be more done to improve the performance of co-operatives in the province. This kind of 'friendly' response by co-operatives in the face of some scathing attacks from some independent commentators, including some official respondents, could be an indication that co-operatives might have feared that a negative stance could compromise the prospect of getting additional support, including contracts from government. Alternatively this could be interpreted as a confirmation that the majority of those that participated in this study were those with good track records of success.

Generally, the larger number of co-operatives as demonstrated in *Table 3* above sees skills development as a critical element in the survival of co-operatives. This is encouraging since it suggests that co-operatives don't want to have a perennial dependency on government support and provision of business contracts, but would prefer to develop capacity to become competitive in the open market. Skills development therefore is rated as a very essential acquisition to be sustainable. Also noted was that co-operatives believe that all economic

sectors could be viable options provided necessary support such as skills training and market were in place hence 35% respondents believed all types of businesses could contribute positively to the economy. Fifty four percent (54%) were already involved in diverse business sectors that included cleaning and agribusiness while only 4% were in manufacturing.

4.3.2. Government Officials:

Though several officials involved in the co-operatives programme in the Department were reluctant to participate without vocalising it, those that responded were in unison in acknowledging that the initiative hasn't produced expected results. Eight (8) of the targeted fourteen (14) officials responded to the request to participate in this study. Like co-operatives themselves and independent co-operatives experts, officials pointed out several impediments that chiefly include lack of requisite technical and management skills to run successful co-operative businesses as shown in *Figure 3* below.

Natal province was the first to make a concerted effort to mobilise co-operatives projects on such a huge scale but without a comprehensive co-operatives development and promotion strategy to provide a systematic implementation model, the outcome was inevitable. When responding to this study one of the Co-operatives District Co-ordinators, Mr Robert Dlamini said: '...finalise the KwaZulu-Natal Provincial Co-operatives Development Strategy and implement the plan'. He proposed this as one of the possible redemptive actions needed to rescue the ailing co-operatives programme.

The strategy, Ms. Coetzee says would serve as a framework to monitor and evaluate the performance of co-operatives in order to make appropriate interventions to ensure value for money in terms of investment injected into co-operatives development in the form of financial support. The strategy, she states, would be critical in setting up detailed specific training for individual sectors to help position co-operatives within the scope of their respective

economic spheres. The current training programmes at FET colleges are very generic. The establishment of modules and training programmes will enhance the knowledge base of co-operatives in the province at theoretical levels, practical technical skills and business skills linking to the requirements of the regulatory framework and so said Coetzee.

Some officials also noted that lack of central co-ordination of all government efforts directed at developing and promoting co-operatives in the province would need to be addressed. This was based on the view that government departments were operating in silos when providing support to co-operatives – leading to amongst other things, double funding or poor assessment of the performance of the co-operatives programme in the province.

Mrs Manzi felt that: ‘...there must be a common approach in terms of the information disseminated in terms of the roles of the various departments to avoid duplication or creating confusion on the ground’. This sentiment was further expressed by District Co-ordinator for Co-operatives Development in the uMgungundlovu District, Ms Nombuso Ndlovu, who said it was critical that departments ceased operating in silos since could assist: ‘To eliminate unnecessary competition among government spheres as this hinders progress’.

As a custodian of the province’s economy and the lead portfolio in the province’s Cluster for Economic Development & Infrastructure, the Department of Economic Development & Tourism should be central in facilitating synergies amongst all government departments that provide various support services to co-operatives. Ms Coetzee again, warns that the current situation was providing a space for duplication and confusion in the process of promoting economic growth through co-operatives. She added that it is important that co-operatives do not access funding from various departments without each department being made aware of the other applications.

Distribution of questionnaires amongst managers

OFFICIAL	TARGET RESPONSES	RESPONSES
Head of Department	1	1
General Manager: Enterprise Development	1	0
Senior Manager Co-operatives	1	1
District co-ordinator – eThekwini	1	0
District co-ordinator – uMgungundlovu	1	1
District co-ordinator – uThungulu	1	0
District co-ordinator – uMkhanyakude	1	0
District co-ordinator – Ilembe	1	0
District co-ordinator – Ugu	1	0
District co-ordinator – uThukela	1	1
District co-ordinator – Amajuba	1	1
District co-ordinator – uMzinyathi	1	1
District co-ordinator – Sisonke	1	1
District co-ordinator – Zululand	1	1
TOTALS	14	8

Table 4: Officials that participated in the co-operatives study

Interdepartmental co-operation was also raised as an issue. District Co-ordinator for uThukela District, Ms Thizane Dlungwane says that this should be enforced across all spheres of government. For instance the Department of Trade & Industry and DEDT should have clearly defined roles to ensure complementary rather than confusing action in their endeavours to broaden the role of co-operatives in the process of economic empowerment. Unlike most of her colleagues, Dlungwane acknowledged that the co-operatives programme has had problems but she doesn't accept that it has been a failure.

She indicated that the province had pioneered a massive programme in scale that has never been recorded in this country before and challenges are normal in such situations. Her uMzinyathi counterpart, Mrs Futhi Ndlovu also believes that now that the causes of problems are known, strategies to overcome them should quickly be devised to ensure co-operatives become competitive as they are in other countries. Ndlovu noted that countries like Canada, India and Kenya didn't witness instant success in their co-operative programmes and through patience

and learning from other nations, now they have an impressive co-operatives economy. She said: 'This could happen in South Africa if the government changes the way that co-operatives are trained, supported and actually started. Kenya follows the co-operatives principles in the promotion of co-operatives'. Officials were open about the mistakes committed in the process of implementing the co-operatives programme.

