

CO-OPERATIVES IN SOUTH AFRICA

Advancing Solidarity Economy
Pathways from Below

'Society cannot survive through greed, individualism and rampant competition. Human solidarity is the only antidote to build a humane and ecologically conscious alternative. This book makes a compelling case for such an alternative, rooted in the lived experience of the many. Read it!'

— **Jay Naidoo**, founding general secretary of the Congress of South African Trade Unions and a minister in President Nelson Mandela's cabinet

EDITED BY VISHWAS SATGAR

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Abbreviations

AIDC	Alternative Information and Development Centre
ANC	African National Congress
B-BBEE	Broad-based Black Economic Empowerment
CBA	Co-operative Banks Act
CBDA	Co-operative Banks Development Agency
CCMA	Commission for Conciliation, Mediation and Arbitration
CDA	Co-operative Development Agency
CFI	co-operative financial institution
CIPC	Companies and Intellectual Property Commission
COPAC	Co-operative and Policy Alternative Centre
COSATU	Congress of South African Trade Unions
CRT	Community Research Team
CSD	Central Supplier Database
CWP	Community Works Programme
DA	Democratic Alliance
DCoG	Department of Co-operative Governance
DTI	Department of Trade and Industry
ELR	employer of last resort
EME	Exempted Micro-Enterprise
EPWP	Expanded Public Works Programme
ESSET	Ecumenical Service for Socio-Economic Transformation
FSA	Financial Services Association
FSC	financial services co-operative
FSCC	Financial Sector Campaigns Coalition
GTC	gap tap co-operatives

ICA	International Co-operatives Alliance
IFAD	International Fund for Agricultural Development
LED	Local Economic Development
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
NACFISA	National Association of Co-operative Financial Institutions of South Africa
NASASA	National Stokvel Association of South Africa
NCASA	National Co-operative Association of South Africa
NEDLAC	National Economic Development and Labour Council
NEHAWU	National Education, Health and Allied Workers' Union
NGO	non-governmental organisation
NUMSA	National Union of Metalworkers of South Africa
OW	organisation workshop
QSE	Qualifying Small Enterprise
PGS	participatory guarantee system
RDP	Reconstruction and Development Programme
SACCO	savings and credit co-operative
SACCOL	Savings and Credit Co-operative League of South Africa
SACP	South African Communist Party
SACUL	South African Credit Union League
SAFSC	South African Food Sovereignty Campaign
SAMAF	South African Micro-Finance Apex Fund
SARB	South African Reserve Bank
SAWPA	South African Waste Pickers Association
SLP	social and labour plan
SMME	small, medium and micro-sized enterprise

Introduction

Vishwas Satgar

CO-OPERATIVES HAVE BEEN PART of post-apartheid South Africa's policy agenda since the adoption of the Reconstruction and Development Programme in 1994. However, nothing much happened until co-operative regulatory reform was instituted in 2005. By international standards, South Africa has a very progressive regulatory approach to co-operatives, which feature in various development discourses in the state, married to ambitious policy objectives, such as addressing unemployment, poverty, housing, hunger, health challenges and land reform. Co-operative policy also works horizontally and vertically across government. Massive public resources have been injected into co-operative development, and government trumpets impressive quantitative growth in post-apartheid co-operative development. Increasingly, in public discourse over the past two decades, co-operative development has shifted from being 'people-driven', integral to black economic empowerment, to radical economic transformation. These policy representations of post-apartheid co-operatives are aligned with the ruling party and state power. This comes with risks of regulatory and policy ambiguity, state-centric practices, popular disaffection from the idea and disabling state-co-operative relations.

At the same time, co-operatives in South Africa have also had a life outside of state-led development. Co-operatives embody a powerful principle of solidarity and resonate with basic human values, encouraging adoption of the idea from below, and valorising local and indigenous knowledge as part of a decolonising impulse.

Such a decolonising impulse challenges ideational, political economy and neo-colonial globalising practices. Thus, co-operative pathways have been forged, despite the state, in different contexts. Failures, innovative learning, successes and alternative practices are outside the mainstream thrust of state-led co-operative development.

One such approach is the solidarity economy, which embraces co-operatives, other socialised forms and transformative practices. The solidarity economy pathway in South Africa is being shaped by lived experiences, its own knowledge commons and networked power of grassroots forces. It is deeply deglobalising and in this sense also contributing to a decolonial imaginary in South Africa. This volume brings state-led co-operative development into dialogue with solidarity economy activists and thinkers. This is not about convincing the state to adopt the solidarity economy. Rather, it is about a debate related to common ground and differences from which learning can take place to enhance the role of co-operatives in post-apartheid South Africa. Such an exchange of ideas, between those inside and those outside the state, has not taken place before. This volume thus breaks new ground and builds on a previous text titled *The Solidarity Economy Alternative: Emerging Theory and Practice*. The latter text provided the larger global, comparative and South African context in which the solidarity economy emerged as a transformative alternative. Taken together, both these volumes address the absence of academic literature on post-apartheid co-operative development.

What is a co-operative?

Modern co-operatives have been around for over 150 years. The most common and iconic story in the history of modern co-operatives is that of the Rochdale Society of Equitable Pioneers, formed in 1844 in England, which is considered the seminal moment in the development of modern co-operatives and was made up mainly of weavers. As a consumer co-operative, it assisted its members with purchasing food and provided for a patronage dividend (the more you supported the co-operative, the more you shared in its surplus). Rochdale laid the basis for modern co-

operative values and principles and provided for associative rights among members. Workers facing the deleterious effects of the Industrial Revolution also organised worker co-operatives in the first half of the nineteenth century, influenced by utopian and socialist ideas. Worker co-operatives are owned and controlled by their worker-owners. In this period, a reformist and a transformative impulse emerged in co-operative development. The reformist impulse understood co-operatives as ameliorative and merely about making life better for workers. The transformative impulse recognised that co-operatives were emancipatory and embodied co-operative labour. Put differently, co-operatives could be part of the political economy of the working class and under appropriate conditions could lay the basis for the reorganisation of society.

The advance of co-operative practice and traditions in the peripheries of capitalism, such as in South Africa, is linked directly to colonialism. In South Africa, under colonial influence, co-operatives played a crucial role in the emergence of industrial agriculture in the late nineteenth century. Under apartheid, this was intensified as part of Afrikaner nationalism and included aggregating huge marketing co-operatives in farming to provide infrastructure, cheap finance through the land bank and tax breaks. Afrikaner nationalism also embraced the establishment of mutuals and even building societies to mobilise savings. Many countries on the African continent also absorbed, as part of colonial conquest, co-operative traditions and practices, which have been shaped by the post-colonial experience of state-led development and structural adjustment. There is currently a florescence of new member-driven co-operatives (Chambo, Mwangi and Oloo 2008). Co-operatives in many African countries control important parts of their national economies and hence have immense structural power. Genuine co-operatives, in the African context, come close to the values of commoning that were part of traditional African society, in which land, water, forests and coastal food systems were shared. This also affirms the decolonising impulse and role of co-operatives.

Today, the global co-operative movement claims that over one billion people are members in consumer, producer and financial co-

operatives and that the world's largest co-operatives have collective annual revenues of US\$1.6 trillion (ICA 2011), of which 'USD 158,7 billion is derived from the banking and financial services sector and USD 977,2 billion from the insurance sector' (ICA 2012). According to the 2013 International Co-operatives Alliance (ICA) world monitor report, co-operatives in 56 countries have a combined turnover of US\$2 578.5 billion and those with annual turnovers of over US\$100 million are largely located in the global North (the United States, France, Japan, Germany, the Netherlands, Italy and Spain) (ICA 2013: 13). As impressive as these numbers are, the focus on global figures elides the actual number of people whose livelihoods exist in and through co-operatives. According to the Comité International des Coopératives de Production et de Services Industrielles et Artisanales (CICOPA) report on producer co-operatives (which includes both worker co-operatives and social co-operatives), there are 377 984 co-operatives in industrial and service sectors, with 11.5 million worker-owners, 2.4 million employees and 6 million producer members, bringing the total number of jobs created by producer co-operatives to 20 million (Terrasi and Hyungsik 2017: 10–12). The most common areas of activity for worker co-operatives are manufacturing, transport, construction and wholesale and retail whereas social co-operatives are active in health and social work, education, administrative and support services, tourism and cultural activities, and artisan-craft work.

The ICA is one of the crucial voices for co-operatives internationally. Formed in 1895, the ICA represents co-operative federations from various countries. It embodies the ameliorative approach, a conventional, hierarchical co-operative-movement-building approach and in a sense continues the colonial tradition of co-operative development. This stands in contrast to the innovative, decolonising and transformative impulses of solidarity economy approaches to co-operative development. However, the ICA is important for setting standards and for defining co-operatives as an associative institutional form. The ICA defines a co-operative as 'an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations

through a jointly-owned and democratically-controlled enterprise'.¹ This definition is the same in contemporary South African legislation and policy. It provides for the creation of democratic, bottom-up and member-driven co-operatives. However, legal formalism is clearly not enough for the development of co-operatives. Instead, various historical, legal and socio-economic conditions shape their development. This has also been the case in post-apartheid South Africa and these conditions feature in the analyses in this volume.

The challenges of co-operative development and the solidarity economy in post-apartheid South Africa

It is difficult to ascertain how much public finance has been allocated to post-apartheid co-operative development, particularly since the passing of the Co-operatives Act of 2005. Public finance has been channelled through various departments, including housing, agriculture, social development, co-operative banking, health and community public works, as well as through provincial and local governments. Procurement policy has also played its part. It is likely that at least R2 billion has been injected into co-operative development through these state policy initiatives, which has yielded about 140 000 co-operatives (see Ndumo in this volume). Many question this policy thrust, given the dismal results. However, it is important to keep co-operative policy spend in perspective. In the context of widespread corruption and waste, this is really a small fraction of public finance. The Auditor General's latest report states that irregular expenditure in government has increased by 55 per cent to at least R45.6 billion in the 2016/17 financial year (Shange 2017).

In the private sector, mismanagement and corruption have also produced disaster stories. In the African Bank saga, a micro-credit lender listed on the Johannesburg Stock Exchange crashed as a result of mismanagement and after a R5.5 billion rights issue supported by the market (Giamporcaro 2017). More recently, the Steinhoff crash, based on financial irregularities and mismanagement, brought down one of South Africa's largest furniture and clothing companies. Its chairman, Christo Wiese, one of South Africa's richest people, lost more wealth than the gross domestic product of thirteen African

countries – more than US\$4 billion (Vollgraaff 2017). It is important to keep in perspective the crisis of corporate sector accumulation and state corruption more generally when assessing the state spend on co-operative development. Consistent with the public interest and the academic imperatives of this project, the public finance spend on co-operatives has to be critically interrogated to understand its impact on society. This volume opens up this debate.

Since the adoption of the Co-operatives Act of 2005, the following challenges have been observed in relation to the macro push for co-operative development:

- Failure rates: Despite the massive and rapid quantitative growth of co-operatives, from fewer than 2 000 in 1994 to more than 140 000 in 2016/17, mortality or death rates are high. Various quantitative and qualitative studies show this to be the case (Wessels 2016; Thaba, Chingono and Mbohwa 2015; COPAC 2006, 2010). In 2010, a European Union study of existing co-operatives found a mortality rate of 88 per cent (Wessels 2016). This has been a consistent trend and relates to various micro-level factors, including institutional, financial and technological.
- Corruption: Given the high levels of corruption in government, co-operatives have also been implicated in some cases (COPAC 2006).
- Top-down, state-led co-operative movement building: Post-apartheid South Africa has had several top-down national co-operative movement-building experiences involving the state. In the case of the National Co-operative Association of South Africa from 1997 to 2004, failure came fast. This was based on a funding agreement with the state involving millions and a co-operative centre development model (Satgar 2006). The state has continued to support top-down movement-building approaches and this has not improved success rates of co-operatives.
- Inappropriate and inadequate financing: While the state's commitment to co-operatives has also expressed itself through a funding tool, the co-operative incentive grant (R350 000

per co-operative), this has been mainly for capitalising co-operatives with equipment. This one-size-fits-all approach has not taken into account working capital needs of co-operatives, the need for incubation spaces and also the various contexts in which co-operatives emerge.² For instance, co-operatives linked to unions or social movements could be co-resourced. This might not involve finance, but other resources from the partner entity.

- The lack of education and training: This challenge emerges in the context of the government's fast-track approach to registering co-operatives. Even if co-operators do not understand what a co-operative is, registration happens in South Africa (Satgar and Williams 2008: 122–5). Moreover, vocational and co-operative training has not developed based on the needs of different types of co-operatives registered by the state. There is no pathway for co-operatives in state policy to build their capacities on an ongoing basis.
- The lack of regulatory efficacy and data: Most statistics on co-operatives in South Africa still reflect the power of historically white co-operatives, which have come out of the agricultural sector. These co-operatives dominate the co-operative statistical picture and skew our understanding of the place of co-operatives in the South African economy. Many of these co-operatives operate more like big businesses than co-operatives. The state has failed to generate both quantitative and qualitative data about new co-operatives: emergent, developing and sustainable co-operatives. Regulation has not been used to ensure compliance with financial requirements of the Co-operatives Act, for instance, which could generate this kind of data.
- Ineffective pathways for co-operative development: The Co-operatives Act provides for various kinds of co-operatives, including worker co-operatives. However, there is no effective pathway for worker co-operatives to develop in South Africa and as reflected in government policy. Ideally, the Department of Labour should have been at the forefront of championing a

worker co-operative policy and act for such co-operatives to develop, but this has not happened.

While these various challenges are extremely serious, this of course does not mean that the state should abandon support and promotion of co-operatives. In fact, the South African state has entered a new phase of co-operative development with the 2013 amendments to the Co-operatives Act of 2005 and its renewed push for co-operative development through various institutional mechanisms. The state has been learning from policy failure and the challenges confronting co-operative development. Hence, this volume has contributions from practitioners in the state providing their understandings and arguments for the current policy direction with regard to co-operative development. This does not mean that co-operative development policy is adequate and is being improved in a more efficacious way. That is why this volume presents an engagement with critics of state co-operative development regulation and policy.

A central contention in this volume is the failure of the post-apartheid state to understand, recognise and engage with alternative approaches to co-operative development emerging from below. Moreover, the state's failures regarding co-operative development and its increasing undermining of the idea cannot be conflated with the full experience of post-apartheid co-operative development. The debate and exchange of perspectives between those in the state and those outside, in this volume, is about addressing this negative perception about co-operative development – hence the solidarity economy alternative and its advocates feature prominently. This is not to argue that the solidarity economy approach has everything worked out, but rather it is about drawing the state's attention to alternative ways forward for co-operatives from below. The solidarity economy approach and practice is a people's alternative, by the people and for the people. It does not belong to the state and should not be adopted by the state. However, such approaches are not anti-state, but are certainly more democratic, led from the grassroots and in keeping with the spirit, vision and practices of genuine co-operatives. There are certainly solidarity economy failures and challenges, but

such pathways for co-operative development are integrally linked to popular consciousness, practice and power.

The solidarity economy approach emerged in post-apartheid South Africa in response to the African National Congress (ANC) state's market-centred approach to co-operative development, increasing state-induced failures and instrumentalised control of co-operative movement building (Satgar 2014). The South African solidarity economy approach was informed by three important premises. First, the need to build on traditions and practices of solidarity established in the South African struggle against apartheid. While this was a resistance political practice, the assumption made was that it could be harnessed for constructing a new society from below. The solidarity economy approach offered a means to deepen popular power (structural, movement, direct and symbolic) and foster change led by workers, the unemployed, the landless, the hungry and even the precarious middle class. Second, there was a need to provide a critique and alternative to the neo-liberalisation of post-apartheid economic policy and state practice. South African society could not merely be reproduced in the image of corporate values and power, whose hegemony was being imposed by the ANC state. The attempt by the state to utilise co-operative development merely to promote another business form, 'entrepreneurial spirits', social capital, greed and a crass individualism needed to be countered with another set of ideas and practices that defended an emancipatory vision, values and practices. The solidarity economy idea and approach was one crucial response.

Third, it was recognised that solidarity economy movement building could not be in the old national liberation mould, with its hierarchies, male chauvinism and vanguardist control. Neither could movement building be state-centric and led by officialdom, resourcing from above and bureaucratic rationality, which was already apparent after the passing of the Co-operatives Act of 2005. Instead, solidarity economy building had to be transformative, that is, popular education centred, democratic, bottom up, constitutive of forms of institutional power and systemic change (Satgar 2009). This was and is about creating a collective intellectual in which the agency

of every individual, support organisation and collective form could shape the making of the solidarity economy alternative. This is a more difficult path, but has proven to be beneficial in constructing agents of historical change in urban and rural spaces, among movements, trade unions, educational institutions and support non-governmental organisations (NGOs). There is still a long way to go, but a movement of movements, from below, is in the making.

State-supported co-operative development and its critics

Post-apartheid co-operative development has been driven largely in the Department of Trade and Industry, since the adoption of the Co-operatives Act in 2005. In Chapter 1, Jeffrey Ndumo, writing in his individual capacity, although being a key official in government co-operative development, places in perspective the historical development of co-operatives in South Africa, emphasising the role of the colonial state and later the apartheid state in promoting white co-operatives. He highlights the historical duality that has characterised co-operative development and mitigated against the development of non-racial co-operatives, particularly among the black majority. Ndumo's chapter also traces the regulatory and policy shifts in co-operative development in post-apartheid South Africa. He brings out the institutional challenges confronting co-operative development, despite the massive quantitative growth and registration of over 100 000 co-operatives. At the same time, he argues against reducing co-operative development challenges merely to the black economic empowerment emphasis in government policy. Moreover, he brings out state failure and structural pressures, such as post-apartheid liberalisation, that have forced co-operatives into survivalist niches. Ultimately, Ndumo argues the state is self-reflexively rethinking its approach to co-operative development and the 2013 amendments to the Co-operatives Act provides for a developmental turn, which will engender the creation of the Co-operative Development Agency and a tribunal to assist with co-operative development. At the same time, Ndumo argues for a shift to user co-operatives as a priority, rather than worker co-operatives.

A crucial evolution of co-operative regulation and policy in South Africa was the adoption of the Co-operative Banks Act in 2007. This is an important democratic systemic reform to diversify South Africa's financial system and reduce the structural power of commercial banks. In Chapter 2, David de Jong and McIntosh Kuhlengisa, both key officials responsible for co-operative bank development, provide an important contribution on co-operative financial institutions (CFIs) in South Africa. They distinguish CFIs from stokvels and mutuals. Conceptually ring fencing co-operative financial institutions enables an appreciation of the distinctive features of CFIs. Moreover, this chapter provides a historical background to the development of this kind of financial intermediation, going as far back as the 1920s in what was then called the Transkei, in the Eastern Cape, when credit co-operative societies were established. In addition, an important overview is provided of the development of regulation, including the current Co-operative Banks Act of 2008 and the institutional modalities that were enabled. A crucial insight is provided into the development of the co-operative financial sector, its institutional dynamics and growth metrics. While the government has pushed for co-operative bank development, the empirical record is not one of massive growth and structural diversification of the financial sector. Instead, South Africa has two formally registered co-operative banks, fourteen eligible CFIs and fifteen CFIs in the queue, but not eligible for co-operative bank registration. The chapter concludes with a reflection on the institutional challenges facing co-operative bank development and a critical reflection on the factors that could impact on its future.

South Africa's crisis of social reproduction involving poverty, inequality, unemployment and hunger has led to crucial state intervention to provide citizens with work opportunities. The state as an employer of last resort has established a Community Works Programme (CWP) to enable income transfers. Some of these programmes have spawned co-operatives. In Chapter 3, Themba Masondo highlights the role of employer of last resort programmes in South Africa and how they have contributed to worker co-operative development. In the 2014/15 financial year, the CWP had

202 447 participants located in 185 sites spread over 2 000 wards across the country. Women constituted 75 per cent of participants and youth 45 per cent in the same period. Such programmes have provided enabling conditions, such as steady income (R81 per day for two days a week, but in a month of eight days' work, this translates into R648), training, raw materials, office infrastructure and collective solidarity. Using a case study of three co-operatives in Munsieville, at different stages of development and with varied capacities, Masondo demonstrates the enabling role of the CWP in providing a co-operative development pathway. However, at the same time, he highlights how dependency relations and a lack of internal capacities have also locked the co-operatives into a survivalist path. This exposes challenges for the co-operatives themselves to become more self-sustaining, but also the need for CWPs to be redesigned to assist with providing training and education for more viable co-operative development and pathways. This can be strengthened with a commitment to grounding such co-operatives in the development of solidarity economy and network relations. Masondo provides crucial insights for rethinking the relationships among the state, co-operatives and the solidarity economy pathway. This is a novel trajectory with immense potential for worker co-operative development from below, but with direct enabling state support that eschews fostering dependency relations.

While this volume emphasises the progressive direction of co-operative regulation, the embedding in particular policy frameworks skews co-operative development. Also the much-vaunted 'development turn' in co-operative regulation, as embodied in the 2013 amendments to the Co-operatives Act, comes with its own challenges. In Chapter 4, Jan Theron provides a critical perspective on the co-operative legislative framework in South Africa by taking into account the larger political-economic context in which co-operative reform has emerged and is shaped. He cautions against a formalistic approach to co-operative development, that is, legislation being sufficient to engender co-operative development and an 'enabling environment'. At the same time, he provides a critical reading of existing legal provisions, both at the level of limitations

and consequences, but also through the existence of actual co-operatives. He highlights the disconnect between legislation and bottom-up practices. Theron provides a crucial engagement with the transition from the 1981 Co-operatives Act and its implications for small growers. The neo-liberal rationality of deregulation and market-centred reform, with perverse consequences for small-scale farmers is brought into view. Moreover, the legal implications and limits regarding worker co-operative development are also critically interrogated. Finally, Theron offers a crucial antidote to the state-centric perspective on co-operative legislative reform. Unlike Ndumo, in this volume, who sees the current amendments to co-operative legislation as heralding a major shift towards a developmental regime, Theron is much more cautious and highlights the policy lacuna informing the current amendments, which could result in further negative consequences for the role of top-down legal reform in co-operative development.

Deepening the debate and critique of state co-operative regulation and policy is Chapter 5, by Vishwas Satgar. He presents a critical perspective on the role of the state in post-apartheid co-operative development from a solidarity economy perspective. This entails clarifying how solidarity economy as a contingent practice is seeking pathways beyond the ecocidal logic of contemporary capitalism, which is undermining the conditions that sustain life. Central to solidarity economy practice is a conception of an eco-utopian-Marxist method and transformative politics that draws on the work of Rick Turner, but breaks new ground in contemporary South Africa. This chapter goes further to clarify three fronts of engagement with the state: with, against and beyond. The conception of working with the state is about a strategic relationship relating to reconstituting state-solidarity economy-capital relations. A strong argument is made for treating co-operative regulation as part of a practice of democratic systemic reform. Such reform needs to be distinguished from market regulation, which has been dominant over the past three decades and privileges the competitive influence of globalising capital. In addition, the chapter highlights critiques and disagreements with the state, in terms of where solidarity economy

is against contemporary state practice. This includes critique of the ideological thrusts of top-down state co-operative development policy, the lack of smart financing approaches and the lack of recognition of bottom-up, grassroots pathways, through solidarity economy initiatives by the state. Moreover, going beyond the state relates to actual practice at the grassroots. This contribution maps contemporary solidarity economy activist and theoretical practice as part of advancing a movement-of-movements. This is about going beyond the state from variegated interstitial locations, such as co-operatives, movements, NGO-movement links, educational institutions, community-led spaces and trade unions. The challenges associated with this are also highlighted.

Pathways to the solidarity economy from below

Top-down and state-led co-operative development, as part of a market-centred regulatory approach, has made the state blind to the diversity and richness of grassroots co-operative development, particularly as it relates to advancing the solidarity economy from below. While in this volume there is a strong aversion to worker co-operatives by some in the state, South Africa has not really experienced innovative development of the worker co-operative model, particularly in the context of fast-track state promotion of co-operatives into the market economy. This part of the volume enters the debate with state policymakers and society by providing insights into actual and potential solidarity economy pathways for co-operative development.

In Chapter 6, Vishwas Satgar highlights one of the most innovative worker co-operative experiences in South Africa, pre-dating the current democratic state approach. The case study of the Fingerprint Worker Co-operative is the story of South Africa's oldest worker co-operative, formed in 1989 by a group of workers who were unemployed and engaged in the national liberation struggle. Fingerprint demonstrates the making of a creative labour commons, in which worker-owners, through their collective power, knowledge and experience, sustained and developed a viable worker co-operative, in the printing industry in South Africa,

embodying solidarity economy values and principles. The case study demonstrates how their solidarity economy pathway from below entailed building a solidarity market, innovating on worker control through self-management, controlling capital and ending alienation through solidarity relations of production. In its long history, this worker co-operative demonstrates solidarity economy practices that need to be learned from to build viable worker co-operatives, while being mindful that co-operative development always comes with its own internal and external challenges as part of the journey.

Solidarity economy pathways are not only being pioneered on the production side of social relations in South Africa. In Chapter 7, Jane Cherry explores how the Ethical Food Co-operative, formed in 2005, has actively constructed a viable relationship between its online marketing platform, small-scale farmers around Cape Town and consumers. It has pioneered an ethical approach linked to sourcing the best organically grown fresh produce that its consumers choose to buy, given the transparency in Ethical's value chain and the ethics of this consumer choice. The case study explores production practices at source, revealing how Ethical Co-op has actually shown how food sovereignty can work between producers and consumers. Food sovereignty is a systemic alternative to ensure the rights of small-scale producers and consumers are asserted and prevail in an alternative food system. Food sovereignty shares the values and principles of a solidarity economy and how these systemic alternatives are connected ideologically in South Africa. However, Cherry shows that for Ethical Co-op to deepen its solidarity impulse it needs to consider evolving its co-operative model into a fully fledged worker co-operative, but with various institutional permutations. The case study demonstrates the systemic diversity possible in Cape Town's food system through co-operatives, food sovereignty and a solidarity economy.

Post-apartheid South Africa has spawned various top-down approaches to co-operative development. One of these is a state-corporate-led approach as part of social responsibility. Such approaches are fraught with negative power dynamics and dependency relations that seek to frogmarch 'co-operative beneficiaries' into

the globally competitive economy. In Chapter 8, Andrew Bennie investigates such an experience to assess how a solidarity economy approach could assist co-operatives to find their autonomy in what is a deleterious state-corporate-NGO nexus, established to promote the You Reap What You Sow Agricultural Co-operative in Gauteng. Bennie highlights how the crisis of social reproduction in South Africa, related to poverty, hunger and unemployment, has engendered individual and collective responses. Through this case study, he explores the collective social response, as expressed through the formation of an agricultural co-operative in 2001. This co-operative was initially developed through the local state's ineffective promotional approach, thereafter going through a revival supported by a state-corporate-NGO relationship involving Sibanye Gold mining company. Central to this experience is how such relationships impose an agrarian model that is capital intensive and linked into globalised food value chains that are completely disconnected from the life world of co-operators themselves and their communities. Bennie shows this through a solidarity economy and food sovereignty critique of market-centred agrarian reform. He goes further in thinking through the challenges for this co-operative to embrace both a solidarity economy and food sovereignty pathway that would require the state to respond differently to capacity building for self-management, land reform, co-operative financing and the entire agrarian approach to farming if co-operatives developed in agriculture are going to find their own way forward.

Community-led spaces are also advancing pathways from below to achieve the solidarity economy and are aggregating various transformative practices to go beyond capitalism. In this context also, engagements are with, against and beyond the local state. In Chapter 9, Patrick Brennan, Janet Cherry and the Kwazakhele Community Research Team set out how an innovative and bottom-up pathway is emerging for co-operative development in Kwazakhele. In this process, three ideas are being given definition: transition town, food sovereignty and solidarity economy. The chapter describes the emancipatory utopian impulse informing this intervention: to remake an African township into a liveable space in which local

needs are met, but in a manner that is mindful of the ecological dimension of material existence. This is based on the historical experience of struggle and democratic politics in the community, in which deep practices of political solidarity were established in the struggle against apartheid. The chapter provides the background to this and the activist agency that is driving it through a process of participatory action research and collective learning. This solidarity economy pathway is emergent from below and is grounded in solidarity partnerships and learning from international experiences of worker co-operative development, involving localised and embedded relationships. The Mondragon worker co-operative experience, Evergreen Cooperatives and Reimagine Phoenix are important learning examples. At the same time, the project has identified pilot interventions for building co-operatives based on food production, waste recycling and energy, while trying to connect to local government support, wider partnerships and community agency. A pathbreaking practice is emerging, which potentially could embed these relationships to lead local transformation, while ensuring co-operatives are at the centre.

Conclusion

South Africa has experienced more than ten years of co-operative development since the passing of the Co-operatives Act of 2005. State-led co-operative development is supported by regulation, policy and finance. This spans national and provincial departments and local government. Yet, despite the presence and push by the state, various micro and macro problems stand in the way of viable co-operative development. Government is willing to rethink some of its approaches and practitioners in the state are willing to engage in critical debate. This volume attests to that. At the same time, there are bottom-up approaches to co-operatives in South Africa. This volume has profiled the solidarity economy approach, as a people-driven approach and transformative practice, which has its own advantages, practical emphases and challenges. The state is not being asked to take on board the solidarity economy approach, but rather to recognise its autonomous pathways. Solidarity economy thinkers

and practitioners will work with, against and beyond the state. How this works is captured in this volume and in everyday practice.

Notes

1. <http://old.ica.coop/en/whats-co-op/co-operative-identity-values-principles>. Accessed 19 February 2018.
2. In this regard, see Satgoor (2014) who documents the Mineline Factory Occupation and the challenge this posed to the government to assist workers to buy out the old factory or set up a new one, which they would control through a worker co-operative.

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Part 1

State Co-operative Development Policy and Its Critics

1

An Analysis of the Legislative and Policy Trajectory on Co-operative Development in South Africa

Jeffrey N. Ndumo

THIS CHAPTER OFFERS AN analysis of the co-operatives policy and legislation adopted and implemented by the post-apartheid democratic government in South Africa. It seeks to provide a deeper insight into the issues involved and to elaborate on areas of strengths and weaknesses with respect to the choices made in terms of developing co-operatives. The analysis is located within the prevailing international and national context that predominantly influenced the policy and legislative choices that were eventually adopted by the government.

After the advent of democracy in South Africa in 1994, the government embarked on the considerable task of reforming a host of apartheid laws and policy instruments with a view to reshaping the political, social and economic landscape so as to benefit all the country's citizens. During the late 1980s, there was no gainsaying the fact that apartheid policy had reached its zenith and thus represented a heavy burden on economic growth and further development.

Foremost among those policies and laws that were targeted for change by the new democratic government were those responsible for shaping the development of co-operatives. The post-apartheid government attempted to change the prevailing model of dualism within the co-operatives sector, in which white people were developed and supported, but black and coloured people were

excluded, marginalised and underdeveloped. However, despite its liberal vision of transformation, instead of undermining the prevailing model of dualism and its legacy in the development process of co-operatives, the post-apartheid government consolidated the deregulation approach started by the apartheid regime during the 1980s, and thus maintained and prolonged the original dualism.

Co-operative support: From the colonial settler farming communities to the apartheid era

Colonial settler farming: The emergence of dualism

The historical development of co-operatives in South Africa can be traced back to the early formative years of the nineteenth century when colonial settler farmers originally from Europe started to organise themselves into agricultural societies in the four colonies of Natal, Cape, Transvaal and Orange Free State (Van Niekerk 1988). These farmers brought with them the co-operative culture and practice that had already emerged in Europe.

The history of pre-apartheid and apartheid co-operative development was characterised by the formation of dualism, whereby, on the one hand, white citizens enjoyed unfettered rights to establish co-operatives, with strong state promotion and support services provision. On the other hand, black citizens were either restricted or subjected to deliberate retardation by the state's use of policies and legislative instruments with respect to their establishment of and participation in the co-operative economy (Van Niekerk 1988).

In the European setting, the history of modern co-operatives started with the Rochdale Society of Equitable Pioneers, founded in 1844, as a response by workers against the provision of inferior facilities offered by employers and exploitative relationships during the initial years of the Industrial Revolution in Britain. The first co-operative to be established was a consumer co-operative, which paid its members a patronage dividend, forming the basis for the modern co-operative movement. In addition, the Rochdale Pioneers' Co-operative was the first to develop co-operative principles, popularly known as the Rochdale Principles, which formed the foundation

for the co-operative principles espoused later in Recommendation 193, adopted and propagated by the International Co-operatives Alliance (ICA) and the International Labour Organization. In 2003, South Africa became a signatory and ratified Recommendation 193 (Gatuguta, Kimoto and Kiploo 2014).

In South Africa, the first co-operative was the Pietermaritzburg Consumer Co-operative, established in 1892 in the Natal Colony. In 1908, the Transvaal Colony formulated the Co-operative Societies Act, which sought to regulate and promote the development of co-operatives (Derr 2013). This was the first legislation of its kind, not only in South Africa, but also on the whole of the African continent. The Act sought to regulate registration and also provided training and counselling support to farmers. It stipulated that the liability of members, jointly and severally, would be unlimited. It further called for the appointment of a superintendent, whose task would be to undertake regular inspection of co-operatives. In 1909, the Act was amended by the Transvaal Co-operative Congress to allow co-operatives with similar objectives to do business with each other and to enable foundational meetings held at different times and places to be regarded as one meeting (Van Niekerk 1988).

In the other three colonies, co-operatives were regulated and registered under the Companies Act because no overarching Co-operative Act then existed. In 1909, before the formation of the Union of South Africa, the Orange Free State approved the Act to regulate co-operatives. Natal and the Cape had to wait until 1922 to promulgate the Co-operative Societies Act that regulated co-operatives outside the Companies Act (Van Niekerk 1988). The two provincial governments recognised that the absence of a distinct Co-operative Act had a retarding effect on the establishment and growth of co-operatives since the provisions of the Companies Act did not suit the development of co-operatives.

Co-operatives were also promoted and developed through other legislation that provided varied support in the four colonies. For example, in Natal, the Natal Agricultural Development Act was passed, which empowered government, for the first time, to grant loans to co-operatives. In the Cape, the Cape Development Act of

1905 was passed, which allowed government to provide R300 000 as loans to agricultural co-operatives. The support resulted in massive growth of co-operatives. The Transvaal Land Bank in 1907 also granted loans to co-operatives in that province. After the formation of the Union of South Africa in 1910, the Land Bank Act of 1912 was given the sole responsibility of financing and investigating the financial position of agricultural co-operatives. The Act benefited co-operatives greatly. Unfortunately, during this period, financial and other support was solely provided to white farmers to the exclusion of black farmers.

In 1922, the Co-operative Societies Act No. 28 was promulgated to regulate all co-operatives in the Union and it repealed all the Co-operatives Societies Acts existing in all the colonies. It gave the registrar the opportunity to treat all co-operatives in a uniform manner, to give them advice and steer them in the same direction. The Act also allowed registration of trading co-operatives. This law contributed to the massive revival of co-operatives from 81 in 1922 to 405 in 1929 (Derr 2013). The Act was amended in 1925, wherein section 16 provided that 75 per cent of producers of a certain product within a specified area should market their produce via the marketing co-operative. However, the promising growth of co-operatives plummeted drastically as a result of the decline in prices of agricultural commodities during the Great Depression of 1929. The number of co-operatives fell from 429 in 1930 to 202 by 1941 (Derr 2013). Henry Bernstein (1996: 14–15) also notes: ‘The depression of the 1930s, compounded by the devastating drought at the beginning of the decade, was also a crucible of subsequent developments. Major infrastructural projects were implemented through state investment, like irrigation of Harts Valley, which became the biggest irrigation scheme in Southern Africa.’

Apartheid era: Consolidation of dualism

With the coming into power of the National Party government in the 1940s, a series of apartheid legislative instruments were introduced to create ‘separate development’ of white and black citizens. Forced removals and alienation of black people from the

land were deepened. In the co-operative development space, white people received rights to establish and develop themselves through co-operatives, codified in the 1939 Co-operatives Amendment Act.

The new government had to deal with the decline in agricultural co-operatives that had ensued during the 1930s. By way of response to this serious decline of agricultural co-operatives, in 1937 the government passed the Marketing Act, the *raison d'être* of which was to regulate prices of agricultural commodities through the regime of various control boards. It specifically dealt with price regulation by delineating a number of controlled mechanisms, among which were a single channel fixing price scheme, a single channel pooling scheme and surplus removal scheme. In essence, it ensured a revival of co-operatives through appointing them as agents for the physical handling of members' products and they received remuneration for their services. They were also capitalised to supply farm implements, fuel and certain production requisites on credit (Derr 2013). Undoubtedly, this Act demonstrates that the apartheid government adopted and applied a strong interventionist state policy to direct and control the development of agricultural co-operatives that benefited the white minorities, while consolidating the discrimination against black and coloured citizens who might want to be involved in legal economic activities through co-operatives.

The main controversy in this economic law and policy is its discriminatory nature in the co-operative agricultural sector of the country (Derr 2013). For a neo-liberal economic paradigm, this policy was not only anathema to the development of co-operatives because of its discriminatory nature, it was also a market-distorting mechanism because the state was actively involved in determining prices and marketing of farmers' produce.

The 1939 Co-operative Societies Act, for the first time, catered for the establishment of a co-operative with limited liability and co-operatives were allowed to deal with non-members and accept persons other than farmers as members. The Act also allowed members of co-operatives with limited liability to exercise four additional votes, based on the value of their transactions with the co-operatives and stricter provisions regarding financing were accepted.

This revamped Act contributed to the growth in the total turnover and number of agricultural co-operatives.

At this time, agricultural co-operatives were enjoying market dominance with respect to the monopolisation of national production and the Land Bank was also financing co-operatives at a reduced rate. In addition, co-operatives received tax-exemption benefits. Consequently, complaints were raised by competitors, who were calling for policy changes with respect to the state's interventionist approach. Government was urged to level the playing field in the market by allowing market mechanisms to allocate resources. In response to these critical voices, in 1963 the government appointed the Steenkamp Commission to undertake investigation and make recommendations. The Commission recommended the establishment of the 1981 Co-operative Act (No. 91). The Act allowed for the broadening of the co-operative spectrum, which entailed the formation of three forms of co-operatives; namely, trading, agriculture and special farmers (Van Niekerk 1988). The Act also allowed co-operatives to regulate the voting power of their members as they deemed fit, provided that no members exercised voting powers beyond 10 per cent. The difficulty with the Act is the fact that it was in many respects contrary to the ICA co-operative principles. The tax benefit and financing leeway provided to the co-operatives were curtailed because of the fact that they were regarded as providing unfair advantages to the co-operatives over other forms of business.

Jascha Derr (2013) correctly asserts that the policy trajectory of co-operative development during the National Party government, which ruled from 1948 until 1994, solidified the dualistic character of the co-operative development regime that began during the colonial era. White citizens were heavily supported, while black and coloured people were racially discriminated against and received scant support. As a result, white-owned co-operatives achieved economic growth and development success whereas black-owned co-operatives continued to experience deepening retardation, neglect and underdevelopment (Derr 2013: 15).

According to the registrar of co-operatives in South Africa, from 1922 to 1994, 1 444 co-operatives were registered under the 1922, 1939 and 1981 Co-operatives Acts. Approximately 70 per cent of these were in the agricultural sector, 20 per cent in the consumer sector and 10 per cent in the financial services sector. Worker co-operatives were still negligible. Co-operatives in the hands of black people were even more scarce because of the policy of racial discrimination, and by 1994 a mere estimated 214 out of 1 444 co-operatives were in the hands of black people, mainly in the Bantustans (Derr 2013: 14). The growth and development of co-operatives under the 'visible hand' of the grand apartheid state machinery created mixed results, involving pockets of development for whites and a sea of underdevelopment for black, coloured and Indian people. Bernstein (1996: 16) observes that 'the intimacy of organised agriculture (dominated by cooperatives), political, party and state was the basis of the system of regulation that delivered a golden period of prosperity to white farmers in South Africa'. Thus, the model of dualism was consolidated and cemented during this period. Consequently, Charles van Onselen (1996: 368) correctly observes that 'the cooperatives were among the most powerful institutions underwriting racial domination in the South African countryside in the post war years'.

Post-apartheid democratic dispensation: Co-operative policy and legislative trajectory

During the early 1990s, the release of Nelson Rolihlahla Mandela from Pollsmoor Prison heralded a new era of democracy in South Africa. The apartheid regime collapsed and was replaced by a democratically elected government with the mandate of transforming the social, political and economic landscape of South Africa. Consequently, co-operative policy and legislation were also affected. In order to provide a useful analysis of the co-operative policy and legislative instruments implemented by the new democratic government, it is important to first wrestle with the complex question of defining the concept of co-operatives, including the principles and values governing co-operatives as a different form of business organisation.

Definition, principles and values of co-operatives

Co-operation is derived from the Latin word *co-operari*. *Co* means 'with' and *operari* means 'to work' (Kuhn 2011). Hence 'co-operation' means working together with others for a common purpose. Aristotle, a philosopher of ancient Greece, recognised the social nature of human beings when he stipulated: 'Man is a social animal' (in Jowett 1999). Human beings cannot lead a happy and contented life if they live in isolation. Therefore, there is a great need for co-operation, which can be considered a basic principle underlying human life.

In the modern age, the co-operative model has been adapted to various and numerous businesses. Consequently, according to Ivan Emellanoff (1995: 13), 'the diversity of cooperatives is kaleidoscopic and their variability is literally infinite'. As a result of this diversity, no universally accepted definition of a co-operative exists. There are various definitions, but only two are commonly utilised; namely, the American and ICA versions.

According to the Socialist Co-operative School, co-operation is a weapon for the development of socialist thought and the realisation of firms or households for business purposes and economic institutions (Kuhn 2011). This definition is espoused for the purpose of spreading socialism through the utilisation of the concept of co-operative in the global economy. With the fall of the Soviet Union, this definition of a co-operative has taken a beating and is not well propagated, although remnants of it still linger. This is true in the case of South Africa. Some socialists in the country still propagate this definition of a co-operative. However, it remains in the margins of policy and scholarly work.

The second definition is one espoused in the German Co-operatives Societies Act, which defines co-operatives as 'societies with a variable number of members, with the object of promoting their members' income generating and economic activities by means of a jointly owned enterprise' (Borzaga and Spear 2004: 64).

The third definition is closely related to the second definition and is espoused in the United States of America. According to the United States Department of Agriculture, 'a cooperative is a user-

owned, user controlled business that distributes benefits on the basis of use'. This definition captures what are generally considered the three primary co-operative principles: user ownership, user control and proportional distribution of benefits (Borzaga and Spear 2004: 64).

The final definition is espoused by the ICA: 'a co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.' The ICA definition recognises the essential element of co-operatives: membership is voluntary (Tschami 2007). Coercion is the antithesis of co-operation. Persons (both juristic and natural) compelled to act contrary to their wishes are not truly co-operating. True co-operation with others arises from a belief in mutual help; it cannot be dictated, particularly by the hidden hand of the state. In authentic co-operatives, persons join voluntarily and have the freedom to quit the co-operative at any time. The forced collectives prevailing in the former Soviet Union were characterised as not constituting true co-operatives. Embedded also in this definition of the ICA is the recognition that for an organisation to qualify to be a co-operative it has to realise its objectives through either economic, or social and cultural transactions in a market environment through an application of the very old idea; namely, co-operation.

The strength and adaptable nature of co-operatives is articulated by Carlo Borzaga and Roger Spear (2004: 65), who characterise co-operatives 'as organisational forms capable of adjusting to the changing economic, social, cultural and political conditions, owing to their ability to reduce specific transaction costs caused by market failures in several sectors'. Essentially, then, a co-operative is a user-owned and user-controlled business that distributes benefits equitably on the basis of use or patronage (Barton 1989b: 1). 'Such patronage dividends help boost the income of members directly or by reducing the effective cost of the goods and services provided' (Barton 1989a: 21). This principle is often referred to as 'business-at-cost'. In other words, the co-operative enterprise is conventionally held to be a non-profit institution guided by the principle of service

at cost for the benefit of patrons (Helmberger and Hoos 1962). Worker co-operatives involve worker ownership and democratic control of production and are typically initiated as part of attempting to find more empowering alternatives to conventional employment and ownership relations in society (Philip 2003).

In terms of the ICA, co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity (ICA 2010: 1). The seven internationally recognised co-operative principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; co-operation among co-operatives; and concern for the community. These principles are guidelines, according to which co-operatives put their values in practice. They also collectively guide the development of co-operatives and ensure their sustainability.