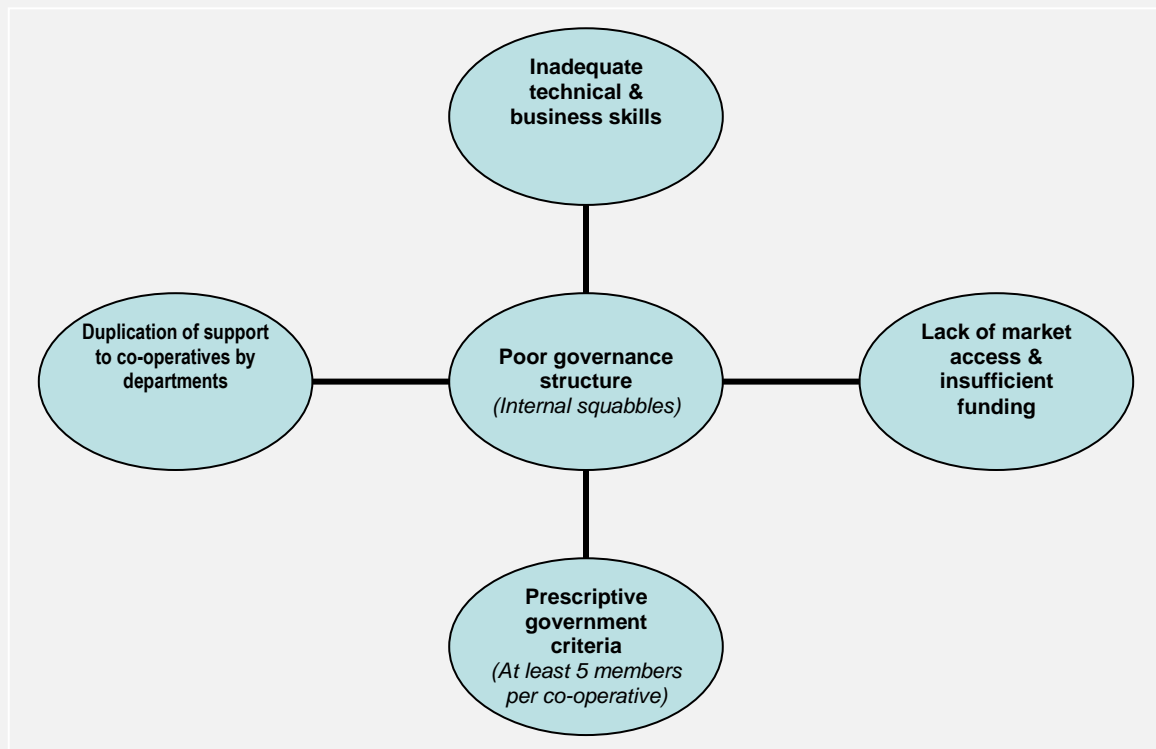


Figure 3: Officials highlighted some factors contributing to the high rate of failure amongst co-operatives.

The factors contributing to the high rate of failure included mobilizing communities without having proper systems to provide appropriate skills training and to manage loans and grant applications which were all handled by FET Colleges and the *lthala* Development Finance Corporation respectively. Both organisations had no specialist experience in dealing with co-operatives and offered general business skills training and routine business advice to emerging entrepreneurs. Commonly, the officials have confidence in the future of co-

operatives, as they see the past five years experience of 'turmoil' as a lesson to manage the co-operatives initiative according to the prescripts as dictated by the International Co-operatives Alliance. Mr Robert Dlamini, believes that the foundation has been laid for the co-operatives programme to become sustainable: 'The strategy, in the pipeline gives a vision 2020 perspective of having co-operatives movement gracing our economic landscape and contributing meaningfully into the economy'.

4.3.3. Academics Or Experts:

There is a belief that the government has provided a visible political will towards the promotion of co-operatives to boost socio-economic development in the province and the country. This is demonstrated in what expert respondents to this study described as a progressive policy and legislation provision that encapsulated all the basic features that allow co-operatives to flourish and be viable for long-term economic growth, essential to entrench social stability and general peace across the spectrum as most members of the society involved in co-operatives start internalising democratic values and a culture of self-reliance as opposed to perpetual dependency on government support for basic services and other consumables.

Four independent specialists on co-operatives were approached for their participation in this study by responding to a brief questionnaire featuring open-ended questions. All these are Kenyan nationals that have a long history of working in the field of co-operatives either as academic researchers or business advisers. These were seconded by their government to come and assist KwaZulu-Natal to develop a credible co-operatives programme through the introduction of courses at the University of Zululand whilst engaging in continuous research on the best practices to be applied by the provincial government in strengthening and broadening the co-operatives programme. Only two specialists responded and their responses reflected the common interpretation of KwaZulu-Natal's co-operatives programme which they all

praised for being implemented with gusto while admitting there were areas that required attention to ensure the success of its objective of addressing poverty and joblessness first and serving as steps to introduce more communities to the economic mainstream.

One of the respondents, Mr Kirianki M'Imanyara says the big challenge has been the translation of the reigning political will into tangible action as 'implementation of the national co-operatives policy and strategy in KwaZulu-Natal has not been successful', acknowledging, however, that the province was still grappling with the process of developing a co-operatives strategy that would ensure measurable targets in implementation of the policy. He gives credit to the provincial government's level of commitment and enthusiasm in the process of mobilising and conscientising the jobless about opportunities offered through co-operatives.

If the criteria for a successful co-operatives programme in KwaZulu-Natal were only based on the number of people mobilised through various communication channels to establish co-operatives and their subsequent registration between 2005 and 2010, M'Imanyara says the province would be riding the crest of a wave of success. But he believes this was dwarfed by lack of experience in aligning the programme with the internationally recognised co-operatives values and principles advocating amongst other things member-owned, controlled and economically viable and sustainable co-operative enterprises that instil a sense of solidarity, self-help and autonomy supported by the existence of strong co-operatives network linked to the global co-operatives movement.

Based at the University of Zululand, Mr M'Imanyara admits that the introduction of the co-operatives programme was destined to experience teething challenges as this was a common phenomenon in other African countries like Tanzania, Kenya, Ghana and Cameroon where co-operatives have become a key and successful economic feature. His compatriot, Dr Sifa Chiyoge, who is attached to

the Department of Economic Development & Tourism, shares the same sentiments. Developmental projects take long to crystalize, she said pointing out that the current challenges experienced in the KwaZulu-Natal co-operatives programme are not unique to the province and will subside once the culture of co-operatives matures.

To mitigate against initial difficulties, the two respondents state that the province has to develop management systems through capacity building that would ensure adequate technical expertise and effective governance to give rise to a really empowered and sustainable co-operatives programme. The province, they advise could learn from Kenya and other nations that have put co-operatives at the apex of their economic planning by establishing support institutions like co-operatives banks that could enhance the culture of saving amongst communities.

To ensure viability and sustainability amongst co-operatives, colleges should produce co-operative practitioners endowed with technical and management skills as is the case in Kenya from as far back as 1967. Now Mr M'Imanyara claims that Kenya's gross domestic product draws 45% from co-operatives businesses, which is a significant part of that country's economy. Co-operatives shouldn't be regarded as 'fire-extinguishers' against poverty, but should be elevated in status to be equal to all other economic sectors. Chiyoge cautions against misconceptions that co-operatives are on the periphery of the economy – saying this makes people not take this sector seriously as one of the key economic drivers.

These experts also felt that government's intervention should not be allowed to undermine the autonomous status of co-operatives, but should only be limited to setting an enabling environment for co-operate businesses to prosper in and take centre stage in the economy. For instance, Chiyoge is of the view that government support for co-operatives should be limited to only two years of funding and support and thereafter, these enterprises should be encouraged to

compete with their shareholding and profit-making counterparts. However, she conceded that there would be special cases where government involvement in the provision of financial and non-financial support could be extended without encouraging dependency.

Certainly, KwaZulu-Natal could improve its co-operatives programme by adopting and adapting policy and strategy approaches applied in many countries that have had successful co-operatives and the alignment with Kenya that has an impressive track record of aggressively using co-operatives as viable option to propel its socio-economic development seems to be an advised move. As a developing African economy, Kenya has many parallels with the South African and province's social context.

4.4. CONCLUSION:

Officially the post-2005 co-operatives programme in KwaZulu-Natal was a failure in spite of the excitement that was generated through the awareness campaign led by politicians and officials which included public gatherings in which communities were encouraged to form co-operatives as means to get themselves out of poverty and unemployment. General criteria essential for running a healthy enterprise, covering technical and management skills and competencies as well as general entrepreneurial aptitude were not emphasised. Short term training at FET Colleges was believed to be the solution to make up for lack of capacity amongst aspirant co-operatives entrepreneurs.

However, this approach, noble as it was, was undermined by the fact that co-operatives are unique entities compared to the normal commercial establishment which could be the product of an individual entrepreneur whose founding principle is to accumulate wealth yet co-operatives as social enterprises also feature social needs for members and immediate communities. They have a dual character which is based on pre-defined values and principles which, if interfered

with, can result in disintegration of a co-operative enterprise. The issue of group dynamics which could only benefit and sustain the organisation if members share a common vision and are willing to fully subscribe to basic principles was apparently not thought through– and hence there were reports that, amongst the reasons why co-operatives were collapsing, was internal conflicts pointing to lack of harmonious co-existence amongst members.

There was an overwhelming opinion, expressed by all participants in this study, that training at FET colleges was inadequate in terms of the period of study required before co-operatives could apply for financial support and the content of the curriculum was also found to be wanting in appropriateness. This suggests that one of the key ingredients for a successful co-operatives movement that impacts positively on the province and the country's socio-economic landscape would be investment in specialist skills development for co-operatives. The proposed co-operatives colleges and the stimulation of a general interest in developing reference materials in the field of co-operatives to inform the body of knowledge could be one of the solutions. Without appropriate skills and a general entrepreneurial culture, government institutional support would remain ineffectual and the majority of co-operatives will continue to die prematurely.

This chapter also illustrated that a wholesale approach to co-operatives could spell disaster and therefore there should be conscious acknowledgement of specific sectors that could serve as reliable pillars for the co-operatives industry to stand on. Without undermining choice for entrepreneurs to venture into any sector they believe could yield positive benefits, it is obvious that most of the co-operatives instinctively chose the sectors they wanted to focus on without being informed by the current market trends affecting that sector. For that reason some sectors, such as catering within the schools nutrition scheme and in agriculture, were said to be holding on in some parts of the province.

Sectoral data is therefore crucial in indicating risk areas to help prospective co-operatives make informed choices about the kind of businesses they wish to pursue. Even the preponderance of co-operatives in a few sectors could spell problems in the future due to high concentration leading to shrinking markets and therefore prospects in some of the less attractive sectors such as manufacturing and information technology could be explored to broaden the sectoral composition of the province's economy.

Generally this study revealed that despite government support of co-operatives through its progressive policy and legislation as well as institutional incentives, the province and the country were still far behind in terms of turning the co-operatives business into an effective contributor to real socio-economic transformation. But as most of the respondents acknowledged the challenges experienced could be transformed into lessons to build a stronger entrepreneurial co-operatives culture which is essential in addressing the current socio-economic disparities. Learning from the good practices that have made some of the developed and developing nations succeed in turning co-operatives into reliable enterprises to broaden economic participation by ordinary citizens, is crucial.