Co-operatives are dedicated to the values of openness, social responsibility and caring for others. Such legal entities have a range of social characteristics. Membership is open, meaning that anyone who satisfies certain non-discriminatory conditions may join. Economic benefits are distributed proportionally according to each member's level of participation in the co-operative – for instance, by a dividend on sales or purchases, rather than according to capital invested. Co-operatives may be classified as finance, consumer, producer, marketing, purchasing, housing, shared services or worker. They are distinguished from other forms of incorporation in that surplus generation or economic stability is balanced by the interests of members and the community. Major policy decisions are based on the one-member-one-vote principle, regardless of each member's investment in the co-operative. Co-operatives return surplus income (revenue over expenses and investment) to members in proportion to their use or patronage of the co-operative and not proportionate to their investment or ownership share. Co-operatives are motivated not by profit, but by providing a service to satisfy members' requirements for affordable and quality goods or services. Co-operatives exist solely to serve their members. Co-operatives pay taxes on income retained for investment.

In addition, the differences in the definition of ‘co-operative membership’ are well illustrated in ‘worker’ and ‘user’ co-operatives. ‘Worker cooperatives usually combine worker ownership with a democratic control of production mechanisms. Worker participation includes share equity ESOPs [employee stock ownership plans] and cooperatives with full worker control and ownership’ (Philip 2003: 4). ‘User cooperatives can be client or user owned. In these cooperatives the members are users of the cooperatives benefits. It includes cooperative banks, business associations, agricultural processing groups and consumer cooperatives’ (5). It should be noted that the members of these groups are clients or owner clients rather than workers or worker-owners.

Co-operative policy and legislative architecture (2003–13)

The South African democratic government entered its reign committed to the development of co-operatives and targeted co-operatives as one of the critical vehicles for alleviating poverty, underdevelopment and unemployment. In July 2003, the Presidential Growth and Development Summit endorsed special measures to support co-operatives as part of the strategies for job creation in South Africa.

The Summit recommended policy change and amendment of the Co-operatives Act of 1981. The Act was found to be an antithesis to the development of black, Indian and coloured people and was also found to be misaligned with international co-operative principles. In response, the new government initiated a process of developing a new policy and amendment of the 1981 Co-operative Act based on full adherence to international co-operative principles. The model of dualism that reigned during the past periods was targeted for change.

A policy shift towards developing the entire co-operative economic value chain

Unlike the apartheid government, which developed co-operatives narrowly and mainly in agriculture and finance, the new government adopted a change in policy direction by allowing the development

of co-operatives in all sectors of the economy. This policy decision was adopted by Cabinet in 2001, which also resulted in moving the co-ordination, registration and regulation arm of co-operatives away from the Department of Agriculture to the Department of Trade and Industry. The rationale behind this policy move was a recognition of the diversity, variability and adaptability of co-operatives to grow in any sector of the economy. It was also a recognition on the part of government that co-operatives can be a means of countering the exploitation of weaker sections of society by conferring on them a better economic status. In other words, government fully recognised that the co-operative business model, by its very nature, is an empowering mechanism of those weaker segments of society. This policy approach represented an aggressive attempt to eradicate the duality of co-operative development, which was the hallmark of the apartheid government, by allowing all spheres of government to play a critical role in supporting co-operative development in all sectors of the economy.

To further give expression to its policy orientation of eradicating the duality of co-operative development, in 2004 the government formulated and adopted the first national co-operative development policy in South Africa. Its focus was: (1) to create an enabling environment for co-operatives development; (2) to promote and define categories of co-operatives for target support measures aimed at developing economically sustainable co-operatives that can significantly contribute to the country's economic growth and create employment or benefit disadvantaged groups; (3) to enable registration of co-operatives in order to acquire legal status separate from their members; (4) to promote greater participation of black persons, especially those in rural areas, women, and persons with disabilities and the youth in the formation and management of co-operatives; and (5) to establish a legislative framework that will preserve the co-operative as a distinct legal entity (DTI 2004: 5).

In line with this policy prescription, a new Co-operatives Amendment Act No. 14 of 2005, which was based on international co-operative principles, was promulgated by the South African government. This Act confirms a major role for co-operatives in

promoting economic and social development by assisting in creating employment, reducing poverty and assisting marginal members of communities to engage in self-generating income activities. Moreover, the Act enjoins all spheres of government to contribute in the provision of both financial and non-financial support services to co-operatives.

While the overall mandate and leadership for co-operatives development resided with the Department of Trade and Industry (DTI), which acted as a central co-ordinating institution for all co-operative activity, the national line departments were tasked with the responsibility of providing development support to co-operatives in their respective sectors. Thus, the Department of Agriculture, Forestry and Fisheries retained its primary responsibility of developing co-operatives in the agriculture, forestry and fisheries sectors; the National Treasury was responsible for supporting the development of financial co-operatives; the Department of Human Settlement was responsible for the development of housing co-operatives; the Department of Social Development was to assist in the development of social co-operatives; and the Department of Labour was to play a role in the development of worker co-operatives.

There were other policies and legislation that played a minuscule role in contributing to the development of co-operatives in South Africa at this time. Among the noted laws are the Broad-based Black Economic Empowerment (B-BBEE) Act (2003) and the Preferential Procurement Policy Framework Act (2002). One of the foremost commentators on co-operatives in South Africa, Vishwas Satgar, argues that

the underlying policy rationale for the development of post-apartheid cooperatives is grounded in the B-BBEE and procurement. In other words, he is asserting that the B-BBEE Act constrains the development of cooperatives through its logic of procurement support based on deracialising the economy and the rent seeking practices embedded in its logic, namely, the get rich quick scheme has not worked for cooperatives (Derr 2013: 15).

Satgar's and Derr's thesis is correct to the extent that B-BBEE and procurement legislation has not worked in promoting the development of co-operatives. But this thesis is incorrect in positing that the legislation and policy restrict the development of co-operatives. The most serious problem with this thesis is that it is largely reductionist and it exaggerates the role and impact of B-BBEE and procurement policy and legislation, which is not borne out by facts, on the development of co-operatives in South Africa.

With respect to procurement opportunities for co-operatives, the following needs to be noted. The 1997 green paper on procurement identified procurement as a strategic lever to support broad government socio-economic objectives. The government has since adopted a number of policies in support of the objectives of the green paper, such as those regarding small, medium and micro-sized enterprises (SMMEs), co-operatives and black economic empowerment. Since the adoption of these policies, little progress has been made in growing an inclusive economy, supporting SMMEs and co-operatives in general and promoting black people in particular. Big and medium established businesses continue to benefit from public procurement spend – in fact, they are the major beneficiaries of public procurement. Access to procurement opportunities for SMMEs, co-operatives and black companies remains a dream and those that are lucky to break through the ceiling are negligible.

During the 2016/17 financial year, government spend on procurement of goods and services exceeded R938 billion. The question is how much of this procurement spend goes to small enterprises whose definition includes co-operatives in order to promote economic inclusivity. According to a National Treasury report on state procurement, spend towards SMMEs was 38 per cent out of R177 billion recorded in national and provincial spend during the 2016/17 financial year. The figures are from the Central Supplier Database (CSD) hosted by the National Treasury (National Treasury 2018: 8–9). The recorded figure is available for analysis because national and provincial government departments are able to furnish the data analysis to the CSD. Accurately captured data from district

and local municipalities and state-owned enterprises cannot be accessed, let alone analysed. The chief procurement officer has only data related to national departments and provincial departments. Data from municipalities and state-owned enterprises are non-existent in the procurement system.

According to the National Treasury report, government procurement spend to Exempted Micro-Enterprises (EMEs) during the 2016/17 financial year was R40 billion, representing 23 per cent of the monetary value payments made towards 54 165 EMEs. For Qualifying Small Enterprises (QSEs), procurement spend was R27 billion, representing 15 per cent of the monetary value payments made towards QSEs. While for medium and large enterprises, spend was R61 billion. The remaining R50.8 billion is for those enterprises whose procurement spend analysis is not provided (National Treasury 2018: 8–9). Out of the procurement spend for QSEs and EMEs, it is asserted by CSD officials when probed on the question of co-operatives within procurement that a ‘very small portion of the monetary value payment that went to QSE and EME can account for spend towards cooperatives. The officials are the first to admit that the noted figures, however, have not yet been scientifically delineated by CSD in its data system to accurately reflect spend on cooperatives.’ It was, however, stated that ‘the number of co-operatives that have received procurement are not many’.

The figures above tentatively show that the impact from procurement spend flowing from the procurement policy framework and broad-based policies is minuscule indeed. Thus, it is reductionist to assert that procurement and B-BBEE legislation and policy primarily act as a constraint to the development of co-operatives. In fact, the impact is largely insignificant – one of the reasons for the persistent underdevelopment of co-operatives with respect to growth (value) and employment contribution.

For the latter aspect of the thesis to work, the integration of co-operatives within the axis of B-BBEE should be deeper and extensive if B-BBEE was indeed the ‘underlying’ policy that should be credited to have constrained the development of co-operatives. Instead, the opposite is true. The influence of B-BBEE on the

development of co-operatives was always marginal at best. The policy documents of B-BBEE contain marginal conceptual recognition and mentioning of co-operatives. From an evaluative perspective, none or almost negligible ownership deals have been done to benefit co-operatives both in terms of numbers and equity/ownership transaction value. Similarly, with regard to procurement, few co-operatives have received private and public sector procurement opportunities both in terms of numbers and business transaction value, as the above statistics show. Even when examining the enterprise development element of the B-BBEE, co-operatives have yielded negligible performance.

According to the DTI evaluative scientific research, the correct perspective to assert with regard to co-operatives development is that the promulgation of the new Co-operatives Act No. 14 of 2005 must be credited with facilitating a boom in the registration of new co-operatives never seen before in South Africa. According to the Companies and Intellectual Property Commission register, 19 550 new co-operatives were registered from 2005 to 2009 in various sectors, representing a growth rate of 86 per cent. Within a period of four years, the number of new co-operatives has almost quadrupled the number of co-operatives that were registered over the previous 82 years (1922–2004). In 2012, the co-operatives registered reached the 50 000 mark and in 2015 the 120 000 mark. In 2017, the registration of co-operatives reached the 140 000 mark. This trend has continued. The majority of these new co-operatives are black-woman-owned. Youth-owned co-operatives have also begun to emerge (DTI 2012).

However, most of these new entrants remain weak and require high and sustained levels of support to achieve growth in value and sustainability. In addition, according to the Companies and Intellectual Property Commission, the attrition rate remains high (DTI 2012).

According to Statistics South Africa (2015), total turnover of industries was estimated at R8 263 886 million (R8.3 trillion) for 2015, an increase of 5.5 per cent compared with the revised estimate of R7 831 799 million (R7.8 trillion) for 2014. Co-operatives only had a 0.12 per cent share, which translates into R10 billion

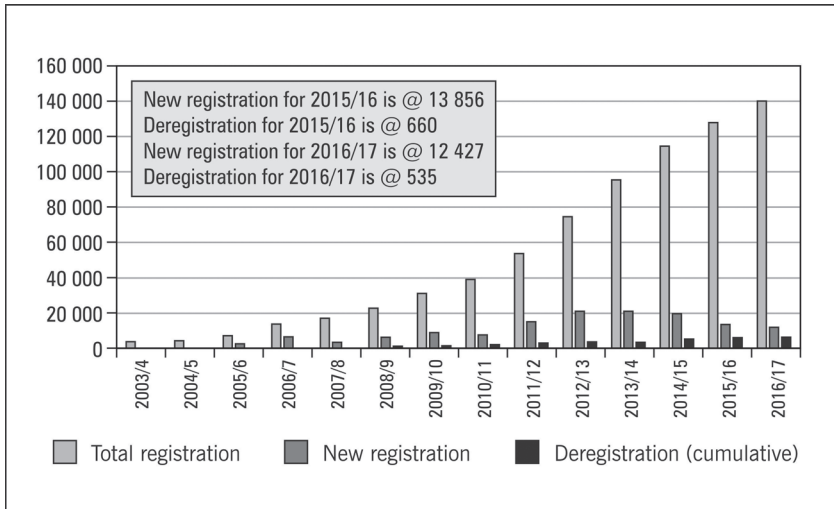


Figure 1.1 Registration and deregistration of co-operatives

Source: Companies and Intellectual Property Commission (CIPC), 2017

of the R8.3 trillion total turnover. Close corporations mustered a share of R1 trillion while private companies had the lion's share at R5.7 trillion. Therefore, co-operatives remain minuscule and underdeveloped compared with other forms of businesses.

Co-operatives' share of turnover has been very stagnant over the last few years, despite the increase in the number of co-operatives registered. From 2011 to 2012 there was a spike of almost 100 per cent, but this then dropped down again in 2013. From 2013 to 2015 the cooperatives' percentage share of turnover has been growing steadily. It must be noted that this was against a steady increase of the total turnover of all the industries represented in the survey.

The total reported asset base for co-operatives reached R7.3 billion in 2015, which reflects a decrease from the high of R8 billion in 2012. This decrease can be attributed to the conversion of major co-operatives into private companies.

The contribution of co-operatives to company tax paid has been erratic. A major increase was recorded from R97 million in 2011 to R160 million in 2012, followed by a drop to R72 million in 2014 and then an increase to R134 million in 2015. The tax contribution

Table 1.1 Statistics SA: share of turnover by organisational type (millions)

	AFS 2015	% share of Total AFS 2015	AFS 2016	% share of Total AFS 2016	Estimates QFS Q1–Q4 2017	Estimates QFS Q1 2018
Individual company	74 113	0.90	77 999	0.89	84 522	20 610
Partnership	52 680	0.64	68 004	0.77	73 691	17 969
Public company	836 080	10.12	853 448	9.70	924 816	225 510
Private company	5 733 040	69.37	6 197 497	70.46	6 715 752	1 637 591
Public corporation	335 923	4.06	357 142	4.06	387 007	94 369
Close corporation	1 085 572	13.14	1 083 394	12.32	1 173 991	286 270
Co-operative society	10 079	0.12	10 621	0.12	11 509	2 806
Government enterprise	7 483	0.09	7 806	0.09	8 459	2 063
Non-profit institution	27 148	0.33	35 406	0.40	38 367	9 355
Other	101 768	1.23	103 882	1.18	112 569	27 449
Total	8 263 886	100.00	8 795 199	100.00	9 530 683	2 323 993

Source: Statistics South Africa, Annual Financial Statistics (2015–2017)

of close corporations on the other hand, has been steady, while that of private companies has seen significant increases from R75 billion in 2011 to R115 billion in 2015 (Statistics South Africa 2015).

Co-operatives reported a net profit after tax and dividends of R421 million for 2015. While this was an increase from the 2014 figure of R352 million, it was a significant decrease from the R1.3 billion net profit of 2012 (Statistics South Africa 2015).

Co-operatives accounted for less than 1 per cent of the total employment costs for 2015, being responsible for R1.3 billion of the

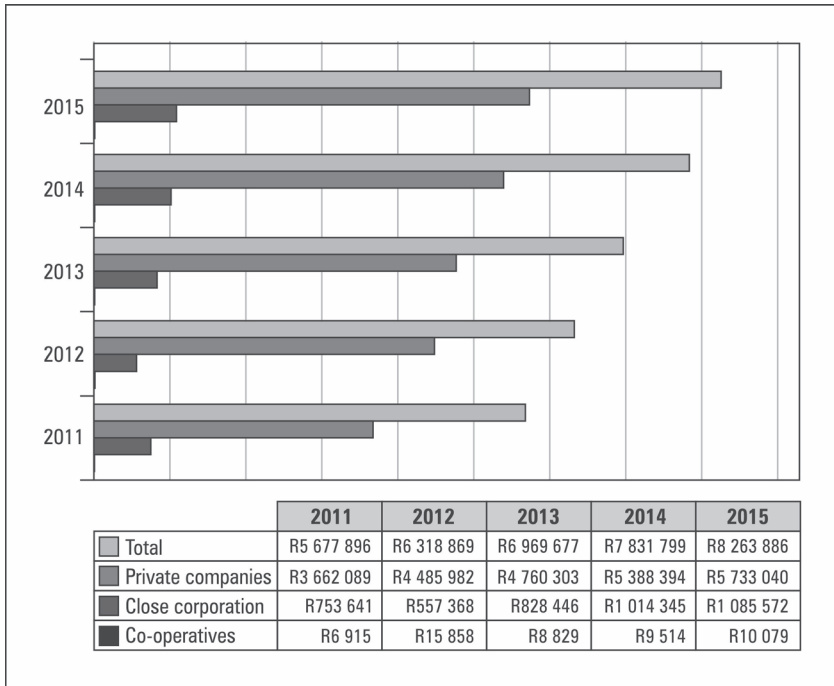


Figure 1.2 Turnover by organisational type (millions)

Source: Statistics South Africa, Annual Financial Statistics (2011–2015)

total employment bill of R1.1 trillion. Private companies and close corporations bore the biggest share of 63 per cent and 14 per cent respectively (Statistics South Africa 2015).

While there has been government investment in co-operatives and a substantial increase in the registration of co-operatives, this has not been accompanied by a related increase in the contribution of co-operatives to the growth of the economy.

The main reason for the boom in the registration of co-operatives is that of an enabling environment through the enacted legislation and government support services. Unlike the previous legislation, this new legislation promotes co-operatives across all sectors of the economy. In other words, although co-operatives' registration has boomed, at the same time, the mortality rate remains very high and their value contribution to the South African economy remain

Table 1.2 Total assets per organisational type (millions)

	2016	2015	2014	2013	2012
Individual	31 952	36 707	41 458	31 490	56 459
Partnership	26 594	20 036	19 537	16 488	27 723
Public company	1 905 329	1 573 954	1 481 295	1 326 845	1 157 086
Private company	4 870 681	4 692 906	4 520 193	3 705 484	3 214 350
Public corporation	1 290 206	1 139 858	992 326	881 989	714 317
Close corporation	477 396	457 539	404 329	363 152	318 605
Co-operative society	8 159	7 388	6 406	6 168	8 053
Government enterprise	14 115	13 227	6 972	3 620	10 770
Non-profit institution	48 746	45 635	46 182	42 129	34 007
Other	112 501	155 921	183 370	128 412	131 263
Total	8 785 679	8 143 171	7 702 068	6 505 777	5 672 633

Source: Statistics South Africa, Annual Financial Statistics (2011–2016)

minimal at best. The largest contribution still emanates from the commercial white-owned co-operatives. What this reflects is that the legacy of the dualistic character of co-operative development still remains intact in South Africa. The question is why. There are many factors accounting for this not so impressive picture of co-operative development, most of which entail the persistent legacy of dualism. Among other things, scientific evaluative research conducted by the DTI (2012) has identified the following factors.

Co-operatives rendered a 'step-child' of small businesses

The difficulty in the provision of support for co-operatives in the public sector is the fact that co-operatives are provided with support that applies tools, methods and institutions geared for shareholder

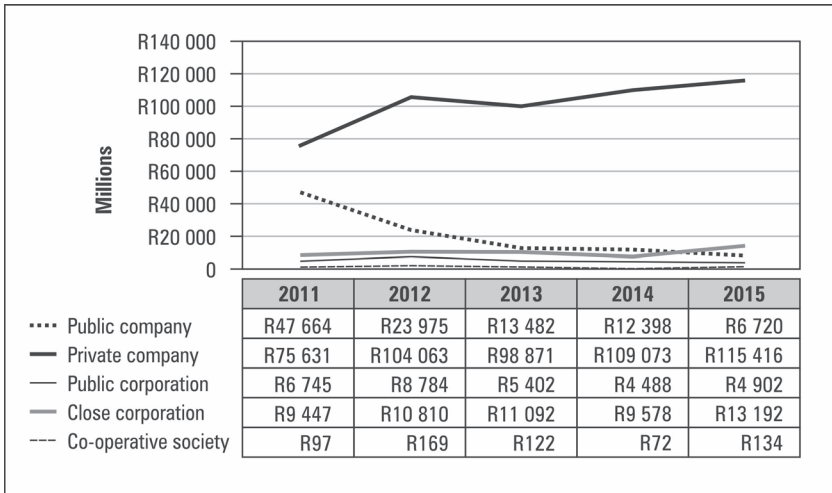


Figure 1.3 Tax paid by all forms of businesses

Source: Statistics South Africa, Annual Financial Statistics (2011–2015)

small businesses, with little appreciation of the unique character of co-operatives.

Lack of democratic decision-making skills within the co-operatives

Most boards of co-operatives overstep their mandate and do not keep members informed and thus trust is eroded and conflict ensues. Boards of directors often lack corporate governance skills.

Persistence of collective interest above individual interest

A co-operative is premised on always placing collective interest before individual interest. Free riders, opportunism, greed, corruption and self-interest have been at the heart of the demise of many promising co-operatives.

Lack of self-reliance

Beneficiaries of co-operatives have yet to acknowledge that the creation of co-operatives should be based on the principle of self-sufficiency. Although there could be a need for subsidisation, particularly at the early stage of formation, the aim should be self-

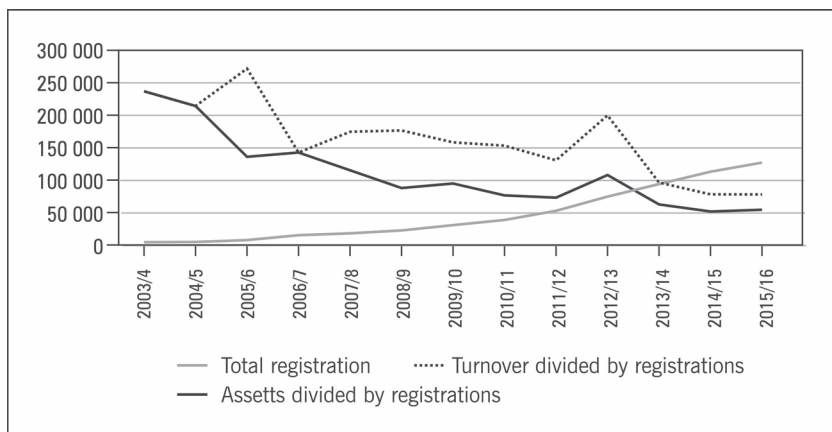


Figure 1.4 Registrations versus turnover and assets

Source: Statistics South Africa, Annual Financial Statistics (2003–2016) and CIPC (2003–2015)

sufficiency from the start. Many co-operatives in South Africa have not embraced the concept of self-sufficiency.

Lack of networks and economic value chains

Globally, co-operatives that have a broad network of support, including technical, managerial, legal, administrative and financial support, appear to be more successful. The underdevelopment of the co-operative movement, together with the limited co-operation and partnership action between co-operatives and other entities, either as trading partners or to access financial support or other services, is an impediment to the success of co-operatives in South Africa. This is compounded by the limited co-operative value chains that can link co-operatives operating in different sectors, or different components of each sector value chain.

Lack of greater recognition of co-operatives' unique business form and diversity

Most policy interventions tend not to be tailor-made to target different market segments and do not take into consideration the unique nature of the co-operative business model in South Africa.

Lack of financial sustainability

Emerging co-operatives still find it difficult to attract and retain adequate capitalisation. The democratic operation of co-operatives and their surplus sharing method based on use makes them less attractive to venture capital. Co-operatives face difficulties retaining earnings, and increasing capital requirements and existing incentives and support structures do not address the need of co-operatives across their entire life cycle in South Africa.

Lack of management and technical skills

Many co-operatives are initiated with older and unemployed people, often with low skills management levels and business acumen, and no prior business experience in economically marginal areas. Certain co-operatives, such as consumer, finance, housing and productive and user co-operatives, require specialist technical knowledge, which is not always available within the co-operative. A lack of both management and technical skills by individual members undermines the chances of success. Lack of these skills also contributes to tensions within co-operatives in South Africa.

Limited trust and social cohesion

Because of the unique nature of collective interest and participation, co-operatives rely on high levels of trust between members. The absence of the shared vision, approach, financial trust and strong social ties has contributed to the demise of a number of co-operatives in South Africa.

Lack of promotion and awareness

Limited promotion and awareness of the co-operative business model is one of the barriers to co-operative development in South Africa. The public sector (national, provincial and local spheres of government and state-owned enterprises), the private sector and society in general do not understand the co-operative model and its inherent value.

Lack of access to markets

Limited access to markets for the products and services supplied

by co-operatives (as a result of their business counterparts' poor understanding and appreciation of co-operatives as businesses to transact with) still remain a major impediment to growth of co-operatives.

Lack of critical business infrastructure

Lack of critical business or development infrastructure facilities (for example, at municipal levels) where co-operatives are active remains a challenge.

Lack of economic and social impact statistics on co-operatives

Lack of regularly updated statistics about the full spectrum of the co-operative sector and its social impact is resulting in insufficient market transparency and poor appreciation of the co-operative business model.

Lack of co-ordination and integration of support

Lack of streamlining and integration of support for co-operatives with respect to value chain funding and non-financial support by different spheres of the public sector makes their efforts unco-ordinated and less effective.

Lack of focused monitoring and evaluation

Thorough and regular focused monitoring and evaluation of the evolving support process for co-operatives has been inadequate and underdeveloped.

Impact of economic liberalisation on the development of co-operatives

Bernstein (1996: 30) correctly posits that the new South Africa was

fashioned along the lines of neo-liberal ideological constructs. Its own version of racial capitalism thesis advocates de-racialization through opening the freedom of the market for all, rolling back the post-apartheid state, advising the newly democratic government under the leadership of the ANC not to repeat the 'mistakes of its predecessors' . . . the central

problem of apartheid is presented as that of market distortion induced by state intervention.

Furthermore, Bernstein continues:

The core of its paradigm views the apartheid state as an illegitimate arena of individual maximization by functionaries . . . It flourishes on its monopoly of certain powers, e.g. taxation, legislation and control of information. The effects of such monopolies are rent seeking, inflated transaction costs, inefficiency, corruption, stemming from the control of resources that should be in the hands of the market (1996: 30).

Liberalisation and deregulation of the economic paradigm in South Africa was also extended to the development and provision of support services to co-operatives. This approach has placed huge constraints on the development of co-operatives and resulted in the persistence of dualism in co-operatives.

For example, in the agricultural sector, the phasing out of subsidies, exposure to international markets and prices, the removal of statutory marketing and price fixing by the boards in 1995 stunted the growth of co-operatives in terms of their contributions to gross domestic product, employment and tax (Groenewald 2002). The majority of registered co-operatives remain vulnerable and very small in size with a high mortality rate caused by the harsher competitive conditions and limited support provided by the new government. Given the emerging nature of these co-operatives (which are owned by black and coloured people) it becomes imperative that they are provided with support in the form of market protection from international competition as well as with restricted markets to enable them to grow. The micro and macro environment in the form of policy and legislative instruments needs to be constructed to enable a nurturing environment for co-operatives.

To put it differently, the transition from the regulated apartheid era with the massive state support to a much more competitive

deregulated market economy has meant that co-operatives have to be competitive if they are to survive. Giant co-operatives that used to dominate agriculture were dislodged and a process leading to demutualisation and conversion from co-operatives to companies was precipitated. Several co-operatives converted into investor organisational firms and some listed on the Johannesburg Securities Exchange. For example,

OTK and Sentraalwes (SWK), the biggest two cooperatives in terms of assets and turnover, started a process of converting in 1995 into companies. OTK's turnover of R2.37 billion could be compared to share owner value enterprises like Imperial Cold Storage and Rainbow Chickens respectively R2.4 billion and R1.5 billion in the same year (Bernstein 1996: 26).

According to the registrar general of co-operatives in South Africa, about 90 per cent of commercial co-operatives have converted to companies since 1993 (Sikuka 2010). Thus, the neo-liberal state ideology, contrary to the public rhetoric, has played a role in retarding the development of co-operatives. In essence, neo-liberal policies have contributed to the poor performance of co-operative development in post-apartheid South Africa. The data on co-operatives testify to this reality. The model of dualism and its legacies remain intact, instead of being dislodged.

Co-operatives Act 2005 to Co-operatives Amendment Act 2013: A shift in emphasis from an administrative law to a developmental law

Although the Co-operative Act of 2005 embraced the language of development of co-operatives, it remained chiefly administrative in character rather than developmental. Its primary object was to enable co-operatives to register and acquire legal status separate from their members. The 2005 legislation and the national policy formulated to develop co-operatives rendered them instead as the 'step-children' of small business enterprises. Enterprise development institutions such

as the Small Enterprise Finance Agency, the National Empowerment Fund and the Small Enterprise Development Agency, which were created to support small enterprises, prioritised their core mandate of supporting small enterprises and thus sidestepped supporting co-operatives. Where co-operatives were supported, they were treated as second-class citizens and only provided with minuscule budget and human resource capacity. Few personnel within these institutions have a full appreciation and understanding of the co-operative business form, so are not able to provide it with appropriate, tailor-made support.

In order to rectify the constraints in policy and legislation and to enhance the development and performance of co-operatives, the 2005 Act was amended by the government through the promulgation of the 2013 Amendment Act No. 6. The new Act was deliberately amended to have a strong development character. It was an attempt to position co-operatives in a manner that allows for the dislodgement of the model of dualism that dominates the sector.

It called for the establishment of two distinct institutions whose task is to focus in an integrated manner on supporting co-operative development. The premier development institution that the Act established is the Co-operative Development Agency (CDA), whose *raison d'être* is to provide a one-stop shop with regard to development support for co-operatives. The services it provides are: financial and non-financial assistance to co-operatives to enable the development of co-operatives; business support services, including but not limited to mentorship and post-investment and post-registration support and access to market services; assist co-operatives in fully complying with the requirements of the Act; access to information regarding all products, programmes and services available to co-operatives; carry out independent review reports on behalf of the qualifying primary co-operatives and ensure that such co-operatives submit these reports to the register; and develop and maintain data on co-operatives in partnership with the registrar, the relevant national and provincial economic development departments, municipalities and other role players.

The second institution established by the Act was the Co-operative Tribunal. According to the Co-operatives Amendment Act of 2013, the main responsibilities of the Co-operative Tribunal are:

1. to adjudicate in respect of any application made in terms of registration and de-registration of co-operatives;
2. to assist in respect of conflict or dispute resolution matters referred to it either by the minister, requested or applied for by the advisory council; supervisory committee; or a member of a co-operative only after all the internal conflict-resolution mechanisms have been exhausted;
3. to appoint inspectors, investigators and other support staff to carry out inspections, investigations or provide services to the Tribunal;
4. to assist in respect of the process, reference and processing of the requested dissolution, winding up or liquidation of a co-operative either by the directive from the minister or written request submitted by such co-operative or creditors of such co-operative directly to the Tribunal;
5. to assist the relevant agencies with the enforcement of and compliance with the provisions of this Act;
6. to assist the registrar of co-operatives in maintaining and updating the co-operative database and registration database;
7. to monitor and compel co-operatives to submit financial information as provided for in the Act;
8. to assist by placing the co-operatives under judicious management in compliance with judicious management provisions set out in section 77 and Schedule 1B aimed at reviving co-operatives that are in trouble or facing possible liquidation.

The government anticipated that the CDA and Co-operative Tribunal would play a pivotal role in unlocking some of the value currently trapped in the co-operative value chain. The two institutions have the potential to enhance the productivity levels of the co-operative societies and to play a significant role in creating jobs and alleviating poverty. Through these two institutions, the

government was breaking away from the previous practice of treating co-operatives as the 'step-children' of small businesses by providing distinct institutions to provide a focused, integrated and concerted effort towards co-operative development. These institutions were designed to work closely and in partnership with the national associations of the co-operative movement, the government and the private sector in order drastically to reduce the high mortality rate of co-operatives and to ensure their sustainability. With the new Act, the government was also seeking to change the legacy of dualism in the area of co-operative development. However, while the Act was promulgated by Parliament and the president, it has still not been proclaimed to bring the legislation into operation. The main reason for the delay is that the establishment of the new Department of Small Business Development required that the new principals must engage fully with the proposed amendment before enabling its proclamation. In addition, the Companies and Intellectual Property Commission was not ready to develop its administrative systems in order to register co-operatives under the new Act. Hence, the model of dualism still remains untransformed. In order to remove the dualism in the sector, more legislative instruments must be enacted that involve a number of other national line departments, such as the housing, labour and economic cluster, among others, to aid the development of co-operatives and focus on reforming both supply-side and demand-side measures.

* * *

This chapter has shown that the development of co-operatives in South Africa has been shaped by the changes in policy and legislation of the various governments. During the era of colonial rule in the early nineteenth century, the development of co-operatives was uneven. The colonies that formulated distinct co-operative societies Acts, apart from the Companies Act, tended to register better performance of co-operative development than those that regulated co-operatives under the Companies Act. As can be expected, the policies and legislation primarily focused on developing whites to

the exclusion of black, coloured and Indian citizens. It is the thesis of this chapter that the formation of the model of dualism with respect to co-operative development took shape during this period.

With respect to the post-apartheid democratic government, a number of policy and legislative changes were made in an attempt to deracialise and reverse the dualistic character of co-operative development. In this regard, in 2003, influenced by recommendations from the Presidential Growth and Development Summit, the government endorsed special measures to support co-operatives as part of its strategies for job creation. The amendment of the Co-operatives Act of 1981 was effected to fully adhere to the international co-operative principles. Hence, the birth of the 2005 Co-operatives Act, which also enjoined all spheres of government to play a role in aiding the development of co-operatives and encouraged line function national departments to support co-operatives in their respective sectors.

The additional policies and strategies adopted by the national government involved shifting away from solely focusing on developing co-operatives in the agriculture and financial sectors towards developing co-operatives across the economic value chain. This policy shift formed part of the economic liberalisation adopted by the South African government whereby state regulatory instruments that also affected this sector (marketing boards and price regulation, among others) were entirely dismantled. State intervention of the character of the apartheid government was abolished.

Although these policy and legislative changes represented progress, the legacy of the dualistic character of co-operative development has persisted. More troubling is the fact that emerging co-operatives, mainly formed by black, coloured and Indian people, witness a high attrition rate and remain weak and vulnerable and incapable of withstanding the competition brought about by economic liberalisation.

To deal with these negative impacts, the government amended the 2005 Co-operatives Act in 2013. This new law represented a shift away from a primarily administrative law towards embracing

a developmental law. This law also aimed to liberate co-operatives from being the ‘step-children’ of small enterprise development by creating autonomous institutions with the primary responsibility of providing support services to co-operatives using ring-fenced budget and institutional approaches. The role of the state was conceptualised as creating a conducive environment through the provision of supply-side support to assist the development of co-operatives. It was anticipated that these institutions would deal with the legacy of the dualistic character of co-operative development that has persisted in post-apartheid South Africa and help to reverse the high mortality rate experienced by co-operatives and ensure their sustainability. However, the complete removal of the legacy of dualism is yet to be fully realised.

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2

Co-operative Banking in South Africa

David de Jong and McIntosh Kuhlengisa

HISTORICALLY, CO-OPERATIVES AND mutual banks have been formed to serve individuals whose needs are not met by the free enterprise system. Whereas the primary purpose of a company is generally to maximise shareholder wealth, co-operatives are more geared towards providing goods and services to their members over the long term and at the lowest cost possible. Financial co-operatives are no exception. This chapter looks at the evolution of financial co-operatives in South Africa, addressing the plethora of co-operative-like structures in the country, as well as their historical and legislative development, and concluding with a prognosis for a possible future for the sector.

Defining member-based co-operative financial institutions

Institutions in South Africa that can be deemed co-operative in nature include rotating savings and credit associations, stokvels, co-operative financial institutions (CFIs) – previously referred to as financial services co-operatives (FSCs) – savings and credit co-operatives (SACCOs), co-operative banks and mutual banks. Attempting to differentiate between the various co-operatives is critical to understanding the sector. Table 2.1 illustrates what the groups have in common, as well as their differences.

Stokvels are by far the most visible known form of member-based financial intermediary schemes in South Africa and are mostly informal and the least regulated. CFIs are formal entities,

Table 2.1 Distinctions between member-based financial institutions in South Africa

	Stokvel	CFI	Co-op bank	Mutual bank
Membership	Natural person	Natural persons*	Natural person*	Natural and juristic persons
Formality	Informal	Registered co-operative	Registered co-operative	Registered company
Size	Typically small	200 members +	200 members + R1 million deposit	Minimum of R10 million capital
Criteria for membership	Part of the group; approved by members	Members only within defined common bond – same workplace, associational or rural/urban district	Members only within defined common bond – same workplace, associational or rural/geographical area	Open to members and non-members
Operational complexity	Simple. Circulates savings or invests savings. Some provide loans to members	Primarily savings and loans. Brokerage of other services. Investments in products with guaranteed returns	Primarily savings and loans. Investments in products with a guaranteed return. May broker foreign currency and other products	Savings and loans. Investment limitations as well, but not as restrictive as co-operative banks
Ownership	Members' consensus. Sometimes an entrepreneur	One member, one vote	One member, one vote	Typically, would be at a minimum 51 per cent owned by members. No certainty what ownership criteria is currently applied in South Africa

Table 2.1 *Continued*

	Stokvel	CFI	Co-op bank	Mutual bank
Regulatory complexity	Simple. Constitution	Regulatory reporting requirements as a deposit taker (up to R30 million) and as a co-operative	Relatively simple. Specific to the prudential requirements as a co-operative bank	Complex. Report as a bank
Capital requirements	None	R100 000	6 per cent capital adequacy requirement	Risk assessed but minimum of R10 million

Note

* The 2015 amendments to the Co-operatives Act of 2005 redefine a member to include juristic persons as well. At the time of writing in late 2017, no commencement date had been gazetted as yet and the supervisor of co-operative banks had not made a ruling on whether this change will relate to co-operative banks as well.

registered as co-operatives under the Co-operatives Act of 2005. They may enter into contracts with third parties and have limited liability. Mutual banks are registered as companies (not co-operatives) and are therefore excluded from discussion in this chapter. A further distinguishing characteristic of mutual banks and stokvels in South Africa is that they are not necessarily based on the principle of ‘one person, one vote’, irrespective of the contribution of the members. Finbond Mutual is 51 per cent owned by Finbond Group Ltd. Members do not have control of this entity. Consistent with Carlos Cuevas and Klaus Fischer (2006), in this chapter the term CFI incorporates all forms and types of financial co-operatives, including FSCs, SACCOs, credit unions and so-called village banks. However, in certain cases, specific models will be discussed. It should also be stated that there is no difference between a credit union and a SACCO. The latter was adopted as the African term for credit unions.

A history of co-operative financial institutions in South Africa

The early years

A detailed overview of early credit co-operatives in the Eastern Cape (including the former Transkei), their promotion and promoters is recorded by Alexander Ruiters (1993). He describes how a Father Huss, when touring the Transkei in 1928, found credit co-operative societies that had been established as early as in 1926, whose principle objective was 'to liberate their members from indebtedness of local white traders'. There were 35 societies by 1932. Ruiters identifies a number of reasons why credit co-operatives were promoted in those early years. Besides a need in the local population for access to reasonably priced credit for agricultural inputs, the local state saw them as a means to contain political resistance, while Father Huss saw the credit co-operatives as a vehicle for economic improvement and moral salvation. By the 1950s, however, co-operatives were overtly used by the state as a tool to implement betterment schemes and interest in them had waned considerably as the state began to intervene in their affairs. There is also documentation from ECI Africa Consulting (2003) regarding the formation of credit union-like entities from an unnamed 1928 publication, which refers to the application of the credit union concept in what is now KwaZulu-Natal by German missionaries. We have no knowledge of publicly published information on CFI development between the 1950s and the 1980s.

Championing CFIs in the early 1980s and 1990s

It is in the early 1980s that the Catholic Church played a significant role in the re-emergence of credit unions in South Africa. Following a study tour of Ireland, Catholic parishes in what is now the Western Cape decided to form credit unions and the Cape Credit Union League was established to help them to co-ordinate their activities and standardise their operations. At this time though, the credit unions were formed as social organisations and did not operate as businesses. This inadvertently resulted in a moral hazard because, given the social focus of the model, loans issued through credit unions were relatively cheap as a result of the low rates of savings.

The unintended consequence was that it discouraged member savings, which ultimately depleted the funding base. However, because members were enjoying cheap loans, they did not want to change the way the credit unions operated. Without growth, it was inevitable that the credit unions would stagnate.

A second problem in the early 1980s was that people were scared to take up leadership positions because of the state of emergency in the country during this period. This resulted in the ministers of church parishes taking on leadership positions in the credit unions. If the minister was transferred to another parish, the credit union's continued existence would depend on whether the incoming minister had knowledge about credit unions and whether he was interested in carrying on with its activities. Overdependence on the champions of start-up CFIs and a reluctance to relinquish control to members remain challenges to this day.

The idea of credit unions grew in impoverished communities as an alternative to other savings schemes because they offered cheap loans. In 1987, the Cape Credit Union League extended its activities outside the Western Cape region and formed itself into the South African Credit Union League (SACUL), with the first general manager being Kwedi Mkalipi, a pan-Africanist who had just been released from Robben Island. Credit unions grew from a handful in the Western Cape to approximately 50, scattered around both urban and rural areas, as well as some located within workplaces. Notwithstanding the above, the problem of non-viable credit unions still existed and in 1991, when the World Council of Credit Unions did an assessment of the viability of the South African movement, they found that only 3 of the existing 47 SACCOs were viable.

Collaboration in the sector

As a result of much discussion within the credit union movement, it was decided to change the orientation towards a business model. The viable co-operatives argued that making a surplus and developing strong credit unions was in their members' best interests in the longer term, rather than short-term gains of cheap loans. Thus, in 1993, after discussion with the Canadian Co-operative Association and

the African Confederation of Savings and Credit Associations, the Savings and Credit Co-operative League of South Africa (SACCOL) was born. The model adopted was strongly influenced by a combination of the Irish model and the Canadian model, with the Canadian Co-operative Association having a full-time technical advisory section embedded in SACCOL. The United States Agency for International Development provided a major grant to support an ambitious growth strategy in South Africa and the Irish Credit Union League was to provide funding for capacity building. In line with the African movement, it was agreed that credit unions would be called SACCOs.

During the early 1990s, two other financial co-operative initiatives were being created with the intention of forming 'village banks'.³ These were initiatives by the Financial Services Association (FSA) and FinaSol. Village banks were founded by the International Fund for Agricultural Development (IFAD). They were meant to be self-sustaining financial institutions that were owned, financed and managed by the community with the purpose of providing deposits, credit, banking and other financial services to their members. As practised in the rest of Africa, they were not necessarily co-operatives, but rather a quasi-type company, with vested shareholders, as determined by the community. However, as the exemption notices only allowed for member-owned organisations, the FSA model changed track halfway and opted to adopt a co-operatives model (Nigrini 2001). This change was never wholly adopted by the initial 'founding' members of many FSCs and, still today, these founding members are waiting for their returns and not allowing new members to join as shareholders.

The initial model, as developed by IFAD, also saw each bank having a linkage to a commercial bank, which would assist with capacity building and product development. While ABSA and First National Bank were initially engaged in the concept and had contracts with links to FSCs, the ability of the link banks to provide the capacity required to these small FSCs with limited return meant that over time the link concept faded out, to the point that besides the FSC using banks for its transmission and investment transactions, no value-adding relationship between the parties existed.

An apex body, the FSA, and a franchiser, FinaSol, were recognised as self-regulatory bodies to regulate FSCs. The FSA was formed in February 1996 by the three pilot FSCs in the North West province for the purpose of registration with the registrar of banks. All registered FSCs had equal representation at the FSA board level and the FSA formed the overall controlling body for all FSCs, as well as being the mechanism through which the individual FSCs could interact on a macro level (Nigrini 2001). The FSA was recognised as a regulatory authority in January 2000.

In January 1999, FinaSol, a not-for-profit association, was registered to also operate as a regulator of FSCs. The functions of both the FSA and FinaSol can be summarised as follows:

- Pre-launch support to communities interested in establishing an FSC;
- regulation and licensing of FSCs;
- evaluation and consolidation of FSCs' financial statements and reporting to the registrar of banks; and
- providing technical support to FSCs (Nigrini 2001).

In supporting FSCs, both the FSA and FinaSol attempted to address three essential issues:

1. Efficient and effective operation of FSCs;
2. the lack of human capacity found in rural areas to carry out management and operation activities necessary to provide financial services; and
3. the credibility of FSCs.

A key differentiator of the FSA and FinaSol models was the latter's adoption of a quasi 'franchise' model, entailing the adoption of standardised buildings (provided by the local chiefs), standardised computerised financial management systems and standardised processes and procedures. FSCs deposited their pool money in a link bank as security for loans provided to members by the bank. While the FSCs were independent, most important sustainability issues, such as joining fees, interest rates and share contribution, were determined centrally by FinaSol. As a result, when the national

structure was dissolved, the financial co-operatives struggled to survive.

The FSA, on the other hand, received most of its project funding from what was then the Department of Welfare with a grant of R7 million. At the end of the funding period, a project review by the Department of Social Development revealed the following:

- A lack of proper management of both the Association and the FSCs;
- poor training of FSA staff; and
- a lack of experience in microfinance.

Further funding for the project was denied and the FSA eventually collapsed. In 2002, it was closed, leaving a total of 32 registered member FSCs (Finmark 2013).

Legislative framework for deposit taking (subscriptions)

One of the major achievements of SACCOL was to lobby for a legal environment in which SACCOs could operate. After negotiations with the South African Reserve Bank (SARB), the first ‘common bond’ notice, exempting stokvels, SACCOs and employee schemes from being defined as a bank (provided certain conditions were met) was promulgated. These conditions included belonging to a body that would self-regulate up to a maximum cap of ‘subscriptions’ they could mobilise.

Exemption Notice No. 2173 allowed informal member-based groups to pool money and to utilise the funds for the benefit of their members on condition that a common bond (associational, geographic or employee based) existed between members within the group, relying on self-imposed regulation to protect the interests of their members. The focus of this exemption notice was on stokvels, SACCOs and employee savings clubs. Such deposit-taking institutions had to be affiliated to SACCOL or the National Stokvel Association of South Africa (NASASA), the self-regulating bodies of the deposit-taking financial institutions operating under this exemption notice. NASASA represents the interests of the stokvel

movement in South Africa, while SACCOL was a registered co-operative that regulated and monitored the activities of SACCOs in South Africa. SACCOL also provided capacity-building services to affiliated members. The limit for holding member subscriptions (savings) was increased from R10 million to R30 million with the issuance of Exemption Notice No. 1176.

Exemption Notice No. 3677 allowed FSCs to be regulated by the FSA, excluding SACCOs. The FSA offered a centralised support structure for FSCs and assumed regulatory responsibility for member FSCs. FinaSol was later included as one of the self-regulatory bodies for FSCs. It has been asked why FinaSol and the FSA were not included in the 'common bond' exemption notices. There were only subtle differences between the models, convincing enough for the SARB to issue separate exemption notices. The subtle differences in the two models are reflected in their standard constitutions. Legislatively, the models are characterised by the following:

- Must have a business relationship, of their own choice with a registered commercial bank (link banks);
- trading only with members; and
- limited to operating only in rural or geographical areas.

In reality, it would seem that access to funding drove the desire for separate exemptions.

In 2002, however, the FSA and FinaSol had to terminate their operations when grant funding stopped. Between 2003 and 2007, the National Treasury contracted a local audit firm and SACCOL to conduct a detailed audit of the sector with the primary objective of determining the viability of CFIs. The National Treasury offered a pay-out of member deposits of non-viable CFIs registered, if they opted to cease operations. As a consequence, a total of approximately R5 million was paid to the depositors of 16 of the 63 CFIs in an attempt to close them down. FSCs that were viable and those that elected to remain functional continued to operate in the absence of a regulatory body. The situation was regularised in 2008 when the South African Micro-Finance Apex Fund (SAMAF) was mandated

to assume the regulatory responsibility for FSCs through Exemption Notice No 887.

In 2011, at the annual CFI indaba, members of SACCOL, then the only surviving representative body for SACCOs, took a resolution to dissolve and to allow the formation of a new inclusive representative body of all CFIs, including SACCOs, FSCs and co-operative banks (CBDA 2012: 26). This decision was partially forced on SACCOL as its funds had dried up and it was unable to operate and had essentially dissolved.

Drivers of the financial co-operative movement in South Africa *Political imperatives*

As highlighted above, early drivers of the South African movement were a combination of social factors influenced by the material and political consideration in the country prior to 1994. As Ruiters (1993) explains, social movements' support for the co-operative sector in general were often driven by the ebbs and flows of social movements' strengths and ideological considerations.

The years after 1994 saw a number of important drivers promoting the establishment of a financial co-operatives sector. The first of these can be attributed the publication of the *Report of the Commission of Inquiry into the Provision of Rural Financial Services* (Strauss Commission). While the Commission identified the use of member-based organisations, or co-operatives, as a possible means towards the provision of financial services, it placed a larger emphasis on state institutions, such as the Land Bank and possibly the Post Office, to offer these services on a larger scale. However, the Commission also provided for continued experimentation with FSCs in the rural areas to play this role.

CFIs have been seen as key to resolving various structural, socio-economic and financial inefficiencies within the market, but the criticism often raised about them is that they are strongest as employer- or union-based with payroll deduction. While this has been the case in many countries, there are also very successful rural credit unions around the world. Possibly the main impetus to the formation and formalisation of the CFIs

in South Africa was in October 2000, when the South African Communist Party (SACP) launched its Red October Campaign, under the theme of making the banks serve the people through the diversification and transformation of the financial sector. The campaign caught the imagination of a broad spectrum of people and organisations and soon morphed into the Financial Sector Campaigns Coalition (FSCC), with more than 55 organisations in various provinces participating in the campaign through the leadership of the SACP.

The issue of financial sector transformation was taken to the National Economic Development and Labour Council (NEDLAC) where the demands of the FSCC were tabled and debated by the government, labour, businesses and the community. At the time, one of the key reasons that the campaign was so successful was that it identified the indebtedness of people and their blacklisting by the credit bureaus.

During the Financial Sector Summit held in August 2002, government, business, community and labour constituencies of NEDLAC agreed on strategies to ensure that the financial sector would become more efficient in the delivery of financial services, which would enhance national savings and access to finance.

It was agreed that the proposed strategies should:

- Assist the financial sector in providing sustainable and affordable banking services, contractual savings schemes and credit for small and micro-enterprises and poor households;
- support higher levels of savings and investment overall;
- expand developmental investments that create employment, raise living standards and strengthen the economy; and
- encourage broader and more representative ownership, control and employment in the financial sector itself and in the economy as a whole.

The agreement on second and third tier deposit-taking financial institutions covered the key principles for legislation for financial co-operatives, ensuring that these institutions operated according to co-operative principles and enjoyed adequate prudential oversight.

This included proposals to enhance the developmental impact of the regulatory framework, as well as to engage on a concrete support programme for financial co-operatives.

Through the works of the Standing Committee for the Revision of the Banks Act 94 of 1990 on implementing the NEDLAC agreements, the first policy paper on co-operative banks and the Co-operative Banks Bill became publicly available in 2004 and the latter was finally deliberated and adopted in Parliament on 4 September 2007. The Act was published on 22 February 2008 and implemented on 1 August 2008.

Over the same period, concurrent changes in the broader co-operative legislative landscape resulted in the responsibility for co-operatives in government being transferred from the Department of Agriculture to the Department of Trade and Industry. The previous co-operative legislation was replaced by the Co-operatives Act 14 of 2005 (Co-operatives Act), which provided for the registration of financial co-operatives as a business form.

The African National Congress (ANC) and its alliance partners, the SACP and the Congress of South African Trade Unions (COSATU), in various policy documents and manifestos, have consistently argued for the formation of co-operatives as a basis for mass-based empowerment. An example of this is the ANC's 2009 and 2014 elections manifestos:

Engage the private financial sector in order to facilitate its transformation and diversification including the development of the co-operative financial institutions (ANC 2009: 7).

Increase support for the formation of co-operative banks that are democratically owned and controlled by their members as part of diversification of the financial sector (ANC 2014: 24).

However, this has not translated into actual work on the ground. Out of the twenty-odd affiliates of COSATU, only two trade unions have established CFIs – the National Education, Health and Allied Workers' Union (NEHAWU) and the South African Municipal

Workers' Union. The South African Democratic Teachers' Union, on the other hand, has recently resolved to form a CFI and is in the early stages of registering. This is even more disconcerting, given recent suggestions from the labour movement advocating a state bank and yet they were the key social partners promoting the need for co-operative banking legislation during the NEDLAC process. It is unfortunate that establishing member-owned co-operative banks seems to be a step too far towards building a democratically owned economy.

Policy imperative

As can be seen from the above, financial transformation and member empowerment seem to be the primary ideological drivers towards supporting co-operative banking. From a policy perspective, all banking and banking-related policy falls under the National Treasury's financial inclusion unit. This unit's primary concern has been access to and use of banking services, less so restructuring ownership of the sector. After the adoption of the Financial Sector Summit agreements, the banking industry established the Financial Sector Charter. The Charter's approach to ownership primarily looked at restructuring the ownership pattern of the existing banking sector, with limited consideration for alternative banking solutions such as community driven financial institutions.

While FinScope (2016) notes that an estimated 77 per cent of the population is banked, when evaluating these figures, one needs to take into account that 23 per cent of South Africans receive a social grant of some sort, with all beneficiaries requiring a South African Social Security Agency transaction card to receive payment. This figure also does not measure usage (how many services and the purpose of using the bank) and is a simplification of the banking dilemma.

Status of the financial co-operative sector in South Africa

The Co-operative Banks Development Agency

One of the outcomes of the financial sector agreements was the enactment of the Co-operative Banks Act of 2008, which provided

for the establishment of the Co-operative Banks Development Agency (CBDA) in 2009. The stated vision of the Agency is to ‘create a strong and vibrant co-operative banking sector that broadens access to and participation in diversified financial services towards economic and social well-being’ (CBDA 2011: ii).

The mission of the CBDA focuses on developing the CFI sector through:

- Ensuring appropriate regulation and supervision;
- implementing innovative capacity development and support;
- promoting the co-operative philosophy and principles; and
- building confidence in the CFI sector.

The initial mandate for the CBDA was to regulate and supervise primary co-operative banks that hold deposits of between R1 million and R20 million and have a membership of at least 200 people. This changed in April 2012, with the CBDA taking over the regulation and supervision of CFIs previously regulated by SACCOL and SAMAF that meet the registration requirements of R100 000 in shares and 200 members, through an exemption from the Banks Act, while the SARB took over responsibility for regulating all co-operative banks.

The developmental mandate has also evolved to prioritise capacitating of CFIs towards co-operative bank status.

On 21 August 2017, the Financial Sector Regulation Act No. 9 was signed into law. Its consequential amendments, when implemented, will result in the establishment of a prudential authority, which will assume regulatory oversight over both co-operative banks as well as the CFI sector from the CBDA, shifting the regulatory landscape of CFIs once again.

Co-operative Banks Development Agency: Strategic plan 2017

Having been in existence for just under eight years, it is maybe a bit premature to assess the overall success of the CBDA against its intended mission and vision, taking cognisance of the fact that development and transformation take longer to realise benefits. While there has been a fair amount of rhetorical support for co-operative banking in South Africa, generally by policymakers, the

corresponding commitment to fund this effort has been limited. Furthermore, there has been no co-ordinated effort to embed a coherent and encompassing strategy into broader policy, for example, the National Development Plan.

This has compromised, to a large extent, the efficacy and ability of the CBDA to carry out its mandate in a meaningful way, more so if policymakers' commitment to financial transformation through the co-operative bank model is to be measured by its meagre annual budgetary allocation of R16 million. However, a counterargument could be that given the size of the sector, this is a reasonable budgetary allocation, but this misses the point that the bulk of this budget goes towards meeting governance requirements and structural needs, with very limited funds actually left over for project implementation and promoting the concept at a national level. In addition, ideologically, co-operatives are really meant to be self-help and self-funded entities.

At a strategy level, the CBDA has also been constrained by the policy flux, with no clear direction as to whether it should follow a transformational or access narrative. Internal debates in the CBDA increasingly focus on whether the co-operative bank model should be pivoted to cater for professionals and middle-income individuals through the unions mostly or remain with the current community-aligned focus. A clear determination on this would largely inform the type of developmental interventions that the CBDA can possibly introduce.

National representation and apex board structure

A key part of the initial strategy of the CBDA was the need to strengthen the operations of the apex body for co-operative financial institutions and, through it, to facilitate the development of primary CFIs. The historical underpinning of this position was because by 2012 the only surviving self-regulatory body, SACCOL, was facing operational and financial challenges. This was partly because of SACCOL failing to restructure itself to respond better to changes in the CFI movement, with its products and services failing to cater to the needs of the larger CFIs. This notwithstanding, the SACCOL

constitution was structured to ensure subscriptions were directly proportional to the total deposits and based on the membership size of the member CFI, resulting in the larger CFIs contributing the bulk of funding. Furthermore, voting rights were based on the proportion of contributions, resulting in the larger CFIs being given larger voting rights. Larger CFIs, though, opted not to enforce their influence in the governance structures, which had the unintended consequence of SACCOL's overall strategy, in terms of service offering, being better suited to the smaller CFIs and start-ups. This inevitably resulted in apathy on the part of the larger CFIs. At this time, CFIs were compelled by legislation to belong to SACCOL (to qualify for exemption to the Banks Act) and to pay the subscription fees. The ability to maintain a regulated status through SACCOL was incentive enough to remain within the self-regulatory framework and was sufficient for the larger CFIs to forego the limited added value of the rest of SACCOL's offering. This incentive was removed when the government took over the regulation and supervision of CFIs. The larger CFIs pulled out of SACCOL and commenced agitating for a separate association/representative body, some along cultural/racial lines.

Given this reputational risk, the CBDA, following engagements with the sector, through annual CFI indabas, resolved to assist SACCOL to rebrand and establish a national association that would represent all CFIs. Ultimately, a resolution was passed at the CFI indaba in 2011 to establish the National Co-operative Bank Association. The intention was that the new association would have representatives and provincial structures for CFIs in all nine provinces. Provincial governments, with active co-operative programmes, would play a key role in supporting the provincial structures, as envisaged in Figure 2.1.

Because the word 'bank' is a restricted phrase in terms of the Banks Act, the association's name was changed to the National Association of Co-operative Financial Institutions of South Africa (NACFISA). The mandate of NACFISA is to provide services to its member CFIs, offer registration support to potential CFIs and co-facilitate with the CBDA. NACFISA received secretarial

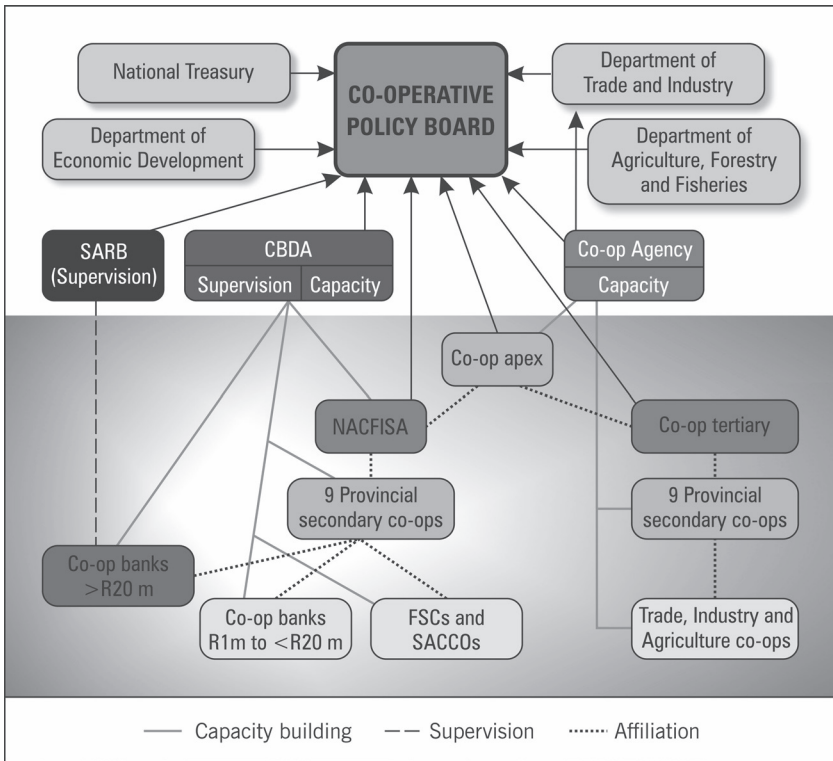


Figure 2.1 Idealised co-operative network

support from the German co-operative association, the Deutsche Genossenschafts- und Raiffeisenverband.

Unfortunately, neither the CBDA nor the sector learned from the challenges SACCOL faced. Consequently, the NACFISA board became dominated by representation from the smaller CFIs, with the larger CFIs losing their voice once again. In addition, as the newly formed association sought to assert its role and influence in the sector, it adopted an unnecessarily aggressive stance towards the CBDA, on the premise that the CBDA was usurping the association’s role and potential budget. Complicating the problem was also the unintended consequence of the Co-operative Banks Act, which mandated the CBDA to play a direct capacity-building role in the sector, a function

traditionally carried out by the national associations. NACFISA would have to generate income from charging a fee to its members for training and capacity-building services; however, with government funding, the CBDA offered such services directly to the CFIs for free. A touted solution was that the CBDA would channel its training budget through the national association, but this experienced bottlenecks through the Public Finance Management Act regulations on supply chains, as well as the lack of capacity in NACFISA itself. (NACFISA is still not formally registered as a representative body in terms of the Co-operative Banks Act.) The relationship between the CBDA and NACFISA, which is central to the growth and development of the sector, at the time of writing, had still not recovered from the initial conflicts, with the CBDA disengaging from NACFISA, much to the detriment of the sector. The argument within the CBDA, justifying the disengagement, is partially rooted in co-operative principles – independence and autonomy on the part of the sector representative – but the bigger developmental imperative has been sacrificed on the altar of personality problems.

Sector overview

The co-operative financial sector in South Africa is legislatively structured in two ways. The first are co-operative banks, regulated in terms of the Co-operative Banks Act and under the regulatory oversight of the SARB. There are currently three registered co-operative banks in South Africa: Ditsobotla Co-operative Bank Limited in the North West province, Ziphakamise Co-operative Bank in KwaZulu-Natal and OSK Koöperatiewe Bank Beperk in the Northern Cape.

The rest of the sector is legislated through an Exemption from the Banks Act, Exemption Notice No. 620 of 2014, as referred to above. These are either co-operative financial institutions that meet the minimum requirements for registration as co-operative banks (200 or more members and R1 million or more in deposits) but have other operational deficiencies that mitigate against their registration with the SARB or those that meet the minimum requirement as set up by the CBDA (200 or more members and a minimum of R100 000 in member share capital).

In essence, the CBDA plays an incubator role for CFIs (with a focus on compliance, risk management and capacity building), in the process increasing the pipeline of CFIs eligible for registration as co-operative banks.

Numbers and performance

Relative to the financial sector in South Africa, co-operative financial institutions are minuscule in comparison, as shown in Table 2.2. To put the sector into context, for instance, Capitec Bank, one of the relatively smaller banks, reported 7.9 million clients in August 2016, with over R51 billion in total deposits.

There is a noticeable decline in absolute numbers of financial co-operatives from 2010 to 2016. The figure of 121 in 2010 represents information on financial co-operatives from the registrar of co-operatives at the Companies and Intellectual Property Commission (CIPC), as well as through workshops held by the CBDA with potential formation groups. As a result of Exemption Notice No. 404 of 2012, the CBDA called on all financial co-operatives registered on the CIPC database to apply for deposit-taking licenses. By 2013 only

Table 2.2 Sector metrics 2010–17

	2010/ 11	2011/ 12	2012/ 13*	2013/ 14*	2014/ 15**	2015/ 16	2016/ 17
No. of entities	121	106	35	26	26	31	30
Members	59 394	53 240	38 084	33 391	24 722	29 752	29 818
Savings	R175.3 million	R196.2 million	R200.8 million	R198.6 million	R201.1 million	R233.8 million	R227.6 million
Loans	R116.6 million	R132.2 million	R142.3 million	R140.5 million	R152.1 million	R179.3 million	R118.9 million
Assets	R195.2 million	R217.5 million	R220.8 million	R231.4 million	R236.5 million	R279.6 million	R283.1 million

* Unaudited data taken from information obtained from SACCOL and SAMAF

** Figures on co-operative bank returns submitted to the SARB and on CFI returns submitted to the CBDA

Source: CBDA Annual Reports (2016, 2017)

35 such institutions had heeded the call and provisionally registered. However, a number of the provisionally registered CFIs were eventually rejected because of their failure to meet the minimum requirements of R100 000 in capital and 200 members as well as their being insolvent. This was also because the CBDA deliberately focused on pushing for quality of CFIs (as measured by solvency) rather than quantity of CFIs on the premise that a smaller, focused sector could better deliver on addressing socio-economic issues in the country.

Notwithstanding the early decrease in the numbers, since 2014, and consistent, in a sense, with the quality theme, the number of CFIs registered has been slowly increasing, but better trajectories have been realised in the balance sheet structure with savings and loans growing by 34 per cent and 43 per cent since 2010. The average member savings rate within the movement also more than doubled to R7 857 over the five years and compares favourably to the national savings rate. The reality of these figures, though, is that it is still a relatively small base and more needs to be done to be able to scale these figures and institutions. It also points to the possibility of the sector becoming solid and a dynamic competitor to more conventional enterprises.

The registered co-operative banks in South Africa

Ditsobotla Co-operative Bank Limited

As mentioned earlier, in South Africa today, there are three registered co-operative banks, which have an interesting genesis and serve as case studies for why groups of people have formed CFIs. Ditsobotla Co-operative Bank was the first registered in 2012. The common bond of membership for Ditsobotla has been expanded to include anybody who lives in the greater Ditsobotla Municipality and employees of Lafarge Cement. The institution was established in 2000, following the merger of three worker-based SACCOs in the area – Itireleng SACCO (the first established in the area, formed by Lafarge Cement employees in 1993), Ikageng SACCO (formed by Ditsobotla Local Municipality employees) and the Aganang SACCO (formed by Holsim employees in 1998).

The Itireleng SACCO was formed after employees in the company had established an educational fund, following a prolonged strike in 1992, to assist with school fee payments. The employees were looking for the best manner in which to manage the funds. Collectively, they opted to establish a member-owned co-operative, rather than to invest in one of the other options presented to them. At the time, SACCOL, of whom all three SACCOs were members, agreed on a 'one district/city, one SACCO' strategy for the movement and worked through a merger process. This successfully brought out the best of all three's governance and management practices to bring economies of scale to Itireleng SACCO to the point that it successfully applied and registered to become the first co-operative bank.

OSK Koöperatiewe Bank Beperk

Orania is a controversial, isolationist enclave, established in the Northern Cape to promote Afrikaner culture. Its objectives have been to create an independent 'Afrikaner community that strives for Afrikaner self-determination'.

A key entity in this process has been the formation of the Orania Savings and Credit Co-operative, which was also established in 2012 and registered as a co-operative bank. In its formative years, it was run out of the local garage and it has played a key role in the town's achieving its objective of 'self-determination'. No other bank operates in Orania, although there is an ATM at the local supermarket. Most residents assist in capitalising the co-operative through their savings, which are recycled back into the community for productive and provident purposes. As this is a tight-knit community, information asymmetry is reduced and loan delinquency rates are minimal and strictly managed. The co-operative bank now provides loans for all members' needs, including bonds, vehicle finance, enterprise lending and personal loans.

Ziphakamise Co-operative Bank

Ziphakamise Co-operative Bank was established in November 1998 in the Bell Equipment Factory as a result of an agreement between

the union and management. It initially operated out of the factory, then went through a period of incubation at the Zululand Chamber of Business Foundation and moved to its own premises in the industrial area of Alton in 2002.

Over time, the Co-op Bank opened up its common bond to include all organisations functioning and all persons living/working within the boundary of the city of uMhlatuze, in Richards Bay, KwaZulu-Natal. It was registered as a co-operative bank in late 2017.

The CFI model in South Africa

Members of a CFI are not only owners, but also patrons of the CFI by being both savers and borrowers, using the CFI to lend money from those members who have it to those members who need it. As a member-owned institution, members share in the surpluses and deficits of the CFI and play a key role in determining the appropriate operational metrics so that the model works in every member's interest. Importantly, each CFI is democratically governed by its members, with every member having an equal voice regardless of the amount of savings or loans they have with the CFI.

In addition, CFIs are particularly good at reaching the poor and vulnerable, especially in rural areas. For instance, over 50 per cent of the CFIs registered with the CBDA are primarily rural, serving communities in areas such as Motswedi, Harding and Mathabatha, among others. They are able to provide a range of affordable financial services to members while keeping costs low. Thus, they have the potential to deliver quality and relevant products and services to communities while still being profitable. Table 2.3 shows a snapshot of the common bonds and depth and breadth of products and services offered by the sector.

The legislation on the CFI model in South Africa is premised on the common bond. This is consistent with observations by McIntosh Kuhlengisa (2011) who, in a review of several countries (Germany, the United States, Canada, India, Ireland, Brazil and Kenya), highlighted how the development of co-operative financial institutions in these countries was based primarily on the common bond – a common employer, association or geographical location.

Table 2.3 Sample common bonds and product offerings

CFI	Common bond	Products and services
NEHAWU	NEHAWU members and staff, NEHAWU provident fund and NEHAWU Investment Co-operative and Tshedza Trust	Education savings, Xmas savings, group savings, emergency loans, home improvement loans and debt consolidation
Kleinfontein	Members, including spouses and children, residents, workers and stakeholders of Kleinfontein Boerebelange Co-operative Limited	Ordinary savings, limited savings, long-term deposits, short-term loans, building loans, mortgages
Webbers	All permanent employees of Saville Row (Pty) Ltd t/a Webbers Clothing and Footwear	Christmas savings, share based-bonuses paid into CFI + dividends
Medi-Co-op	Membership of various medical-affiliated associations	Capital improvement or equipment finance, instantly available cash deposit/current account, money market account, fixed-term cash deposits

However, it is instructive to pursue whether open common bonds or closed common bonds are instrumental in the development of the sector. The closed common bond theorem is supported by an analysis based on a theoretical model of CFI formation and consolidation using an extensive CFI dataset from the United States and a non-linear approach by William Emmons and Frank Schmid (1999). In this particular study, the authors concluded that the larger the pool from which a CFI can draw membership, the less effective it is in attracting members.

Using the same dataset a few years later, another study noted that less restrictive interpretations of the common bond (meaning an open common bond) in CFIs in the United States created opportunities for growth and mergers, with the number of CFIs declining from 15 000 in 1987 to 10 858 in 1999 (Goddard,

McKillop and Wilson 2002). Remarkably, however, membership as an indicator of outreach, increased from 53 million to 76.6 million and asset size from US\$571 million to US\$1.9 billion over the same period. This was also confirmed by a separate study by Eric Robbins (2005) who noted that less restrictive common bonds in the United States resulted in improved financial conditions for CFIs as well as increased competition between banks and CFIs. The growth in the CFI sector in Kenya has also been largely attributed to early restrictions limiting common bonds to a secure crop or employment (World Bank 2007).

A primer on the common bond

Hermann Schulze-Delitzsch, an early co-operative organiser, explained the concept of the 'bond of association' at credit union meetings in this way: 'Your own selves and character must create your credit, and your collective liability will require you to choose your associates carefully, and to insist that they maintain regular, sober and industrious habits, making them worthy of credit' (in Moody and Fite 1984: 4).

In his book *People's Banks* (1910), Henry W. Wolff summarised the character of this 'common bond' based on his observations of credit unions all over Europe. The common bond included: 1) living near one another (for example, in the same village), making it convenient for the lender and guarantors to monitor the performance of the borrower and manage any problems that may come up, and 2) an 'inter-connection of liability among members' based on a strong sense of collective responsibility.

The Schulze-Delitzsch and Raiffeisen debate

A bitter debate between two German credit union pioneers over the nature of bonds of association eventually ended in a tie, with Schulze-Delitzsch's approach dominating in urban settings and Friedrich Raiffeisen's dominating in rural ones.

The bond of association for Schulze-Delitzsch's larger, more urban 'people's banks' required all members to contribute substantial share capital. He advocated that these banks should receive the protection of limited liability.

Raiffeisen strongly opposed any share capital requirement. Arguing that most farmers had too little cash to afford share capital, he maintained that the principle of unlimited joint liability was indispensable in small districts. It was needed in order to prevent the unions from excess, since it makes the administrative bodies conscious of their moral and material responsibilities.

Operational challenges with the CFI sector

The major source of information regarding the needs of the CFIs was developed from the institutional assessments performed in the 2009–10 financial year, which provided key areas that require urgent support for the sector. This has been supplemented over the years by the ongoing assessments of the sector by the CBDA, which largely informs current interventions (CBDA 2012). The shortcomings, at an institutional level, include:

1. Inadequate capital levels

The low capital position is attributable to the low member capital base and losses, which result in negative institutional capital as well as historical characteristics of the sector, which did not place emphasis on building capital, but rather on mobilising savings.

2. Inadequate credit risk-management practices

Given the nature of their business, credit risk is arguably one of the main risks facing CFIs. Some of the CFIs, especially the rural CFIs, adopt a conservative approach (less than 10 per cent of assets in loans) towards lending and no credit committees were established to provide additional oversight on the credit processes.

3. Weak governance structures

Generally, corporate governance in the sector is very weak. Members of supervisory and audit committees seldom meet. Some of those committees that meet on a regular basis often fail to provide effective oversight. Furthermore, members' active participation through annual general meetings is generally inadequate, though the number of CFIs holding annual general meetings has improved vastly over the years, in part due to the annual registration renewal, which is contingent upon holding an annual general meeting.

4. Weak operational capacity

While credit and savings policies are available, they are often outdated or not implemented. Evidence suggests that start-up CFIs merely adopt policy templates provided by the CBDA or training providers, without the necessary expertise to implement the relevant policy proposals successfully.

5. Absence of skilled personnel

There are hardly any members with the required experience and qualifications, especially in the rural areas, where the need for access to finance and economic development is the greatest. Financial statements and management accounts are often found to be unreliable. In addition, some co-operatives, even when they have attained co-operative bank status, are constrained because of the inability of existing management to scale the operations.

6. Unintended consequences of direct government funding into the sector

The inclination for government interventions has been to provide funding either as capacity support or for on-lending, without sufficient support mechanisms to ensure self-sustainability of the CFIs. When such funding is withdrawn, or is no longer available, CFIs are typically left with a larger wage bill than they can afford. In addition, the realisation that funding received is from the government creates a moral hazard, resulting in less than adequate due diligence on prospective recipients of loans. Further, proliferation

of government funds into the sector has resulted in the emergence of pseudo-financial co-operatives created specifically to leech funds from the government, with minimal societal benefit.

7. Weak funding model

CFIs perform the basic function of intermediation, mobilising funds from members with surplus money and creating assets by extending loans to members with a deficit. Traditional banks in South Africa perform this role as well, but because they rely on 'clients' as opposed to members, they have a wider scope for deposit mobilisation, including corporate clients and government. In addition, they can also raise funds from the open market. For the CFI sector in South Africa, this is compounded by the following:

- Most accounts held by members in CFIs are not their primary transactional accounts. As a result, CFIs derive minimum benefit from transactional income (which is a significant income source for traditional banks) as very few transactions go through the member account with the CFI.
- Because of the non-primary nature of the accounts, deposits in the CFI are 'voluntary' in nature and typically tend to be of a small amount, with monthly deposits per member averaging just over R50. This is exacerbated by the inability of CFIs to access payroll deduction, especially from government, which has been instrumental in the growth of the sector in other jurisdictions.
- There are no corporate/wholesale deposits on the balance sheet of CFIs, which also adversely affects the ability of CFIs to fund bigger deposits since corporate deposits are generally larger in size and less volatile in nature.
- Prohibitive costs of accessing the National Payment System at CFI level also means the CFIs cannot directly compete with banks for transactional accounts.

These challenges are symbolic of the early stages of co-operative development. The challenge for the CBDA and other stakeholders is, therefore, to create the necessary enabling environment to drive the

next wave of growth in the sector, with CFIs offering a wider range of financial products.

The future of the sector

Having been in operation for close to eight years now, the metrics in the sector, as measured by increased membership and savings growth, have not matched the quantum of interventions introduced by the CBDA over this period. While the numbers have generally increased, the scale and depth of the sector is still marginal relative to the broader South African financial sector and economy. Going forward, strategic interventions identified to drive sector growth include creating an enabling platform for CFIs to transact electronically and access the national payment system, in the process integrating the CFI sector with the mainstream financial sector.

In addition, scale could be attained by repackaging the CFI offering to attract the 'public sector' CFI and the working class, based on the premise that most successful financial co-operative sectors worldwide have leveraged off working-class communities and middle-income segments of society. Large employers and associations potentially represent 'low hanging fruits' in terms of numbers, for instance, unions, such as NEHAWU, with a membership in excess of 250 000, could provide a perceived organised structure for take-off. This must be complemented by strategic partnerships with other sector stakeholders, such as local government departments, banking sector education and training authorities and the Small Enterprise Funding Agency, among others. Such partnerships should go beyond only providing funding.

Underpinning all these interventions would be repackaging the CBDA and CFI value proposition to extract and communicate the potential comparative advantages that the CFI model offers, including linking CFIs to the financial ecosystems in the communities in which they operate, with a focus on areas such as education, housing and small and medium enterprise financing. As the sector and the key role players contemplate these changes, it is worth considering whether the sixth principle of the co-operative movement – 'co-operation among co-operatives' – has been fully optimised to the benefit of members in the movement.

There is scope for improved collaboration and efficiency through shared services arrangements, which could do a lot to reduce costs and improve efficiency. Shared services can be provided through either a central unit(s) and can also be driven by CFIs on a national, regional or local basis. The benefits of driving the process of shared services at a regional level would be ease of integration into provincial government's strategic planning processes. For instance, one province's strategy could be the use of co-operative finance in banking and insurance as a key mechanism to promote financial inclusion and promote community self-finance and reinvestment in the township economy.

In developing quality and attractive products and services, CFIs can leverage on the quality of local embeddedness that they can potentially provide. Given their deep understanding of local contexts, CFIs can benefit from a dense network of inter-institutional relations (local authorities, economic departments, rural organisations, professional organisations, trade unions, non-governmental organisations, public institutions, and so on).

Notes

1. <http://www.finbondmutualbank.co.za/Shareholding.html>.
2. <http://www.saccol.org.za/history>.
3. As discussed later in this chapter, village banks were never allowed to use the word 'bank' in their names as part of their registration conditions. They then opted to use the term 'financial services co-operatives'.
4. Published in *Government Gazette* No. 16167, dated 14 December 1994 and subsequently replaced with Exemption 1176.
5. Notice No. 1176 published in *Government Gazette* No. 29412, dated 1 December 2006.
6. See more at <http://www.sacp.org.za/main.php?ID=709#sthash.t3ZHGMpu.dpuf>.
7. Organisations in the FSCC included the Black Sash, SACCOL, various taxi associations, Council of Churches, hawkers' associations, Mpumalanga Economic Growth Agency, alliance partners and the National African Chamber of Commerce.
8. Declaration of the Financial Sector Summit, dated 20 August 2002.
9. Annual Report of the Supervisors of the Co-operative Banks Development Agency and the South African Reserve Bank 2010–11.

10. SAMAF metamorphosed into the Small Enterprise Finance Agency following the merger with Khula in 2012.
11. Summarised audited results 2016, <http://www.capitecbank.co.za>.
12. <http://www.orania.co.za/welcome-to-orania/>.

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3

The Employer of Last Resort A Potential Pathway for Co-operative Development?

Themba Masondo

THE IDEA OF THE STATE acting as an employer of last resort (ELR) remains unpopular in the Left. Often contemptuously described as ‘public works’, ‘public workfare programmes’ or ‘active labour market schemes’, some critical scholars dismiss the idea of the state as an ELR not only as paternalistic, but also an affront to the dignity of the poor (Standing 2014; Bailey 1995; Duffy 2013) while others similarly roundly reject it as a clientelistic instrument used by ruling political elites to buy political support from the poor in a context of chronic poverty and unemployment (Bardhan and Mookherjee 2012; Chowdhury 2014; Das 2013; Sheahan et al. 2014). Some of these denunciatory critiques, particularly the anti-paternalism perspective, normally draw from developmental debates and past experiences with ‘workfare’ in the global North. Any attempt on the part of the state to act as an ELR in any given context is likely to be rejected as ‘workfare’ without any contextual analysis of the innovation in the design of some the emerging ELR programmes in the global South.

The evolving innovative ELR programmes in the global South are not exactly the same as the conventional public works programmes, particularly as experienced in the North. In the global North, the ELR emerged in a context of cyclical unemployment and was designed as an instrument for labour market activation. In the global South, however, the innovatively designed ELR programmes,

such as South Africa's Community Works Programme (CWP), were introduced in a context of an 'unlimited supply of labour' and primarily intended to provide predictable and regular income to participants on an ongoing basis – not activation into the labour market. In the global North, the ELR formed part of the wider ideological onslaught against the capitalist welfare state – in favour of a 'workfare state' or 'welfare-to-work'. In most parts of the global South, however, the welfare state has never been fully developed and the majority of people relied on informal security welfare regimes for their livelihoods.

India's statutory Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)¹ and other non-statutory but long-term programmes, such as Ethiopia's Productive Safety Net Programme and South Africa's CWP, are some of the innovative ELR programmes in the global South. Research shows that a properly designed ELR programme can be effective in protecting livelihoods of those on the margins (Philip 2010, 2013, 2016; McCord 2003; Webster 2011; Webster and Metcalfe 2011; SWOP 2011; Beazley and Vaidya 2015; Lal et al. 2010; Zimmerman 2014; Samson, Van Niekerk and Quene 2010). Recent scholarship also points to the transformative potential of these innovative ELR programmes. In India, for example, the MGNREGA has helped in democratising local governance in some parts of rural India (Alam and Alam 2014; Prakash 2013; Jauch and Kaapama 2011; Medhekar and Roy 2010). In South Africa, research shows that the CWP facilitates the ethic of care for the vulnerable and the environment, and promotes social cohesion in fractured communities (SWOP 2011; Webster 2011; Cock 2011; Fakier 2014; Langa and Von Holdt 2011; Shumba 2014).

This chapter presents another 'Southern perspective' on the transformative potential of the ELR. The literature on both the concepts of co-operatives and ELR are quite reticent on the potential role of ELR in promoting co-operative development. This chapter argues that a properly designed ELR programme, such as the CWP in Munsieville, has the potential to contribute to the building of co-operatives and the solidarity economy in South Africa. The

chapter presents the case of three survivalist CWP-linked worker co-operatives in Munsieville (sewing, beadwork and organic farming) to advance this argument.² Although these CWP-linked survivalist co-operatives were neither fully autonomous from the CWP nor fully operationally effective, this chapter argues that their potential in co-operative development and in the building of a solidarity economy should not be overlooked. The chapter begins with a brief overview of the CWP and Munsieville, followed by a discussion on the workings of the three CWP-linked co-operatives and some of the challenges and threats they experienced. The chapter concludes with a critical discussion on how the survivalist co-operatives could be transformed from their current survivalist trajectory into a robust path of self-sustainability.

The Community Works Programme

The CWP began in 2007 as a pilot project under the South African government's Second Economy Strategy Project, which was located at an independent policy think tank called Trade and Industrial Policy Strategies (Philip 2010). The initial donor-funded CWP pilot phase was implemented in Munsieville, Bokfontein, Sekhukhune and ten villages in the Alfred Nzo Municipality in the Eastern Cape (Department of Social Development 2009). In 2008, the CWP was officially incorporated as a new component of the already existing Expanded Public Works Programme (EPWP). Although the CWP is part of the EPWP, its design and features are substantially different from the latter. Whereas the EPWP typifies conventional public works that provide short-term access to work opportunities with the intention to facilitate the absorption of participants in the formal labour market, the CWP represents an innovation in a context of structural unemployment and chronic poverty (Philip 2013; Fakier 2014). The CWP is designed as an employment safety net and to supplement existing livelihood strategies (Philip 2010, 2013). Unlike the EPWP, the CWP guarantees ongoing access to regular and predictable income for its participants.

A key innovative feature of the CWP is 'its attempt to build a community-driven model of public employment, in which the

work undertaken is identified and prioritized at a community level' (Philip 2013: 13). The idea is that the community in which the CWP is implemented must decide on the types of work to be done by the CWP. Every CWP site is required to establish a local reference committee – which usually consists of CWP officials, local government officials, local councillors and local civic organisations – to facilitate the identification and selection of useful work in their communities (Andersson and Alexander 2016). In this context, useful work refers to 'work that contributes to the public good and/or improves the quality of life in communities' (Philip 2013: 13). Some of the common work activities in most CWP sites include homestead and community food gardens, cleaning up public spaces, grass cutting, fencing and pavement maintenance, home- and community-based care, care for orphans and vulnerable children, community safety, assistance with social grants applications, environmental rehabilitation and maintenance and early childhood development.

The CWP offers regular part-time work on an ongoing basis for two days a week (100 days in a year) to each participant and usually takes on 1 000 participants per site (Philip 2013). Access to regular and predictable work means access to 'regular and predictable incomes in poor households' (Philip 2016: 199). Unlike the EPWP, where participation cannot exceed 24 months within a circle of five years, participation in the CWP is indefinite. A community member who wishes to participate in the CWP is required to submit a formal application to the local CWP office and the selection is usually made on a needs basis and availability of vacancies. The wage rate in the CWP is in line with the ministerial determination on wages for all programmes in the EPWP (Philip 2013). In 2017, the wage rate for participants was R86 per day. A participant who worked for eight days in a month was entitled to a monthly wage transfer of R688 paid directly into his or her bank account. The wage payment is calculated according to the days worked, as it is not mandatory for participants to work for the eight days every month. The CWP coordinators (responsible for supervising the participants) worked full time and earned R2 260 per month in 2017.

The CWP work does not have work benefits usually associated with standard employment relationships, such as pension contribution or medical aid.

The actual implementation of the CWP is carried out by non-profit non-governmental organisations (NGOs), called implementing agents, which are appointed by the national government as service providers through competitive bidding. The implementing agents are responsible for the actual implementation of the CWP in the communities, while the national government provides the funding and the overall strategic oversight. By March 2016, the CWP had 223 315 participants spread over 196 municipalities across South Africa (DCoG 2016). Women constituted 75 per cent of participants and the youth made up 45 per cent by the end of 2015 (DCoG 2015: 14). There is no readily available data on the total number of existing CWP-linked co-operatives. The formation of CWP-linked co-operatives is not mandatory for every community where the CWP is implemented. Instead, the development of the co-operatives in CWP sites is largely contingent upon both the ability of participants to organise themselves and the capability of an implementing agent to provide the necessary complementary resources to support such initiatives.

Although South Africa has a long history with the idea of the ELR, it is important to emphasise that the CWP has distinctive features from conventional public works. The CWP is innovatively designed to act as a tool in the hands of the people for the development of their communities, in their own way. This has the potential to deliver some crucial social spins-offs such as the building of social solidarity and a sense of common purpose in tackling socio-economic problems in communities. This departs from typical public works where the state unilaterally prescribes the type of work to be undertaken.

Munsieville

Located in the Mogale City Municipality in the Gauteng province, Munsieville grew out of the informal settlements inhabited by mineworkers on the outskirts of the mining town of Krugersdorp.³

The industrial and gold-mining activities around Krugersdorp were a great source of attraction for black African migrants in search of jobs and other economic opportunities (Proctor 1986). The township was founded according to Ordinance 58 of 1903 by the Krugersdorp Town Council as a 'native location' (Mogale City 2016: 17; Khumalo 2010). Immediately after the Krugersdorp Town Council took over the administration of Munsieville in 1905, restrictions were put in place for influx control (Proctor 1986). Although the local council proclaimed Munsieville a 'new location' in 1911, it was only in 1941 that the famous black African township was officially named Munsieville (Proctor 1986). Like black African townships elsewhere in South Africa, Munsieville was the terrain of protest and resistance against racial oppression under apartheid. Munsieville was home to one of the iconic figures in the anti-apartheid struggle and the recipient of the Nobel Peace Prize, Archbishop Emeritus Desmond Tutu.

In the post-apartheid era, Munsieville has not been spared from the violent 'service delivery protests', which have become a defining feature of post-apartheid democracy. In her incisive and grounded analysis of Munsieville during the first decade of democracy, Judith Stevenson (2011b) highlights the rising disparities between residents of the famous township. The inauguration of non-racial democracy saw scores of 'former devoted socialists [transform] their political identities to one of contextual capitalists. I define contextual capitalist as one who seeks personal accumulation of commodities as a strategy to enact economic and social justice in relation to democracy and capitalism writ large' (Stevenson 2011b: 219). The contextual capitalists in Munsieville exist side-by-side with a significant number of the 'perpetual poor and working-class people' (Stevenson, 2011b: 220). For the latter group, Stevenson (2011b: 220) contends, 'it became increasingly clear that as they had been during apartheid, they were still positioned as outsiders to economic and social gain'. As the new democratic order unfolded, many waited 'for the social justice promised to them during the struggle'.

The latest statistics from Mogale City Local Municipality as at the end of 2016 estimated that the growing township had 33 048

people (Mogale City 2016). It is also estimated that 27 per cent of the residents in Munsieville are unemployed (Stats SA 2016). The steady decline in gold-mining has seen scores of jobseekers compete for the low-paying and precarious jobs in the surrounding booming hospitality industry (hotels, conference centres, game lodges, beauty spas, and so on), the construction industry, shopping malls (Key West Mall, Cradle Stone Mall) and nearby natural heritage resources, such as the Cradle of Humankind World Heritage Site. Industrial factories and temporary construction projects have mushroomed around the town of Krugersdorp, which have emerged as a source of attraction to jobseekers coming from as far as Botswana, Mozambique and Zimbabwe. The CWP site in Munsieville was launched in March 2007 during the programme's pilot phase. The Seriti Institute was appointed as the implementing agent in the CWP Munsieville site until 2015 when the site was transferred to another CWP implementing agent called the Dhladhla Foundation.