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CHAPTER FIVE:

5. Discussion & Recommendations For The Study:

5.1. INTRODUCTION:

The concept of co-operatives denotes different meanings to different quarters, but it is acknowledged that the basic principles and qualities of what constitutes co-operatives enterprises are universal across the world. At the peak of a co-operative establishment is the desire by founding members of the organisation to share material, expertise and other related resources that accrue to help members address their immediate socio-economic conditions. It has therefore become synonymous with poor communities but some co-operatives have become multi-billion rand entities with a global membership of about 1,1 billion people according to Global Corporate Governance Forum, (2007) in its Peer Review Workshop Report.

The South African experience as reflected in the preceding chapters has also been littered with varied interpretations of what could be the role of co-operatives in the economy – with political positions also having a bearing on the route the co-operatives sector should take. Satgar (2007) argues that the post-apartheid period witnessed government intervention directed at repositioning the role of co-operatives in the economy as illustrated in government reports and politicians' speeches resulting in the development of both policy and legislative frameworks to guide the promotion of co-operatives as means to advance the socio-economic transformation agenda in the country. The varying interpretations of what makes co-operatives and their primary role in society has been at the centre of challenges experienced in the process of promoting this socio-economic phenomenon in the province of KwaZulu-Natal, as demonstrated in the content of chapter four.

The South African experience which is characterised by two distinct socio-political periods – the post-colonial apartheid time that appeared to have provided for predominantly white owned agricultural based co-operatives and the post-1994 period that integrated the co-operatives campaign into the broad-based black economic empowerment initiative that has indicated that the basic founding principles of co-operatives can be manipulated for political ends. This is believed to undermine the essence of co-operatives as independent, democratic and voluntary social organisations founded on the basis of achieving the collective objectives of members that have to share the proceeds and benefits from their enterprise based on their collective contributions. This final chapter therefore is about providing a brief summary of the overall study and it will attempt to share possible recommendations that could be considered to take the co-operatives programme forward in KwaZulu-Natal and in the country.

However it should be stressed that this has been a tough assignment due to different factors which included limited access to documented researched information on co-operatives. Despite the fact that the country has had co-operatives for many years, especially the agriculturally-based enterprises, there has been no concerted effort to generate more reference materials that could be used for educational purposes and it has been acknowledged world-wide that co-operatives haven't been given prominence in text books on economics and in academic journals. The controversies relating to the alleged failure of the co-operatives programme to meet its primary objective of serving as a spring board for sustainable socio-economic development compounded the situation since some respondents, especially co-operatives themselves, were not that enthusiastic about participating in the study. This was a demonstration of the level of despondence which was also evident in the responses of some officials as well.

The broadness of the researched subject further contributed to the challenge of completing this study project. Hopefully future endeavours will pin down a single aspect in the field of co-operatives and localise it in such a way as to produce quality reference data that can inform specialist researchers in this field of the economy.

5.2. BRIEF RESEARCH BACKGROUND:

The central aim of this study was to establish or to determine the role of the co-operatives programme in the process of addressing poverty and unemployment whilst enforcing the concept of socio-economic transformation in KwaZulu-Natal since 2005 when the co-operatives initiative was actively promoted. The investigation had first to confirm reports or allegations that the programme was experiencing problems and that many observers had declared it a spectacular failure – and then to identify possible causes of the unfortunate situation and attempt to propose possible remedies.

Combining the literature review that involved harvesting data from government documents with some written material produced by different institutions and individuals interested in the co-operatives business, produced three sets of questionnaires. The results suggest that despite good government intentions to use co-operatives as a conduit for introducing the majority of poverty stricken communities to the mainstream of the economy to reduce dependency on state social support, the implementation hit serious snags that could have been avoided if some of the key ingredients of mounting a sustainable co-operatives programme had been applied or observed.

The co-operative model has been viewed as part of the government's effort to stimulate growth that would absorb as many people as possible into the economy. It has been supported through the passing of the Co-operative Development Act of 2005 that supports the content of the Co-operative

Development Policy that was formulated the previous year – and further enhanced by the establishment of institutional support mechanisms within the Department of Trade & Industry such as the Co-operatives Incentive Scheme (CIS). But the exercise has been compromised by numerous variables including lack of capacity to transform all the institutional support frameworks into tangible actions that could be exposed to regular and rigorous monitoring and reviews to influence new policy approaches for improvement.

5.3. SOME OF THE KEY FINDINGS & RECOMMENDATIONS:

5.3.1. Corporate Governance Overlooked:

Though the primary reason for the establishment of co-operatives is to achieve social goals for the collective benefit of members, it is not absolved from the requirement to achieve income as a profit making organisation. Ian MacDonald (2007) addressing the Corporate Governance & Co-operatives Peer Review Workshop in London, observed that co-operatives form part of the private sector and were therefore pursuing ‘commercial business practices based on the values of self-help, self-responsibility, solidarity and democracy’. As such co-operatives have to observe the principles of corporate governance.

Despite the fact that many co-operatives in the province are registered with CIPRO as commercial operations, there is an indication that many collapse because there are no practical governance systems to ensure continuous and uninterrupted service and product provision to customers – and accountability. The government-imposed regulatory framework at some stage is regarded as prescriptive and intrusive to the autonomous culture of co-operatives which is based on the spirit of voluntarism. But the reported conflicts and disputes that characterised some of the newly formed co-operatives in the province do signal a need for educating co-operatives on the virtues of corporate governance in a sustainable and growing business.