CWP-linked co-operatives in Munsieville

The following section discusses the three survivalist CWP-linked co-operatives – Zamokuhle Agricultural Co-operative, Nanogang Basadi Co-operative and an unnamed worker co-operative, which is focused on beadwork. The discussion analyses the details of each of these survivalist co-operatives to demonstrate how they represent a potentially innovative pathway for co-operative development. The Co-operative and Policy Alternative Centre (COPAC) (2010: 25) identifies 'four contexts within which a worker cooperative can develop', namely: worker takeover, trade union linked, seeded through movement and self-development. The development of these survivalist co-operatives does not fit any of the conditions envisaged in this typology. Their development did not involve a factory takeover nor were they seeded by the solidarity or trade union movement. They also do not fit the self-development path, given that they emerged within the context of the CWP and not solely as an independent initiative of the worker members. By providing the basic institutional and material support, the CWP created an enabling environment for the emergence of these co-operatives.

Although dissimilar in some respects, these co-operatives share similar characteristics. First, their establishment was motivated by the desire to resuscitate previous failed attempts to establish co-operatives in the absence of the CWP's support. Lack of start-up capital and market access were cited as the main reasons for these failed attempts at co-operative development. Second, the three survivalist co-operatives did not properly undertake the 'groundwork phase' before they could start their operations. COPAC (2010: 37) defines 'groundwork' as 'the first phase to undertake when setting up [a] worker cooperative ... it is the planning phase before you actually start a cooperative'. The inability to properly follow these steps partly accounts for some of the challenges in these co-operatives, particularly the lack of market for their products. The choice of work, for example, was not informed by members' consideration of factors such as market access and none of these co-operatives had a coherent business plan before they were established. Instead, their choices of work seem to have been largely influenced by the tools and resources made available by the implementing agent at the time of their formation and by the work already done in the CWP.

Although the worker members had advanced technical know-how of the core work activities in these co-operatives, they had limited knowledge of other important aspects of co-operative development, such as the various co-operative options, democratic institutional design of the co-operative, co-operative business planning and policy development. Third, although there was organisation within these co-operatives, the structures for democratic control by worker members were not fully institutionalised – none of the co-operatives had solid governance structures, such as a board, committees/subcommittees or worker-owner assemblies. Fourth, the membership was open to any CWP participant who wanted to join and there were no joining or membership fees required. All worker members were CWP participants, though there were no formal restrictions that prohibited non-CWP participants from joining. These co-operatives could best be characterised as 'survivalist' because the annual turnover was very low – in the range of R3 000 to R5 000 per annum. Since their formation, the worker members

agreed not to pay wages until there was a substantial surplus. The surplus was usually utilised to acquire more tools and other essential materials needed in the co-operative. Only one of these co-operatives was registered and the other two had already initiated processes towards official registration.

Finally, the case of the CWP Munsieville elucidates the fact that the development and sustainability of CWP-linked co-operatives cannot be taken as given in any community where the CWP exists. As mentioned earlier, this depends largely on the ability of participants to organise. Some CWP sites in South Africa have not experimented with this pioneering co-operative development pathway and some attempts have failed. One such failed attempt was in Bekkersdal – a black African township in the West Rand, located approximately 34 kilometres away from Munsieville. In 2013, a group of twelve CWP participants tried without success to set up a co-operative called Letsema Co-operative. This was meant to be an agricultural co-operative focused on organic vegetable farming. One former worker member cited lack of commitment from other worker members and a lack of financial resources as the main reasons for the failure.⁴ This co-operative failed despite the available CWP tools and resources.

In an attempt to understand the relative capability of CWP participants in Munsieville to form and sustain the three survivalist co-operatives, in comparison to the failure of their counterpart in Bekkersdal, the operationalisation of organisation workshop (OW) methodology before the introduction of the CWP in Munsieville emerged as an important variable.⁵ The OW method or ‘Clodomir’s method’ was founded by a Brazilian sociologist and activist Clodomir Santos de Morias (1928–2016), a close friend of Paulo Freire, with whom he shared a tiny prison cell in 1964 in Recife. Miguel Sobrado (2000: 18), one of the leading scholars on the OW, defines it as a ‘practice of organisational capacitation that unleashes a prodigious amount of social synergy’. Another leading scholar on the OW method, Gavin Andersson (2004: 133) provides a more detailed definition: ‘The OW is an experiential methodology that combines training in enterprise organisation with vocational training, usually

around the creation of infrastructure or other productive activities.' The OW provides a real object (a collectively run enterprise for 30 or 40 days) for participants to learn organisation by doing practical work.

In practice, the OW involves the creation of a temporary enterprise, which runs for a period of four to six weeks, allowing the 'people' to self-manage 'common pool resources' under conditions of 'total freedom' (Carmen and Sobrado 2000). The aim of the OW is to 'develop the autonomous capacities of the poor' (Sobrado 2000: 21) by involving them in real practical activity over a period of time.

The OW in Munsieville was operationalised from 12 March to 11 April 2007, a few months before the launch of the CWP pilot (Andersson et al. 2007).⁶ Most participants in the OW tried without success to sustain the enterprise formed during the 30-day OW, called Kgetse Ya Tsie,⁷ but this promising enterprise was no longer operational by end of October 2007.⁸ Most of the OW participants and members of Kgetse Ya Tsie would later join the CWP as participants when it was launched as a pilot, with many taking up supervisory duties. The case of CWP in Munsieville shows that the CWP-linked co-operatives are more likely to survive in communities where the OW methodology has been operationalised than in communities where it was not.

Zamokuhle Agricultural Co-operative

Established in July 2012 by fifteen CWP participants who 'shared the passion for agriculture', the Zamokuhle Agricultural Co-operative produced different types of fresh organic vegetables, such as spinach, peppers, beans, peas, carrots and beetroot. The co-operative operated from a yard of a local high school in Munsieville called Thuto Lefa, after the co-operative successfully negotiated and entered into a ten-year fee-free land lease agreement with the school management. The preparation of the vegetable garden beds followed a strict ecocentric method, which entailed the use of organic waste as compost – thus reducing heavy dependence on chemical industries and improving the quality of soil. The Zamokuhle Co-operative did not apply pesticides on the vegetables gardens. Because of the high acidity in

the soil, the vegetable garden beds were raised, meaning that more soil was put above the ground level of the garden beds.

The organic vegetables were usually sold to community members at low prices compared to the higher prices in the local spaza shops, street vendors and commercial retail stores. It was common to see community members walk in groups into the school yard to buy the harvested fresh vegetables from the Zamokuhle Agricultural Co-operative. While local households remained the main source of the market for its products, this co-operative also received irregular requests for bulk supplies of vegetables from small businesses, which specialised in freshly pressed organic vegetable and fruit juices in the surrounding towns. Some of the organic vegetables were donated to the Thuto Lefa High School to supplement the high-starch government school feeding programme. In addition to providing the land at no cost, the school also paid for the electricity costs for the running of the borehole system used to pump water for the vegetables.

Like other co-operatives supported by the CWP, the worker members in this co-operative did not have to raise start-up capital on their own. They relied on the CWP's inputs, tools, resources and administrative support to form the Zamokuhle Agricultural Co-operative. Some worker members pointed out that, without CWP's support, their goal to start a co-operative would most likely have failed like many other previous unsuccessful attempts. A long-standing worker member of the Zamokuhle Agricultural Co-operative explained how the CWP helped them to establish their co-operative:

We are poor people and we cannot afford to buy tools on our own. We tried to form an agricultural co-operative in 2008. This co-operative failed because we did not have enough start-up capital. We sent many letters asking for donations, but we never received any assistance. We ultimately decided to make individual contributions from our pockets. I think we were twelve ... we agreed to contribute R50 each to buy basic garden tools and seedlings. Unfortunately only four people made this contribution. Our plan to start a co-

operative became a reality only with the support from Seriti [CWP]. Seriti has opened doors for us.⁹

The CWP in Munsieville provided initial material resource assistance in the form of garden tools and resources, such as a pick, spade, fork, rake and seedlings, when the co-operative was established in 2012.¹⁰ The co-operative would occasionally use other tools allocated for the main CWP agricultural work and were also allowed to use local CWP offices and resources for their meetings and any other basic administrative work. In addition, the CWP co-ordinated the provision of training on farming methods, although such training was not intended to only benefit the co-operatives, as it was provided to all CWP participants irrespective of whether they were involved in the co-operatives. The co-operative later received additional resource assistance from the Gauteng Department of Agriculture and Rural Development, which provided another five spades, five garden hoes, five forks, five water pipes, five watering cans, a wheel barrow, an electric borehole, fencing, seedlings and a container for storage of the equipment.¹¹ By the end of 2016, the co-operative had eleven worker members and was relatively functional and organised.

Nanogang Basadi Co-operative

The Nanogang Basadi Co-operative focused on sewing and knitting. Among the three promising survivalist CWP-linked co-operatives in Munsieville, this was the only co-operative with a registration certificate (registered in 2015), bank account and a tax number. The delivery of 50 sewing machines in 2013 by the Seriti Institute – the CWP implementing agent in Munsieville until 2015 – to support both the work of the CWP and the beadwork co-operative, unleashed a new creative energy in the co-operative and the CWP and saw an expansion of the range of products. The range was diverse and included products such as pillowcases, shirts, trousers, handbags, portable door sweeps/stoppers, serviette boxes, oven mitts, stove plate covers, cushion covers, school uniforms, aprons, vests and scarfs. The co-operative enjoyed the flexibility to switch from one product to the other, depending on the changing market trends.

This co-operative had serious challenges in terms of accessing the markets and did not have the advantage of a localised market for its products. As with the other two survivalist co-operatives, this was the key challenge for this co-operative. Save for the very infrequent requests for tailoring of small quantities of uniforms from the Thuto Lefa High School, this co-operative did not have a competitive edge for its products. Instead of buying the products from the co-operative, community members tended to prefer to buy branded clothing and products from retail stores in surrounding towns and malls. Some community members preferred, for example, to buy Levis Strauss or Soviet jeans in a retail store in Krugersdorp or any of the nearby malls than to buy 'no name' jeans from the co-operative. The lack of a local market effectively rendered this co-operative as a tailor shop for CWP uniforms for participants. This was despite the fact that this nine-member co-operative had mastered sewing and knitting skills and produced quality products.

Similar to the experience of the organic agricultural and beadwork co-operatives, this co-operative enjoyed meaningful institutional and resource support from the CWP when it was established. One of the worker members explained:

Seriti [CWP] has brought true development in Munsieville. We had the sewing skill, but we did not have money to start a co-operative or small business on our own. I am happy that Seriti gave us the chance to do what we have always wanted to do. We tried many times in the past to start a co-operative for sewing and all our plans did not succeed. I was so happy when the Seriti people donated the 50 sewing machines to this community in 2013. That for me was the beginning of development in this community.¹²

Beadwork co-operative

The other CWP-supported co-operative focused on beadwork and craftwork and did not have a specific name as it awaited the selection of a name from the six submitted for its registration. Established in

2010, the beadwork co-operative experienced teething problems because some worker members were frustrated by the lack of immediate financial rewards from the co-operative and many left.¹³ The majority of the worker members in this co-operative acquired advanced skills in beadwork and craftwork through their ordinary participation in the CWP. The co-operative was intended to address the high turnover of participants who acquired the skills in bead-work and craftwork in the CWP, but could not use their skills elsewhere. In the range of products produced by this co-operative were hand-crafted beaded items such as badges, bracelets, key holders, platemats, safety pin pendants, table decorations, rings, earrings, necklaces, spoons and cutlery, serviette rings, ties, photo frames, pencil and pens.

The scope of products was not static and could change frequently. This co-operative was not only an economic enterprise, but also a people's centre of excellence where beadwork and craftwork skills were shared and transferred among the worker members. Although it had its strengths, the beadwork co-operative was among the least effective co-operatives with very weak internal administrative and governance structures. At times the co-operative lacked stable leadership, as vacillating worker members were reticent to take responsibility for the challenges in this co-operative. It was difficult to establish the exact number of worker members because numbers fluctuated on a daily basis between six and fourteen people.

This co-operative relied heavily on the local market for its products. At times, visitors from the CWP implementing agent, the government or independent institutions and NGOs operating in the community, such as Project Hope, would buy some of their products. Some CWP participants bought the CWP hand-crafted beaded badges and would place them on their work overalls when on duty. The market for beadwork was not easily accessible, with most households in Munsieville prioritising essential household needs over what was generally considered a luxury they could live without. As with the other two co-operatives, the CWP provided basic institutional infrastructure and support, materials and space

for the operations of the beadwork co-operative. Until the new implementing agent (Dhlahla Foundation) took over from the Seriti Institute in 2015, the co-operative enjoyed regular supplies of materials, such as beads in their different shapes, threads, glue, needles and scissors.

Dependence: Strategic threat

Similar to many co-operatives in South Africa established in different contexts and under varying conditions, the survivalist CWP-linked co-operatives in Munsieville experienced challenges. Whether intended or unintended, perhaps one of the strategic threats they confronted was a very thin line that existed between their work and that of the CWP. The relationship of dependence was glaring and, inevitably, created other problems for their day-to-day operations. These co-operatives were required to submit monthly reports to the CWP local office on their activities, although in reality this requirement appeared to be a mere administrative compliance issue, rather than an attempt to exert undue government control over the nascent co-operatives.

As mentioned earlier, all worker members in the three survivalist co-operatives were also CWP participants. The CWP participants who were assigned agricultural duties in the CWP tended to join the Zamokuhle Agricultural Co-operative and those allocated CWP sewing duties would also most likely join the sewing co-operative. Because participants generally preferred to join CWP-linked co-operatives, which focused on work they were already assigned in the CWP, this generated a difficult situation where some worker members were supervised by their fellow worker members who were co-ordinators in the CWP. The intermingling roles as a worker member in the co-operative and a participant (or co-ordinator) in the CWP led to a sense of unease for some worker members who felt that worker members who were also CWP co-ordinators wielded residual power over decision-making in the co-operatives by virtue of their role as supervisors in the CWP.

Some felt that the CWP work hierarchy informally spilled over to these survivalist co-operatives, thus giving worker members

who were CWP co-ordinators informal yet powerful leverage over the operations of the co-operatives. In the long run, this could lead to a problematic situation of unequal power relations, which could undermine the democratic principle upon which true co-operatives must be built and sustained. The Nanogang Basadi and the beadwork co-operatives operated from the CWP premises and relied on its resources. None of these co-operatives owned the working equipment and had to rely on the equipment provided by the CWP. The CWP local offices, which housed the working equipment, were usually accessible during official CWP office hours. Consequently, the work of the co-operative was dictated by the CWP's work structure.

This relationship of dependence was seemingly normalised, with some members of these co-operatives expecting continued material and institutional support from the CWP. This was particularly evident when the new implementing agent – the Dhladhla Foundation – discontinued the supplies of raw bead and craftwork material to the beadwork co-operative. The apparent organisational deterioration of the beadwork co-operative was partly attributable to the discontinued material support from the CWP, although it continued to operate from the CWP premises. In hindsight, it appeared that the worker members in the three co-operatives had not imagined a reality where their co-operatives could survive on their own without reliance on the CWP. Unable to generate sufficient income or secure external financial support, with the exception of the Zamokuhle Agricultural Co-operative, these co-operatives continued to rely on the CWP for their survival.

All these challenges coalesce to one common problem: lack of reliable access to markets. This problem significantly constrained the ability of the survivalist CWP-linked co-operatives to become autonomous and self-sustaining enterprises. Recent research also identifies a lack of market access as the main problem for the sustainability of CWP-linked co-operatives (Chabalala 2013; Dichabe 2015). In her study of the CWP in Erasmus – a community in North West province, South Africa – Dichabe (2015) suggests that this challenge could be addressed by providing integrated

intergovernmental and multi-departmental support to all CWP-supported co-operatives.

Barileng Dichabe (2015: v) proposes as a solution the enactment of 'legislation mandating all relevant [government] departments to consolidate efforts to provide support and guidance to specific cooperatives'. At present, there is no legislation or framework at a local government level dedicated to providing support specifically to CWP-linked co-operatives. In another similar study on multiple co-operatives in the Elias Motsoaledi Local Municipality in Limpopo province, Madimetja Chabalala (2013: 32) suggests that the best way to ensure the survival of co-operatives supported by the government's Co-operative Incentive Scheme is to build synergy between this scheme and the CWP, and that the 'government should take a lead in this regard'.

However, the role of government in supporting co-operatives should not be viewed as unproblematic. Whereas the government has an important role in providing support, this should be done in a manner that does not emasculate the CWP-linked co-operatives of their characteristics as truly worker-owned, democratic, member-driven and self-sustaining enterprises. Scholarly work on co-operatives warns of potential dangers of governments' involvement in the development of co-operatives (Jara and Satgar 2005; Satgar 2007). Based on extensive literature on experiences of co-operatives across the world, Mazibuko Jara and Vishwas Satgar's paper (2005: 31) strongly argues that government support should be provided 'in a way which eliminates dependence and create self-financing impulses within the cooperative movement'. With reference to the KwaZulu-Natal provincial government's 'instrumentalist approach' to co-operatives, Satgar (2007: 14) further argues that, if not properly managed, government's support to co-operatives may lead to a 'dangerous' situation in which

the co-operatives are not developed in accordance with member needs and capacities but in terms of government objectives. This is dangerous because it does not cultivate the autonomous and independent impulses within the co-

operative for sustainability . . . The challenge for government is to find a balance between ensuring it provides strategic enabling support while cooperatives are initiated around opportunities identified by aspirant co-operators (a women's group, youth groups, workers in trade unions, community groups and so on) rooted on their own organic impulse of collective effort and solidarity.

From survivalist co-operatives to solidarity economy

The case of Munsieville is instructive as it allows for critical reflection on the potential role of the ELR in co-operative development and the building of a solidarity economy. The 'solidarity economy' is a term used to describe various forms of counter-hegemonic practices that seek to build an alternative society beyond the confines of capitalist production relations (Satgar 2014). Such counter-hegemonic practices are founded on anti-capitalist principles such as solidarity, democracy, collective ownership of means of production and ecological sustainability (Haarmann and Haarmann 2011). However, the solidarity economy is not 'a blueprint for an alternative society, but a series of experiments, becomings, emergent possibilities and prefigurative practices' (Williams 2014: 51). Because the CWP-linked co-operatives in Munsieville espoused some of these fundamental anti-capitalist principles and practices, such as solidarity and collective ownership, they could be seen as constituting the 'experiments' or 'emergent possibilities' towards the building of the solidarity economy in South Africa.

The current trajectory of CWP-linked co-operatives in Munsieville is certainly unsustainable, unless they are to remain locked in their present precarious and survivalist path. What can be done to transform these survivalist co-operatives and set them on a much more robust path of self-sustainability? Drawing from the case of the three CWP-linked co-operatives in Munsieville, this chapter proposes three mutually reinforcing interventions to turn these survivalist co-operatives into a new trajectory of self-sustainability. First, the CWP must continue to create the enabling environment for co-operative development. Besides creating conducive conditions

for building collective solidarity among participants, the CWP also provided material support towards co-operative development. Lack of start-up capital is one of the major obstacles to co-operative development. By making available the office space, work equipment and materials, the CWP provided the necessary conditions for the development of these co-operatives. Without this support, they would most likely disintegrate.

Second, the 'groundwork phase' (COPAC 2010) should be followed before a CWP-linked co-operative is established. The 'groundwork phase' should be a standard requirement, particularly in communities where the launch of the CWP is not preceded by an OW. The CWP currently does not have guidelines on processes to be followed in the establishment of co-operatives. According to COPAC (2010: 34), the 'groundwork phase' is a crucial step because 'it allows the potential worker owners who are wanting to start the cooperative to clearly plan what it is they want the cooperative to do, how they will do it, and whether it is likely to succeed'. COPAC further points out that 'many cooperatives in South Africa do not undertake these groundwork planning steps and just rush into establishing their cooperative without having thought clearly about whether their cooperative is likely to succeed'. The 'groundwork' phase entails a series of successive steps from the very moment a co-operative enterprise is conceived until it is actually established.

The 'groundwork phase' begins with the gathering of information to analyse the context within which a co-operative is envisaged to operate (COPAC 2010). Once this is done, the worker members are required to develop a concept document that clarifies important aspects of the co-operative, such as its objectives, principles and values; membership rights and obligations; legal arrangements and decision-making structures, its ownership model and its role in the broader solidarity economy network (COPAC 2010). The concept document is followed by a feasibility assessment, which looks into important aspects such as start-up capital and market access to test the co-operatives' prospects of success in the long term. From here the worker members start to consider the different financing options to cover the groundwork and start-up costs and to

acquire working capital. Because a certain degree of skill is required for the effective running of a co-operative, the worker members should also 'identify vocational and cooperative skills' (COPAC 2010: 56). These steps are followed by the designing of self-management structures and strategic business plans for the co-operative and, lastly, a consideration of the relevant legal frameworks and the registration of the co-operative.

Ideally, where possible, the 'groundwork phase' should be incorporated and solidified during the operationalisation of the OW methodology in communities where the launch of the CWP is preceded by this methodology. This is not only desirable, but also practical because a strong pedagogical convergence exists between the steps in the 'groundwork phase', as articulated by COPAC, and the OW methodology. Both the planning processes are uncompromisingly biased towards the dialogical approach to learning and are aware of the vices of the 'banking concept of education' where the teacher assumes the role of a 'depositor' of knowledge while the learners become passive 'depositories'. In this concept of education, learning 'takes place between the teacher and a learner, aimed at transforming (the knowledge world of) learners ... This is done by means of the transmission of an already existing store of knowledge, via channels, to the learner' (Correia and Castelo 2000: 46). However, as COPAC (2010: 11) correctly articulates, 'for real learning to take place, a facilitator ... cannot behave like a school teacher or lecturer. People cannot be empowered just by lecturing to them.' This dialogical and democratic approach to learning is what defines the philosophical underpinnings of the OW methodology and its ultimate goal to deliver *capacitation*, not education.

Third, the CWP-linked co-operatives should build stronger relations with the broader solidarity economy network. This network allows for the mutual support and sharing of experiences among co-operatives while at the same time generating a sense of common struggle. COPAC (2010: 125) suggests that this network could 'help the worker cooperatives gain support through various movement

and linked networks for market access, information sharing, skills development, solidarity around struggles and access to resources, in order to build structural power'. Some basic organisational challenges, such as the problems experienced in registering the Zamokuhle Agricultural Co-operative and the beadwork co-operative, would have been easily resolved with the support from the solidarity economy network. In the absence of external mutual support, the future of the survivalist CWP-linked co-operatives remains uncertain. There were already some early signs of crumbling as some of the CWP-linked co-operatives in Munsieville struggled to cope with their challenges. For example, the Zamokuhle Co-operative often had to resort to alternative names, such as Zamokuhle Projects, as a temporary solution for its failure to prove its legal status as a registered co-operative, particularly when applying for external financial support.

These CWP-linked co-operatives face the risk of bureaucratic capture as conduits for the social economy. The concept of the social economy has gained significant traction in South African government policy discourse as a blueprint for the deepening challenges of hunger, poverty and inequality. The government's New Growth Path strategy, for example, places co-operatives at the centre of the social economy (Williams 2014; Satgar 2014). But the concept of the social economy has its own shortcomings because it seeks to address 'societal and social problems within the capitalist state' (Satgar 2014: 201). Although this concept has a strong radical foundation, as it originally sought to 're-embed the economy in society', the dominant contemporary usage of the term, both at theoretical and practical levels, is void of any meaningful transformative politics (Williams 2014: 49). The social economy does not seek to build an alternative to capitalism, but to tame it 'through limited, progressive change within the confines of the current order by ameliorating the effects of market failure, unemployment and poverty through initiatives that target particular problems (such as hunger) and/or particular groups (such as training of disabled people)' (46).

Besides the danger of being assimilated into the very limited politics of social economy, the CWP-linked co-operatives also

face a greater risk of being entangled in state patronage networks. Research shows that some government-supported co-operatives in South Africa have 'been tied to state patronage, corruption and elite formation' (Satgar 2014: 16). It is only through their participation in the solidarity economy network that the CWP-linked co-operatives are able to harness their potential as agents for social transformation, beyond their primary social ameliorative role. These co-operatives are capable of embracing counter-hegemonic politics geared towards the creation of an alternative political economy built on the values of the solidarity economy, such as 'democratic management, redistribution, solidarity and reciprocity' (Williams 2014: 51). Obviously, cultivating these values of solidarity will not be as straightforward as it may seem. There will certainly be a bureaucratic backlash and resistance from the dominant economic and political elites, both in the state and outside the state, opposed to fundamental social transformation.

Conclusion

The potential of the ELR transcends the narrow traditional focus on alleviating hunger and poverty and the macroeconomic focus on full employment and price stability. The exponential increase in the innovative ELR programmes in the global South challenges us to think in new ways about the transformative potential of public employment programmes. Denouncing any form of ELR programme simply as 'workfare' or 'public workfare programmes' misses the opportunity for critical analysis of the ELR's potential in fostering community agency from below. This chapter has demonstrated that a properly designed ELR programme could play a catalytic role in promoting co-operative development and the building of the solidarity economy. The case of the three CWP-linked survivalist co-operatives in Munsieville contributes to the growing body of literature that points to the transformative potential of the ELR. Although this potential remains tentative, it nevertheless constitutes the 'becomings', 'experiments' or 'emergent possibilities' geared towards the building of an alternative social order, founded on anti-capitalist principles of solidarity, democracy, collective

ownership and self-management of the means of production and ecological sustainability.

The overall argument presented in this chapter contributes to what Edward Webster and Sharit Bhowmik (2014: i) term ‘the co-construction of knowledge production’ built on a ‘more interactive approach’ to knowledge production between the North and South. It cannot be denied that the ongoing experimentation in the global South with innovative ELR programmes, such as the CWP, offers potentially new conceptual and theoretical reflections on social policy in the age of growing insecurity. The general Northern conception of the ELR is that of a short-term, palliative policy intervention to a short-term disruption of formal wage-based livelihoods. The recent experience in the global South shows that ELR programmes, when properly designed, such as CWP in Munsieville, can generate autonomous development from below – an innovation the North could draw inspiration from.

Notes

1. Alternative acronyms MGNREGS, NREGA and NREGS are used in the literature to refer to the MGNREGA.
2. COPAC (2010: 14) defines a worker co-operative as ‘an enterprise that is owned, wholly or partially, by those who work in it’.
3. For a more detailed history of Munsieville see Dugmore (2008); Khumalo (2010); Proctor (1986); Van Kessel (2000); Ntlokoa (2017); Stevenson (2011b).
4. Interview 1, September 2014, Bekkersdal.
5. The OW methodology was organically born from grassroots working-class struggles for agrarian reforms in the 1950s in north-eastern Brazil under the banner of the Peasant Leagues (Ligas Camponesas) – a vibrant and revolutionary agrarian social movement led by, among others, the charismatic and influential socialist leader Francisco Juliao. As a co-founder of the Peasant Leagues movement, Clodomir de Morias was not a passive observer, but an active participant in these struggles. During the course of the struggle, many secret educational classes and meetings were organised to build consciousness and capacity among the peasants. Whereas critical consciousness remains a useful transformative concept, for De Morais, it ‘is inadequate in itself to achieve change’ (in Andersson 2004: 165). De Morais argued that critical consciousness needs to be complemented

by organisational consciousness to give real power to the ‘oppressed’ and ‘excluded’ to effect social change. Organisational consciousness is achieved by means of capacitation. The OW becomes a capacitation methodology for ‘developing the autonomous capacities’ of the ‘poor and excluded’ (Sobrado 2000: 21). The OW methodology, then known as the Experimental Laboratories, was first operationalised in north-eastern Brazil in the 1960s by its pioneer De Moraes. The experimentation was temporarily halted in 1964 when De Moraes was arrested and imprisoned for two years as part of a state’s clampdown against political activists (Andersson 2004). Upon his release in 1966, De Moraes was forced into exile in Chile where he was hired by the International Labour Organization (ILO) as an agrarian reform regional adviser for Central America in the same year (Andersson 2004). It was in this capacity as an adviser and later as an official of the Food and Agriculture Organization (FAO) in the same region, that De Moraes operationalised many OWs in Panama, Costa Rica, Honduras, Mexico, Guatemala, Colombia, Ecuador, Peru, Honduras, Venezuela and Portugal. Most of these OWs were operationalised under the aegis of multilateral organisations such as the ILO, FOA and the United Nations Development Programme. Since then, subsequent ‘Moreisean’ (OW) practitioners have reproduced the workshops in various countries in Africa, Latin America, the Caribbean and Europe. The OW method has been criticised for paying lip-service to the power relations at the macro-level (Green 2012) and for failing to decidedly invoke the Marxist notion of the class struggle (Chaves 2002: 12), while others similarly chastise it for being ‘more accommodating within the existing oppressive situations rather than directly challenging the status quo’ (Green 2012). In his ethnographic study, which, among other objectives, studied the operationalisation of the OW on a co-operative in Nicaragua, Joshua Fisher (2010) paints a rather pessimistic account of the outcomes of the OW. The following texts are recommended for detailed explanations of the OW methodology: Carmen and Sobrado (2000); Andersson (2004); Andersson and Richards (2015) and Carmen (1996).

6. For a full report on the operationalisation of the OW methodology in Munsieville, see Andersson et al. (2007).
7. A proverb in Sesotho, which says that success is not an instant but a gradual and painstaking process.
8. Interview 2, July 2016, Munsieville.
9. Interview 3, October 2015, Munsieville.
10. Interview 3, October 2015, Munsieville.
11. Interview 3, October 2015, Munsieville.
12. Interview 4, September 2014, Munsieville.
13. Interview 5, June 2013, Munsieville.

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4

Co-operatives and the Limits of Legal Reform

Jan Theron

CO-OPERATIVE X WAS established in 2001 with approximately eleven members and no assets. Fifteen years later, it has significant assets, employs a manager on a full-time basis and generates an income for 50-something members. In so doing, it has contributed significantly to the economic advancement of an impoverished Northern Cape community. This, to adopt government-speak, is what ‘broad-based economic empowerment’ should be about.¹ However, Co-operative X has not been the recipient of any government grant or assistance by the government in any way. The only credit the government can claim for its success is the establishment of a legal framework within which any membership-based enterprise can register as a co-operative. The question I consider in this chapter is the significance of this legal framework for Co-operative X and the emergent co-operative movement of which it is part.

Provisionally, the emergent co-operative movement can be defined as comprising co-operatives whose members are predominantly black (in the generic sense) and which were in the main established after 1994. Tens of thousands of co-operatives have been registered since 1994, but unlike the vast majority of them, when Co-operative X was registered, the legal framework was set by the Co-operatives Act No. 91 of 1981.² This was an apartheid-era law designed to promote agricultural co-operatives, administered by

the Department of Agriculture (where the office of the registrar of co-operatives was located). It defined agricultural co-operatives so restrictively that even though Co-operative X was engaged in marketing an agricultural product, it had to register as a 'trading co-operative' – a catch-all label for any other kind of co-operative. Ever since, apart from correspondence with the registrar relating to the submission of its audited financial statements, the government appears to have been content to let Co-operative X be.

Apart from the fact that the members of Co-operative X were accustomed to a label ('trading co-operative'), which no longer applied in terms of the legislation that replaced the 1981 Act – the Co-operatives Act of 2005 – the terms of which law their organisation was initially registered under was of little consequence to them. At its most basic level, the system of registration in terms of both laws – indeed, any system of registration – achieves the same objective. It provides assurance to its members and anyone with whom the co-operative transacts that it is an organisation subject to government regulation, which complies with certain standards of financial management. Also, it can sue and be sued, like any other legal person. This can be regarded as a necessary condition for any organisation wishing to operate in the formal economy. To this extent, it should go without saying that the legal framework is important for co-operative development.

That said, the importance of the legal framework should not be exaggerated nor what can be achieved through legislative reform. The reason it is necessary to make this point is because of a prevailing assumption that people in impoverished communities can be 'empowered' merely by introducing reforms creating a so-called enabling environment.³ In fact, it is questionable whether there is any causal relationship between an 'enabling environment' and the legal framework. This is evidenced by the fact that the practical obstacle co-operatives almost routinely face in getting started – notwithstanding the fact that the legal framework recognises co-operatives – is opening a bank account.⁴ In Co-operative X's case, after having got started, it has never had to invoke the legal framework to resolve a dispute or defend its rights. It has not even

had to contend with the threat of litigation, apart from an attorney who attempted to bully it into admitting someone as a member who was unwilling to comply with its policy of focusing exclusively on organic products.

It is true that the members of Co-operative X are ‘empowered’ by having taken ownership of their constitution. But this constitution did not owe much to the legal framework for co-operatives either. Provisions regarding financial management and notices of meetings, which the 1981 Act requires, are much the same as you would expect to find in the constitution of any membership-based organisation. The reason the members have taken ownership of their constitution has more to do with questions about which the 1981 Act had little or nothing to say. These include provisions intended to ensure that the members control the organisation and protect the interests of the most disadvantaged among them, as well as a commitment to abide by co-operative principles. Co-operative principles encapsulate what differentiates the co-operative as a form of enterprise from the company and its model of capital accumulation.⁵

The fact that the 1981 Act did not deal with these questions contributed to the need to replace it with the Co-operatives Act of 2005. However, a commitment to co-operative principles on paper would have been of little consequence if it had not been emphasised in the way the members were organised from the outset and if the leadership had not cultivated a culture of constitutionalism. The institutional resources they have been able to draw on – including a supportive non-governmental organisation (NGO) – have also played a role in this regard. Ultimately, however, Co-operative X is a success because it has proved economically sustainable and delivered tangible benefits to its members. By contrast, the vast majority of the co-operatives registered under the 2005 Act are not economically sustainable, if indeed they exist except on paper.

The proposition that the vast majority of co-operatives registered under the 2005 Act are not economically sustainable needs to be substantiated. If correct, it would mean that the emergent co-operative movement is in a parlous state. I try to substantiate this

proposition in the next two sections of the chapter. I also explain in what important ways the approach of the 2005 Act was different to the 1981 Act in order to determine to what extent the 2005 Act is to blame for the precarious state of the emergent co-operative movement. My point of departure, however, is that just as it is unrealistic to expect that the adoption of legislation providing that co-operatives comply with co-operative principles will of itself result in such a movement, it would be unrealistic to blame the legal framework for the current state of uncertainty of the movement. The role of a legal framework is constitutive and always complex. It needs to be evaluated in the context of the political and economic situation prevailing at the time.

In the next section, I compare the position of co-operatives at the point at which South Africa became a democracy, when the 1981 Act applied, and how the political and economic situation as it affected co-operatives has changed since then. However, different factors have been (and are still) at play in different sectors of the economy and for different kinds of co-operatives. I must therefore necessarily narrow my focus to primarily co-operatives in the agricultural sector and specifically co-operatives of small growers like X. In the next section, my focus is worker co-operatives. In particular, I look at the use or misuse of worker co-operatives as a form of enterprise in the clothing industry. In the concluding section, I consider to what extent the provisions of the 2013 Amendment Act will ameliorate the parlous state of the movement.

Analysing the political and economic context: Small growers in agriculture

There are a number of reasons that a focus on co-operatives in agriculture is illuminating. Firstly and most obviously, agriculture is the sector in which co-operatives have had the greatest economic success globally. In South Africa, co-operatives were a pillar of the rural economy until shortly before the transition to democracy. They provided a wide range of services to their members, who were, at a primary level, commercial farmers operating in a variety of sectors of agriculture (Visser and Ferrer 2015).⁶ Co-operatives also played a

key role in guaranteeing there was food security. Thus, at a secondary level, co-operatives established storage facilities such as silos and food manufacturing plants producing bread, maize-meal, dairy and red meat products.

Although the 1981 Act set the legal framework, it did not do so in isolation from the legal framework applicable to enterprises in general. The requirement in terms of the 1981 Act that any enterprise that called itself a co-operative was required to register as such, for example, originated with a prohibition in terms of the Companies Act of 1973. No organisation with more than twenty members could have 'the acquisition of gain' as its object unless it was registered as a company or in terms of some other law.⁷ By the same token, the fact that farmers belonging to primary co-operatives were all white is attributable to the legal framework regulating the ownership and use of land dating back to the 1913 Land Act and before. This framework must, in turn, be understood in terms of a political and economic order that maintained white privilege.

Probably the most important of the services co-operatives provided was the marketing of their members' produce. However, one cannot consider their role in this regard apart from the legal framework for the marketing of agricultural products and certain foodstuffs. The co-operatives engaged in milling and baking, for example, not only provided a secure market for farmers of wheat and maize, but staple foods for the nation. It was regarded as politically imperative that bread and maize-meal be sold at an affordable price. Accordingly, prices were controlled by a board established by the government. Similarly, fresh and manufactured food products were exported through a so-called single channel marketing system. Co-operatives played a central role in these control boards. It is therefore impossible to disentangle the success (and limitations) of these co-operatives from the protectionist economic policies that gave rise to this system.

Since co-operatives played a central role in the marketing of agricultural products, it was also appropriate that co-operative affairs should be tightly regulated. Thus, the 1981 Act contained detailed prescriptions regarding how a co-operative should be

managed and provided for an inspectorate with the power to investigate. It also vested considerable powers with the registrar of co-operatives, who played an active role in co-operative development. If he was of the opinion that a co-operative was not operational, he also had the power to strike it off the register.⁸ Since the numbers of co-operatives registered were comparatively small, the registrar and his inspectorate were in fact in a position to exercise the powers they had on paper.

This was consistent with what has been characterised as a 'state-dominated model' of co-operative development, which reached its zenith globally in the 1970s. The consensus among proponents of co-operative legislative reform was that the members had a diminished role in governing their co-operatives in terms of this model and that management was accountable to the state instead. Also, the state imposed artificial barriers to co-operative development and prevented co-operatives competing on an equal footing with companies operating for profit (CLARITY 2006). In the case of South Africa, however, pressures for legislative reform prior to 1994 had more to do with companies operating for profit believing that they were not competing with co-operatives on a level playing field. Then, from the late 1980s onwards, the global economy took a 'neo-liberal turn' (Harvey 2005) and trade liberalisation became the order of the day.

Trade liberalisation in South Africa began some years before the transition to democracy, with the negotiation of the Uruguay round of the World Trade Organization. In a bid to ingratiate itself with a new global order, seemingly, and with the apparent assent of the African National Congress (ANC) as government-in-waiting, South Africa went much further in liberalising agriculture and lowering tariffs than it was required to do in terms of the Uruguay round. It agreed to a zero tariff for wheat, for example. Consequently, the volume of imported wheat, which stood at 20 per cent in 1997, had risen to 60 per cent by 2007 and wheat production in South Africa has declined dramatically (Visser and Ferrer 2015). South Africa also agreed to dismantle the control boards and to abandon the single channel marketing system. This decision was formalised in 1996 with the adoption of the Marketing of Agricultural Products Act No. 47.

At about the same time as this was happening, major co-operatives began to convert to companies. These included co-operatives producing maize-meal and bread, which, as a consequence of a further process of amalgamation, has resulted in one of the largest food conglomerates in the country.⁹ The fact that co-operatives had forfeited their privileged position in terms of the single channel marketing system and that prices were no longer controlled goes some way to explain their conversion to companies. But it was also a political decision, motivated by the fear that the new government might appropriate assets and reserves accumulated over generations. At the same time, it was obvious that values of co-operation were inimical to neo-liberal thinking. Consequently, principles that had never been fully complied with in the first place were now perceived as imposing artificial constraints on the growth of these co-operatives.

It was, on the other hand, very much in keeping with neo-liberal thinking for the leadership of these co-operatives, out of unbridled greed, to secure a windfall for itself from the transfer of assets and reserves, which were in most instances grossly undervalued. This was the issue in litigation instituted by newly appointed minister of agriculture against one of the oldest and richest of these co-operatives, KWV. The matter was eventually settled out of court, with government securing a slice of the windfall generated by KWV's conversion to a company for development of small growers producing wine grapes.¹⁰ It should have been obvious, however, that there was never a realistic prospect of developing small growers without a programme of land reform, in terms of which small growers would have secure tenure of the land they farmed.¹¹ Even then, there was little realistic prospect that small growers could be economically sustainable in the absence of co-operatives that would enable them to compete with established commercial farmers. If there was to be any such new wave of co-operatives, however, it was politically imperative that it distinguished itself from a perverted form of co-operation associated with maintaining white privilege. For this to happen, the government needed a clear policy.

Despite the minister appointing a task team to develop such a policy, no progress was made. This can perhaps be attributed to

political resistance within the Department of Agriculture, exemplified by the provisions of a 2001 draft bill it had formulated in the interim, without a policy. Although this bill ostensibly addressed some of the shortcomings of the 1981 Act, it also contained provisions seen as undermining co-operative principles. Notable among these was a provision allowing co-operatives to issue 'investor shares' to non-members, which could only be seen as a sop to the established co-operatives, perhaps to forestall further conversions. However, a political decision had by this time already been taken to transfer the responsibility for co-operatives to the Department of Trade and Industry (DTI).¹² The DTI rejected this draft bill and initiated its own process of drafting new legislation, as well as, for the first time, a formal co-operative policy.

In adopting new legislation and a formal policy, the government was adopting an approach advocated by the International Labour Organization, which was followed in a number of countries in Africa and elsewhere at roughly the same time (Theron 2010). This approach, in brief outline, envisages a broad process of consultation with 'stakeholders' with an interest in co-operative development, notably the co-operative movement of the country itself. The policy that is the outcome of this process should then inform new legislation. In terms of the global consensus already referred to, this new legislation had to replace the 'state-dominated model' with a model that emphasised co-operative autonomy and removed the supposed barriers to co-operative development. This new model can also be seen as a response to the 'neo-liberal turn' and the imposition of structural adjustment policies in Africa and elsewhere by global financial institutions such as the World Bank.

However, the consultation process regarding a new policy for South Africa was flawed from the outset. This was first and foremost because there was no co-operative movement capable of influencing the process from below. The rump of the agricultural co-operatives had converted to companies and the emergent co-operative movement was in an embryonic state and had no credible voice.¹³ Secondly, leadership from the government was lacking. The one government department with expertise in co-operative development

was alienated from the process. The DTI, on the other hand, had competing priorities. These included promoting so-called 'black economic empowerment', as well promoting small businesses.¹⁴ Also, it was not really possible for the policy to inform the legislation. This was because, although the policy was adopted in 2004, the process by which it was formulated took place parallel to the drafting of new legislation, rather than preceding it.¹⁵

In its emphasis on co-operative principles and autonomy, as well as other issues on which the 1981 Act was silent, the 2005 Act compares favourably with the legislation of other countries. But it has also been criticised for its emphasis on co-operative principles and in particular the principle of member economic participation.¹⁶ The principle of member economic participation requires that members contribute to the capital of the co-operative themselves and the return on member capital is limited. By limiting the members' ability to raise capital in this manner, it is argued, the legislation places an artificial constraint on co-operative development and represents 'a missed opportunity for small farmers and land reform beneficiaries' (Lyne and Collins 2008; see also Ngwane, Lyne and Ferrer 2010). This criticism harks back to the proposal of investor shares to which I have already referred. It also ignores the economic and political context in which the Act was adopted, including inconvenient truths such an analysis would reveal.

The fact of the matter was that when the 2005 Act came into force, in 2006, there was no small grower sector of consequence. The beneficiaries of land reform had in the meantime been encouraged by the government to form communal property associations or trusts, without thought as to how the land allocated to them would be utilised.¹⁷ Neither of these legal forms was conducive to the development of a small grower sector, or indeed the productive utilisation of the land in question. They were merely intended to settle the question of its ownership. It is also not obvious in what way the legal framework influenced the character of the emergent co-operative movement. What did have a profound influence, however, was that large numbers of co-operatives were registered without having even the rudiments of a realistic plan as to how they would

become economically sustainable. This was notwithstanding the emphasis the Act placed on their sustainability.¹⁸

It should go without saying that sustainability cannot be legislated. The most legislation could do was to facilitate the provision of support to emergent co-operatives, as the 2005 Act sought to do.¹⁹ However, the form of support that the government provided was a critical issue and bound to be contentious – particularly if it took the form of an unconditional grant. So the Act also provided for the establishment of a Co-operatives Advisory Board, with the function (among other things) of making recommendations regarding what kind of support was appropriate. This board was never established.²⁰ It should nevertheless have been obvious from the government's own experience in promoting agricultural co-operatives that specific support strategies would be needed for different kinds of co-operatives. How the Act categorised different kinds of co-operatives was therefore a critical issue. It could facilitate or retard the provision of support.

Broadly speaking, there are two ways in which it is possible to differentiate between co-operatives at a primary level. One is to differentiate between co-operatives that provide services to their members as opposed to the so-called worker co-operative (sometimes also called a producer co-operative). The other is to differentiate between co-operatives in different sectors. The problem is that these two categories overlap. In the case of agriculture, for example, Co-operative X is an example of the former. Even though its members do not need to own the land they cultivate, each is expected to be able to identify a unit of land for which he or she is responsible. However, it is also possible to have worker co-operatives in agriculture – the so-called collective farm.

Co-operative X illustrates why, even within the broad category of agricultural co-operatives providing services to their members, there is a need for a more carefully differentiated strategy. Its sustainability can be attributed to the identification of a specific demand for a specific product: not just an organic product, but also one produced under conditions that complied with fair trade standards. It was this that gave it an advantage over its commercial

competitors. Had it been possible to constitute X as a worker co-operative, it would have needed a somewhat different strategy.²¹ That is because worker co-operatives give rise to their own particular problems, as I explain later in this chapter. It is therefore remarkable that government does not have data as to how many co-operatives in agriculture or any other sector are worker co-operatives. Compounding this problem is the fact that sectors referred to in the policy do not exactly correspond with those identified in the Act.

It is not possible for any government to develop appropriate strategies without reliable data. In the absence of an appropriate strategy, it is understandable that Co-operative X had to look to an NGO for the kind of institutional support the government might otherwise have been expected to provide. But this is not to say governments are inherently incapable of providing such support. One has only to look at the level of support the Department of Agriculture once provided to agricultural co-operatives. Rather, it is the political will to promote both co-operatives and small growers that has been lacking since 1994. If this were not the case, there would surely be more small-grower co-operatives in the sector in which X operates. This is even clearer in sugar, arguably the sector of agriculture with the most significant number of small growers. Sugar is also the only sector of agriculture that is still regulated, which puts government in a powerful position to promote small growers.

There were good reasons for government to do so, given that the small growers were contracted to supply mills owned by large conglomerates and by companies controlled by commercial farmers. The obvious way in which to address the clear imbalance of power that resulted from this situation was for the small growers to form a marketing co-operative through which they could bargain for better prices and the like. Unaccountably, this has not happened. The one published case study of a co-operative of small growers had 105 members (Ngwane, Lyne and Ferrer 2010). Yet, although its members were genuine small growers, each owning a piece of land, it was in fact constituted as a worker co-operative whose members were paid a 'market-related wage'. How did this come about? The explanation

given in this study is that the members were not consulted about the 'business model' adopted and formed a co-operative because it was a precondition for government support (2010: 50–1). But this begs the important question of why an obviously inappropriate model of co-operative was foisted on them.

It is undoubtedly true, however, that many co-operatives have been formed primarily in order to access the once-off grant the DTI pays to a newly formed co-operative.²² This is another problem of the government's own making. There are, of course, circumstances in which the government is justified in giving grants. But doling out money to groups claiming to be co-operatives makes a mockery of co-operative values, such as financial self-sufficiency, and principles, such as members' economic participation. It also undermines any potential newly established co-operatives becoming economically sustainable, while at the same creating an incentive for sharp operators to create bogus co-operatives.²³ Indeed, it seems bogus co-operatives are being created literally on the DTI's own doorstep. Officials concede that there are sharp operators recruiting potential 'members' outside its Pretoria head office, with the objective of securing a slice of the payment due to the 'co-operative'. It is unsurprising in this context that a high proportion of co-operatives never get started at all (Wessels 2016). It is equally unsurprising that there is a very high mortality rate among co-operatives – disastrously high, from the perspective of building a movement.²⁴

Clearly, the emergent co-operative movement, in so far as it exists, has taken a wrong turn. To the extent that the legal framework has anything to do with this wrong turn, it concerns how legislation is applied in practice, rather than what it says. Consider, for example, the latitude the Act allows for a co-operative to define its objectives and manage its affairs in terms of its own constitution.²⁵ The idea was that a co-operative would utilise this latitude to craft a document that meets its particular needs and that its members can own. In so doing, the Act would also affirm co-operative autonomy. What has happened instead is that most co-operatives have adopted the model constitution provided by the DTI. For some years, the same model constitution was used for all kinds of co-operatives. All too often the

result was inappropriate constitutions, which members regarded as imposed on them. As a result of this practice, a provision intended to strengthen co-operative autonomy has in fact weakened it.

This is also because the government lacks the capacity to provide basic advice to co-operatives as to how they should be structured, let alone how they can be economically sustainable. This lack of capacity has arguably been aggravated by a policy decision, influenced by 'neo-liberal' norms of governance, to separate the offices of the registrar and of co-operative development and the fact that neither was provided with a staff complement adequate to the demand for their services. Consequently, institutional capacity is still lacking, some twenty years after the liberalisation of agriculture sector, now that the government has belatedly discovered the political will to promote small growers' co-operatives.²⁶ However, the decision to transfer the co-operative development unit from the DTI to the newly established Department of Small Business Development will not help matters.²⁷

Worker co-operatives and the law

Even though the 2005 Act affords considerable latitude as to how a co-operative constitutes itself, certain provisions are compulsory. Some of these provisions relate to specific kinds of co-operatives. There are thus certain provisions relating to housing co-operatives, worker co-operatives, agricultural co-operatives and financial services co-operatives.²⁸ In the case of financial services co-operatives (which include savings and credit co-operatives), the National Treasury did not regard these provisions as going far enough and piloted the introduction of additional legislation in the form of the Co-operative Banks Act (CBA).²⁹ The CBA in turn provided for the establishment of the Co-operative Banks Development Agency, which, in contrast to the Advisory Board the 2005 Act envisaged, has been operational for some years (see De Jong and Kuhlengisa in this volume).³⁰

The provisions of the 2005 Act relating to worker co-operatives are of particular importance. There has been some debate in South Africa regarding the appropriateness of worker co-operatives (Philip

2007; Satgar 2007, 2008). Yet, despite the dearth of reliable data, all indications are that the bulk of the tens of thousands of co-operatives on the government's books are actually worker co-operatives registered since the 2005 Act. This is not altogether surprising. The main objective of such a co-operative at a primary level, as defined in the Act, is to provide employment to its members. In a context in which jobs are in short supply, worker co-operatives are seen as responding to a social need.

At the same time, 'employment' is an ambiguous term. In terms of the legal framework that regulates formal employment, it concerns a bilateral relationship between two parties, an employer and employee. It has never had as restricted a meaning in the economic sphere, where employment encompasses all forms of employment – including self-employment, to which the framework regulating formal employment does not apply. One of the particular problems worker co-operatives give rise to is what form of employment they provide. This is because, in a true worker co-operative, the workers it 'employs' are its members and therefore (collectively) own the enterprise. There is therefore no bilateral relationship between an employer and employee. Arguably, therefore, the legal framework for regulating formal employment should not be applicable. Employment in a worker co-operative should be regarded as collective self-employment.

Another of the particular problems associated with worker co-operatives concerns how they are managed. Here again, because the workers are the co-operative's owners, the question is whether the management will have the independence or authority to make difficult decisions in order to ensure the sustainability of the enterprise. Maintaining discipline is an aspect of this. However, common sense suggests that the problems of management are less likely to arise in co-operatives where the members are relatively skilled and there is no need for close supervision; also, these problems are less likely to arise in relatively small co-operatives (in terms of numbers employed). Co-operative Y is small. It was established in 2008 and is still operating nine years later. The number of people it employs has never exceeded ten. The manager is the best educated

of the members, but earns the same salary (also see Satgar's 'From National Liberation Struggle to Fingerprint Worker Co-operative' in this volume).

The fact that the worker co-operative gives rise to particular problems does not in any way invalidate it as a form of enterprise. The same is true of every form of enterprise, including the company. It does suggest, however, that there is a need for a well-thought-out policy to mitigate these problems, which also takes into account the current context. Ironically, the 'neo-liberal turn' has opened up new opportunities for worker co-operatives. As a consequence of the policies of deregulation and privatisation, there are now many public services being provided by private contractors operating for profit. The workers employed by these contractors are not in the bilateral relationship the legal framework for employment envisages and are therefore highly vulnerable. Organising them into worker co-operatives to provide the services in question would be an elegant and just alternative.

This is precisely the opportunity Co-operative Y has grasped. As with X, a local NGO helped it to become established and to secure a contract with the local authority to manage a recycling depot. But the NGO's task would have been made much easier if local government had a policy that explicitly recognised the potential of the worker co-operative in this situation and others like it, or if there was some other policy it could have invoked, including, of course, the 2004 policy.³¹

The 2004 policy was also silent on how to counteract the abuse of co-operatives in general and worker co-operatives in particular. However, the 2005 Act is cognisant of this possibility. A co-operative in which the members are not workers, or only a minority are members, is not a worker co-operative in terms of the 2005 Act. In that case, there would be no valid reason for the enterprise concerned to constitute itself as a co-operative rather than a company. At the same time, worker co-operatives need some latitude to employ temporary workers, for example, to meet a seasonal demand for its products.³² Accordingly, the Act permits a co-operative to employ workers who are not members subject to the proviso that their

number does not exceed a stipulated threshold. This threshold was set at 25 per cent of the number of members of the co-operative.³³ At least 75 per cent of the workforce must be members at any one time, in other words.

The Act also provides for the maintenance of discipline by specifying a procedure that must be followed before a worker's membership can be terminated. The worker concerned must be afforded a hearing and the board may only terminate membership for good reason. The member is also entitled to appeal against any such decision to a general meeting.³⁴ The question that arises in the event that a general meeting upholds a decision to terminate a worker's membership is whether he or she has been dismissed – since an employee who alleges he or she has been unfairly dismissed has recourse to the Commission for Conciliation, Mediation and Arbitration (CCMA), a tribunal established in terms of the legal framework regulating employment.³⁵

It is unclear if the jurisdiction of the CCMA to determine a case of unfair dismissal has ever been challenged on the basis that termination of membership is not dismissal, but a genuine worker co-operative would be unlikely to have the resources to do so. It is also safe to assume that CCMA commissioners are unlikely to be sensitive to the nature of a worker co-operative. Equally, there is no reason to suppose they would understand the implications of overturning a decision of a general meeting. This would undermine the voluntary character of a co-operative, with potentially disastrous consequences.

The position adopted by the 2005 Act in this regard needs to be understood in this light. It holds that a member of a worker co-operative is not an employee as defined in terms of the legal framework for employment, including legislation regulating basic conditions of employment. Just as it would be inappropriate for the legal framework to determine a self-employed person's entitlement to paid leave, it would be inappropriate to do so in a situation of collective self-employment.³⁶ It was, however, appropriate to deem the members of workers' co-operatives to be employees, so as to enable them to have unemployment insurance cover and to claim compensation in the event of injuries at work.³⁷

The danger of adopting a legal framework that is not informed by policy is that it can be misunderstood or simply disregarded. That is perhaps why worker co-operatives were registered without regard to the above-mentioned threshold the Act introduced. It may also have happened because the DTI did not have a model constitution for worker co-operatives. However, when companies in the clothing industry in KwaZulu-Natal began converting to 'worker co-operatives', a cursory investigation would have revealed that they could not conceivably be such. The number of people working for them far exceeded the threshold. It was also well known that clothing was an industry that had long been regulated by a collective agreement and had almost as long a history of firms devising scams to evade its provisions, especially in KwaZulu-Natal. A cursory investigation would have revealed that the reason for the conversion was because sharp operators had advised companies that if they were constituted as co-operatives, the legal framework for employment (which encompasses collective bargaining) would not apply.

The obvious solution to this problem was for the government to enforce the law. Incredibly, it proved incapable of doing so. And the obvious demand for organised labour to have made was for bogus co-operatives to be shut down. Instead, it began demanding the 2005 Act be amended to close what it claimed was a loophole in the law. This amounted to asserting the hegemony of the legal framework for employment over the framework for co-operatives and disregarding the consequences for genuine worker co-operatives. It was, in other words, to throw the baby out with the bathwater.

How not to build a movement

In 2008, the DTI initiated a process to amend the 2005 Act and in 2013 the Co-operatives Amendment Act No. 6 was passed. On the one hand, it appears the amendments signal a significantly greater investment of government resources in co-operative development. There is a whole chapter devoted to intergovernmental relations.³⁸ There is now to be the Co-operative Development Agency, as well as the Co-operative Tribunal, in addition to the Co-operatives Advisory Board, which was never established, now to be called the Co-

operatives Advisory Council. On the other hand, the establishment of a plethora of institutions raises obvious questions of affordability. How can the country afford an agency as well as a council, for example?

One also has to question the social need these institutions are supposed to fulfil. In this regard, a comparison between the proposal of the Co-operative Tribunal and the CCMA is instructive. The CCMA was established in response to a social need that another form of membership-based organisation, the trade unions, played a central role in identifying. Trade unions and employer organisations, in turn, collectively crafted the kind of tribunal they deemed appropriate, drawing on a rich experience with predecessor institutions and paying particular attention to how to make it accessible. Clearly, there has been no comparable process in arriving at the proposal of the Co-operative Tribunal, if for no other reason than because of the disorganised state of the co-operative movement.

A possible rationale for the establishment of a tribunal is that a co-operative is required to comply with co-operative principles and there are bogus co-operatives that do not comply. However, there was no need to invoke co-operative principles to deal with the bogus co-operatives in the clothing industry, as I have argued. In any event, compliance with co-operative principles in terms of the 2005 Act was in most instances objectively determinable. You do not need a specialised tribunal to determine whether each member has a vote in a primary co-operative, as the 2005 Act requires. Indeed, you should not need a court at all. To refer such a question to a court is a derogation of the government's responsibility to apply the law.

However, the inquiry into the clothing industry would certainly be a lot more complicated if the 2013 amendments were in force. This is because another of its innovations is to allow legal rather than natural persons to become members of a primary co-operative and to create three different categories of primary co-operative, A, B and C. The principle of one member, one vote does not apply to a category C co-operative. At the same time, the amendments do not address the confusion that exists between worker co-operatives and service co-operatives operating in the same sector. If anything,

it compounds the confusion, by introducing special provisions for a new kind of co-operative, the social co-operative. It is perhaps fortunate, therefore, that more than three years after they were adopted, the amendments have still not come into effect. Genuine worker co-operatives will have been able to carry on as before, providing a livelihood for their members and disregarding legislation that appears to have little relevance to their situation.

Once the amendments come into force, however, worker co-operatives will in theory be expected to comply with labour legislation. It is far from clear what this means or how labour legislation will apply to them in practice.³⁹ Most genuine worker co-operatives will probably carry on as before. They are unlikely to apply for an exemption not to comply with labour legislation, which in most instances would have to be lodged with the minister of labour.⁴⁰ The net effect will almost certainly be to confine these worker co-operatives to the informal economy, thereby defeating one of the purposes of the Act.⁴¹ The bogus co-operatives in the clothing industry will in the meantime have had ample time to plan for this contingency. It may even be that they simply decide to ignore the amended law, given the ease with which they have been able to evade the previous one.

The way to build a movement is for would-be co-operatives of small growers to learn from the example of the likes of Co-operative X and for worker co-operatives starting out to learn from the likes of Co-operative Y. Co-operation between co-operatives would lead to the formation of secondary co-operatives and the beginning of a coherent movement in the sectors in which each operates. Over time, a number of sectoral movements could form the basis of a coherent national movement. It is doubtful whether any of the amendments will facilitate what is essentially a slow process of building organisations from the bottom up. This also does not appear to be the intention. Rather, one is left with the overall impression of a misplaced attempt to impose a top-down process, with little regard for the importance of co-operative autonomy.

Take, for example, how the functions of the Co-operatives Advisory Council have been amended. Instead of allowing it a free hand to make recommendations regarding support programmes

that target co-operatives, it can now only make recommendations ‘that target co-operatives as determined by the Minister’.⁴² This is tantamount to turning the Council into a rubber stamp. The amendments regarding ‘*the* national apex co-operative’ flagrantly violate co-operative autonomy. It appears that the government has learned nothing from its own unfortunate history of anointing organisations with no credible membership base as the spokesperson of the co-operative movement.⁴³

Regrettably, if there is any prospect of a vibrant co-operative movement in South Africa, it seems it will have to be established despite the legal framework. Perhaps it had to be like this, given a political and economic context in which neo-liberal values pervade. Indeed, one of the lessons to be learned from this analysis is how the ‘neo-liberal turn’ has fostered a misplaced reliance on law as interpreted by courts and disempowered the government as the guarantor of the legal framework. Another lesson is the importance of autonomous, bottom-up forms of organisation. However, co-operatives will not be able to reassert values of solidarity in society at large on their own. They can only do so in alliance with other bottom-up forms of organisations that are not for profit. This is the promise of the concept of a solidarity economy (see Masondo and Cherry in this volume).

Notes

1. The writer has acted as a legal adviser to Co-operative X. The term ‘broad-based black economic empowerment’ replaced the term ‘black economic empowerment’ and was given legislative recognition with the adoption of the Broad-Based Black Economic Empowerment Act No. 53 of 2003.
2. In 2002 there were 1 444 registered co-operatives in terms of this Act, but by 2005–6, following the adoption of a new Act, this number had grown to 7 355. By 2010–11 it stood at 43 062 and has presumably grown since (DTI 2012).
3. Hence the notion of ‘legal empowerment’. For a critical examination of this notion, see Banik (2011).
4. This observation is based on the writer’s own experience in interacting with a variety of co-operatives, both as a practising attorney and as an academic researcher; see also Theron and Visser (2009).

5. Co-operative principles are defined as the internationally accepted principles of co-operation.
6. As well as marketing their members' produce, co-operatives provided storage and transport facilities, as well as finance, monitored product quality, determined product quotas and disposed of surpluses (in the case of wine and milk, for example).
7. Section 30(1), Companies Act No. 61 of 1973. The new Companies Act contains a similar provision. See section 8(2), Companies Act No. 71 of 2008.
8. My use of 'he' is deliberate. It would have been unthinkable to have a female registrar at the time.
9. The food conglomerate in question is Pioneer Foods Ltd, which was formed following the amalgamation of Sasko and Bokomo. The sector in which Co-operative X operates also included a major co-operative, which converted to a company at about this time.
10. The South African Wine Industry Trust was established with the object of advancing transformation in the wine industry.
11. The fact that there was no security of tenure in the so-called homelands is doubtless a reason that attempts to establish co-operatives there never actually took root.
12. According to my own notes, this decision was made at Cabinet level in 2000, although it was only implemented in 2005. The argument that this decision was only taken in 2003 following a presidential growth and development summit is incorrect.
13. The 'apex' body that government consulted at the time was the National Co-operative Association of South Africa, which has since dissolved. Arguably the most organised section of the co-operative movement it represented were savings and credit co-operatives affiliated to the Savings and Credit Co-operative League of South Africa, a secondary co-operative, which has also since dissolved.
14. The 2004 policy in fact states that it must be read with the policies for small, medium and micro-sized enterprises and broad-based economic empowerment. See DTI (2004).
15. Different versions of a draft bill were being circulated for comment within government from 2002 onwards. The writer was engaged by the DTI to prepare this draft bill.
16. A separate section sets out what compliance with co-operative principles means for the purposes of the Act, with respect to six of the seven internationally accepted principles of co-operation. The principle of member economic participation is set out in subsection 3(1)(c).
17. Communal Property Associations Act No. 28 of 1996.

18. Echoing one of the objectives of the policy, the Act states that co-operatives must be sustainable in order to increase 'the number and variety of enterprises in the formal economy'. See subsection 2(a), Act No. 14 of 2005.
19. See paragraph 3 of the 2004 policy; subsection 2(f), Act No. 14 of 2005.
20. See section 86(d) and more generally chapter 13, Act No. 14 of 2005. It is unclear why this board was never established.
21. This was not considered a possibility, given that the members did not collectively own the land.
22. The grant is framed as an 'incentive scheme' and is subject to certain conditions, including the requirement that the co-operative concerned have a business plan. When the DTI first introduced the incentive, a co-operative was required to contribute a matching amount equivalent to 10 per cent of the approved grant. This requirement was later dropped. Now that the function of co-operative development has been transferred to the Department of Small Business Development and Co-operatives, incentives will presumably become a function of this department. Certain provinces also introduced incentive schemes of their own, notably KwaZulu-Natal.
23. Bogus co-operatives may be established for a variety of purposes, but most are usually formed to obtain some benefit that would be available to an enterprise that is supposedly member-based.
24. According to the DTI's own 2009 baseline study, the mortality rate was 88 per cent (DTI 2012).
25. Section 14(1) of the Act lists provisions that must be included in a co-operative's constitution, but leaves it up to the co-operative concerned as to how it deals with a wide range of issues, such as the requirements for membership. Section 14(2) contains optional provisions. Section 15 concerns provisions that are applicable where shares are a requirement of membership. Section 16 concerns provisions applicable to secondary and tertiary co-operatives.
26. In 2012, the government department responsible for agriculture, which is now also responsible for forestries and fisheries, convened a national indaba on agricultural co-operatives with the subtitle 'towards the creation of a model to enable smallholder farmers to play a critical role in the establishment of sustainable cooperative enterprises' (DAFF 2012). In the same year, it adopted guidelines for establishing such co-operatives. It is also promoting co-operatives in the inshore-fishing industry as a strategy to combat poaching in impoverished coastal communities.
27. The Department of Small Business Development was established in 2014 and has now been renamed the Department of Small Business Development and Co-operatives.

28. Schedule 1, 'Special Provisions Relating to Certain Kinds of Co-operatives', Co-operatives Act No. 14 of 2005.
29. This provides for the 'registration of deposit-taking financial cooperatives as cooperative banks' where their scale of operations exceeds a stipulated level. See Section 2(i), Act No. 40 of 2007.
30. Section 55(1), Act No. 40 of 2007.
31. It can be argued that South Africa needs an employment policy that specifies the role worker co-operatives could play in generating employment, among other things. Procurement policy could also address the role of worker co-operatives, in the context of privatisation of public services.
32. Similarly, it afforded a worker co-operative the latitude to introduce a probation period to be served before a worker could become a member. Item 3(1)(d), Part 2, Schedule 1, Act No. 14 of 2005.
33. Item 3(1)(c), Part 2, Schedule 1, Act No. 14 of 2005.
34. Item 4, Part 2, Schedule 1, Act No. 14 of 2005.
35. The Commission for Conciliation, Mediation and Arbitration was established in terms of the Labour Relations Act No. 66 of 1995 and is perceived by many to be a relatively efficient post-1994 institution.
36. Research into existing worker co-operatives conducted for the Department of Labour showed that most did not generate enough income to give their members three weeks' paid leave a year, which is the statutory minimum annual leave. However, they compensated their members in other ways.
37. Item 6, Part 2, Schedule 1, Act No. 14 of 2005.
38. Chapter 12 C, Act No. 6 of 2013.
39. Item 6 of part 2 of schedule 1 formerly comprised two parts. The first part, which stated that a member of a worker co-operative is not an employee as defined in the Labour Relations Act or Basic Conditions of Employment Act, now states that 'an employee of a worker co-operative is any member or non-member who satisfies the definition of "employee" as defined in the Labour Relations Act'. Apart from its tautologous wording, this provision is problematic for two reasons. Firstly, it muddies the important distinction between an employee and a member of a worker co-operative. Secondly, the definition of employee in terms of the Labour Relations Act is open to widely differing interpretations and has resulted in a considerable amount of litigation. In short, the amendment does not provide clarity. The amendments delete the second part of item 6, in terms of which a member was deemed to be an employee for the purposes of unemployment insurance and compensation, as well as certain other laws. It is not clear what the practical effect of this will be. Co-operative Y did eventually succeed in registering its members with the Department

- of Labour, but it is doubtful whether many worker co-operatives are registered.
40. Most worker co-operatives are likely to be located in sectors in which there is no bargaining council, with the exception of clothing, which is a special case for reasons already indicated. It will therefore not be possible for them to apply to a bargaining council for exemption.
 41. The purpose in question is to increase 'the number and variety of enterprises in the formal economy'. See section 2(a) of Act No. 14 of 2005.
 42. Section 86(d) as amended by Act No. 6 of 2013.
 43. The amendments introduce a new section, 16A, which makes it obligatory that the national apex co-operative fulfil certain functions and empowers the minister to establish guidelines in this regard. It would be inconceivable, by way of comparison, for the minister of labour to require trade unions to belong to a single federation or to specify what its functions should be.

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5

With, against and beyond the State A Solidarity Economy through a Movement of Movements

Vishwas Satgar

THE SOLIDARITY ECONOMY alternative has emerged in the post-apartheid context. It is an example of transformative politics, which is about constituting new forms of power, changing property relations and enabling counter-logics to private profiteering from below. Emancipatory and anti-capitalist in its orientation, it is new and post-neo-liberal, post-social democratic and post-national liberation. The solidarity economy alternative is rooted in South African left thought and has been evolving its own theoretical framework while learning from international experiences, as it engages in grassroots practice.

Contrary to state-centric developmentalism, which controls grassroots logics, or market fundamentalism (neo-liberalism), which seeks to subordinate the state to the market, the solidarity economy alternative has a more distinctive approach to the state. The notion of democratic systemic reform captures how solidarity economy agentic forces think about and approach the role of the state. Democratic systemic reform seeks to bring together democratic grassroots power, deep system transformation and embedded state reform into the process of building solidarity economy logics. This idea is clarified in this chapter, as part of characterising practice in South Africa, as it relates to how solidarity economy forces have been converging with the state from below.

In addition, this chapter highlights how solidarity economy forces have critiqued and distanced themselves from some of the practices of the South African state. The state's hybridising of nationalism with discursive elements that skew co-operative development in the direction of market-centred accumulation, failed financing approaches and top-down movement building have been critically engaged within solidarity economy perspectives. Moreover, this chapter affirms the solidarity economy as a grassroots impulse championed by a movement of movements. The making of the solidarity economy as a movement of movements is historicised while mapping the variegated social forms leading this process from below. In this sense, the solidarity economy is beyond the state in building its logics and practices from below. Finally, this chapter concludes with the challenges facing the solidarity economy as a movement of movements.

The solidarity economy as transformative politics

The emergence of the solidarity economy in South Africa was facilitated by three important conditions: (1) the end of institutionalised and regulated apartheid; (2) the crisis of South Africa's neo-liberalised political economy; and (3) grassroots anti-capitalist emancipatory organising (Satgar 2014b: 207–23). Juxtaposing it conceptually assists with understanding what it is: the solidarity economy is not a fixed and abstract definition mainly centred on particular enterprise forms – for instance, non-profit non-governmental organisations (NGOs) or co-operatives. Institutional forms are important for the solidarity economy, but these do not in themselves clarify what it is. Moreover, the solidarity economy is not a residual third sector in a mixed economy in which small and medium enterprises have to find niches. It is not an add-on to the dominant capitalist logic. Finally, the solidarity economy is not a blueprint or ideal utopia. It does not have all the details worked out about how an alternative economy should work.

The solidarity economy is an emancipatory and anti-capitalist grassroots alternative. It seeks exits, departure points, escapes and breakthroughs beyond the ecocidal logic of contemporary capitalism

to sustain life. Moreover, its practices are coloured by a utopian imagination. The Co-operative and Policy Alternative Centre (COPAC) and the various social forces it works with have embraced an open-ended notion articulated as follows:

[The solidarity economy] is a collective humanist response and democratic alternative from below to the crisis we face. It draws on our common humanity as the basis for solidarity action. More concretely, the solidarity economy is a voluntary process organised through collective struggle and conscious choice to establish a new pattern of democratic production, consumption and living that promotes the realisation of human needs and environmental justice (Satgar 2009: 18).

From this contingent and open-ended conception we derive a process-centred vision, which is grounded in ongoing learning. The dialectic of practice and knowledge creation is constantly at work to learn from the past – successes, failures, innovation and problem-solving – to develop a shared knowledge commons to advance systemic transformation. Moreover, values and principles are crucial to guide institutional forms, such as worker co-operatives, co-operative banks, community trusts and other socialised forms, which might emerge. This vision is grounded in realising ethical values (caring, sharing, self-reliance, honesty, democracy, equality, learning, ecological consciousness, social justice and openness) and principles (solidarity, collective ownership, self-management, control of capital, ecocentric, community benefit and participatory democracy).¹ This simply means all social forms, practices and relational dynamics that emerge in the solidarity economy should seek to take forward these values and principles. There are various case studies in this volume that capture this (for example, see Satgar's 'From National Liberation Struggle to Fingerprint Worker Co-operative' and Cherry in this volume). Finally, the solidarity economy is about a democratising logic from below, at different scales – from households, communities, villages, towns, cities and country scales. Such a logic seeks to intersect, work with and aggregate other anti-capitalist practices, such as transition towns, participatory planning and food sovereignty,

as discussed elsewhere in this volume. As a contingent practice, the solidarity economy is not reducible to one institutional form or practice, as it seeks to engender a critical mass and transformative grassroots pathways from these various scales. The logic of its vision- and values-centred practices, self-organised and driven from below, is with, against and beyond the state.

Beyond the contingent practices and vision-centred process of what constitutes the solidarity economy, it is also about a distinctive kind of politics. This is different from the twentieth-century instrumentalist politics of Soviet vanguardism, social democracy or even national liberation. In South Africa today, the utopian Marxist impulse of solidarity economy activism was inspired by the thought of Rick Turner, but has now grown beyond this (Satgar 2014b). Turner's thought gave the emancipatory politics of the solidarity economy crucial elements. In Turner's *The Eye of the Needle*, first published in 1972, the elements of a utopian Marxist method can be discerned (Turner 2015). It emphasised inspiring the imagination of the collective struggle, so as to dream a life beyond oppression. This is shared by contemporary solidarity economy forces, but the conception of a collective imagination is centred around three crucial ideas today: a solidarity society, democratic eco-socialism and deep just transition. This realisation out of collective struggle is reaching for a more holistic conception of transformation that takes into account the full lived experience of oppression under post-apartheid capitalism. This means economics, culture, politics, geography, science, technology and the everyday are crucial as sites of resistance and spaces for advancing the solidarity economy. Moreover, these concepts construct a visionary narrative that speaks to the challenge of overcoming the most dangerous systemic contradiction, engendered by corporate capital and its ecocidal logic, namely the climate crisis (Satgar 2018).

Turner's method also emphasised that the 'present was history', which meant that it was socially constructed and could be remade. For Turner, social analysis was crucial for understanding the social and power relations that came together in the apartheid social order. The present had to be historicised, so as to understand

that it was not naturalised. Today, solidarity economy activism has developed a conception of the political economy of a neo-liberalised South Africa, and its articulation with global crisis dynamics, of the globalised industrial food system, seed systems and water. This is a work in progress, but it is about understanding how the development of capitalism in South Africa, including the deepening of neo-liberalisation through financial and market power in the post-apartheid period, has created a crisis of production and social reproduction in the present. Unemployment, hunger, water challenges, systemic crises (including the climate crisis) and capitalist power are now increasingly within the political economy perspectives of solidarity economy activism, so as to understand these contradictions and how best to develop activist responses for solidarity economy alternatives.²

Finally, in the application of his utopian Marxist approach, Turner envisaged alternatives. From his normative and historical social analysis of society, he affirmed a crucial connection between consciousness, human values and social institutions. He believed strongly in the values of non-racialism, non-sexism, human freedom, equality, participatory democracy and ecological justice. Such values had to be reflected in the alternative mechanisms and institutions that could reconstitute society. This included participatory planning and worker control, for instance. However, in contemporary South Africa, two crucial breakthroughs have been made that take us beyond Turner. The first is the issue of solidarity economy pathways from below to realise processes, values-centred visions and institutional forms. The grounding of these pathways in everyday lived realities, conditions of oppression and conscious activism to overcome the socially constructed contradictions of South African and global capitalism are central to the transformative politics of the solidarity economy. This also entails being open to the variegated intervention and initiation points of the solidarity economy. In some instances, this could be a few households, sometimes an enterprise, or a community or a movement. However, this is a conscious process of building capacity, raising consciousness, getting organised and constructing values-based institutional mechanisms.

The second issue relates to anti-authoritarian and transformative movement building from below to advance the solidarity economy. Compared to trade unions that were central to Turner's practice, emerging solidarity economy institutional forms are advancing values-centred practices, visions and pathways, which are more complex. These are taking the form of networked relations between solidarity economy enterprises, households, support organisations and movements around solidarity economy practices. These relations in power terms are symbiotic, platform-based and horizontal. Moreover, movement building cannot be understood in the singular, but rather in terms of a plurality of convergent and networked forms. In many ways, the solidarity economy is emerging as a movement of movements. This expression of self-agency for emancipation is consistent with Turner's rejection of political vanguard parties, such as communist parties, but it is emerging as unique institutional forms in contemporary South Africa. This is developed further below.

The solidarity economy and the state: The challenge of democratic systemic reform

The modern history of the solidarity economy locates its emergence in the first half of the nineteenth century at a time when workers were searching for alternatives to the brutalising and super-exploitative conditions of industrial capitalism. It was a context that also gave rise to socialism and communism as modern ideologies, alongside liberalism. Capitalism was experiencing boom and bust cycles, with workers bearing the brunt. It is in the midst of this experience that workers occupied factories, attempted takeovers and inaugurated modern co-operativism. Since its inception, modern co-operativism has bifurcated either into a more reformist or ameliorative approach regarding the negative impacts of capitalism and a more transformative approach seeking to transform capitalism and go beyond it interstitially. The solidarity economy impulse has its roots in this history and transformative approach. However, into the twentieth century, the solidarity economy and bottom-up co-operative development was overtaken by state-led development

(Williams 2014). This expressed itself in modernising state socialism, social democracy and revolutionary nationalism in the peripheries of capitalism. States used co-operatives as part of top-down instrumentalised change and, as a result, regulation in most instances was invasive and undermining of the bottom-up impulse of member-driven co-operatives and movements. In other instances, co-operative regulation supported a mixed economy as part of an embedded approach to economic relations. Capital was taxed, locked in with exchange controls and had to contend with alternative logics for social provisioning. Co-operative movements in these contexts found niches, but struggled to maintain their values, institutional practices and identities as genuine member-driven co-operatives. Neo-liberalisation, with its emphasis on market competition, has had debilitating impacts in this regard.

Over the past three decades of neo-liberalisation in the global political economy, market imperatives to shore up the power of financial and transnational capital has taken root. Old forms of embedded regulation have been jettisoned and in their place market regulation and reform have emerged. In this process, state-economy relations have been remade, so that the state has been reconstructed to merely limit risk to capital (Satgar 2014a). Market regulation is always about ensuring the state has a minimal role, while capital is incentivised to ensure seamless integration with global markets for trade, finance and production. Capital's structural power has been increased relative to states and other economic forces in this process. This has also had an impact on co-operative regulation, so that heavy state-directed co-operative development has been rolled back and, instead, co-operatives have now been positioned in relation to market relations and treated like any other competitive enterprise. While member-driven co-operatives have emerged in this context, their survival challenges have been exacerbated by deep globalisation into markets. Co-operative forms are crucial for the solidarity economy, given the socialised power and property relations in such institutions. However, market regulation approaches to co-operatives undermine their capacity to secure an alternative logic to meet social needs.

Post-apartheid South Africa's approach to co-operative regulation did not escape market-centred regulation and reform. This is because the state in post-apartheid South Africa embraced neo-liberal economic policy and has maintained this for over twenty years of African National Congress (ANC) rule (Satgar and Williams 2011a). This is despite an attempt by co-operatives and broader progressive civil society to ensure that co-operative reform is about democratic systemic reform. Such a form of reform ensures the impulse of co-operative development and solidarity economy is driven from below, while the state plays an enabling role. Put differently, democratic systemic reform is about creating the conditions for the state to protect, enable and strategically support co-operatives and ultimately a solidarity economy logic driven from below. In practice, this would mean the state responds to the initiatives, pathways and efforts by solidarity economy forces to transform production, consumption, saving and conditions to sustain life. The state does not lead, but ensures its power is harnessed for transformation from below.

In 2001, this was largely the vision and thrust of the co-operative and progressive civil society engagement with the state at the first conference convened by these forces (COPAC 2001). It built on the people-driven emphasis in the Reconstruction and Development Programme of the ruling ANC and it managed to secure a co-operative reform consistent with international standards and norms, but the emphasis on deepening democratic systemic reform was undermined. Instead of the state agreeing to a dedicated co-operative ministry, operationalising the participatory council (also known as the Co-operatives Board in the Act of 2005) and ensuring co-operative movement development happens from below, it has chosen to instrumentalise co-operative development. There have been at least three failed attempts at state-led movement building thus far. Millions of rands of taxpayers' money have been lost and are not fully accounted for. The current amendments to the Co-operatives Act No. 6 of 2013, further entrenches this approach to movement building, bolstered by the provision for one legally sanctioned co-operative apex structure in South Africa.

Moreover, the Co-operative Banks Act of 2008 is also an attempt at democratic systemic reform. This Act attempts to structurally diversify the financial system in South Africa, which is currently held hostage by four big banks. It is a crucial democratic systemic reform to counter the financialisation of the South African economy and to ensure citizens have an alternative institutional option for their incomes and savings. This Act largely emanates from the efforts of the South African Communist Party to promote democratisation of the financial sector.³ Important institutional and regulatory progress has been taken forward in this regard (see De Jong and Kuhlengisa in this volume). However, the potential of this democratic systemic reform has not been fully explored. This is largely a function of the location of the Co-operative Banks Development Agency (CBDA) within the Treasury, which is extremely conservative and merely concerned about limiting systemic threats to the corporate banking system and not wanting co-operative banks to really take off. As a result, the CBDA is constrained in how it proactively promotes co-operative banks as a democratic systemic alternative. The challenge for the CBDA is to reach out to small-scale farmers, trade unions, communities requiring housing, universities and grassroots movements, so that these forces own and drive the building of co-operative banks as part of a democratic systemic reform.

The South African Food Sovereignty Campaign (SAFSC) has been at the forefront of championing a pathway for food sovereignty. This is a direct challenge to the corporate-controlled and globalised food system, which is both causing and failing to address the food crisis. Part of the innovation regarding food sovereignty in the South African context has been the connection made with the solidarity economy. In this regard, the People's Food Sovereignty Act, adopted at a People's Parliament, is a crucial example of a democratic systemic reform that would require the state to play a role in enabling the systemic diversification of the food system, so that citizens' power from below could be constituted for land, seeds, water, production, consumption and democratic planning of the food system (SAFSC 2018). The People's Act envisages a transformative role for the state, which would create conditions, institutions and mechanisms to

deepen democratic systemic reform of the food system. As it stands, the South African state is locked into a pathological and globalised food system, while ignoring the importance of food sovereignty pathways to feed households, communities, villages, towns and cities. Nonetheless, the food sovereignty alternative is taking root from below and is linked to advancing the solidarity economy.

The emerging solidarity economy alternative in South Africa envisages and in fact requires a role for the state. It seeks to work with the state, but not on terms that are controlling and instrumentalising. Moreover, this is contrary to market reform and instead is about a democratic approach to regulation. Transformative solidarity economy activism is positing democratic systemic reform that would reclaim, transform and redirect the state from below. This is consistent with the deep just transition, solidarity society and democratic eco-socialist imagination informing the solidarity economy forces and their transformative struggles.

The solidarity economy critique of the government's approach to co-operative development

The solidarity economy critique of the government's approach to co-operative development is still evolving. Many of the concerns relating to realising democratic systemic reform, raised above, echo in sharper differences in terms of the state's ideological and practical policy approaches to co-operative development. These practices have been critiqued and solidarity economy forces have also kept distance from such state approaches. These include the ideological conflation of co-operatives with a capitalist approach to nation building. This undermines the social character and member-driven and constitutive power of co-operatives as an alternative logic to meet societal needs. In this regard, the incorporation of co-operative development into black economic empowerment discourses has married co-operative development to transactional politics, get-rich-quick schemes and brazen corruption.⁴ While there have been attempts by the government and the ruling party to inflect this as 'broad-based black economic empowerment', the social interests and corrupting agendas at work are clearly visible. If co-operative development were

genuinely embedded in a democratic systemic reform approach, this would have allowed co-operatives from below to assert their own voices, identities and power to drive co-operative development, rather than being hijacked by these dubious political agendas.

In addition, central to post-apartheid nation building has been the two economies discourse. Introduced by Thabo Mbeki, this top-down perspective and metaphor was used to locate co-operatives into a fast-track incubation approach to take 'co-operative beneficiaries' from the underdeveloped 'second economy' into the globally competitive 'first economy'. This was consistent with the neo-liberalisation of African nationalism and its attempts to deregulate small business development. Co-operatives were to be treated like any other business. This has proved disastrous, with a number of co-operatives being easily registered and the government boasting quantitative growth, while most people involved in these institutions did not even know what co-operatives were. Financing was a challenge, there was a lack of proper groundwork planning (such as education, model design, feasibility assessments, co-operative business planning and constitution development), and general capacity building to develop viable member-driven co-operatives was absent (see Masondo in this volume).

Another crucial factor in the state's involvement is how co-operative development finance has been channelled to co-operatives. There are two important institutional financing options that can enable co-operatives to control finance. The first is through internal mechanisms to build up internal capital pools. This includes share equity, reinvestment of surplus and member loans. The second is through external sources, but based on a clearly defined co-operative business plan. Such a plan recognises how income generation in the co-operative, supported by external financing, will strengthen its capacities. External sources can include state finance for start-up and working capital, loans from financing institutions and donor support. The South African state has not encouraged co-operatives to build internal capital pools and neither has its financing been geared to the specific needs of each co-operative. Instead, the state has merely followed a one-size-fits-all approach to start-up capital. Many co-

operatives are desperate for working capital, including worker co-operatives (see Satgar and Williams 2011b). This challenge has not been addressed by the state, condemning co-operatives to survivalist pathways. Moreover, if there is a donor relationship, co-operatives have not been enabled to control the finance or to determine their own income-generation strategies (see Bennie in this volume). Banks, generally, are not friendly to co-operatives.

Finally, the South African government has entrenched a top-down movement-building approach, including through the 2013 amendments to the Co-operatives Act of 2005. This challenge was alluded to above, but it is an important issue and has prompted solidarity economy forces to debate very seriously how to find their own way from below, while engaging the state on their own terms, without getting co-opted, corrupted or controlled.⁵ The push from the government, as part of the 2013 amendments to the Co-operatives Act of 2005, provides for only one national apex structure for co-operatives. Such a structure would also be driven by state regulations. This is the worst kind of instrumentalisation of co-operatives and is contrary to freedom of association guaranteed by the Constitution. Moreover, it denies the organic aggregating and networking capacities of co-operatives themselves. In short, the state has closed off its practice from recognising alternative modes of organising from below, including various solidarity economy networks and movements. The top-down logic of state-led co-operative movement building fails to be responsive to alternative approaches that could emanate from community organisations, campaigns, grassroots NGOs and other movements such as trade unions.

Advancing the solidarity economy through a movement of movements

Despite the anti-democratic, instrumentalising and top-down logic of state co-operative movement building, solidarity economy processes and practices have been evolving at the grassroots in South Africa. Such processes of variegated movement building have been advancing solidarity economy practices at the frontlines of

community development processes, through co-operatives, support organisations, education NGOs, as part of movements and in labour struggles. A rough periodisation follows below.

Moment 1 (2007–10): Learning from international experiences and Ivory Park

The first crucial experience of pioneering and developing solidarity economy practices built on the momentum coming out of joint efforts to advance a participatory approach to build an eco-city in Ivory Park township centred on an eco-village, co-operatives and transformative community organising (Satgar 2014b). This involved the community of Ivory Park, the Eco-City Trust and COPAC. COPAC has worked with the community since 1999 and established several co-operatives in the first wave of co-operative development, prior to the Co-operatives Act of 2005 and other state co-operative policy. Important successes and failures were experienced as part of developing organic farming, waste recycling, construction, consumer and bicycle co-operatives. The first wave of co-operative development pivoted on the eco-village. This was complicated by the controlling role of the ANC in the community. Nonetheless, a second wave of organic co-operative development took place in Ivory Park. Co-operatives emerged in poultry, bakeries and other activities.

In the meantime, COPAC invested in learning from international experiences of co-operative development and the solidarity economy. This began intensively in 2007 after it was recognised that the state was going down a disastrous path for co-operative development. COPAC conducted study tours to different parts of the continent, participated in World Social Forum processes dealing with the solidarity economy and researched experiences in Italy, Brazil, Venezuela, Argentina and the United States.⁶ This produced valuable research and activist tools to translate the solidarity economy into South African conditions. Ivory Park became a crucial learning space, with a pilot process to test solidarity economy mapping, institutional tools and dialogic practice (COPAC 2011). This yielded important momentum, but was arrested by the destructive role of

the ANC in the area. In 2010, COPAC made a call for convergence among progressive social forces to advance the solidarity economy and movement in South Africa.