Recommendation: While members form the greater part of the organisation's administration and in some instances the work force, a set of rules should be communicated and enforced without compromising the essence of co-operatives principles – and these should illustrate the roles of individuals and sanctions to be meted out to those going astray. Members have to know that the organisation belongs to all and hence there should be no undue abuse of organisational resources – which is alleged to have been the source of rancour amongst many failed co-operatives in KwaZulu-Natal. It's therefore recommended that strict rules on corporate governance be presented as part of conditions for accessing government financial and institutional support to co-operatives.

5.3.2. Skills Training Inadequate & Irrelevant:

It is of paramount importance that members of co-operatives be taken through technical and business skills training at the province's designated FET colleges before being considered for financial support to start or expand their co-operative businesses. However, there was overwhelming evidence from co-operatives themselves, government officials and independent observers to suggest that the kind of training offered by FET colleges was too short and too generic to ensure that trainees acquired extensive competencies and knowledge to pursue sustainable businesses.

With FET colleges providing generic business skills tutorials, this wasn't helpful to co-operatives whose business ventures are different from normal commercial enterprises since they combine a social context of the members' mutual interests and need to make a profit within a predetermined set of principles for co-operatives. Government should have been aware of these dynamics and should have ensured that specialist training for co-operatives that takes into account group dynamics was offered for long term survival of the newly established co-operative enterprises.

Recommendation: The establishment of Co-operatives Colleges could help address the skills shortage and job training in the form of learnerships and internships should be encouraged amongst youngsters as part of inculcating the co-operatives business spirit at an early age. Academic writers, of textbooks on Economics and Commerce should be encouraged to undertake research into and to produce text books on, the economics and commercial advantages of co-operatives.

5.3.3. Lack Of Economic Sectoral Focus:

The diversity in types and size enhances the prospect of co-operatives to contribute meaningfully to the country's economy. In the countries where co-operatives are successful, there is an acknowledgement that small and large enterprises provide an economic equilibrium that has also to be strengthened with the promotion of various sectors. One of the independent respondents, Mr Kirianki M'Imanyara argues that co-operatives are suitable in almost all sectors.

The previous focus of the South African co-operatives movement in the agricultural and housing sectors only benefited a few sections of the society and had limited impact on the country's gross domestic product. The expansion into other sectors such as transport, information technology and indeed manufacturing could improve the co-operatives' role as it would offer numerous business options that could create more opportunities for both domestic and export markets.

This study revealed that there was a high concentration in some sectors such as catering and agriculture as well as in textiles which creates over-subscription for a limited market for these market offerings – a possible factor why many co-operatives that couldn't get school nutrition and hospital catering contracts ended up in the doldrums. Meanwhile KwaZulu-Natal reportedly had funded more than 1177 primary co-operatives which translated into the creation of around 6033 job opportunities. As stated in preceding chapters, the province was the most active

of the nine provinces in the establishment of new co-operatives between 2005 and 2009 and this now calls for the redirection of these businesses towards a sector specific focus to ensure sustainability.

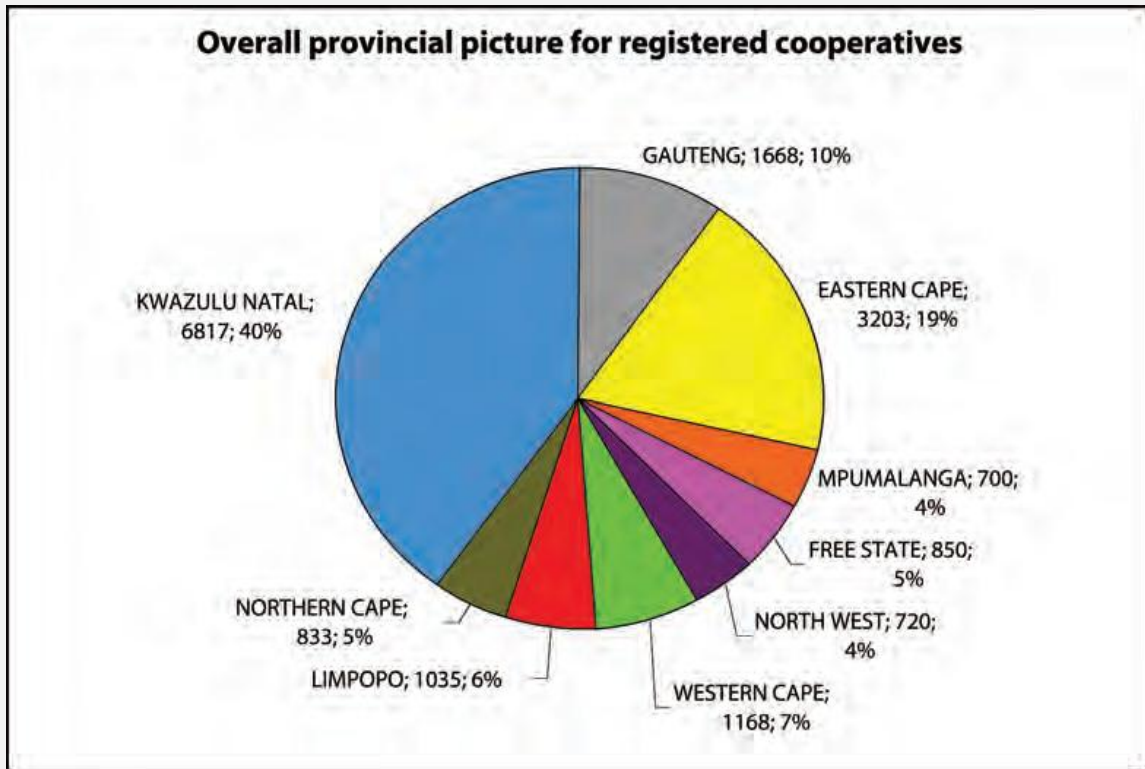


Table 5: KZN needs to reverse the trend of collapsing co-operatives to retain its pole position in terms of larger co-operatives numbers, (Sources from DTI Baseline Study Report (2009) on co-operatives programme)