Moment 2 (2010–14): Inventing a South African practice and building a knowledge commons

COPAC created the first learning and conversation platform through a conference in 2011. Valuable perspectives, conceptual ideas and debates ensued. A publication was also produced, drawing on international and South African insights, titled *The Solidarity Economy Alternative: Emerging Theory and Practice*. This volume theorises, through a comparative dialogue, solidarity economy practices and potential pathways in South Africa.

COPAC has been very conscious of not pushing a top-down movement-building approach. Instead, together with others converging in the solidarity economy space, the emphasis has been on creating a knowledge commons to share experiences, innovative practices, popular consciousness raising and developing participatory tools for grassroots transformative organising. In this regard, four solidarity economy assemblies were hosted with movements and grassroots forces from 2011 till 2016, three dedicated activist schools were hosted on the solidarity economy and worker co-operatives, an activist-driven newsletter, *Solidarity Economy News*, was established,⁷ site work took place in fifteen communities in partnership with organisations and movements, and the Worker Co-operative Campaign – including a crucial tool for establishing worker co-operatives (COPAC 2015) – and the SAFSC were launched.

In this bottom-up transformative organising process, the solidarity economy impulse found its place in diverse struggles and among various social forces. First, among community-based movements, the examples that stand out are the various unemployed people's movements in Gauteng, North West, KwaZulu-Natal and Grahamstown. Training took place with these movements on solidarity economy process building and worker co-operative development. Second, trade unions played an important role in championing solidarity economy practices, particularly worker co-

operative development. In this regard, the efforts by the National Union of Metalworkers of South Africa (NUMSA) to buy out a recycling plant in 2009, when workers were facing retrenchment, are instructive. While the worker takeover failed, NUMSA ended up establishing a worker co-operative for retrenched workers called Sihlahla Muri (Satgar and Williams 2011b). This built on NUMSA's experience of supporting worker co-operative development as part of union strategy in the 1980s. However, this post-apartheid experiment was short-lived because of the lack of support from local government for a recycling space, the theft of the workers' truck used for waste pick-up and the failure of NUMSA to build in-house capacity to provide solidarity to this pilot. The other trade union experience in this moment was the Mineline Factory occupation in 2010 (Satgoor 2014). This factory occupation stalled the liquidation of this factory, built solidarity among various forces and held out the prospect for a worker takeover in which the workers could have established a worker co-operative to run the factory. However, after months of struggle, the Industrial Development Corporation committed to establishing a new worker-run factory, but in the end reneged on this commitment after the workers agreed to the liquidation of the old assets.

Third was the development of community-led approaches to the solidarity economy. In this regard, the work of a community NGO called Ntaba ka Ndoda Heritage and Development Centre stands out, as well as the Bulungula Incubator.⁸ Both these organisations are in the rural Eastern Cape and pioneered their own approaches to community development, but also adopted elements of the solidarity economy. In the case of Ntaba ka Ndoda, they have developed a cultural programme, engaged in community planning and introduced solidarity economy and food sovereignty into their transformative practices. A lot of learning from Ntaba ka Ndoda practice has been crucial for community approaches to solidarity economy development in the Eastern Cape and beyond.

Fourth has been the role of education and support organisations that have embraced solidarity economy approaches. The role of the Workers' College in Durban has been crucial. It has trained

a number of students, across various communities in Durban, to advance solidarity economy theory and practices.⁹ The other crucial organisation has been the Ecumenical Service for Socio-Economic Transformation (ESSET), which works with informal trade organisations. In 2013–14 ESSET introduced a programme to improve the livelihoods of informal women traders through co-operatives (Steyn 2015). Today, ESSET is poised to develop an informal women traders' network based on solidarity economy approaches in Lesotho, Swaziland, Zambia and South Africa. The University of Pretoria also launched the Human Economy Programme during this period and has focused on solidarity approaches. The Human Economy Programme has continued to engage with solidarity economy approaches.¹⁰

Moment 3 (2014 till the present): Deepening solidarity economy pathways from below

In this moment, solidarity economy approaches evolved to deepen contributions from COPAC, community-based movements, trade unions, community-led approaches and education and support organisations. In addition, the role of campaigns, such as the SAFSC, and co-operatives themselves in promoting the solidarity economy are crucial dimensions in the variegated grassroots impulses championing the solidarity economy. In this regard, the role of the Fingerprint Worker Co-operative is extremely important (see Satgar's 'From National Liberation Struggle to Fingerprint Worker Co-operative' in this volume).

COPAC played an essential role in 2014, as part of a coalition of organisations concerned with the food crisis in South Africa. This culminated in a conference centred on the right to food in late 2014, which laid the basis for the formation of the SAFSC. For COPAC and other solidarity economy partners, this campaign was consistent with a commitment to marrying the solidarity economy with food sovereignty since the first international solidarity economy conference hosted in 2011. COPAC served as the secretariat to the SAFSC national co-ordinating committee from 2015 to 2017. In addition, COPAC has continued supporting the solidarity economy

through maintaining the newsletter *Solidarity Economy News*, hosting *SAFSC News*, developing numerous activist tools (such as a food sovereignty guide, a seed guide, a People's Food Sovereignty Act and a Water Sovereignty Guide),¹¹ working with partners at Wits University to promote food sovereignty and the solidarity economy to achieve an ecocentric university and establishing a solidarity economy movements' webpage for grassroots-driven co-operatives.¹² Furthermore, COPAC has pursued a transformative politics research agenda, producing this volume; a book on the climate crisis, which features food sovereignty and the solidarity economy as a crucial systemic alternative for the deep just transition (Satgar 2018; Bennie and Satgoor 2018); a planned book on food sovereignty; a third book envisaged on the solidarity economy and transformative politics and has been making international links (including in the United States, Italy, Spain and Argentina) with regard to worker co-operative development through the Real Utopias project headed by Professor Erik Olin Wright.

In terms of community-based movements, the South African Waste Pickers Association (SAWPA) has also taken forward solidarity economy approaches through establishing worker co-operatives. SAWPA has, through its own initiative, studied worker co-operatives, including through a study tour to Brazil. As a result, it established several worker co-operatives in different parts of South Africa. Through working with COPAC, it has strengthened its own capacity to support and develop its worker co-operative model (Chamane 2016). Currently, SAWPA is expanding worker co-operative development as part of its commitment to zero waste and it is challenging the state and corporate control of waste recycling in South Africa. The South African Council of Churches has also begun searching for new discourses on empowering a citizen-led democracy. At a conference in 2017, it adopted an economic perspective document that affirmed the importance of the climate crisis and the need for a deep just transition, including food sovereignty and the solidarity economy (South African Council of Churches 2017).

Trade unions have continued to support solidarity economy approaches in response to the informalisation and precariousness of work. The newly formed South African Federation of Trade Unions has had dialogue with various organisations committed to alternative economy approaches, including COPAC, informal traders and Street-Net International. The South African Federation of Trade Unions has publicly called for community mining co-operatives, as part of nationalisation, to support small-scale informal miners (Mokati 2017). Education and support organisations have also increasingly placed the solidarity economy on their agendas. The Global Labour University Programme at Wits University offers a social theory course to all trade unions in South Africa. Since 2017, there has been a dedicated focus on systemic alternatives, including the solidarity economy.

Moreover, the Centre for Education Rights and Transformation at the University of Johannesburg has done research on grassroots alternatives and has connected this with thinking about the commons, living well and the solidarity economy (DVV International 2017). Oxfam South Africa has a dedicated programme elaborating on the notion of the 'people's economy'. This includes a focus on the solidarity economy. In early 2018, Oxfam South Africa hosted a workshop with a focus on co-operatives and the solidarity economy as part of developing a concerted strategy and programme. Various co-operatives, education and support NGOs are involved.

Community-led approaches to solidarity economy development have continued to produce innovative attempts at aggregating the solidarity economy with other transformative practices to create grassroots logics for change. The Kwazakhele Township transition initiative, in the Eastern Cape, is another important example (see Brennan, Cherry and the Kwazakhele Community Research Team in this volume). It brings together a focus on the climate crisis, the needs of the community and the importance of systemic alternatives. Similarly, the Earthrise Trust has, since 2014, been championing a development initiative in Rustlers Valley on a farm (Earthrise Trust

2014). It has developed an innovative model of land reform, which has given use rights to local villagers who have organised themselves into a co-operative to farm-allocated land, spawned co-operatives in brick making, built a community crèche, experimented with alternative land use planning with the local community, involving a communal organisation, and has a community-run conferencing facility promoting alternative dialogues for transformation.¹³

Finally, the SAFSC has innovatively brought together the idea of food sovereignty and the solidarity economy in its intellectual discourses and practices (Bennie and Satgoor 2018). As a campaigning platform, the SAFSC is a loose alliance of organisations from the agrarian sector, climate justice, food justice and solidarity economy movements. Launched in 2015, the SAFSC has consistently translated and given substance to a South African approach to food sovereignty. Through its hunger tribunal, drought speak-outs, bread marches, food sovereignty festivals, water sovereignty dialogues and activist schools, it has evolved an alternative perspective on land and agricultural transformation. This is encapsulated in the People's Food Sovereignty Act, shared with several government ministries in 2017 and, in early 2018, handed over to a representative of Parliament at a people's dialogue in Cape Town. The SAFSC orientation and the People's Food Sovereignty Act are about advancing a democratically controlled food system from below through households, communities, villages, towns and cities as part of the deep just transition to survive climate shocks. The bottom-up pathways it envisages link food sovereignty, solidarity economy, water sovereignty, control of seeds and small-scale farming and democratic planning. Various pilot pathways are underway in urban and rural spaces.¹⁴

Challenges for solidarity economy as a movement of movements

As a movement of movements, with different grassroots approaches and institutional forms championing the solidarity economy, there are also various challenges. Plurality is an advantage, but it also imposes limits.

First, solidarity economy practices and pathways from below provide a crucial strength, but such networked connections must be deepened. Embedded and localised linkages between production, consumption, finance and democratic planning reflect a constitutive form of power at work. Such forms of power enable a break with the dominant capitalist logic and system. These forms of power include structural (securing space for provisioning in a socialised market), movement (membership), direct (active campaigning) and symbolic power (living examples). Each of these enables scale and depth to be achieved. However, such forms of power have to be developed through institution building, capacity and training. At the same time, these forms of power have to intersect with other systemic alternatives. This means solidarity economy practice needs to work with food sovereignty, zero waste, co-operative banks, participatory planning, climate jobs and more. This is about a transformative activism pushing beyond its limits and constantly seeking to innovate in terms of solidarity economy relations and logics.

A second important challenge is ongoing learning and sharing through the solidarity economy knowledge commons. The case studies in this volume illustrate this, and face-to-face sharing in activist schools, learning exchanges, documentaries, online sharing and learning tools, such as newsletters, are all crucial.¹⁵ Such practices construct a collective intellectual knowledge, produced in innovative transformative practices and mutual learning loops. This enables various pathways to emerge among small-scale farmers, waste pickers, trade unions, co-operatives and NGOs, for instance. All these variegated social forces need to deepen solidarity relations to share and diffuse their practices for others to learn from, as they meet various social needs at the frontlines of struggle.

A third challenge is how solidarity economy forces ensure more effective engagement with the state. Currently capitalist states merely meet the needs of capital through protecting private ownership, providing risk-free investment conditions, building infrastructure, deregulation and even financial incentives, for instance. The stick is bent too much towards corporate interests and market regulation, even in South Africa. For solidarity economy movements, this

poses various challenges in the state relationship. Thus far, solidarity economy movements' engagement with the state has been with, against and beyond. But each of these thrusts need to be deepened where necessary. It is essential to ensure recognition from the state, so as to work with it to deepen democratic systemic reform, such as co-operative banking or developing a worker co-operatives Act and policy, for instance. Also, participatory mechanisms in current co-operative legislation, such as the Co-operative Council provided for to replace the Co-operative Board in the Co-operatives Act of 2005, need to be driven from below. This cannot merely be the preserve of the state-sanctioned co-operative movement. In addition, solidarity economy movements have to challenge the weaknesses of the state regarding co-operative development. Critique, debate and even mass opposition to some of the practices of the state that push back or undermine solidarity economy practices need to be mobilised. Most importantly, solidarity economy movements need to be ahead of the state on the ground in its capacity, power and pathway building. The solidarity economy idea and practice does not belong to the state. It is a people's idea, for the people and by the people. The state is merely there to provide strategic support to this organic logic from below.

Notes

1. See Satgar (2009). At the first International Solidarity Economy conference convened in South Africa these values and principles were engaged with as part of visioning exercises done in groups. These workshop groups generated a gallery of artwork highlighting the various possibilities and ways in which these values can be realised at the grassroots (see COPAC 2012).
2. In this regard, see various solidarity economy activist tools with this emphasis (Satgar 2009; COPAC 2014a, 2014b, 2015, 2016, 2017).
3. See Satgar (2000), which contributed to the debate in the South African Communist Party on the role of co-operative banks.
4. Over the years, COPAC has researched the deleterious impacts of these policy thrusts on co-operatives (see COPAC 2005, 2006, 2010).
5. COPAC has facilitated four national assemblies of movements, community organisations and solidarity economy forces to engage with relevant issues, such as their practices, including their relationships with the state.

- These assemblies occurred in 2011, 2013, 2014 and 2016. The outcomes from these assemblies are available at <http://www.copac.org.za>. Accessed 19 March 2018.
6. In this regard, see COPAC (2008), which discusses successful co-operatives in South Africa and elsewhere on the continent.
 7. The first *Solidarity Economy News* was produced in 2012 and it has continued, with eighteen issues having been produced at the time of writing. See <http://copac.org.za/category/newsletters/>. Accessed 19 March 2018.
 8. See *Solidarity Economy News* 1 (2012). <http://www.copac.org.za/files/Solidarity%20Economy%20Newsletter%20No%201.pdf>. Accessed 20 March 2018.
 9. See *Solidarity Economy News* 8 (2014). <http://www.copac.org.za/files/Solidarity%20Economy%20Newsletter%20No%208.pdf>. Accessed 20 March 2018.
 10. A draft version of this chapter was shared with a workshop titled 'The Struggle for Economic Democracy in Africa', hosted by the Human Economy Programme, 7–9 March 2018, University of Pretoria.
 11. These tools are all available at <http://www.copac.org.za> and <http://www.safsc.org.za>. Accessed 20 March 2018.
 12. See <http://www.sem.org.za>. Accessed 20 March 2018.
 13. Interview with Gino Govender, trustee of Earthrise Trust, 10 December 2017.
 14. See *SAFSC News* 9 (2017): 8–15. https://gallery.mailchimp.com/6eb374fe9b580101982b7b47c/files/92e4fcab-a92b-41f6-90f2-fec8887ee2a8/SAFSC_newsletter_9_.compressed.pdf. Accessed 20 March 2018.
 15. Online resources include the SAFSC webpage at <http://www.safsc.org.za> and the Solidarity Economy Movements' webpage at <http://www.sem.org.za>. Accessed 20 March 2018.

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Part 2

Advancing Solidarity Economy Pathways from Below

6

From National Liberation Struggle to Fingerprint Worker Co-operative

Vishwas Satgar

MOST ENTERPRISES IN THE South African economy fail within a five-year period. Co-operative mortality rates have also been high, with several studies underlining 87–88 per cent failure rates, both at national and provincial level, in the post-apartheid period. Fingerprint Worker Co-operative defies this pattern.¹ It emerged before the end of apartheid and is remarkable in how it survived during apartheid and has continued into the new democratic political order. This five-member co-operative is the oldest worker co-operative in South Africa, 29 years old in 2018. It is located in the Western Cape province of South Africa and runs its print shop and offices out of a business park in Elsie's River, a working-class community, reflecting the co-operative's rootedness in the lived experience of South Africa's working class. Fingerprint Worker Co-operative tells a story of how workers built an enterprise from scratch to meet their needs. They own this enterprise, have rights to information and actively shape its decisions through self-management. As a worker-run co-operative, it provides dignity, empowerment and control to its worker-owners, who have created an incredible capacity to sustain their worker-owned enterprise. This is an inspiring story from which there are important lessons and insights for co-operative development and solidarity economy pathways in South Africa.

In this chapter, I explore several aspects of this rich experience of worker co-operative development to demonstrate how a successful

solidarity economy enterprise goes forward in practice. This includes mapping key moments in the historical development of the co-operative and its approach to building a solidarity economy market, highlighting key aspects of worker control through self-management, exploring its practice of controlling capital, specifying how it has used solidarity relations of production to end alienation and outlining key challenges for its solidarity economy pathway. Like any co-operative, or any enterprise for that matter, it has to continuously innovate, improve decision-making and remain dynamic enough to deal with internal problems and weather competitive pressures and changing economic conditions, while meeting the needs of its members. It is successful in that it has worked out how to do this and is constantly alive to these challenges. Put differently, Fingerprint Worker Co-operative has successfully met the needs of its worker-owners and continues to do so, but is intelligently ensuring viability and sustainability. It is a truly remarkable example that exemplifies in the best tradition what a solidarity economy enterprise is. But how have ordinary workers, who have become worker-owners, flourished, brought out talents and built capabilities to make this happen? How have they institutionalised solidarity economy values and how far have they travelled down this pathway? What are the challenges?

A long history

The national liberation struggle was largely informed by a state-centric imagination and programmatic politics. The Freedom Charter, a cornerstone of the African National Congress (ANC)-led Alliance imagination, vaunted an important role for state intervention. The Freedom Charter was reaffirmed with the rising tide of mass militancy and movement politics in the 1980s. However, with the re-emergence of black trade unionism in the early 1970s, including a powerful worker-controlled politics, the impulse of 'peoples power' and transformation from below spawned various efforts to prefigure an alternative future. While political organisation served to affirm alternative values, the worker control logic of strong shop-floor trade unions also shifted the horizons of the working class towards the control of society. Some dared to test this in practice

through a radical and transformative democratic practice from below. In this regard, co-operatives proliferated, linked to the National Union of Mineworkers, the National Union of Metal Workers of South Africa and the South African Clothing and Textile Workers' Union (Satgar 2014). Many of these co-operative endeavours did not succeed for various organisational, technical and financial reasons. However, this phenomenon affirmed a transformative and emancipatory utopian imagination. A desire, in the class struggle, for a systemic alternative driven from below took root. Outside of the union movement, workers were also swept up by this idea of building an alternative future in the present. Fingerprint Worker Co-operative has its roots in this ferment.

Fingerprint Worker Co-operative was formed in 1989 by workers. Those at its core were politically engaged in the national liberation struggle either in unions or as political activists. They lost their jobs as a result of their activism. They were persecuted by the police and subsequently could not find new jobs. Issy Engelbrecht, one of the co-founders, remembers the founding story as follows:

There were three of us, and we were persecuted by police, we couldn't find jobs. I had to go to Mozambique. And we thought no, silly, let's come back and let's do what the guy around the corner, Ali's Press, was doing and also do printing for the struggle. He gave us an old machine. Luckily I was trained as a printer's technician and I fixed the machine and that's how the co-operative started. But we still got pestered by the security police who were trying to close us down.²

However, at this moment the idea of a co-operative was not even thought about. Instead, after generating some work and income, the comrades working together realised the boss-employee relationship was exploitative. They consciously turned their backs on this and started an intellectual journey to find a more democratic and egalitarian way of institutionalising their work relationships. They started reading and talking to comrades, which led them to the idea of a worker co-operative. As Engelbrecht put it, 'We fell in love with the concept.'³

From the beginning it was decided to call the co-operative Fingerprint Worker Co-operative. This was decided upon to memorialise a finger lost by Engelbrecht while working. Also, from its inception, the idea of constant learning, building capabilities and sharing knowledge was entrenched in the life world and practice of the co-operative. As a result, the co-operative supported the development of a learning network and through this initiative study tours were arranged to Zambia, Zimbabwe and Botswana to see and learn from other worker co-operatives in the region. Engelbrecht captures this experience as follows:

So when we came back we had a good insight, what to do and what not to do. But it was still a struggle for the next five years. Basically we were not business people. We were revolutionaries. Trying to make something of a concept which we liked, while it was a way for us to survive. And you know, the other problem we had, we couldn't be registered by the apartheid state. They refused to register us. When we wanted to register they sent us a partnership certificate, that's all. Only after '94 we could get registered properly.⁴

The apartheid state refused to give the worker co-operative recognition, but the worker-owners persisted and remained a worker co-operative with their own constitution despite the state failing to recognise the co-operative. In 2005, Fingerprint Worker Co-operative was formally registered under the new Co-operatives Act of 2005, which provided for worker co-operatives. However, the challenge of unity between theory and practice was also tested in this time.

While a strong streak of egalitarianism ran through the co-operative, expressed through a commitment to equal pay within the division of labour, this was also challenged by uneven and low levels of political consciousness among newly recruited members. While the three founding members actively tried to expand the co-operative, with this ideological understanding of egalitarianism, new members brought with them a serious lack of appreciation

of what this was all about. This was partly a failing on the part of the co-operative to ensure proper education and induction, but also an unwillingness, on the part of new members, to embrace the collective and egalitarian ethos of the co-operative in an authentic way. A crucial turning point in this regard was the employment of two young people into the co-operative. They were encouraged to go for training, after a year. They refused and their argument was simple: we earn the same, so why do we need training and why do we need to work hard? In this context, egalitarianism evolved in the co-operative. A grading system was set up, linked to training and output. A modest differential of R300 existed between each grade. But the core principle guiding this was: what you put in, you get out. This was a simple incentive structure, which linked active learning with material benefits. This was not about abandoning egalitarianism, but rather about finding a practical way of making it work through trial and error. This is a hallmark of how Fingerprint has developed and institutionalised its own egalitarianism. Values and principles have found concrete institutional expression. However, this does not mean that it worked perfectly. In the course of its long history, the co-operative lost seven worker-owners who used the training opportunities in the incentive structure, but left the co-operative once they were skilled and offered higher pay in employment elsewhere.

Another challenge related to building up capital. Unlike Mondragon worker co-operatives, which were capitalised internally through member shares and externally through support from the Peoples' Bank, Fingerprint had to establish itself through a period of intensive self-exploitation and various survivalist strategies.⁵ Most critics of worker co-operatives argue that worker co-operatives remain self-exploitative under conditions of capitalism (Cornforth et al. 1988: 112–33). However, Fingerprint defies this prognosis. During a period of two years, the worker-owners paid themselves very low wages, but this was merely a means to an end. It enabled internal savings and capital build-up. Finally, in its long existence, Fingerprint has also faced a loss of experienced and skilled worker-owners. This was mainly through natural attrition. For instance, in a

five-year period it lost at least one worker-owner per year because of illness. In this context, the gender composition of the co-operative was also called into question by the worker-owners themselves. In this regard, a conscious effort was made to bring in women worker-owners. Between 1994 and 2000 the co-operative brought in two new women worker-owners. After their relationship with the co-operative ended, an effort was made to bring in two more women worker-owners. Currently, two of the five members are women, as part of a conscious effort to establish gender equality.

The history of Fingerprint Worker Co-operative is marked by an intention to learn from practice, innovate and ensure ongoing learning, including training, for individual and collective human development. For Hilary Wainwright (2014), this is best understood as the 'creative labour commons', the ability of labour to use its power, intelligence and creative capacities to ensure its own flourishing. Linked to the principle of equality, the practice of a creative labour commons institutionalised organic working-class knowledge and a workable worker co-operative in practice. We now turn to some of the key features of this worker co-operative to further appreciate its example as a solidarity economy enterprise.

Building a solidarity economy market

When Fingerprint Worker Co-operative was formed, the apartheid police actively approached its clients to pressurise them to withdraw support from the co-operative. At the same time, the printing industry was and still is highly competitive. New digital technologies and capital-intensive production methods are constantly proliferating. Maintaining a competitive edge and market space is an ongoing challenge. Born into this situation the co-operative has cleverly developed a solidarity approach to market relations. From its inception, it has attempted to root itself, through solidarity, within the 'community market'. It has actively cultivated links to other co-operatives, unions, political organisations, community organisations and schools and is currently trying to secure support from parastatals. Its market is now still about 80 per cent solidarity based. Outside of its solidarity market, it would only take work if it guaranteed a 30 per

cent mark-up. This is more expensive than most competitors, but the co-operative has developed its edge and niche approach to make this work. This, in turn, has also built loyal non-solidarity market relations for the co-operative.

Three important practices have been important to solidify and take forward solidarity relations. First, quality and reliability. While the co-operative might not be the cheapest, it gets the job done and it does it well. This relates directly to the self-management systems and practices it has developed. This point is developed further below. Second, the co-operative has actively demonstrated its solidarity with the community market by providing discounted prices, together with quality and reliability. For instance, unions have a 25 per cent mark-up and non-governmental organisations (NGOs) 20 per cent. Third, the co-operative has actively taken risks while supporting community members. For instance, the co-operative published a book by a struggle stalwart, a woman activist, who did not have any money to pay them. The co-operative financed and printed the book, in solidarity, out of compassion and is willing to receive income as and when the book sells. Even if the book does not sell, the co-operative believes it has demonstrated its own generosity and solidarity with the community in this way. However, in this market there have been problems. Sometimes solidarity market clients have not paid the co-operative on time or have avoided paying. This has forced the co-operative to develop more stringent contractual terms to safeguard its interests.

Today Fingerprint produces a range of printed products. This includes annual reports, academic books, posters, pamphlets, training guides, posters, stickers and almost any printable product that a client requires. In this context, its own solidarity market relations have not only given it a stable and sustainable niche, but they have also given it the necessary leverage with big corporate competitors on their terms. For example, Fingerprint has had a very reliable customer in Zimbabwe requiring high-volume print runs for books. The co-operative did not have the capacity for this scale of work and instead decided to bargain with two big printing companies. There were two parts to the deal. First, a competitive mark-up enabling a

return also for Fingerprint while it controlled quality and packaging. Second, Fingerprint would secure overflows for small jobs from these corporates. In this way, Fingerprint has diversified its market relations while anchoring itself in its solidarity market niche and not compromising its identity, values and principles in relationships with big corporates. Put differently, Fingerprint is not dependent on the corporate relationship and can survive without it, if necessary. This gives it an economic autonomy that is rare.

Worker control through self-management

Worker control theory provides for a spectrum of decision-making powers to be given to workers, including consultation, bargaining, co-determination and self-management. Self-management is the most advanced expression of worker control, giving complete decision-making power to workers and is also about transforming society.⁶ However, institutionalising self-management can have various practical implications. In a worker co-operative, self-management has to be institutionalised around three rights: (i) the right to decision-making in which every worker-owner has one vote; (ii) the right to share in information related to all aspects of the co-operative; and (iii) the right to share surpluses and losses. Worker co-operatives institutionalise these rights as part of self-management systems differently and tend to take on distinct characteristics in context (Adams and Hansen 1992: 141–70).⁷ For instance, small worker co-operatives tend to have more horizontal decision-making structures, like a workers' assembly or a general meeting, in which information is shared and decisions made. At the same time, operational, strategic and policy decisions are made at different institutional levels. For instance, daily meetings will deal with operational decisions, weekly meetings with policy matters and monthly meetings could assess strategic issues. On the other hand, larger worker co-operatives will probably have active boards, subcommittees, general workers' assemblies and even managers (the latter do not have voting rights). All of these structures are organised into decision-making cycles and have a particular scope depending on how well organised the worker co-operative is.

Fingerprint has four crucial dimensions to its self-management system entrenching worker-owner control. First, it has a clearly worked-out division of labour and workflow. This is governed by commonly agreed rules and procedures. Everyone also understands and monitors the workflow:

What we do is we have the rules and regulations on how things should be done. Like, I have my duties, I am the co-ordinator and Thalami is the administrator, Jakobus is production and the other one, he is digital printing and there's another lady who is doing accounts.⁸

Second, there is a strong emphasis on specialisation given that the printing industry is changing rapidly and new technology is crucial. Each worker-owner is meant to become expert and professional at what they do. This means that while the co-operative has a co-ordinator who ensures overall co-ordination in the workflow process and has the authority to instruct worker-owners to get projects moving forward, this does not mean he is superior or cannot be engaged outside of the labour process. Moreover, there is an outlet for disagreement: 'There's got to be discipline, but there's also got to be a platform for unhappy people to bring that unhappiness forth for the rest of the co-operative to listen to it and to do something about it.'⁹

The third dimension is a production cycle linked to an overall plan. There is a strong emphasis on sharing information, monitoring for quality control and regular decision-making. This happens through a morning production meeting centred on workflow documented on a white board, then there is a weekly meeting and a monthly meeting dealing with income and expenditure issues and general problem-solving. This is done through information-sharing, deliberation and debates. The co-operative rarely votes on an issue, but rather builds a common understanding and consensus. Every meeting is handled very formally and is documented. A proposal has to be seconded, for instance. All of this is located in a three-month

production plan to ensure production targets and income-generation are synchronised. The co-operative has developed a simple but effective planning methodology that links everyday operations to meeting medium-term targets for income-generation. Their planned approach to production works as follows:

We have daily production meetings just like any other factory. You have to plan because things change. We can have a meeting this morning and by lunchtime we have to change some of our plans and so you have to be on top of things all the time. Then on a weekly basis we have a chat about the week, then we have our monthly meeting where we plan for the month. We plan a target for this month, how we achieve it, why we didn't achieve the others. We go through it and try to see where did we go wrong and we put things into place.¹⁰

The fourth dimension to self-management ensures the co-operative is locked into a practice of increasing productivity and innovation. This is anchored in a firm commitment to discipline in the labour process and all worker-owners sign up to the code of conduct that affirms this. There is 'no socialism or capitalism on the factory floor' as the slogan goes among the worker-owners. In this regard, the co-operative has gone further to sign an agreement with Productivity South Africa to score and measure its productivity on a regular basis. In 2015, it was a finalist and won a productivity award. The crux of the self-management experience pioneered and developed by Fingerprint Worker Co-operative is captured by Jacobus Henri Smith, the production manager:

Being in a co-operative, you can start thinking for yourself and not have to be scared of a boss or somebody that is on top that is waiting for you to make a mistake or something like that. So when you are in a collective business, where all of you make decisions, all of you stand together on that decision that you have made. It is not like someone is telling you; you have to do this, you have to do that . . . you're sitting

around the table and you discuss everything that you need to do and that for me is the ultimate. There is no one on top of you and what you work for, you will see at the end of the day and the end of the financial year. You will reap the fruits of your labour for that time and period.¹¹

Controlling capital

In the age of globalised finance, in which finance determines and controls markets, states and societies, Fingerprint has evolved a novel approach to deglobalise finance. This is consistent with a well-established and universal principle in worker co-operatives to practise control of capital, rather than capital controlling them.¹² In this regard, Fingerprint is very different from Mondragon in how it practises the principle of control over capital. While Mondragon worker co-operatives are centred around reserve fund requirements and the individual member capital account that serves as a source of internal capitalisation, which provides an incentive against losses and ensures a return on the worker-owner share as a result of sharing in surpluses, over time, Fingerprint has pioneered its own innovation guided by its commitment to its understanding of egalitarianism.

Fingerprint has chosen not to utilise the share-based model as a source of finance and for accruing financial benefits to owners, as it would undermine its particular practice of egalitarianism. Instead, every worker-owner has to buy a share worth R750. This means every worker-owner has an equal share:

A lot of people say we are stupid the way some of us is twenty years in the co-op, others is two years in the co-operative. But we just feel like we are very socialist inclined. We had a big debate about this. If we have different shares that means that the votes remain even and the same, but that means that when it's distribution time, the one with more shares will get more money than the other one, although we will all understand it, we don't want that sort of thing. This thing about being equal, we like that and when new people come in we try to encourage them through this.¹³

This means Fingerprint has built and controlled capital, but through a different pathway. First, Fingerprint has chosen to capitalise itself initially through self-exploitation, but later on through more effective income-generation strategic planning to boost its capital. This has been very successful and has resulted in three financial management instruments: a reserve fund worth over R1 million, a 30-day call account of R250 000 and a current account of R10 000 to R15 000. These instruments have enabled the co-operative to leverage a line of credit, including credit guarantees from the bank, for working capital purposes, particularly for big jobs. Moreover, these instruments have ensured the co-operative does not have to self-exploit itself in times of economic downturn and crisis, as is the case in the South African economy. When Fingerprint has experienced financial stress, it has utilised its reserve fund to maintain salaries and income levels, while planning its way out of the crisis.

Second, control of capital and worker self-management has meant that while part of the surplus is channelled into its financial instruments, like its reserve fund, it also has paid its worker-owners decent salaries in accordance with its vision of quality work and its grading system. Such salaries have ensured that pensions and medical aid are paid for directly by worker-owners. In addition, all worker-owners receive a thirteenth cheque based on pro rata contributions to the co-operative. At the same time, the co-operative pays into the Unemployed Insurance Fund, Workmans' Compensation and ensures South African Revenue Services e-filing. The co-operative is also responsive to member needs as part of its humanised culture. Sometimes, the co-operative has paid for extra medication for workers or has provided time off so that worker-owners can deal with personal issues. As Engelbrecht puts it: 'The co-operative has given me a house, car, food, education for my children and generally a good quality of life for my family. I am not rich, but I am happy.'¹⁴

Ending alienation through solidarity relations of production

The restructuring of the globalised South African economy has placed a major squeeze on workers. Before the global recession of 2007 and current stagnation, the labour market was already

being undermined by employers. Formal full-time work was being displaced and replaced by atypical work (temporary and part-time) (Satgar and Southall 2015); this in a context of a low-wage economy. Ultimately, decent work has been difficult to achieve and most workers face precarious employment. Workers have been divided into core and non-core in capital-owned and capital-managed businesses. Moreover, workers have had to fit into hierarchies and disciplined labour processes to increase productivity while not sharing in these gains. South Africa's minimum wage debates and reform process also brought this to the fore. While the minimum wage has been set at R3 000, this is not sufficient for decent work. Workers under capitalist social relations are super-exploited. They are also alienated from themselves, from the fruit of their labour in the production process and from other workers (Marx 2007). Moreover, in the South African economy class is racialised and gendered, adding further to the brutalisation and inhumanity in social relations that prop up a class-divided society.

Fingerprint Worker Co-operative has shown another way to overcome worker alienation in capitalist social relations. It has done this within the co-operative and in its relationship with society. Within the co-operative, worker-owner work is what prevails. There is no boss in the context of self-management. Moreover, through solidarity market relations, self-management and controlling capital, Fingerprint has achieved non-alienated work, in which workers, as owners and co-operators, determine the conditions of their social reproduction. It is also a process in which human flourishing is key. In this process, the co-operative has institutionalised training, capacity-building and empowerment for all in the co-operative.¹⁵ The labour process is profoundly humanised as part of the political economy of the working class, as organised and institutionalised, in this worker co-operative. Ultimately, the following sentiment captures the humanising impulse in the co-operative: 'Our mission statement says to supply quality employment, but not a living wage. We want more. We want to give our people more than a living wage, I mean that is what we aim for.'¹⁶

In its relations with the wider working class and society, this co-operative has consciously attempted to reproduce solidarity relations of production. It has done this through actively championing co-operative movement building, building worker co-operatives and establishing networks of support. Co-operative movement building involved Fingerprint giving active support to the National Co-operative Association of South Africa (NCASA) in the early 2000s. It spent a lot of its own resources to assist with the organising and building of NCASA. Unfortunately, this experience ended in failure and rampant corruption, such that R50 million was lost. This did not deter Fingerprint in its commitment to solidarity. In the community of Somerset West, not far from where Fingerprint is located, it established three worker co-operatives involved in services such as painting and gardening. Consistently, Fingerprint provides technical advice (related to banking, time management and marketing) and support to these worker co-operatives to assist with capacity-building and empowerment to achieve solidarity relations of production. In addition, Fingerprint has engaged other co-operators, activists and popular educators to establish a support NGO to promote and network co-operatives in the Western Cape. These are all important attempts to share its own experience and learning and to build solidarity.

Challenges for the Fingerprint solidarity economy pathway

In the South African context, the solidarity economy alternative is about fundamental transformation from below (Satgar 2014). It is about transforming production, consumption, financial and wider social relations to ensure power prevails among the working class, the landless, the permanently unemployed and all those oppressed by capitalism. It is a contingent emancipatory political practice based on struggle and it is an evolving process grounded in building collective power, institutions, experience and capacities. Fingerprint is one of the best examples of a successful worker co-operative and solidarity economy enterprise in South Africa. It embodies the values, principles and practices of solidarity economy. Fingerprint has also constituted four forms of power, consistent with South African

solidarity economy theory and emancipatory practice: (i) structural power, through its niche-based solidarity market relations and effective self-management capacity; (ii) movement power, through promoting movement building, spawning other co-operatives and building support capacities; (iii) direct power, through supporting campaigns of its solidarity market customers; and finally (iv) symbolic power, through its living example of a viable and sustainable worker co-operative.

However, despite its long history, capacities and achievements, Fingerprint also faces numerous challenges. As a conscious solidarity economy actor, it is aware of these challenges for the pathway it is trying to navigate. The first challenge relates to its solidarity economy market. Many NGOs that have worked with Fingerprint over the years have been experiencing various challenges. Many lost funding sources and some have not survived. These developments have impacted on its solidarity market support negatively. To overcome this challenge, Fingerprint has been attempting to diversify its solidarity market base. For instance, it has tried to reach one of the big institutions in its community, the University of the Western Cape, which requires lots of printing. While the university has progressive policies to support community enterprises, it would seem Fingerprint has not been able to secure a procurement relationship with the university, other than printing the student newsletter. This is unfortunate and does raise questions about the university's procurement processes and how accessible these are to small community-based solidarity economy enterprises.

The second challenge Fingerprint faces relates to capitalising its operations to purchase new technology. It is in an industry that is changing rapidly due to the impact of digitisation and computerisation. A crucial issue would be to secure new technology that could upgrade its operations and give it the competitive edge in its niche area. Currently, the co-operative cannot purchase the new technology as it is extremely costly. It requires a few million rand. In this regard the co-operative has been trying to secure state assistance, without much success. With government's co-operative support programme, a one-size-fits-all approach in terms of capital support

and with low financial thresholds for co-operative grant funding (about R300 000 per co-operative), the current support from the state is not helpful in this instance. A strategic and enabling state should be much more responsive to co-operatives like Fingerprint, given their proven track records.

The third challenge confronting Fingerprint relates to expanding its member base and considering an innovation in terms of its ownership model. It is keen to bring more young and women members into the co-operative. Like all co-operatives, it faces the challenge of ensuring genuine convergence of need and ethical commitment from prospective members. Fingerprint lives up to the precept of 'each according to his/her ability, to each according to their need'. This means if new members come in they have to be willing to make the conscious shift away from being a worker to being a worker-owner. This means the embrace of opportunities for development and human flourishing as part of self-management are crucial. Induction and education, which is part of the tradition of Fingerprint, is important. In addition, Fingerprint is debating whether to transform its simple share-based model. Currently, the member ownership model is based on a nominal contribution to buy a once-off share. This means ownership in the co-operative, while being collective, is not related to surplus/losses of the co-operative, as in Mondragon, for instance. The approach Fingerprint has used has been to prioritise egalitarian and solidarity relations. Fingerprint does not have to become like Mondragon with individual member capital accounts linked to surplus/losses, but it could develop a member share model that links the value of a share to the asset value of the co-operative. This will also assist with incentivising work in the co-operative and boost the internal capital pool of the co-operative. South African worker co-operatives have not innovated on such share-based models, as part of socialised co-operative property, and this would be a first. In practice, this means the share value should be in proportion to the asset value for each worker-owner. For argument's sake, if the asset value of Fingerprint is equal to R100 000, this would mean a share could be worth R20 000, for example. New members would have to pay this in a lump sum

when they join or over time as they work in the co-operative and based on an agreement with the co-operative. Older members could receive this share, based on a formula related to years of service in the co-operative. If they were to leave, they would then be paid out the value of the share.

A fourth challenge facing Fingerprint is its commitment to ecocentric practice. This means engaging in a non-destructive relationship with the ecosystem. This also means making self-management more ecocentric, so that inputs into production, such as recycled paper, the use of inks, oil in machines and energy, are all ecocentric. Fingerprint is aware of this challenge, including how to think about waste and pollution from its operations. A lot more has to be done to take this awareness forward in practice. However, in terms of education work in society with regard to the climate crisis, food crisis and water crisis, Fingerprint has been working with NGOs such as COPAC. It has assisted with publishing COPAC's awareness-raising and activist tools in relation to these issues. In time, Fingerprint is very likely to innovate and put into practice ecocentric ways of advancing solidarity relations of production.

Notes

1. This case study is based on three site visits to the Fingerprint Worker Co-operative, based in Cape Town. The first visit was on 18 November 2015, with visits thereafter on 4 July 2016 and 4 October 2016. Interviews were conducted with Issy Engelbrecht, the co-operative co-ordinator, on these dates. In addition, a telephonic interview was conducted with Jacobus Henri Smith, co-operative production manager on 9 July 2016. Primary documents were also sourced during these engagements.
2. Issy Engelbrecht, interview, Cape Town, 18 November 2015.
3. Engelbrecht, interview, 2015.
4. Issy Engelbrecht, interview, Cape Town, 4 July 2016.
5. There is a vast literature on the Mondragon worker co-operative complex, today known as the Mondragon Co-operative Corporation. It has existed for over 50 years in the Basque country of Spain and has pioneered various innovations and institutional practices that have shaped the modern worker co-operative form. Some of the more recent literature includes Cheney

- (2002), Etxagibel, Cheney and Udaondo (2012) and Azevedo and Gitaby (2013).
6. Self-management is part of a transformative conception of co-operatives and their role in society. This is different from viewing co-operatives as reformist attempts to manage capitalism. Self-management is a socialist concept, linked to socialising property relations and ensuring workers' power prevails over production and social reproduction. Worker co-operatives are the best expression of self-management. See Harnecker (2013).
 7. See also tools related to developing and institutionalising worker co-operatives in South Africa at <http://www.copac.org.za> and <http://www.sem.org.za>. These tools explore self-management and decision-making models.
 8. Issy Engelbrecht, interview, Cape Town, 4 October 2016.
 9. Engelbrecht, interview, 2015.
 10. Engelbrecht, interview, 2015.
 11. Jacobus Henri Smith, telephonic interview, 9 July 2016.
 12. The principle of controlling capital is central to the Mondragon worker co-operative complex and to the practice of worker co-operatives more generally.
 13. Engelbrecht, interview, 2015.
 14. Engelbrecht, interview, July 2016.
 15. In my telephonic interview with Jacobus Henri Smith (9 July 2016), who has worked at Fingerprint for over sixteen years, it was apparent that the co-operative consciously encouraged him to train and develop his capacity. He learned printing, became a production manager and at the time of the interview was learning how to use an accounting software package. He also affirmed how the co-operative developed his understanding of co-operation and co-operatives. In his words: 'To work in a co-operative is like a dream coming true.'
 16. Engelbrecht, interview, October 2016.

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7

More Ethical Than Ethical Ethical Food Co-operative's Conversion to a Worker Co-operative

Jane Cherry

ETHICAL CO-OP IS AN online marketing co-operative that sources fresh produce from farmers in Cape Town and delivers it to consumers in the city's northern and southern suburbs. It was established in 2005 as a consumer co-operative for members to benefit from sourcing ethical produce collectively, but has since evolved into an enterprise that provides a convenient online marketplace for the purchase of ethically produced and organic products, while supporting small-scale farmers in Cape Town. As a consumer co-operative, Ethical Co-op can be viewed as an actor in the co-operative economy, networked to farmers and consumers, but at the same time struggling to find a self-management practice and form. The management of the co-operative is not satisfied with activities only in the co-operative economy and desires to deepen its impact on the lives of the workers, farmers and their communities by converting to a worker co-operative. In this chapter, Ethical Co-op serves as a case study to illustrate its unique solidarity economy pathway potential in South Africa and how conversion to a worker co-operative could strengthen its aspiring ethical model. Information presented in this chapter is gathered from the co-operative's online resources, their constitution, and site visits and interviews with farmers and Ethical Co-op's staff.

The aim of this chapter is two-fold: first, to show how Ethical Co-op is fostering a pathway for a food system outside the current corporate industrial model, thereby promoting food sovereignty, which is connected to the solidarity economy alternative. I elaborate on its unique enterprise model and core activities, its institutional arrangements and membership, including the way in which it sources food and provides markets and networks for small-scale farmers. While outlining its practices, I show how it is already creating this alternative. The second aim of the chapter is to suggest ways in which Ethical Co-op can deepen its impact and promote democracy in the workplace to provide a more powerful example of a solidarity economy enterprise and pathway. I argue that this can be done as it pursues alternative institutional models that would ensure more meaningful partnerships with different actors along its food value chain. There are various forms this could take, but one stands out, namely, a worker co-operative.