Recommendation: Kenya as one of the continent's success stories boasts an array of sector specific co-operatives and the savings and credit co-operatives are a new prosperous dimension which this province and the country could emulate. This sector, M'lmanyara claims, has overtaken the agricultural co-operatives. It could therefore be one of the sectors to be fully exploited bearing in mind that the South Africa's popular *stokvel* concept has a lot in common with the savings and credit co-operatives. Moreover, the 'one glove fits all attitude' will not help to improve co-operatives, Specialist training, especially when coming to technical skills, has to be structured and delivered to co-operatives that fall within a specific sector.

5.3.4. Access To Markets A Challenge:

Government's role in the economy is to create a suitable environment for business to flourish in. It's essential, however, for entrepreneurs to fend for themselves in finding customers for their commodities and services at a competitive price. However, exceptions were made with regard to co-operatives as the provincial government made a commitment to be the hub of consumption for co-operatives' provided goods and services. In this study most co-operatives blamed lack of a suitable market for their business for their failure, which was indicative of poor business acumen since in a competitive economy you only establish an enterprise to meet the demand, but with co-operatives it seemed that government would be ordering every product they produced.

Recommendation: Even some sectors that provide goods and services relevant to government establishments such as catering, cleaning, textiles & clothing and security, found that these market niches couldn't absorb every supplier. As part of training and government communication to co-operatives, there is a need to remind co-operatives that diversity in terms of products and target markets is the key survival tactic rather than seeing government as the only consumer.

Utilising the reigning rapport between government and industry through Public-Private Partnership phenomenon, the private sector should be encouraged to source some of their goods and services as part of their commitment to empowerment projects.

5.3.5. Most Newly Formed Co-operatives Are Black:

Through personal observation and reading of Satgar's (2007) comments on the state of co-operatives in the country, the post-1994 co-operatives have become part of the government's grand broad-based Black Economic Empowerment strategy. While acknowledging the importance of state intervention in addressing the socio-economic inequities in the society, this could be one of the causes of

the adverse reaction to the highly vaunted government-sponsored co-operatives programme.

Parallel to the general co-operatives principles, that amongst other things promotes autonomy, democratic order, solidarity, voluntarism and freedom of association amongst members converging under the pretext of mutual interest, Satgar (2007) argued that this could diminish the ethos of humanity that prevails within the founding domains of co-operatives. This could be interpreted as an equivalent to the racial bias of the apartheid government that focused its support on white farming co-operatives.

Recommendation: In view of the fact that many white co-operatives have experience in this field, joint ventures between emerging black-owned co-operatives and their experienced white counterparts should be encouraged to perpetuate skills transfer while bolstering market access for emerging entrepreneurs to established white-owned enterprises.

5.4. CONCLUSIONS:

Delivering what was his last Provincial Budget Speech as MEC for Finance & Economic Development in KwaZulu-Natal on 25th February 2009, Dr Zweli Mkhize conceded that despite government efforts to promote growth through co-operatives, the programme was in the doldrums: 'The fact is that despite sustained government support since 2005 many co-operatives have been under-performing while others have failed'. As a champion of the programme by virtue of being the political head of the Department of Economic Development & Tourism at the time of drumming up the public awareness campaign to encourage communities to form co-operatives, with government having guaranteed the market for co-operatives products and services, Dr Mkhize's remarks provide the gloomy picture of the state of co-operatives in the province,

However, like many other people, including some co-operatives, government officials and independent respondents to this research study, Mkhize (2009) was still bullish about the prospect of the co-operatives reclaiming lost ground in the province: 'For us in KwaZulu-Natal this strategy is fundamental in bridging the gap between the first and second economies and building the rural economy'. He concurred with the findings of this study that weak and unspecific training offered to co-operatives and lack of reliable markets were amongst the causes for the failures – and he promised a new approach to the programme which would include practical training not only for the co-operatives, but for officials responsible for the implementation of the programme – with expertise and experience sourced from nations that have successfully integrated co-operatives as part of their mainstream economies.

The decision to apply global best practice in the promotion of co-operatives is applauded since some of the present successful developing economies borrowed developmental trends from others that have made co-operatives one of their socio-economic miracles. The absence of reference data and written text books covering co-operatives education has been raised as one of the major hurdles to broaden public understanding about the co-operatives role in the economy and how they should be managed in comparison to other spheres of the economy.

The policy and legislation regarding co-operatives should be unpacked for implementation purposes through the development of a comprehensive co-operatives implementation strategy that sets parameters in terms of target numbers of co-operatives to be assisted in specific sectors and clearly defined criteria for assessing government support. This strategy would have to provide for monitoring and evaluation mechanisms that would eventually inform future policy directions and general planning.

Finally, government has a constitutional mandate to provide support to all role players and sectors in the economy – not just co-operatives. When asked about the extent and duration of support government should render to co-operatives, respondents were in unison in cautioning against perennial co-operative dependency on government favours. The provision of the institutional support and infrastructure that is accessible to all enterprising organisations shouldn't be endlessly designed to suit co-operatives at the expense of other contributing economic agencies. Satgar (2007) therefore stressed that government should provide impartial support to co-operatives in line with support rendered to other forms of business, to avoid the temptation of having co-operatives being used as political fodder. This caution was also raised in the McIntosh Xaba and Associates' (2009) study that reported that some of the respondents in their research revealed that there was political interference and corrupt tenders souring the KwaZulu-Natal programme and this was more pronounced at local level.