I highlight four worker co-operative options for Ethical Co-op's conversion and elaborate on their institutional permutations. These options are based on discussions with workers at Ethical Co-op and some of the farmers who provide fresh produce to the Co-op. While deeper conversations need to be had with other players, including consumers and a broader representation of producers, this chapter seeks to provide insights and options for conversion, while demonstrating the importance of Ethical Co-op's conversion, as it holds the potential to deepen a food sovereign and solidarity economy pathway. This pathway is long overdue in Cape Town's unjust, yet in some corners, vibrant alternative food system.

Background: Tired of travelling the Cape Peninsula

Ethical Co-op was founded by a group of friends in 2005 after they grew tired of travelling the Cape Peninsula to source the best-quality and best-priced authentic produce. They decided to have the produce brought to them instead. Ethical Co-op was thus initially established purely as a consumer co-operative to serve its members. It has since evolved, as the founding members converted it into an online enterprise, which they believed would benefit like-

minded people. It thereafter registered as a co-operative and drew up its constitution. The Co-op has never fully implemented the co-operative constitution, but has established its board with purely advisory roles, maintained its online business-like structure and has built up a substantial customer and supplier base, such that today it boasts the largest range of organic food in Cape Town. The founding members have gradually left the business and the board to pursue various other ventures and in 2014, the last remaining founding member and manager of the Co-op announced that he, too, was leaving. This led to the resignation of all of the board members. At this point the Co-op was almost dissolved.

Anique van der Vlugt, a worker at Ethical Co-op during this time, agreed to take over management of the Co-op, although she had no experience of running a business (her expertise is web development and web maintenance). Anique was not alone, however. A local non-governmental organisation (NGO), Environmental Monitoring Group, who had been involved with Ethical Co-op previously, offered to support Anique through this transition.

Tired of just being 'Ethical'

Anique agreed to manage Ethical Co-op for two key reasons. First, she believed that the vital service that the Co-op was providing to consumers, farmers and workers could not be discontinued. To this end, Anique and workers in the Co-op have managed to keep it afloat since mid-2014. During the first two years, their focus was on ensuring that the Co-op continued to run smoothly, serving both customers and suppliers. They have done this by maintaining the website, sustaining relationships with the farmers and overseeing the functioning of Ethical Co-op. In addition, as advised by Environmental Monitoring Group, the Co-op has appointed a new board.¹

While Anique and the rest of the Co-op staff have been successful thus far in maintaining a viable co-operative, they would like to do more. This is the second motivation to keep Ethical Co-op going: they recognise its potential. Their desire is to transition into a proper functioning worker co-operative that abides by its constitution and

benefits its workers, the farmers from which produce is sourced and their communities, and, in doing so, establish a pathway for a more democratic food system.

This vision has been inspired by a few similar models, which are all promoting the co-operative economy and food sovereignty alternatives in various ways – for example, Siyavuna Abalimi Development Centre in KwaZulu-Natal. This centre trains local farmers via a sustainable agriculture investment programme. Through the programme, farmers grow fresh, sustainable and organic produce to feed their families. Any excess produce is sold to neighbours and Siyavuna via a farmers' association. Some produce is also sold under its own brand, Kumnandi, to local shops in municipalities inaccessible to the rural communities where the crops are grown.² Small farmers are introduced to the centre through training and, particularly, the participatory guarantee system (PGS). PGS is a peer-review system for organic certification, which ensures that farmers produce their crops to certain organic standards, but do not have to pay the hefty fee to be certified organic.³ Ethical Co-op would like to establish similar beneficial services and support mechanisms for farmers, so that they and their communities become independent, leading towards food sovereignty. However, Ethical Co-op's vision goes further than this. As it pursues a worker co-operative institutional model, it is committing to an even more ethical enterprise, one that is transparent and democratic in all aspects, as discussed later in this chapter.

There are other establishments that are similar to Siyavuna in Cape Town. These are mostly organisations with various box-purchasing schemes that support small-scale farmers and assist with training and PGS. However, these practices are still in the margins of Cape Town's food system. Because of this, many people have encouraged Ethical Co-op to give up the co-operative vision and suggested that it should rather focus on changing to a conventional business enterprise, which would not have to deal with membership issues and electing a board of directors, for example. Yet, the Co-op is determined to make it work because changing course would be contrary to its vision of supporting small-scale farmers in Cape

Town. Anique, in particular, has observed that when enterprises, with a similar social and environmental focus to Ethical Co-op, are presented with a choice of whether to continue to support a farmer even if it is uneconomical, they simply terminate the contract because they view making profit as their main objective. This has also been evident in international case studies of co-operatives, where research has shown that when businesses concentrate on increasing profit performance and on expanding the enterprise, they, in turn, neglect co-operative, community- and people-orientated objectives (Davidmann 1996).

For Ethical Co-op to maintain its vision and to avoid slipping into the corporate enterprise model, Anique believes that the transition to a worker co-operative is imperative. While workers and management are unsure of the form that the worker co-operative will take, they are adamant that the model of ownership and operation needs to be democratic and inclusive of the ideas and decisions of those who play a key role in the enterprise, namely the workers in the co-operative as well as the local producers of the fresh produce, and possibly also the consumers. As a result, the views of the workers, producers and consumers also need to shape the decisions about the form that Ethical Co-op takes. With this approach comes the recognition that merely getting the constitution working will not be sufficient. Some aspects, including the vision and objectives of the Co-op will have to keep evolving, as has happened in the past.

Context: A food system in crisis inspiring alternative production models

Ethical Co-op's objectives have always been shaped by an ongoing analysis of the current brutal food system, which has negatively affected workers, consumers and farmers alike. Cape Town's food system is corporate-controlled, highly industrialised and concentrated in the hands of a few. Implications for small-scale farmers, small-scale retailers, industry workers, poor consumers and the environment in this system are dire.

In terms of workers, the farmworkers case in the Cape winelands is illuminating. Behind the scenes of the winelands as a first-class

global tourist destination, labourers' stories suggest that they are currently held captive in various ways on their employer's land, lack access to education and basic services, and are handicapped by generations of alcoholism fostered by employers. They are, in fact, little more than slaves (Swanby 2017). At the same time, these workers lack a voice, as those who try organise or stand up for their rights are often victimised (TCOE [Trust for Community Outreach and Education] in Swanby 2017). Farmworkers in maize, fruit and other food industries are often subject to similar conditions, along with exposure to harmful pesticides.

In terms of workers in retail, the unjust case of workers at Checkers is also telling. In 2015, the chief executive of the Shoprite group, Whitey Basson, was paid R49.7 million in basic pay and received a special performance bonus of R50 million in the financial year to June. Shoprite workers, in comparison, earned R28 600 per year. This means that it would take a Shoprite deli worker about 290 years to earn what Basson earned in a month (GroundUp 2016).

Impacts of the corporate food system on small retailers are also dire. In the past, fresh produce traders have been removed from Mitchells Plain due to restrictive by-laws (Schroeder 2012). At the same time, supermarkets that are inherently hostile towards small-scale food producers are proliferating (Van der Heijden and Vink 2013). The rise of supermarkets has also led to shifts in diets towards increased kilojoules in the form of processed foods, sugar, oils and fats and a shift away from vegetables (Ronquist-Ross, Vink and Sigge 2015). This has, in turn, ushered in an onslaught of obesity and type two diabetes among food consumers. In South Africa, male obesity prevalence was 21 per cent and for women 41 per cent in 2008 (WHO 2014).

These few examples do not sufficiently tell the story of the current injustices in the food system and they do not even begin to mention the impacts of the industrial food system on the environment. Nevertheless, they do paint a picture dire enough to suggest that the food system is not working for the majority of workers, farmers and consumers who depend on it for sustenance and survival.

Through Ethical Co-op's interaction with farmers, its involvement in national and local spaces of dialogue about the food system – for example, the South African Food Sovereignty Campaign, the participatory guarantee system and other platforms for conversations about and practice of alternatives – the organisation has been exposed to the harsh realities affecting South Africans. The people at Ethical Co-op recognise a deep and pressing need to support those whose needs are excluded from the system and to integrate them into their 'ethical' model. At the same time, the Co-op has been inspired by the resilience of some of these farmers in the face of increasing challenges and recognises the need to share and network with other like-minded food producers. Two farmers who stand out are Magda and Eric. I tell their stories briefly below and, in doing so, shed some light on the production side of Ethical Co-op.

Alternative production in Cape Town

Small-scale farmers are increasingly becoming disillusioned by the industrial food system, and lack of government support has led them to seek alternative food production methods. Magda Campbell, a food producer in Mitchells Plain, and Eric Swarts, a Stellenbosch small-scale farmer are two of these farmers. Their stories are particularly inspiring, but not unique in the current Cape Town context.

Cape Town is experiencing growth in the organic food sector. This is partly in response to increased reporting on the failures of industrial agriculture and the potential hazards of pesticide-ridden foods. Food producers such as Eric, for example, realised that there is no space to compete in the industrial food system, which is dominated by corporations. The organic or agroecological space is more appealing, as it is providing for a different market. In Magda's case, agroecology does not require heavy inputs and toxic pesticides, but merely working with nature and the community to create nutritious food to promote health in her community.

Magda works in a thriving vegetable garden on the premises of Beacon School for Learners with Special Education Needs, where she experiments with agroecological farming methods and produces

a healthy crop of vegetables to supplement the school's feeding scheme. She also teaches the schoolchildren the basics of growing food and sells food to the community and wider regions of Cape Town through Ethical Co-op. Magda has become well known in her community for her successful food garden at Beacon School. As a result, she has started teaching others in her community how to grow food and also offers advice about healthy food options. Through this, members of her community have been able to address ill health and obesity. Magda envisions growing food on a larger scale, creating jobs and opportunities for matriculants from the school in her garden and nursery (still to be established) and creating a demonstration site for teaching more community members how to grow their own food.⁴

Eric is equally inspiring. He works on a piece of state land leased to Spier Wine Estate. As part of its programme to support emerging small-scale farmers, Spier supported and trained six farmers in organic farming in 2000 by providing the farmers with land and inputs to produce food, as well as a 25 per cent share in the farm and profits. Eric was one of these farmers. However, Spier terminated the project three years later after realising that it was not profitable. Eric then approached Spier on his own, requesting use of the land so he could continue farming organically. Eric now has rights of use agreement to a section of this land (8.7 hectares). He has been working on the farm on his own for fourteen years and currently produces a variety of vegetables and berries and is also introducing fruit and nut trees. He sells his produce to nearby restaurants and enterprises, including Ethical Co-op, which sells fresh produce through box schemes. He also takes some of his produce to his community where he sells it and every Saturday he takes some produce to the Waldorf school market.⁵

Not all small-scale farmers are as innovative and persistent as these two examples, neither do they have the benefit of experimenting with alternative food production methods, such as organic agriculture or agroecology. But increasingly organic farming methods and produce are gaining prominence. Eric is quick to point this out. He stresses that when he started with organic farming in 2000 there were only a few people who knew about it. Since then,

the organic movement has grown significantly – much faster than Eric anticipated.⁶ This rise in organic demand is partly the result of effective marketing strategies in the organic sector, but on the supply side, in the case of Eric and Magda, it is inspired by a drive to move away from conventional farming. Both Magda and Eric started out as conventional farmers, but became disillusioned by the supposed benefits of pesticides. Eric, in particular, was delighted to learn about organic farming so that he could sleep peacefully knowing that he had not sold poison to his customers.⁷ Magda could not understand how she was expected to cover her entire body with protective clothing when spraying crops with pesticides, thus creating pesticide-ridden crops that customers would one day eat.⁸

Besides the potential support that Ethical Co-op can provide to farmers, it also realises the positive knock-on effect that supporting small-scale farmers and workers can have on their communities. Currently, the organic sector is geared towards rich, middle-class consumers who can afford to pay more to know that their produce was sourced ethically and does not contain harmful pesticides. In many cases, there is a large disconnect between the small-scale farmers, such as Eric, and the people who buy his produce at fancy restaurants. However, it is clear that Eric and Magda have both been successful in bringing organic produce, skills and practices to their working-class communities. Ethical Co-op therefore views supporting small-scale farmers like these as a key means to improve livelihoods, well-being and nutrition in Cape Town's poorest areas, while still inspiring ethical eating among the middle class and, in doing so, also bridging the gap between the two.

It has become clear to Ethical Co-op that charting an ethical and sustainable food system pathway involves supporting small-scale agroecological farmers. This vision is in line with food sovereignty and has the potential to build a solidarity economy pathway.

Food sovereignty and solidarity economy pathways out of the food system crisis

Birthered out of crises in the food system, food sovereignty embodies a political and social movement, a theoretical paradigm and a practical

vision to build an alternative food system. The discourse and practice of food sovereignty is not static, but is continuously evolving and restructuring as food systems in local spaces change. As a result, food sovereignty approaches in South Africa are expressed differently than those elsewhere in the world. However, there are some common understandings and values that bind these diverse practices together, including the beliefs that the current food system is in crisis and cannot solve the host of issues that capitalism has caused; an alternative food system needs to be fought for and created; and the central features of this alternative food sovereign system include the promotion of democracy and justice, and focus on relocalising markets and governance in favour of the poor, under-served and small-scale food producers who work with nature (Holt-Giménez and Shattuck 2010: 76).

In South Africa, a particular food sovereignty approach is emerging with the South African Food Sovereignty Campaign. The approach focuses on feeding communities, villages, towns and cities through food sovereignty. By assessing the cause of the hunger crisis in South Africa, the campaign has established that it needs to build from what there is and a number of food production initiatives in local spaces exist that need to be connected up, not only so that food sovereignty is achieved in these areas, but also to build various forms of power, including symbolic power – which demonstrates that when the values, principles and vision of food sovereignty are established, another food system is possible. Ethical Co-op shares in this South African food sovereignty perspective, as its support of small-scale farmers such as Magda and Eric shows, and it aims to promote an alternative democratic food system.

All people are implicated in the food system in one way or another as workers, producers or consumers. Creating a more food sovereign system could have marked impacts on communities as they have a say in how they want their food system, their jobs in the food sector and their natural environments to be ordered. While affecting a large part of society, food is not the only sector that is controlled by capitalism's flawed economy. Increasingly, the links and synthesis between food sovereignty and other alternative approaches to solving

capitalism's crises are being drawn to show how these alternatives complement each other and provide exits from the corporate-controlled food system. One such link is between food sovereignty and the solidarity economy.

The solidarity economy is defined as 'a collective humanist response and democratic alternative from below to the crisis we face' (COPAC n.d.: 18). Like food sovereignty, this 'humanist response' is not a prescriptive definition or strategy, but is based on values that organise community differently, put community and co-operation over competition, promote the realisation of human needs (defined by people themselves) over profit, prioritise social justice and work towards ecological health and environmental justice (COPAC n.d.). Without being a blueprint for how to organise society, actors, institutions and practices in the solidarity economy are prefigurative, as they provide examples of how the rest of society could be organised differently. These alternative examples involve continual collective processes of (re)making social relations based on democratic practices and other bottom-up experiments (Williams 2014). The solidarity economy is not only about practices, values and visions to transform society through institutions, but is also a process of emancipating consciousness defined by a conscious commitment to the solidarity economy vision. It is therefore about organically embedding the vision, values and principles in the everyday lives of the people 'as part of the imaginings and yearnings for something better in the midst of struggle' (Satgar 2014: 211).

A number of examples of communities yearning for, imagining and forging their own unique social relations and embedding solidarity economy values and practices exist in South Africa. Worker co-operatives, in particular, have been recognised as crucial social forms emerging in the South African solidarity economy process (Satgar 2014: 203). The solidarity economy recognises that there are such alternatives everywhere, which on their own, as isolated islands, are insufficient to transform society. The solidarity economy thus aims to move beyond promoting individual co-operatives or institutions, and to identify these alternatives (at local, national and international levels) and connect them in ways that build networks

of production, consumption and finance based on popular ownership and control, to become 'a movement based on the interconnectedness among various solidarity economy actors' (Williams 2014: 55).

Building power for an alternative food system and economy

Food sovereignty and the solidarity economy, therefore, share a number of similarities, but also serve to complement each other. They both stem from a critical analysis of the capitalist system; they both involve systemic alternatives and pathways from below; they both rely on the agency of those involved in these processes and are based on pluralism. Since they are shaped by values and practice and are, in turn, enriched by practice, they are thus in a state of becoming and they both seek to push back capital and build alternative systems through wielding different types of collective power; namely, symbolic power, movement power, direct power and structural power.

Symbolic power is achieved, as concrete examples of food sovereignty and the solidarity economy show us that another food system and community is possible. Successful agroecological small-scale farmers and worker co-operatives provide powerful examples of alternatives to capitalism and through their ethical values, principles, vision and practices they are able to provide an alternative pathway and can offer examples that convince us that a more humane system is possible. Movement power is about linking up isolated food sovereignty and solidarity economy practices to create a movement. As food sovereignty or solidarity economy alternatives have more presence in a society, movement power is increased (COPAC n.d.). Direct power involves methods used to influence the public. Food sovereignty and solidarity alternatives promote this, as they campaign to influence citizens' beliefs through awareness-raising or mass campaigns, for example (COPAC n.d.). There are a number of campaigns in South Africa promoting food sovereignty or even solidarity economy values – for example, the South African Food Sovereignty Campaign (of which Ethical Co-op is a member) and other campaigns about healthy eating. Initiatives such as these are integral to creating an alternative value system, as

they assist in emancipating the consciousness of ordinary citizens and embedding alternative visions, values and principles in the everyday lives of the people (Satgar 2014). Finally, structural power is built, as people are able to meet their needs through alternative production, consumption, financing and living patterns (COPAC n.d.). Structural power is also about deepening solidarity links between different actors and thereby building alternative systems in parallel to the capitalist economy (COPAC n.d.: 31).

Solidarity economy and food sovereignty initiatives and movements have the potential to employ collective power through different avenues, methods and actors in civil society and, in doing so, they can build an alternative system that bypasses the capitalist system (and food system). While they share many similarities and work together in various ways, a distinction between food sovereignty and the solidarity economy can also be made in that the solidarity economy can be viewed as encompassing food sovereignty (Hitchman 2015).

Building institutions for an alternative system

Another essential dimension of the solidarity economy is worker co-operatives. A worker co-operative is defined as ‘an enterprise that is owned, wholly or partially, by those who work in it’ (COPAC 2015: 14). Worker co-operatives are established for the benefit of the worker-owners, to allow for democratic control by the worker-owners and to promote community development (COPAC 2015). Worker co-operatives are fundamental building blocks of the solidarity economy because they embody values, principles and practices of the solidarity economy, including deep democracy and worker control and they are transformative. They are democratic because they give power and rights to the workers in the co-operative to make decisions and to jointly own the co-operative. They inspire a new form of worker-owner work, which is different from self-employment or being employed by a boss, and is responsive to the worker-owner’s needs (COPAC 2015). Worker ownership also entitles worker-owners rights to information and sharing in profits and losses of the co-operative. Finally, worker co-operatives are

transformative as they inspire a new pattern of production that seeks to change society, and genuine worker co-operatives are actively involved in the struggle to transform society.

Ethical Co-op's vision (or process) of connecting up alternative farming practices to support an alternative food system and to create a new culture among consumers reflects values and visions of both the solidarity economy and food sovereignty. Its process of imagining something different is birthed out of struggle, but also from witnessing struggle. However, Ethical Co-op realises that in order to strengthen its impact, it needs to embody a truly democratic and transformative alternative that can wield different forms of power. Converting to a worker co-operative allows this, but also provides an opportunity to engage in an active process of collective visioning with farmers and consumers in Cape Town about how they want their food system and economy to function in order to meet their community, social and environmental needs. Yet, while the vision is noble, the Co-op is also realistic and, as in any (potentially) transformative alternative, the organisation realises that it needs to begin with what it has, as I discuss below.

More about Ethical Co-op

In order to understand where Ethical Co-op started from and the potential that exists, as well as the challenges involved in converting to a worker co-operative, this section provides a detailed profile of Ethical Co-op, looking at its background, core activities and institutional arrangements, citing the constitution and showing how these arrangements differ significantly in practice.

Core activities

Ethical Co-op's core activities involve sourcing organic produce from a number of suppliers in and around Cape Town and distributing it to consumers. It uses an interactive website where customers can register, place their orders and make payments online. They then collect their orders from a delivery point closest to them. Ethical Co-op works on a weekly ordering and delivery schedule.

On a Wednesday, all 35 of Ethical Co-op's local suppliers and farmers are sent a reminder to update their lists of fresh produce

that will be available in the coming week. Once farmers respond with their available produce, Ethical Co-op creates a single list of what farmers have and places it on its website. The next day an email newsletter is sent to over 30 000 people reminding them that it is time to order. The email also contains information about the produce available in the coming week and sometimes includes relevant information about the state of the food system. All customers interested in purchasing are encouraged to place and pay for their orders before 9 p.m. on Sunday night (if they are in the northern suburbs) or before Monday 9 p.m. (if they are in the southern suburbs). On Monday, after all the orders have been placed, the farmers are informed of which stock has been ordered from their list. They then deliver the exact quantity of stock to the warehouse within the next two days. The received goods (both fresh and dry produce) are then packaged into boxes and then on Wednesday or Thursday (depending on the location) they are delivered to 38 different collection points across Cape Town.

Ethical Co-op does not only supply fresh produce. Product items on the list on the website include smoked tofu (free of genetically modified soy), Banting boxes, bulk 17-kg boxes of ungasped bananas, various teas, braai wood, fish oils, pet shampoo, magazines, wall paint, brinjal seeds and personal toiletry products, to name a few. While only fresh produce is delivered to Cape Town, products on the rest of its long list (780 items in total) are also available to the rest of the country. The same principle applies to sourcing produce; only fresh produce is sourced from the 35 farmers around Cape Town, while other products are sourced from South Africa (as much as possible) in order to support local business and products that cannot be found locally are sourced from overseas. Ethical Co-op is one of the biggest buyers for all the small farms locally.

Of the more than 30 000 registered customers, on average about 800 of these customers are active. Ethical Co-op receives around 300–400 orders per week while the turnover through the website is on average R80 000 per week, which equates to between R320 000 and R350 000 per month. This number does fluctuate when seasons change and during holidays.⁹

While Ethical Co-op does not make a substantial profit at the end of each year, it has never been in overdraft. When profit is generated it is used to increase the stock of dry produce in the warehouse to ensure constant availability of goods. If there is a surplus available at the end of the year, this is used to pay staff bonuses. Because profits are not huge, and since it is not what drives the business, Ethical Co-op is looking at alternative avenues for raising funds for various community projects. These avenues include donor and government funding.

Institutional arrangements and the role of actors

Institutional arrangements as set out in Ethical Co-op's constitution differ significantly in practice. Members of the co-operative recognise this gap, but at the same time are proud of their constitution and are determined to ensure it functions properly where appropriate and to change it where necessary. The constitution sets out categories for four different actors in the co-operative: (i) board of directors; (ii) employees; (iii) suppliers and customers; and (iv) members. Each is discussed briefly below.

The board of directors is tasked with exercising the powers and duties of the co-operative. The constitution lays out rules for electing directors and highlights roles of the directors, including the hiring of employees and administering the website, to name a few. Initially candidates for directorship were to be nominated and elected by the founding members of the Co-op and thereafter elected or re-elected at subsequent annual general meetings.

Only founding members served on the board of directors when Ethical Co-op was established. Since all the founding members have left the co-operative, Anique, who is currently the chairperson of the board, elected four other board members to fulfil the legal requirements. Decisions in the Co-op are not made by the board, but are mostly made by Anique out of necessity and sometimes in consultation with Environmental Monitoring Group. Anique also consults with staff, farmers and customers where necessary. Yet, since the co-op functions in a routine way, there are seldom big decisions that need to be made. No board meetings are being held at present.

Employees form the second group of the co-operative. Ethical Co-op employs these staff to run the co-operative. There are currently nine staff members, of which three are full time, including Anique, who oversees administration and the day-to-day running of the Co-op and liaises with farmers and consumers. In addition, there is a distribution supervisor and a stock room supervisor. The part-time employees include the finance manager, three packing shed workers/organisers, as well as two drivers who work two days a week. Currently the employees (aside from Anique) have limited decision-making power, yet they do have opportunities to raise concerns at weekly staff meetings. A staff meeting is held on Tuesdays with all staff, while an additional meeting is held with the three full-time staff to reflect on the previous week and to plan for the coming week, if necessary.

The third group, according to the constitution, includes suppliers and customers. The constitution does not go into too much detail regarding suppliers, except to mention that they can be non-members or members, they are expected to sign and abide by a supplier code of conduct and if they contravene the code of conduct, they will have their membership revoked and business between Ethical Co-op and the supplier will cease. In practice, the most important principle suppliers ought to abide by is to ensure that their production methods are ethical in terms of environmental impact and that they are organic, either certified or non-certified. This is not only guaranteed by signing a code of conduct, but currently there are more steps involved, including farm inspection, background checks and more recently peer reviewing of farms to ensure they are organic, even though not certified.

Ethical Co-op either approaches farmers to supply produce (when looking for suppliers of indigenous grains, for example); alternatively, suppliers approach Ethical Co-op to market their goods, which is what Magda did. Ethical Co-op inspects each potential farm if it is a local producer, or undertakes all possible background checks if the producer is not local. After it is established that the producer is able to produce food ethically and organically, Ethical Co-op contracts them and includes them on their list of suppliers.

Ongoing monitoring of the suppliers is necessary to ensure that they do not contravene the code of conduct. This process on local farms has been aided by the participatory guarantee system as described below.

Ethical Co-op claims that it exists largely to support the growth of its organic farming and manufacturing community and it is evident that it does actively support this growth in various ways – for example, through organic non-certification. On the website order list, customers can see if produce is organically certified or not, while some produce is labelled as ‘non-certified organic’. Organic certification in South Africa is geared to large-scale farming practices and product manufacturers who can afford its high costs. This has become an entry barrier to many of the small farmers who farm ecologically and organically, but simply cannot afford the high cost of certification. Ethical Co-op has therefore created its own set of in-house standards, which are specifically geared to the needs of small-scale enterprises. This is referred to as the participatory guarantee system (PGS) – a local, focused assurance system that certifies producers based on active participation of stakeholders. This system is built on a foundation of trust, social networks and knowledge exchange, and together farmers and participants work to improve any areas that could better align with organic practices (Ethical Co-op 2015). Customers are also offered the opportunity to get involved in the PGS. They can do this by participating in the certification by visiting farms or by contributing financially to support the process. There are minimum fees involved in ensuring that PGS works efficiently, but Ethical Co-op would like to minimise these fees as much as possible so that there are no barriers to farmers participating.

In practice, the relationship between Ethical Co-op and its suppliers (and customers) is based on transparency and solidarity. Participating farmers are mostly small-scale farmers, such as Magda and Eric, farming co-operatives, family-based farms and NGO-based farms. Their relationship is based on transparency, particularly regarding financial matters, as the farmers are fully aware that Ethical Co-op will mark up their produce by 50 per cent. Farmers are

satisfied with this mark-up as Ethical Co-op provides them with free marketing services, something that many farmers do not have the time or money for.

Mark-up is not always 50 per cent though; sometimes it is less, depending on the prices of similar products from other producers. For example, one farmer who is located quite far away from Ethical Co-op's warehouse charges more for his lemons. Ethical Co-op is aware that this high price is because of transport costs, which other farmers do not incur. In cases like this, Ethical Co-op adjusts the mark-up to ensure that this supplier's lemons are still marketable. Ethical Co-op will either mark up the lemons by 40 per cent and absorb the 10 per cent cost or charge more for the other lemons in cases like this.

What is also not stipulated in the constitution is current benefits to suppliers in terms of education and training. Farmers who attend PGS appraisals are able to learn valuable lessons about organic food production. In addition, Ethical Co-op has established a support group for farmers to meet once a month to discuss farming matters. As a new farmer, Magda has found particular value in this support group, while Eric, who is a well-established and knowledgeable farmer, prefers to seek advice from other farmers over the phone and does not find much value in the meetings.¹⁰

Farmers have highlighted additional areas where Ethical Co-op can offer them support. In particular, they stress that they would like their goods to be collected from their farms since having to transport their produce once a week is very time consuming and expensive.¹¹ Ethical Co-op has recognised this challenge and mentioned that this is a service that it would like to provide for farmers, but would need to raise additional funds. Farmers have also stressed that they would benefit from being able to purchase certain inputs from Ethical Co-op, including earthworm compost, organic and heirloom seeds, and seedlings at a discounted rate.¹² As it stands, no benefits to suppliers have been included in the constitution. This lack of attention to the importance of the suppliers in the constitution can be attributed to the fact that Ethical Co-op was initially set up as a consumer co-operative and thus suppliers were not viewed as key role players.

However, in practice, suppliers are seen as integral to the functioning of the business and Ethical Co-op realises that if relationships with producers are maintained, if expectations are managed and payments made on time, then there will be respect and a desire to perform satisfactorily the following week. Farmers feel valued by Ethical Co-op and well respected, as do their customers.

According to the constitution, all customers should register on the website and are then expected to abide by the terms and conditions reflected on the registration form. Customers may also enjoy special benefits, including better prices, better-quality goods and services, networking and capacity building in the responsible consumerism sector, access to alternative means of capital, information on environmental issues relating to the manufacture and life cycle of each product, education on organic produce and ecologically sensitive agriculture, as well as affiliations with NGOs, non-profit organisations and companies dedicated to responsible trade and environmental awareness. In addition, customers may become members of the co-operative.

Again, practices differ to what is set out in the constitution. For example, when registering on the website, customers are not expected to agree to any terms and conditions. Customers are also not officially members of the Co-op and do not exercise voting rights or attend annual general meetings. Anique stressed that customers are, however, informal members with some decision-making power, in the sense that they have to register online and when making purchases they vote with their money. In addition, customers are also encouraged to participate in shaping decisions about certain products that Ethical Co-op sources – for example, the origin of a type of olive oil that the Co-op considered stocking. Consumers also have the opportunity to review the ethical and organic standards at suppliers' farms through the PSG.¹³ In addition, some customers enjoy the customer benefits and find value in Ethical Co-op, as is evident in the following website comment from a customer:

Ethical Co-op represents so much to me ... Easy access to organic food; support to the small-scale farmers who need

it most, and who are performing such a valuable role; true dedication to the environment – a clever delivery model that minimises fuel usage, minimised, re-used packaging, as can be found nowhere else, efficient office paper usage, careful selection of products that are truly environmentally friendly; minimal food wastage; vibrant, fresh produce, a box of joy every Thursday!¹⁴

Ethical Co-op is confident that some customers would be willing to be more involved, particularly in supporting small-scale farmers and that they would be open to becoming formal members of the Co-op to do so.¹⁵ Implementing a membership model that allows consumers to become members would help initiate this, as it is currently not clear who the actual co-operative members are, as discussed below.

The fourth group of actors includes members of the co-operative. The constitution stipulates that in order to become a member, applicants are required to pay a membership fee of R400 annually. Membership is open to customers, suppliers, distributors, directors and employees as long as they are over eighteen years of age and share the same interests as Ethical Co-op. The constitution also lays out what meetings should take place, including annual general meetings in which the financial state of affairs is discussed and the board of directors is to be elected. Voting rights are also mentioned, stressing that members each have one vote on all matters for decision. Members also have the following benefits: discounted prices; access to limited stock items unavailable to the public; and voting for the board of directors, on which members are also eligible to serve.

There are currently no identifiable members in the co-operative who have filled in an application form and paid a membership fee. This is because the constitution has not been properly implemented from its inception. While Anique stresses that it is a great constitution and she would like to get it working, Ethical Co-op realises that there is room for improvement, that the membership base should change and that more emphasis should be placed on suppliers as members, as well as supplier benefits.¹⁶

A more ethical pathway: Reasons for conversion and possible institutional forms

This section discusses reasons for Ethical Co-op's conversion to a worker co-operative. The reasons for conversion ultimately determine the form that the co-operative will take, so it is important for organisations to examine these. I provide four possible institutional forms for Ethical Co-op to consider for its conversion, highlighting how these options can contribute to a food sovereignty and solidarity economy pathway in Cape Town.

Research suggests that business-owners and employees convert to worker co-operatives for the following reasons:

1. As an exit strategy for the owner, whether leaving for retirement or other reasons,
2. as a component of the business' mission, recognising the employees as an important stakeholder in the group,
3. to create wealth-building opportunities for employees, especially in low-wage sectors,
4. because it's good business . . . This reason is typically a 'bonus' on top of one or more of the other three, rather than a core motivator, which is that employee-owned businesses have demonstrated their ability to be more financially successful than their peers, and to weather economic storms more effectively (Lingane and Rieger 2014: 7–8).

Ethical Co-op's motivation for conversion incorporates the latter three reasons, as discussed above. However, below I briefly build on these to add to each of them important aspects that make Ethical Co-op's case in South Africa unique.

First, Ethical Co-op recognises that employees are integral stakeholders in the group, but takes it further to include those currently not employed at the Co-op, namely, the farmers. This aspect needs to be considered in its conversion, for as will be discussed below, there are some options that do not include farmers in the ownership/management model. Further, to what extent Ethical Co-op views consumers as an important stakeholder in the group (or to what extent consumers consider themselves as vital players) will also affect the form that the co-operative takes.

Second, creating wealth-building opportunities for employees is key to Ethical Co-op's vision. Although this has not always been one of its key objectives, it is one of the main reasons why it did not close its doors in 2014. This motivation is further extended to the farmers who work in risky and low income-generating sectors. Yet, in addition, these wealth-building opportunities extend to communities as Ethical Co-op promotes a localised food system, which in turn is capable of promoting local economies that keep money in circulation in the community, but, more importantly, builds solidarity within communities. Converting to a co-operative is also a way of ensuring accountability within the Co-op and among the communities in which workers and farmers reside. Recall Anique's account of the enterprise who simply terminated the contract because supporting the farmer was no longer economical. If Ethical Co-op were to institutionalise as a worker co-operative and faced a similar dilemma, it would be the responsibility of the co-operative community to decide what happens to the farmer. Furthermore, as worker co-operatives are established on the basis of certain values that do not focus solely on profit, but also community, environment and social justice, the decision will involve an analysis in terms of how the farmer is contributing to these other ends in the community. The co-operative community's decision will, therefore, not only be based on narrow economic criteria and instead of terminating the contract, they may resort to providing the farmer with additional measures of support.

The fourth reason listed above is an added bonus for converting to a worker co-operative and not a key motivating factor for Ethical Co-op. While the organisation has not witnessed many examples of successful employee-owned businesses – although it is aware of Fingerprint Co-operative (see Satgar's 'From National Liberation Struggle to Fingerprint Worker Co-operative' in this volume), through its involvement with various campaigns and education programmes it has learnt about some potential benefits. Being more financially successful in times of economic storms is not a key motivating factor for Ethical Co-op, yet, while this is important,

more emphasis is placed on systemic solutions that can withstand economic storms and societal crises that come with it, as well as everyday injustices that the poor and the environment face as a result of the corporate food system. The systemic solutions Ethical Co-op seeks to nurture are food sovereignty and the solidarity economy, both of which depend more on community and solidarity than on unstable economic markets.

Additional reasons, not listed above, but that pertain to Ethical Co-op's key motivation and potential, as mentioned previously, include the fact that converting to a worker co-operative would provide an example of democracy in the workplace, would ensure more accountability to the communities it is linked to, but importantly, it can create a truly transformative alternative food system and solidarity economy, as it has potential to wield the four different types of power.

Ethical Co-op has the potential to wield structural power, as it connects producers and consumers directly to one another, bypassing all other links in the capitalist food chain. Movement power can also be achieved, as Ethical Co-op has the potential to support and inspire other co-operatives, (farming, consumer and more), small-scale farmers and other enterprises, and link them in networks of broader projects that aim to transform the food system and build the solidarity economy. Direct power can be achieved, as Ethical Co-op takes part in campaigns, such as worker co-operative and food sovereignty campaigns, and other awareness-raising campaigns, while at the same time demonstrating to the communities it is part of how another food system and economic system is possible. Finally, Ethical Co-op has the potential to show us that an even more ethical enterprise model and economic system is possible, one in which democracy is deepened and solidarity strengthened, one that is embedded in community. This is the symbolic power that Ethical Co-op can wield as it pursues a conversion to a worker co-operative and plays an enabling and networking role among food producers and consumers in Cape Town.

Below I present four institutional forms for Ethical Co-op to consider, which can be adapted to suit the co-operative's motivation,

culture and readiness. Each option views workers at Ethical Co-op as members and owners of the Co-op. The first option is a typical worker co-operative, which views workers as the only formal members and owners. The following three forms build on this model and provide for different hybrid options.

Worker co-operative with only worker-owners

This is a standard worker co-operative where employees within Ethical Co-op come to own and democratically govern the co-operative. Worker-owners are the only official members of the co-operative and each shares in the profits and losses of the business. Membership in the co-operative is voluntary; however, according to the World Declaration on Worker Co-operatives, the majority of workers in the enterprise should be members/owners (COPAC 2015). There are two types of ownership for members in the co-operative, share-based or fee-based. Share-based ownership means that each member has an individual capital account in which surplus is distributed and losses are shared. This capital is used to finance the co-operative and can only be accessed by the owner if he/she decides to leave. A second type includes a fee-based model. Here members pay an annual fee to be a member and at the end of each year receive a dividend if the co-operative has made a surplus (COPAC 2015). Ethical Co-op's current constitution makes provision for the fee-based model.

Worker co-operative with farmer members and worker-owners

The second form for Ethical Co-op to consider is a hybrid model incorporating both a worker co-operative and producer co-operative. A producer co-operative is often formed by producers who join forces to market their products. Therefore, this co-operative option would be similar to the previous option, in that workers are owners and members, but it would extend similar membership options to producers who supply the co-operative. This would enable producers to have a say in the management of the business and how their produce is marketed. This would also mean that they can enjoy certain member benefits, which would have to be defined

within the co-operative, but could include training in agroecology, various workshops, PGS training, access to seedlings, access to earthworm compost, access to an organic seed bank (where seeds can be deposited and withdrawn at no fee) and collection of produce, for example. Producer members would each then pay a membership fee annually – if it is a fee-based model, or purchase a share, if a share-based model, to obtain these benefits, but also share in the profits and losses of the co-operative.

Worker co-operative with farmer members, worker members and consumer members

This model builds on the above by incorporating a consumer co-operative model. This means that just like workers and producers, customers may also join the co-operative as member-owners to enjoy certain benefits, such as availability of ethically sourced produce, delivery of the produce at a local collection point – these are some benefits that customers currently enjoy, but the list can be broadened to include product discounts and even share in surplus and losses of the co-operative. The benefit of having consumers as members of the co-operative is that there is potential to tap into a larger pool of resources and thus finances at zero interest to invest in the co-operative and in projects it would not otherwise have funds for. Consumers who are committed to the cause of Ethical Co-op would also have a say in the projects and direction the co-operative takes as they will be formal members with voting rights. With this in mind, representation of different member groups becomes key. At present, Ethical Co-op's consumer base is far larger than the producer and worker base, so it would be important to agree on representation of each of the groups in the board, but also in terms of weight of votes, to ensure that the interests of the farmers and the workers at the co-operative are balanced with that of the consumers.

Despite challenges involved in having three different types of membership in the co-operative, there are also benefits. These include the potential to building community and solidarity across different strata in society. This is important for a food sovereignty pathway, as it can create conditions for bridges to be built

between farmers and consumers, which are often removed in large supermarkets. Through their involvement in the co-operative, consumers can come to understand pressures faced by farmers and workers, so understanding is deepened and solidarity strengthened. At the same time, social cohesion and a community of like-minded people working together to transform the food system is developed. This, linked to a campaign to change the food system, can have significant impacts as consciousness is deepened simply through purchasing food.

Worker co-operative with farmer members, worker members, consumer members and non-member consumers

If the previous model is preferred, it should be noted that there is potential for certain consumers to lose interest in purchasing from Ethical Co-op because of membership fees or the perceived hassle of being involved in the co-operative's management. This final option ensures that all consumers' needs are met by providing them with the choice to become members or not. The position of non-member consumers would be similar to current customers at Ethical Co-op whose key benefit is having ethical produce delivered to a place convenient to them. They would not, however, be able to vote on any decisions within the co-operative or enjoy any other benefits.

Conclusion: Becoming more ethical? A potential food sovereignty and solidarity economy pathway

Food sovereignty and its ideals provide a way out of the crisis for communities in Cape Town. Food sovereignty has the potential to introduce more nutritious and culturally appropriate foods into poor areas through local food production, and by being embedded in the community through the farmers it is able to resist shocks. It is based on values of democracy and support for farmworkers and small-scale farmers. It also provides for a more sustainable food system, as farming techniques work with nature and adapt to changing climate, especially in times of drought in Cape Town. A food system embedded in the community is critical at this time and Ethical Co-op's supportive role is welcome in this regard.

There is potential for Ethical Co-op to play an even more ethical role in Cape Town's food system and to support the solidarity economy. This can be done if it converts to a worker co-operative. Ethical Co-op's conversion process is not guaranteed to succeed and there are bound to be countless challenges, particularly as it tries to integrate different members with different cultures, interests, values and ethics into one model. Neither will their conversion to a worker co-operative effortlessly inspire a movement or a transformed food system. Each actor involved in the process will have its own strengths, but will also bring its challenges into the networks and movements. However, this is what building the solidarity economy is about. It is a process of becoming, of experimenting and learning and Ethical Co-op's conversion process in itself will be an important display of the power and potential of the solidarity economy. Its story of conversion also needs to be told. Its failures and successes have the potential to teach us valuable lessons for building the solidarity economy in South Africa. We need more examples like this in South Africa to show us how we can forge pathways of solidarity between isolated islands of freedom in our communities.

Notes

1. Anique van der Vlugt, telephonic interview, 12 February 2016.
2. <http://siyavuna.org.za/our-approach/>. Accessed 8 July 2017.
3. Van der Vlugt, telephonic interview.
4. Magda Campbell, interview, Michells Plain, 3 October 2016.
5. Eric Swarts, interview, Stellenbosch, 4 October 2016.
6. Swarts, interview.
7. Swarts, interview.
8. Campbell, interview.
9. Van der Vlugt, telephonic interview.
10. Campbell, interview; Swarts, interview.
11. Campbell, interview; Swarts, interview.
12. Campbell, interview; Swarts, interview.
13. Van der Vlugt, telephonic interview.
14. Ethical Co-op. 2014. 'Gwen' comment in response to website post, 3 May. <http://blog.ethical.org.za/?p=1395>. Accessed 8 July 2017.

15. Van derVlugt, telephonic interview.
16. Van derVlugt, telephonic interview.

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8

Locking in Commercial Farming Challenges for Food Sovereignty and the Solidarity Economy

Andrew Bennie

THE SOCIAL REPRODUCTION crisis in South Africa, in the context of high poverty, unemployment and inequality, is implicated in and has generated a host of social dynamics and responses. One manifestation of the response has been attempts by the unemployed working class to generate livelihood activities in both individual and collective ways. One of the collective responses has been the formation of co-operatives. In 2005, the South African government passed the Co-operatives Act, which created a progressive legal framework to facilitate the formation of co-operatives as an additional way of organising economic activities. This led to a boom in co-operative registrations: by 2009 there were almost 20 000 newly registered co-operatives, four times the number that had registered over the previous 82 years (DTI 2012a). By 2012, there were close to 55 000 registered co-operatives (DTI 2012b).

A critical reflection of the reproduction crisis in South Africa is the widespread existence of hunger. Around 14 million people, or 26 per cent of the population, suffer from hunger and a further 28 per cent are food insecure. Not even half – just 46 per cent – of South African households are able to consistently meet their nutritional needs (SANHANES 2013). This corresponds with world trends: despite massive levels of food production and global targets aimed

at reducing hunger, no less than a billion people find themselves in the grip of hunger and malnutrition.¹ One of the household-level responses to crises of social reproduction has been the initiation of food production in attempts to generate income and supplement food consumption (Mosoetsa 2011) and so a great number of these registered co-operatives are therefore focused on agricultural activities, with the number of agricultural co-operatives and membership numbers showing an increasing trend (DAFF 2015: 8).

A major factor in the creation of such levels of hunger is the workings of the global food system itself, which is implicated in dispossession of millions of peasants in the South, corporate consolidation and control of agricultural inputs, production, manufacture and processing, and trade, and consequent growing profits alongside rising food prices (Holt-Giménez and Patel 2009). South Africa's industrialised and corporate-controlled food system reflects these global trends. Existing features of concentration and inequality in South Africa's domestic agri-food system interacted with and were anchored more firmly in the global food system through the liberalisation and globalisation of the agricultural sector from the late 1980s (Bennie 2011; Greenberg 2010). Today, the sector is tightly controlled by a handful of corporations and the distribution of value has shifted away from (largely white, commercial) farmers and consumers and concentrated among the input suppliers, food processors and retailers (Ledger 2016), reflected in rising food prices alongside rising profit rates.