Satgar (2007) reminds us that co-operatives should be set up as exemplars of ethical conduct and democratic values that seek to empower humanity rather than selfish individuals. Calling the co-operatives a manifestation of the ethical philosophy of empowerment, all and sundry should contribute towards making these social enterprises work for the common cause first for members and for poor communities at large. This is crucial in entrenching the qualities of a vibrant and sustainable co-operatives movement in the country.

This study is presented as work in progress since the story of co-operatives and its associated trials and tribulations will remain the focus of attention of government, communities, private and academic researchers as well as donor agencies that see sense in assisting the country develop a credible co-operatives sector. As it lacks being informed by practical research reports and supporting literature reviews, the study is expected to trigger critical comments that could galvanise further interest in undertaking more advanced research projects on the

political economy of the co-operatives programme in KwaZulu-Natal and in the country as a whole.

Future studies could focus on the desirability of inter-connectedness between the country's co-operatives movement and state apparatus responsible for the formulation and review of policies to ensure that the formulation of strategies relating to co-operatives do in fact reflect the interest of co-operatives. The formation of the National Co-operatives Association of South Africa (NCASA) in 1997 was supposed to represent the interests of all co-operatives in the country and it would be interesting to know if this body is still active. What is their input in the kind of skills training provided to co-operatives – especially in ensuring that co-operatives are not confused with skills designed to perpetuate the capitalist agenda at the expense of bringing a human face to the co-operatives business. Meanwhile there is no indication whether NCASA had an input into the training and funding of co-operatives in this province and the country in general to ensure correct provision of competencies for sustainable co-operatives.

Further, the assumption that co-operatives are an extension of protest politics by citizens against the impact and vagaries of neo-liberalism that promotes crude capitalism that doesn't provide for the poor communities, would have to form part of future studies on co-operatives. This would moreover illustrate if co-operatives, by virtue of being both social and profit oriented don't end up surrendering their identity that values the social wellbeing of members above selfish commercial gains.

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ANNEXURES:

These are examples of questionnaires prepared for three categories of study respondents as reflected below.



Research Questionnaire

CO-OPERATIVES RESPONDENTS:

Should you find the space provided for your answers inadequate, you are at liberty to write on a separate sheet and attach it to the main questionnaire.

1. Profile of the co-operative business:

i. Age of your co-operative business.

How old is the business? Tick one answer & explain if necessary.

☐

1 – 3 years

☐

4 – 10 years

☐

Other.....

ii. Business sector (products or services).

Indicate the type of business pursued. Tick one answer & explain if necessary.

☐

Service

☐

Catering

☐

Manufacturing

☐

Craft & arts

☐ Other.....

iii. Size of business.

What is the monetary value of your business? Tick one answer & explain if necessary.

☐ R150 000 – R500 000

☐ R500 000 – R1 million

☐ R1 million – R5 million

☐ Other.....

iv. Business facilities.

Indicate the status of the business outlet.. Tick one answer & explain if necessary.

☐ Own premises

☐ Rent premises

☐ Other.....

v. Number of staff.

How many staff members are there including management? Tick one answer & explain if necessary.

☐ 1 – 5

☐ 6 – 10

☐ 10 – 20

☐ Other.....

vi. Gender composition.

How many females and males? Tick one answer & explain if necessary.

☐ Females

☐ Males

vii. Age group.

Average age of members. Tick one answer & explain if necessary.

☐ 16 – 25

☐ 26 – 35

☐ 36 – 45

☐ Other.....

viii. Skills training.

Did members get skills training provided by government? Tick one answer & explain if necessary.

☐ Yes

☐ No

☐ Other.....

ix. Source of funding.

Did you receive funding from government? Tick one answer & explain if necessary..

☐ Yes

☐ No

☐ Other.....

x. Geographical location of the enterprise.

Where is the enterprise base? Tick one answer & explain if necessary.

☐ Urban area

☐ Rural area

☐ Other.....

2. Customers of business:

Indicate your main customers (Consumers of your services/products). Tick one answer & explain if necessary.

☐ Government Departments

☐ Private Sector

☐ Other.....

3. Rating of support from government.

Select one answer from each of the categories. Tick one answer & explain if necessary.

i. Skills training provided at FET colleges

☐ Excellent

☐ Very good

☐ Good

☐ Poor

☐ Very poor

☐ Other.....

ii. Financial support from government.

Tick one answer & explain if necessary.

☐ Excellent

- ☐ Very good
- ☐ Good
- ☐ Poor
- ☐ Very poor
- ☐ Other.....

4. What is your opinion of the performance of co-operatives in the province?

Tick one answer & explain if necessary.

- ☐ Good
- ☐ Satisfactory
- ☐ Unsatisfactory
- ☐ Other.....

5. What could be done to increase the role of co-operatives in the economy of the province?

Tick one answer & explain if necessary.

- ☐ Provision of more technical & business training
- ☐ Broadening the market for co-operatives
- ☐ Creation of partnerships between co-operatives with big industries
- ☐ Provision of business information
- ☐ More funding

- ☐ Direct monitoring and coaching of new co-operatives
- ☐ Other.....

6. Which sectors could be more sustainable for co-operative businesses?

Tick one answer & explain if necessary.

- ☐ Services
- ☐ Manufacturing
- ☐ Craft & Arts
- ☐ Catering & Hospitality
- ☐ Information Technology
- ☐ Transport & Logistics
- ☐ Clothing & Textiles
- ☐ Other.....

7. Do you think the co-operatives could be used as instruments to promote economic transformation?

Tick one answer & explain if necessary.

- ☐ Yes
- ☐ No
- ☐ I don't know
- ☐ Other.....

8. Would you agree that co-operatives have had a high failure rate in this province compared to SMMEs?

Tick one answer & explain if necessary.

- ☐ Agree
- ☐ Strong agree
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Don't know
- ☐ Other.....

9. What do you think could be the main cause of co-operatives struggling to survive?

Tick one answer & explain if necessary.

- ☐ Lack of technical and business skills
- ☐ Poor training offered by government
- ☐ Lack of market access
- ☐ Internal squabbles amongst members
- ☐ Lack of raw materials & expensive production costs
- ☐ Irresponsible use of profit
- ☐ Other.....

10. What is the key reason for success in the co-operatives business?

Tick one answer & explain if necessary.

☐ Skills profile of co-operatives members

☐ Sufficient financial support

☐ Good business management

☐ Access to markets

☐ Appropriate sector

☐ Physical location of business

☐ Other.....

11. What do you think is the most important initiative to be considered to enhance the contribution of co-operatives to the economy?

Tick one answer & explain if necessary.

☐ Establishment of skills based co-operatives colleges

☐ Creation of a co-operatives bank

☐ More government financial support for co-operatives

☐ Expansion of market for co-operatives products and services

☐ Diversification of products and services offered by co-operatives

☐ Other.....

12. What do you think needs to be done to ensure that co-operatives are fully sustainable and are not perpetually dependent on government financial and technical support?

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13. Why would you consider or not consider forming a partnership or joint venture with an established business?

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14. Apart from your own co-operative business do you know of any co-operative that is battling to survive or is succeeding in its business operations? What do you think are the factors that contribute to its success or failure?

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15. There are basic conditions or criteria required to be able to form a co-operative business. Why would you agree or disagree with part or all of these basic conditions?

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Research Questionnaire

GOVERNMENT RESPONDENTS:

Should you find the space provided for your answers is inadequate, you are at liberty to write on a separate sheet and attach it to the main questionnaire.

1. Since the development of the National Co-operatives Policy and Strategy, what do you think has been the highlight and the lowlight of the co-operatives programme?

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2. Based on your experience what have been the factors that contributed to the success and failure of some of the co-operatives?

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3. Why do you think co-operatives are viable economic options to bring about tangible socio-economic transformation in the province?

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4. If you were to suggest possible corrective actions to address the challenges experienced during the process of promoting co-operatives in the province, what would they be?

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5. How would you respond to someone who says that the co-operatives programme in the province has been a failure despite the hype that has characterised its introduction since 2005?

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6. One of the objectives of the co-operatives programme is to broaden the participation of formerly disenfranchised communities. Do you think ordinary people really understand the meaning of this objective and what actions could have been considered to expand the knowledge on this?

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7. The provision of skills training for co-operatives – was it sufficient? Please back up your response with evidence.

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8. Could you please differentiate the role of secondary and tertiary co-operatives from that of primary co-operatives – illustrating whether the overall co-operatives programme could have been more effective if all the three streams were in place and why?

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9. Give your own perspective whether you are confident or not about the future prospects for co-operatives in our economy and give reasons for your response.

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10. Why do you think there should be synergies in the co-ordination of co-operatives initiatives at all levels of government?

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Research Questionnaire

ACADEMIC/EXPERT RESPONDENTS:

Should you find the space provided for your answers is inadequate, you are at liberty to write on a separate sheet and attach it to the main questionnaire.

1. Given the history of co-operatives, what is your view point about the province's adoption of this sector as one of the options to facilitate economic empowerment in an effort to combat poverty and unemployment.

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2. What has been your observation of the conceptualisation and implementation of co-operatives policy and strategy in this country and in the province in particular? Has it been a success?

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3. If you were to advise government on the best way to bring about real economic transformation, would you have recommended co-operatives as one of the potential contributors to this – and please provide reasons for your response.

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4. What do you think was the main reason for government to mobilize for the establishment and support of co-operatives when, in the past, the focus was on SMMEs?

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5. What could we learn from other countries that have successfully implemented co-operatives programmes to overcome socio-economic inequities?

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6. If you were given a chance to change anything in the co-operatives programme to make it more effective, what would that be and why?

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7. Co-operatives are often associated with the periphery of the economy, yet in other countries some big corporations fall within the co-operatives description. What is your view of this perception and what implications could it have on the overall development and contribution of co-operatives in the province's economy?

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8. How would you respond to assertion that there has been very limited research on co-operatives, especially in terms of their origins and their role in the local economy which is essential in making prudent strategic decisions with regard to the promotion of this sector. What is your opinion on this?

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9. There is a plan to establish a co-operatives college to promote this sector. What do you think should be the starting point for this initiative and how do you view its contribution towards economic growth through co-operatives?

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10. After giving start-up funding and relevant skills training to co-operatives, how long should the government continue supporting co-operatives and why?

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22 SEPTEMBER 2008

Mr. Boyce Sithasakha Mntambo (206526696)
Leadership Centre
Management Studies
Westville

Dear Mr. Mntambo

ETHICAL CLEARANCE APPROVAL NUMBER: HSS0558/09M

wish to inform you that your application for ethical clearance has received full approval for the following project:

"Assessing government's role in the promotion of co-operatives as strategic intervention to accelerate socio-economic transformation".

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

PROFESSOR STEVEN COLLINGS (CHAIR)
HUMANITIES & SOCIAL SCIENCES ETHICS COMMITTEE

cc: Supervisor (Mr Stan Hardman)
cc: Ms. C. Haddon

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