The food system crisis has led to an explosion across the world of attempts to take food back from the hands of corporations and to rebuild people's control over food, seeds, cultures and associated practices. The following have gained widespread attention: community-supported agriculture, food policy councils and food worker justice efforts in the North in defence of seed, struggles over land and peasant resistance in the South, efforts to resist corporate control and build food systems organised around principles of fairness, democracy, social control and ecological well-being. One of the foremost instances of framing of resistance is the notion of food sovereignty, developed and advanced by small-scale farmers, landless

and food activists in one of the world's largest social movements, La Via Campesina (meaning 'way of the peasant'). Since its public declaration at the World Food Summit in 1996, the definition of food sovereignty has gone through various iterations and today its meaning is further widened in its interaction with specific regional, national, social and cultural contexts. At its core, though, is a logic that seeks to confront the capitalist food system and its deleterious impacts, which have intensified under neo-liberal globalisation, to defend existing peasant, small-scale farmer and community-based food systems and to advance food systems centred on food as a human right, democracy and social control.²

A key site in which agricultural co-operatives have been established by the unemployed in South Africa is on open pieces of land within and adjacent to townships on the peri-urban fringes of South Africa's towns and cities. These co-operatives tend to emerge from below through the initiative of members and often in combination with government departments (such as the Department of Social Development and Department of Agriculture) and companies through their social responsibility programmes. The context of a global and national food system and hunger crisis, and food sovereignty alternatives, described above, poses the question of the potential of these community-based agricultural co-operatives to constitute a potential basis for an alternative, community-centred agri-food system grounded in food sovereignty and the solidarity economy.

To explore these questions in more detail, I focus on the case of a particular agricultural co-operative that emerged from a network of support, at the centre of which was a mining company and the local state. Based on interviews with members of the co-operative, observation from time spent with members in their daily routines, analysis of documents related to the co-operative, and interviews with two employees of the NGO that supported them, I show that instead of contributing to building a local food economy in the interest of food sovereignty, the state's aim is instead to lock the co-operative into commercial value chains based on conventional agriculture. This is in a context of the existing South African political

economy in which commercial agriculture constitutes the core of the national food system and where the state has fallen back onto a model of commercial agriculture that new black farmers must aspire to and enact (Hall 2015), in lieu of systemic transformation. This thus undermines the transformative ethic of the co-operative form and positions it as another business unit to deepen and extend commercial industrial agriculture. I close the chapter by reflecting on some factors that may instead help to shift the co-operative more towards the solidarity economy and community-centred food sovereignty.

Food sovereignty and the solidarity economy

Given the contradictions of the corporate food system and the immediacy of food provisioning needs, a central feature of food sovereignty is the defence and advancing of alternative food systems. The solidarity economy and its institutional forms, most centrally the co-operative, is thus emerging as an important approach to structuring food sovereignty relations. As Satgar mentions in the introduction, the solidarity economy emerges in different contexts all over the world, from indigenous practices and ethics, historical community practices of collective provisioning, working-class responses to insecurity and deliberate attempts to fashion alternative social relations through building economic democracy. Its common factor is that it is a collective, humanist response to the crises facing humanity and specific sections of humanity, in particular, drawing on this common humanity as the basis for solidarity action. It is about forging new patterns of production, consumption and living to realise human needs and environmental justice (Satgar 2009). Together with common ethical values and principles, the solidarity economy constitutes an alternative to capitalist economic and social relations.

These ethical values and principles provide a guide (as opposed to a blueprint) to engender the practice and construction of the solidarity economy, in co-operatives in particular. The ethic of solidarity provides the social basis for co-operation between members in a co-operative and between the co-operative and the community,

while the entrenchment of collective ownership ensures that the assets and resources benefit members. Such collective ownership needs to be accompanied by policies and processes that practically ensure and enact collective self-management, whereby decisions are made in a democratic way and in the interests of members. In order for the co-operative to materially benefit its members and the community in which it is situated, it has to have the capital that can be deployed for this economic and social purpose, implying not only the availability of capital, but also the co-operative's control over it in order to decide its use. This implies external sources of capital that do not impose restrictions contrary to the co-operative's objectives, values and principles, as well as internal mechanisms for building up capital, such as savings, indivisible reserve funds and membership capital accounts. In the context of the climate crisis and therefore the prerogative to undertake economic activity that is centred on both human and environmental justice, ecocentric practice has to inform not only what the co-operative produces, but also how it is produced. This is especially important in the case of agricultural co-operatives, given the unviability of industrial agriculture because of its destructive impacts (see GRAIN 2016).

In these ways, the solidarity economy, when applied to food and agriculture, is an important approach to building food sovereignty in that it structures an economy centred around transformed social relations and human need and its institutions, especially the worker co-operative, cement democratic control by participants over economic activity and food, in particular, thus aligning with the pursuit of food sovereignty. However, the development of co-operatives in South Africa takes place in a particular terrain. The state sees them as an important mechanism for poverty alleviation and job creation and has married them to commercialisation and making the poor competitive so that they can enter the mainstream economy on its terms. I now turn to exploring more how the dynamics of poverty, community concern and co-operative members' objectives, the pressure for commercialisation, state objectives and conventional agriculture play out in a particular agricultural co-operative.

You Reap What You Sow Agricultural Co-operative

The name of You Reap What You Sow Agricultural Co-operative may for some readers indicate an internalisation of the neo-liberal impulse of individualised pulling up of bootstraps despite adverse social conditions. On the other hand, one may want to view the name as an affirmation of agency, individual and collective, in the midst of poverty and unemployment; to forge a source of livelihood that co-operative members control and that they can ensure also benefits their community; or perhaps a bit of both. The co-operative is situated next to the township of Mohlakeng, just outside Randfontein, a town on the far western fringe of Johannesburg. It currently has thirteen members, eight women and five men, and produces a variety of fresh vegetables.

The origins of the co-operative date back to 2001, when the Randfontein Local Municipality started advising the unemployed in Mohlakeng to group themselves in order to receive support from the municipality for 'poverty alleviation.' Instructing communities to organise in groups in order to receive support, mainly financial, from government departments has become a significant trend in government attempts at local economic development. It has also become an important factor in the growth of co-operatives, as they have been promoted as key forms in which people must organise themselves in order to receive government support.

From 2001, about twenty people who had grouped themselves received permission from the municipality to use four hectares of open land next to Mohlakeng. The group started growing potatoes, tomatoes and maize and although they were farming on a common piece of land, each person was responsible for tending her or his own areas. They would thus farm individually and part of the produce was for their own consumption and part would be sold to local consumers and traders in the township.

This initial farming started with virtually no infrastructure. The crops were rain-fed, as there was no borehole or irrigation infrastructure. Without a fence, the group also struggled with the destruction of their crops from passing livestock. In 2005, the

provincial Department of Agricultural and Rural Development assisted the group with some infrastructure, including shipping containers for storage, water tanks, a borehole pump, farming tools, an equipped broiler house and a fence around the land. However, situated next to a township with high poverty and unemployment, it was not long before their infrastructure and tools started getting stolen. Some individuals in the group began guarding the area at night, but gave up after being threatened by intruders. They appealed to the municipality to send a security guard and it promised to do so, but this never happened. Members thus recall how their assets were stolen: ‘Everything. There were two chicken houses. They stole everything. With the chicken feeders inside. They took everything. And the tanks, everything.’³

The project collapsed and some members returned home while others looked for other jobs. Then, in 2010, thirteen people came together again to try to restart the farming activities as a co-operative. They registered as a primary co-operative in 2011 with the help of the Local Economic Development (LED) department of the local municipality and named it You Reap What You Sow Agricultural Co-operative. In 2011, a mining company, which operated a gold mine in the Randfontein area, approached the municipality with an offer to fund a co-operative and was linked to You Reap What You Sow. In 2014, the mine was taken over by Sibanye Gold, which appointed a service provider in the form of a support non-governmental organisation (NGO) to provide mentoring services to train the co-operative in commercial agriculture. The co-operative therefore emerges out of a context that reflects some key aspects of South Africa’s political economy:

- Poverty and unemployment: As Satgar and Ndumo both discuss in their respective chapters, co-operatives have emerged as a key mechanism promoted by the South African government in its attempts to address the unemployment crisis, promote black economic empowerment and create entrepreneurship, all of which also frame local government approaches to ‘community development’.

- Mining and development: Mining has historically driven the development of the South African economy, shaping the structure of the economy and other sectors within it (Fine and Rustomjee 1996). The current political regime continues to position mining as a key driver of post-apartheid development. However, given mining's significant impact on shaping the economy and affected communities, mines are required to develop a social and labour plan (SLP) that details how they will use a certain portion of their profits to contribute to 'upliftment' in communities surrounding their mines. As part of its SLP, Sibanye Gold committed about R3.6 million to assist in developing You Reap What You Sow.
- Agrarian reform and development: Given the highly racially skewed land and agricultural terrain that South Africa inherited from apartheid, land reform was a significant political priority for the post-apartheid government. However, after various failed approaches to land reform, the current approach by the government is on developing a class of black commercial farmers as the key objective of land reform (Cousins 2013; Hall 2015). In this approach, the government provides leases to land rather than ownership, until 'beneficiaries' have shown the capability to stand on their own as commercial farmers. To get to this point, the government also appoints mentors, often white commercial farmers, to train and mentor black land beneficiaries into the model of conventional commercial agriculture. In line with this approach, many companies through their corporate social responsibility programmes or, in the case of mining companies, their SLPs, and non-profit development NGOs work to build 'livelihoods' for small-scale farmers through developing their capacity to enter commercial food value chains.

The You Reap What You Sow Agricultural Co-operative therefore exists within a convergence in the South African economy of mining, poverty, local government development approaches and approaches to agrarian reform and development. The members of

the co-operative all come from the unemployed working class who once occupied jobs in retail, construction or service, but turned to agriculture after they lost their jobs and could not find new ones. Agriculture provided a way to produce food to feed themselves and their families and to earn a little income, but since receiving various forms of support from the state and private sector, it has become a basis on which they are working to build comprehensive livelihoods for themselves.

Based on Sibanye Gold having been linked to the co-operative to provide funding support, the local municipality granted the co-operative a five-year renewable lease to twenty hectares of land, starting in 2012. In 2013, Sibanye Gold worked with the LED department of Randfontein Municipality and started installing new infrastructure on the land. Through Sibanye's investment, the co-operative has gained a concrete palisade fence around the perimeter of the twenty hectares of land, two tractors, ploughing implements, a delivery pick-up truck, storage containers, a cold storage room and packing house, irrigation infrastructure, boreholes and irrigation ponds. The Department of Rural Development and Land Reform also provided two net structures covering about one hectare of land and during the research period the National Development Agency provided another four.

Core activity

The core focus of the co-operative is vegetable production. It is currently cultivating about three hectares of the twenty-hectare piece of land, one hectare of which is under shade netting. Since the investment by Sibanye Gold in the infrastructure and inputs, the co-operative had its first main harvest, in December 2015, from which they harvested 28 tons of tomatoes, as well as other crops. They say that 90 per cent of this harvest was sold purely to the local market, mostly to street traders and direct customers buying from the farm. The remaining 10 per cent was sold to a supermarket and the Johannesburg Fresh Produce Market. The fact that they sold most of their produce in the local community is a source of pride for the members.

The co-operative used to produce micro-greens for a high-value external market. Micro-greens are beetroot, spinach and lettuce leaves that are picked after only two weeks of growing. These were sent to a buyer in Midrand who would then distribute the produce to restaurants and hotels. They were able to harvest about 6 kilograms every two weeks and received about R200 per kilogram, making it a relatively profitable practice. However, the co-operative members say that the relationship between the NGO that was contracted to mentor them and the buyer broke down and so they are no longer producing and supplying the micro-greens.

The type of agriculture practised by the co-operative is currently based largely on a conventional model, where crops are cultivated in separate areas in monoculture patterns. Manufactured organic fertiliser is used in combination with animal manure when preparing the soil and pests are controlled through the application of chemical pesticides. It is a relatively mechanised operation, with two tractors, a series of cultivation and harvesting implements used in conjunction with the tractor, electrically powered borehole pumps and pumps for driving the irrigation system.

Entering commercial agriculture

Training and capacity building in the co-operative has been undertaken mainly by an agricultural mentoring NGO that was appointed to take the co-operative to the level of a self-sustaining commercial farming enterprise, including processing activities and market linkages. According to the support organisation: 'We identify, skill and mentor smallholder farmers as well as building supply and value chains which they own and manage. This enables them to become livelihood secure and will empower them with the necessary expertise and resources to become active in the mainstream agricultural economy.'⁴

The NGO is aimed at building the capacity of smallholder farmers to engage in 'this highly skilled and competitive industry [agriculture]'. It also says that it works to assist smallholder farmers in accessing commercial value chains by developing local pack houses, processing facilities and logistical networks.⁵ The NGO was

contracted to mentor You Reap What You Sow Agricultural Co-operative for a year, ending in August 2016, but after negotiations it continued until April 2017. This mentorship involves training on production, production planning, co-operative management, financial management, marketing, and so on.

Institutional arrangements

Key to the training and support being provided by the NGO has been to develop the institutional capacity of the co-operative for self-management. The institutional arrangements of the co-operative thus currently manifest in both internal and external aspects. Externally, a steering committee was formed by the Randfontein Municipality to bring together the stakeholders that provide support to the co-operative. The steering committee would meet once a month to co-ordinate and discuss support activities and consisted of representatives from:

- the LED department in the Randfontein Municipality;
- the support NGO;
- Sibanye Gold;
- the Department of Rural Development and Land Reform;
- the Gauteng Department of Agriculture and Rural Development; and
- the National Development Agency.

The support NGO worked most closely with the co-operative and on a daily basis. Although it worked with the co-operative to build self-management capacities, the NGO still controlled and co-ordinated most of the processes, such as finance and organisation of work and tasks. It held and managed the funds provided for the co-operative by Sibanye Gold. That is, when the co-operative purchased inputs, equipment, diesel and the like, a requisition was sent to the NGO who then made the relevant payment. This co-ordination was undertaken by the NGO through various managers that it provided to assist the co-operative and to provide it with training, such as marketing, infrastructure support, and so on. The NGO also provided a site manager whose job was to manage the co-operative on a daily

basis while at the same time providing mentoring for the members in managing the co-operative and in training the site manager and assistant site manager, who are members of the co-operative.

After the co-operative registered in 2011 and began producing, and before the NGO started mentoring the group in 2015, the formal co-operative structure and management was undeveloped. With the support of the local municipality's LED department, the thirteen individuals working on individual plots decided to form a single co-operative as a way to access support and inputs and to market their produce. Members still worked on their own plots as it allowed for flexibility in effort and time put in to production. The produce would then be grouped and taken to market and the income put into a single bank account.

The support NGO thus organised extensive training on co-operative management, human resource management and internal policy development in order to shift the co-operative to implementing a management structure, procedures and organisation of work based more deliberately on co-operative principles and structure. This is reflected in the board members' noticeable understanding of what a co-operative is and how it should function and their own roles as board members, and they place strong emphasis on ensuring the co-operative operates strictly according to its constitution and policies.

Internally, although the co-operative is registered simply as a primary co-operative, in many respects it functions along the lines of a worker co-operative, in that only those who work within the co-operative on a daily basis can be members, work is organised and undertaken collectively, the co-operative is owned by the members and members participate in decision making at all levels. However, a key limitation of the primary co-operative constitution is that it does not make provision for share ownership, which is an important feature of worker co-operatives in the solidarity economy.

The board is elected every year at the AGM. However, according to the board members, they have remained on the board since the co-operative was established as the membership has asked them to remain based on their satisfaction with their roles. The co-operative

has five board member positions – chairperson, deputy chairperson, secretary and treasurer, as well as ordinary board members. However, while the board illustrates a strong knowledge of and commitment to its legally obligated role, it is still building its capacity in administrative and procedural management. For example, it did not hold an AGM for the 2015 financial year and a board member who absconded in 2013 is still listed as a board member on the database of the registrar of co-operatives. It has taken more than three years for them to remove him and to elect a board member as his replacement.

Key decisions in the co-operative related to production, management and planning are discussed and decided on by the membership as a whole, through general meetings. A meeting of all the members takes place every morning where production activities and tasks for the day are discussed and planned. While the support NGO was still working with the co-operative, the daily meetings would be chaired by the site manager employed by them. In the institutional arrangement between the NGO and the co-operative, the manager exhibited a high degree of authority over the activities of the co-operative, as he explained:

Even today, they cannot do anything without my knowledge, or maybe consulting me first. If maybe it's not a good idea, that's when I'll oppose, but if it's in line with my plan, or weekly plan, or a plan which is going to enable us to make sure that what we plant in the future, we get good yields from the crops that we plant. Yes, I'm the authority that they have to consult in terms of doing whatever it is that needs to be done on a particular day.⁶

The site manager's interpretation of this approach is not that it is for the sake of control over the co-operative by the NGO, but that it is part of the training and capacity-building process. However, as will be discussed later, how to separate this approach from undermining autonomy can be a challenge.

A general meeting is held once a week where reports on production, sales and other issues for the previous week are reported

and discussed. A general meeting is also held once a month in order to undertake monthly reporting from the board on finance and policy issues and monthly planning. All these levels of meetings are to ensure transparency between the board and the membership and to guard against a hierarchy developing between the board and membership. The board is bound to report all activities transparently in the meetings and, according to members, all issues and potential conflicts are dealt with openly in the meetings.

The operations of the co-operative are broken down into portfolios, with members responsible for each portfolio, what the co-operative calls 'portfolio managers'. In addition to board positions, board members also manage portfolios. For example, the site manager is responsible for the overall co-ordination of the co-operative, ensuring that infrastructure is maintained, co-ordinating the organisation of work, ensuring that the weekly and monthly meetings take place and that progress is being made in daily work towards the co-operative's objectives. The production manager is responsible for overseeing production, planning planting cycles, ensuring the planting of crops at planned times, and so on. The irrigation manager is responsible for ensuring the boreholes work smoothly, that the irrigation ponds are full, that production blocks are irrigated at required times, and for measuring the amount of water being applied. The assets manager is responsible for keeping track of asset use, their condition and maintenance, and the pest manager is responsible for monitoring for pests and co-ordinating the application of pesticides.

So far, the co-operative has mainly human resource policies relating to a code of conduct, leave policies, recruitment policies and disciplinary procedures. It does not have written financial management or income-generation and marketing policies.

Strategically, the co-operative is guided by its business plan and planning meetings held in the co-operative. The co-operative had a first business plan that was drafted in 2011 by the agricultural economic and marketing section of the Gauteng Department of Agriculture and Rural Development and a second, less detailed plan, drafted in 2013 by the support NGO. Although the plan

was not drafted by the members, they say that its content was developed together with them. This second business plan, which is now their guiding plan, sets out the objectives of the plan as being to grow nutritious vegetables, to provide job creation and business opportunities for the local community, to preserve soil and water, to undertake agri-processing on the farm and to provide training for new farmers. The focus of the plan is on increasing production by expanding the area under cultivation, introducing two hectares of fruit trees and constructing tunnels in which to grow higher value vegetables throughout the year. Relatively short time frames are set for achieving these expansions, which inevitably have not been met. The business plan is relatively sparse in detail and does not show the steps that the co-operative will undertake to achieve the projected production and income increases (in order to achieve decent incomes for the members), including where the capital will come from to finance these activities. As discussed below, capital is a crucial challenge for the co-operative.

Roles and duties of members

The constitution of the co-operative is a generic model provided by the registrar of co-operatives, usually modified by individual co-operatives to suit their design and objectives. You Reap What You Sow's constitution thus reflects the legal basics of co-operatives in South Africa, but is not heavily inflected with its own strategic focus, context or objectives. This may reflect the fact that they initially registered with the assistance of a person from the local municipality, without intensive groundwork and training before registering the co-operative. It is only later, after being mentored by the support NGO, that they have received training on better understanding the constitution and co-operative management. The board members thus say that all of their decisions, as well as the general operation of the co-operative, are guided by the constitution. The exact configuration of rights and duties of members and how they work in the co-operative have not been fully fleshed out.

According to the constitution, the co-operative has adopted a fee-based model in which members pay an entrance fee and an

annual membership fee. However, according to the members, they have never paid either of these fees, but rather contributed equally to the registration fee of the co-operative and some start-up costs. The members do not know about the share ownership system, which the Co-operatives Act makes provision for and which is a crucial element in worker-owned co-operatives to cement ownership and to build up capital internally.

A key right of members relates to their participation in the affairs of the co-operative, which happens largely through the weekly and monthly meetings. In these meetings, decisions are usually taken by consensus unless agreement cannot be reached, in which case a vote takes place. All important issues are openly and thoroughly discussed in meetings with all members present, with a commitment to transparency as a guiding principle. The membership also has the right to elect the board members, although as mentioned earlier, they have chosen to keep the same members since the co-operative started operating properly in 2013.

The co-operative has not yet developed an internal programme of training and capacity building, which has thus far taken place through the training organised by the support NGO. In this process, the members have been trained in aspects of co-operative management and governance, including human resource management and the range of production activities, including tractor driving, irrigation and water management, production planning, pest control, soil fertility management, plant production, and so on. Not all members have received every aspect of training, as some training has been provided to members based on their role and portfolio in the co-operative.

Challenges and potentials for the solidarity economy

An important starting point for the solidarity economy is that economic activity is grounded in the hands of those doing the work, hence worker control through co-operatives. Given both the requirements of the co-operative form together with the finite period of support being provided to it, the support NGO and the co-operative members worked to develop and cement an ethic and

practice of worker control through self-management procedures and practices. This is an important basis for situating the co-operative as a solidarity economy actor. However, in practice, the members of the co-operative have complained about lack of control over the operations of the co-operative in relation to the NGO. A number of factors constraining the full realisation of the co-operative as a solidarity economy enterprise focused towards building food sovereignty can thus be drawn out.

Challenges of self-management

Both the support NGO's site manager and members of the board complained that the main challenge with membership relate to work discipline, which in turn appears to be related to embeddedness of co-operative identity and practice. With many co-operatives and different forms of survival activities in South Africa, work times are inconsistent and determined within a range of various activities and by the person concerned. However, in developing a disciplined and co-ordinated workplace in You Reap What You Sow, it is required that all members arrive at work at a certain time in the morning and work for a fixed number of hours. This is especially demanded by the nature of farming and the requirements of different periods in the cultivating, growing and harvesting cycle. It has been a challenge to get some members to adapt to this.

Furthermore, some members also complained that other members take opportunities to sit down and relax and have to be reminded to continue working, such as after lunch breaks. Some of the members are also older and so complain that they are not able to work as hard as younger members. Working out the dynamics of balancing democracy and equality against discipline and coercion in the pursuit of mutual effort and cohesion appears to be a challenge for members in this co-operative. For example, on the second research visit to the co-operative, in an interview with three of the board members in the office, they complained about the difficulties sometimes faced in getting everyone to put in equal effort and to work cohesively. They pointed to some of the members who were working in the field who, upon seeing some of the board members

going to sit in the office to talk to me, went and sat down in the shade as well:

Like for instance, you have the executive members and they are trying to accommodate you [the interviewer] in understanding fully about what you have brought to us today. And yet, they think they are sitting down not doing anything, so they are trying to, you know, more like avenging, you know, what's really going on here. 'So we not gonna stand up and go to work because some of the members are sitting down here.'⁷

One of the board members added: 'They don't understand, they think we are not working now, they think we are just sitting. But we are not just sitting, we are helping you.'⁸

Dependency and financial challenges

You Reap What You Sow Agricultural Co-operative has developed in a context of poverty and unemployment, to which developing entrepreneurial and commercial activities are seen by most government approaches and corporate social responsibility programmes as the developmental solution. The members themselves chose to become involved in the co-operative as a way to secure a livelihood for themselves, to do something that they enjoy and to contribute to improving their community:

Farming is not just farming, but it is a way of providing with employment to some other people, to the community. So, the local community, it is a way of alleviating again the things like poverty. It is something that is very much enjoyable because when you look at these plants, when the plants grow you feel good, every time, you look at them in the morning up until in the afternoon. If you look at them like that and then taking care of them, it makes you happy all the time. That's why I join this co-operative. Part of it's about money. I've noticed that there is money in farming, in agriculture,

agricultural farming. And I could see that even my family can benefit out of this, so that's why I decided to be part of this, and I'm still going to be part of it up until I don't know when.⁹

This model, however, also produces certain challenges that manifest in various ways. One is on the question of autonomy, which is a key principle of co-operatives. A consistent failure of agrarian reform in South Africa takes place in the context that South Africa's dominant agricultural sector is highly commercialised, large scale and industrialised. The majority of land reform projects have failed because, when receiving the land, beneficiaries are expected to continue the highly mechanised and complex operations on the same scale as before the land was transferred. But, without support and lack of capacity in the industrial model itself, the failure rate has been high. However, this has not swayed the government approach to agricultural development and so it has turned to mentors to train beneficiaries to meet the requirements of maintaining this model.

During this mentoring and training phase, the support NGO controlled the funds given by Sibanye to the co-operative and it largely directed the operations of the co-operative, mainly through its site manager (as discussed above). While within this model the training and mentoring provided by the NGO may be seen as essential, some of the members complained that a significant amount of control rested with the NGO rather than the co-operative members. This is also because rather than adopting a model that is more grounded in the desires of the members and in the existing knowledge and capacities that they have, the approach has been a top-down one of trying to get beneficiaries trained up to meet the expectations of the commercial agricultural value chain and business models. But this manifests unevenly in the co-operative, where some members seem to find themselves in a context that they do not fully understand and struggle to find moorings of what it is exactly that they are trying to do and feel they do not have control over the fate of the co-operative, as indicated by this member:

And we never even know how much Sibanye give them [the support NGO]. We don't know the money, how much. We don't know anything about the balance. We just hear that the money is just finished, and then they leave. So even the mine [Sibanye] isn't helping us because when the mine help us, he also come with the third person, so the middle man, we don't understand the work of the middle man [the NGO]. Because after that the mine is the only one that is around those people and then those people we work with them. After that those people tell us the budget, there is no more longer a budget. When we say we need a pipe in this area like this, then they say no, we lacking the budget, we still waiting for budget. But now they see we are leaving, so we don't know what's happening . . .

We don't know because the only thing that the Sibanye, that man Mr Ethan, doesn't come to speak with us, and then we don't know where we stand, and we don't know maybe those mentors, the other mentors, maybe they will come say, like the one that putting electricity – what if that man comes and says no I want to cut my electricity? Or if Sibanye say, all those things, the assets you've been using, they no longer belong to you. We don't know about that. We need to know that this tractor is going to belong to us, or that. We don't know nothing.¹⁰

In this support relationship, the lack of a sense of control and understanding over the entire affairs of the co-operative seems to undermine the sense of agency of some members, who feel somewhat in the dark about the relationship with their supporters and about the running of the co-operative itself. The above concerns were raised by a non-board member of the co-operative on the second research visit. During these first two research visits, during interviews, board members never raised these concerns. When the researcher returned for a third research visit, when the site manager employed by the NGO and an intern from the Department of Land Reform and Rural Development were no longer present, they

opened up about their frustrations. One board member said that the NGO had played a positive role: ‘They did some good things, because they found us with no electricity, they assisted us with electricity. Even the dams [irrigation ponds], we didn’t have them, but on their arrival we started to have dams. The training was also useful.’¹¹

On the other hand, after the NGO’s departure, board members illustrated resentment at the NGO’s role, much of which centred on what they considered insufficient material results of the relationship, which they linked to insufficient involvement and participation on their part in the key decisions affecting the direction of the co-operative. For example, a key point of resentment is that although the co-operative has twenty hectares of land, under the direction of the NGO it has never cultivated more than three hectares. Asked how the co-operative was doing since the NGO had departed, the above board member responded:

Things are going fine. Except for the financial issues, we are doing well. We feel we can run on our own now, I think we are going to do better. Because with [support NGO] we only planted this small portion but they were with us for five years,¹² so why did we plant so little? Every other farmer we speak to with [support NGO] complain of the same thing. They are limiting people’s success.¹³

The members say that they would tell the NGO that they wanted to plant on more hectares, but were told there was no budget to do so. They still feel resentment, however: ‘Because when they made the budgets they didn’t include any of our members when planning with Sibanye. We should have known our priorities. We should have put forward our priorities so that we can make the most profit and plant the whole place.’¹⁴

This translates into an anxious financial situation for the members of the co-operative. While the relationship with the support NGO was still ongoing, but members knew that it was soon coming to an end, they indicated anxiety about how they would cope financially once the support relationship ended. Now that the NGO

has withdrawn, these anxieties have proven founded. The financial support from Sibanye dried up in October 2016, although members claim that the SLP officially ran until December. While under the support relationship with Sibanye and the NGO, the co-operative's costs, including monthly stipends for members, were covered with the financial support from Sibanye, so that the income from sales could build up in the bank account. However, members say that since October 2016 the co-operative has had to finance costs from its bank account reserves that it had built up through sales. Members say these costs have totalled about R137 000, to purchase diesel, fertiliser, stationery, and so on. They say the month before being interviewed, May 2017, they also had to pay half of each member's monthly stipend of R2 778. At the time of the research, they said that they only had R5 000 left in their current account and R100 000 in an investment account. As this chapter was completed, co-operative members informed the author that Sibanye had agreed to continue funding them, but the exact details of the arrangement had not yet been finalised.

The co-operative is, therefore, not financially autonomous. This is a common experience in other agricultural co-operatives in South Africa, where they are given support for a capital-intensive model of agriculture, which takes a relatively long time to become financially self-sustaining. Even for developed large-scale commercial farmers, credit financing has historically played – and still does play – an important role in allowing such farmers to finance cultivation and harvesting costs (Ducastel and Anseeuw 2016). Yet, *You Reap What You Sow* requires financing to cover harvesting and maintenance costs, but the difficulties of an agricultural co-operative in a resource-poor community obtaining a loan is evidenced by the fact that of 1 778 co-operatives on the Department of Agriculture, Forestry and Fisheries' database, only 2 per cent of external capital is obtained through loan financing, while the remaining 98 per cent is sourced through various grants, mostly from government (DAFF 2015). In contexts like this, co-operatives are often stranded for capital and remain reliant on state grants of both money and equipment to keep ticking over.

As Theron shows in his chapter, in some parts of the country nascent attempts have begun to develop community-based co-operative financial institutions (which have the potential to graduate to full-scale co-operative banks) that take in personal savings and in the medium term hope to build up a large enough pool of capital to start providing productive loans to solidarity economy enterprises at lower interest rates. The idea is based on a relationship between lender and solidarity economy enterprise that is structured by mutual obligation and solidarity, rather than a conventional bank-client relationship. Exploring the possibility of linking with potentially existing community-based savings operations could yield sources of capital and this requires and could further lead to greater embeddedness of the co-operative in community social relations. Furthermore, exploring ways to build up internal sources of capital, such as through member accounts, could also strengthen the structural power of the co-operative. However, given members' reliance on the stipends from the co-operative for survival, the ability of members to build up internal capital may be limited. Thinking of ways to build movement and structural power by linking finance and food production could therefore yield potentially new sources of finance.

The model of agriculture

The problem is that when they come, they come with their own structures, they guide us, 'This place you must plant this and this and this.' And you find sometimes, we find that the thing that they want us to plant, [the] locals, the people doesn't eat this or that. And then that come problem because they come, they all rotten here. Sometimes they take only one load to the market, after that nothing work. That is our problem. But when they allow us to plant the way we used to plant at our, before time at our rural areas, we know that, we know how to plant potatoes, we know how to plant the beans . . .

The people, they eat potato. Onion, people eat onion, beetroots, carrots. But when they [support NGO] use their own instruction, we cannot. Sometimes they come with the thing we don't understand also. We just plant it but we don't know . . . Like patty pan, we didn't know patty pan. And when we go to the local people we say we selling patty pan. 'What is this? You know how to cook it?' We don't know nothing. But potato, everybody know how to cook potato, or just roast it like that. You see?¹⁵

As illustrated in the above complaint by one of the co-operative members, one of the aspects around which frustration built at the perceived lack of control over certain operational aspects of the co-operative was with regard to decisions over what was produced. The support NGO initially wanted the co-operative to produce higher value produce such as patty pans for external markets, based on the NGO's stated objective of mentoring small farmers into becoming commercial farmers producing commodities for the formal value chain. This translates into the effort of needing to find market linkages for such products and members felt frustrated at why they should be expected to produce such products when a local market for other types of vegetables, like tomatoes, potatoes, cabbage, and so on, exists. After the failed attempt at producing crops such as patty pans, the co-operative turned to producing types of crops determined by local demand. Most of its produce is now sold to hawkers who come and collect from the farm, bakkie traders and community members, and some is also delivered to hawkers in nearby towns.

This frustration felt by members thus relates to the economic model that the NGO and state departments envision for such agricultural co-operatives. This economic model is also linked to the technical model of agriculture envisioned, namely industrial or conventional agriculture. Given the ecologically and socially destructive impacts of industrial agriculture, the food sovereignty movement has unequivocally declared the unviability of industrial agriculture in meeting the world's food needs and achieving food sovereignty. It instead promotes agroecology as a means of producing

enough to feed humanity, revitalising rural areas (and producing food in urban areas), improving the lot of small-scale farmers, protecting the earth, defending peasant and indigenous agricultural practices and democratising the food system. Agroecology is essentially a model of agriculture that is based on traditional and ecological agricultural practices and knowledge, works with nature and combines this with continued democratic scientific research and improvement (Altieri and Nicholls 2005). Although industrial agriculture still occupies a position of great structural power, critical to the agroecology approach is building social movement power to both confront existing power relations in agriculture and to build structural power, the movement approach thus providing the horizontal linkages for learning, exchange and multiplication.

It was mentioned earlier that the initial beginning of the co-operative was in 2001 when members went to an open piece of land next to their township and started cultivating small plots of land with potatoes, beans, maize, and so on. This was undertaken without external inputs such as fertilisers and pesticides and was informed by the experience and knowledge of such cultivation from their rural homes. After the formalisation of the co-operative and its attachment to broader support relationships, the members have now been trained and established in the conventional/industrial model of agriculture. This model can have quicker initial results in terms of yields and so there is agency from within the co-operative to practise this model as well. As one board member, when asked whether they liked the model of agriculture that they have been mentored on, responded: 'Yes! Because plants grow faster and the quality is more improved and the quantities. And they are not labour intensive like before, because at least now we can use tractors, you know?'¹⁶

Switching to organic production in the long term was mentioned while still in a relationship with the support NGO, but for now it is believed that this conventional model is the best way to establish the co-operative and achieve income-yielding production levels. For example, according to the support NGO, chemical fertilisers have to be used currently because the soil is of poor quality and the specific challenge is that it has a very high sodium

content, which they are trying to balance out through conventional soil management and fertiliser application.¹⁷ This is in contrast to mounting research and practice that shows that industrial agriculture may increase yields and fertility in the short term, but leads to declining yields and fertility in the longer term and that agroecology practices of building organic soil fertility can be applied to almost any soil conditions.¹⁸

A further challenge posed to the co-operative by the conventional model is that, requiring a large amount of external inputs such as seeds, fertilisers, pesticides and fuel, it is expensive, requiring significant upfront outlays of capital. Indicating frustration at the lack of financial control over the co-operative under the relationship with the support NGO and the surprise they experienced once the relationship ended, one of the board members explained:

We weren't introduced to real world agricultural expenses because [support NGO] held everything and we didn't even know how much the fertiliser cost. So when we got into the real world we found, 'Joh, these things are expensive.' For us to cover these costs we have to plant this whole twenty hectare.¹⁹

As discussed in relation to finance above, the co-operative is not yet financially self-sustaining and is not yet clear how it plans to build up finance. On the other hand, agroecology tends to be lower cost, as once fully functional it operates largely according to recycling of nutrients and application of more locally available inputs.

Recommending that the co-operative shift to agroecological practices is easier said than done, however. It requires a relatively high level of knowledge and capacity, the transition needs to be well managed and monitored and can take time (thus potentially lowering income for a while) and although agroecology is catching on in South Africa, the capacity for supporting a transition and developing the practice on a larger scale is lacking, both on the part of the state and in civil society; not to mention that, as this chapter shows, the state continues to promote and support the industrial

model of agriculture. Making a shift might, therefore, require connection with a broader movement of learning, sharing and exchange so as to embed the shift to agroecology within a wider momentum of farmers, organisations and movements working to do so, thus embedding itself in movement power. This movement power could lay an important basis for a shift in the co-operative towards agroecology, thus contributing to building structural power.

The guiding vision

It was mentioned earlier that part of understanding this co-operative is to situate it in the prevailing political economy of South Africa, as well as in the agricultural system, in particular. In short, this co-operative arises out of this political economy and, I argue, its trajectory is being shaped within this set of social relations, rather than challenging or transforming them. This can be further broken down to two levels. From the side of the government and the support organisations, their stated concern for supporting projects such as You Reap What You Sow is to tackle poverty and create employment. This goal is noble, but it is to be achieved within the prevailing architecture of South Africa's agri-food system by training 'emerging' farmers in conventional agriculture and integrating them into existing value chains. The success rate of this approach has been extremely uneven at best, as small and less experienced (in the industrial mould) farmers struggle to compete with large commercial farmers who benefit from economies of scale, historical precedent and better access to technology, and in a market dominated by powerful corporate actors able to determine prices and conditions of engagement in the agri-food system. The co-operative is being groomed to fit into existing relations of power, rather than building the structural power of the alternative grounded in the solidarity economy and food sovereignty.

Secondly, the vision of the members of the co-operative, together with the social relations in which they find themselves, is also an important determinant of what the co-operative does. While the sincerity of the members' desires to meet their own needs collectively and to benefit their community is clear, they are trying

to do so within existing social relations and so these desires might not be equated with a radical vision of social transformation on their part. However, this latent existence of broader social concern, even solidarity, can provide an important basis on which a transformative vision and practice can be built. Deepening membership education with regard to the realities of the agri-food system in South Africa could extend the members' perceptions of what the broader options for the co-operative focus may be and whether it would want to work to reposition it in this context, thus developing agency for building structural power. The existing desire to focus on supplying local 'informal' markets could be a starting point. Interactions with other actors who are operating through a food sovereignty lens could help to deepen this perspective and provide a platform for activity by the co-operative on the terrain of movement power.

Conclusion

This chapter has shown that although some of the members of You Reap What You Sow Agricultural Co-operative are developing an understanding and commitment to enacting collective and democratic self-management of the co-operative, this effort is being undermined by weaknesses within the enterprise, and, more broadly, the potential solidarity economy character of the co-operative is being undermined by the push by the state and its aligned organisations to lock it into a business-as-usual model of competing in the dominant, commercial agri-food sector. This is limiting the transformative potential of the co-operative, which is instead being bound by existing social relations. It also explored potential steps the co-operative could undertake in order to build power for and enact the alternative. However, many of the conditions for the co-operative to flourish in food sovereignty and the solidarity economy also need to be created on a broader level than the local context of the co-operative. This speaks to the need for structural change in how the state operates, for example. Or, in the case of finance, the broader architecture of finance in South Africa and how it currently operates, but also the need for co-operative financial alternatives in the form of co-operative banks that can reshape the landscape of finance,

and thus the localised financial fortunes of co-operatives like You Reap What You Sow. This requires a broader movement-building approach from below, which also interacts with forces in other localities and with forces beyond the local so as to constitute power.

Notes

1. The latest status report by the United Nations's Food and Agriculture Organization (FAO, WFP and IFAD 2015) says that 795 million people are undernourished, but see Hickel (2016) for an explanation of how the FAO and World Bank systematically undercount global hunger and poverty rates respectively and why even talking about one billion hungry remains a conservative estimation.
2. Among an increasingly large body of literature and organisational documents on food sovereignty, for further exploration see 'Declaration of Nyéléni' (<https://nyeleni.org/spip.php?article290>) and the La Via Campesina website (<https://viacampesina.org/en/>). Accessed 19 December 2017.
3. Interview with Member 1, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 3 June 2016.
4. See <http://www.afrigrow.org/>. Accessed 19 December 2017.
5. See <http://www.afrigrow.org/>. Accessed 19 December 2017.
6. Interview with Site Manager, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 20 July 2016.
7. Interview with Site Manager, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 20 July 2016.
8. Interview with Member 1, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 20 July 2016.
9. Interview with Member 3, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 3 June 2016.
10. Interview with Member 4, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 20 July 2016.
11. Interview with Member 1, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 15 June 2017.
12. The member seems to be referring to the duration of the support relationship with the mine, which started with the previous owner of the mine before Sibanye, in 2011.
13. Interview with Member 1, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 15 June 2017.

14. Interview with Member 1, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 15 June 2017.
15. Interview with Member 4, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 20 July 2016.
16. Interview with Member 3, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 15 June 2017.
17. Interview with support NGO project officer, Marlboro, Johannesburg, 19 August 2016.
18. See recent global reports on the necessity of agroecology, such as IPES-Food (2016).
19. Interview with Member 1, You Reap What You Sow Agricultural Co-operative, Mohlakeng, Gauteng, 15 June 2017.

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9

Transition Township Kwazakhele and the Co-operative Space

*Patrick Brennan, Janet Cherry and
the Kwazakhele Community Research Team*

The vision

IMAGINE A TOWNSHIP WHERE residents have enough fresh food to eat, enough safe energy to cook that food, enough space to expend their own energy in a pleasant environment and enough time to enjoy an evening of recreation before going to sleep in a warm, comfortable bed. Imagine that the residents of this township control the production and distribution of this food, the energy, the recreational facilities and even the beds they sleep in. Imagine these residents managing a renewable energy co-operative that not only provides enough energy for their own domestic needs, but also produces a surplus of energy, which is sold to local industries in the neighbouring industrial area. At the centre of this township is a vibrant fresh-produce market, supplied by a network of local co-operatives producing high-quality but affordable vegetables, eggs, meat and dairy products, and even fresh fish. These co-operatives also supply food to a network of outlets including catering businesses, *shisa nyamas* (grilled meat outlets) and taverns, where delicious food is prepared using only the freshest local ingredients. At community events, whether celebrations or mourning, entertainment and music is provided by local cultural co-operatives, who also hold outdoor jazz concerts at venues where people from outside this township are drawn to the music and the rich history and culture.

This chapter explores the attempt of the residents of Kwazakhele Township in Nelson Mandela Bay to build a sustainable township economy through democratic co-operatives. Underlying the idea of the township economy is the concept of a ‘transition township’ – a township that is not in transition to becoming a suburb, with its accompanying pattern of middle-class consumption, but rather for productive resources and services to be owned and controlled by the workers/residents themselves and to be used sustainably in a localised and low-carbon economy that has (some level of) autonomy from the global and national economy.

The question is: does the space exist – both materially and in the political economy – for such an experiment in an urban working-class township? Can the municipality (bureaucratically) and the city council (politically) accommodate such an experiment? Could it serve as a model to be replicated, for the whole of the city to make the transition to a sustainable solidarity economy?

Context: Co-operative failure in South African townships

Despite South Africa’s history of a strong working-class movement and a militant national liberation struggle, the record of co-operatives in this country is uneven at best (see Ndumo, Masondo and Theron in this volume). There were a few isolated examples of (temporarily) successful co-operatives established by particular trade unions; brave attempts by retrenched mineworkers to establish production co-operatives in their rural homelands did not prove to be sustainable. Since 1994, the democratic government’s support for co-operatives has resulted in numerous co-operatives being established from the top down in local municipalities, mostly in urban agriculture or waste management. Sadly, but perhaps not surprisingly, these co-operatives have not proved any more successful or sustainable than their worker-controlled predecessors.

Indeed, our earlier research indicates that most of the urban agriculture projects in Nelson Mandela Bay are unsustainable, dependent on the government for inputs and only provide limited employment to labourers who do not control the means of production (Cherry and Lemerrier 2014). The municipality

is reluctant to continue to support such initiatives, as they use enormous quantities of potable municipal water and involve considerable outlay on infrastructure and inputs, which is never recouped. There are also considerable social and management problems with many co-operatives, including competition for scarce employment, community rivalry and resource-grabbing by local elites.

Context: Kwazakhele's history of solidarity

This poor record has led many sceptics to ask, 'Why should the co-operative model work in Kwazakhele, when it has failed elsewhere?' Our conviction that the model can work in Kwazakhele is based on its political and social history.

Kwazakhele is an old township, built in the 1950s, at the height of apartheid, as a 'site and service' scheme for the African urban working class. Situated next to the industrial areas and the motor and component factories where the residents were expected (and are still expecting) to work, Kwazakhele is made up of family housing and has had a relatively stable and homogeneous population over its half-century existence. Many of the residents have been living in the city for even longer, as Kwazakhele was created when the mixed area of Korsten was demolished in 1956. Korsten, and then Kwazakhele, were sites of organisation of the emerging African working class, as well as of some of the strongest mobilisation of the liberation movement prior to its banning in 1960. The resurgence of mobilisation in 1976 saw Kwazakhele right at the centre of the movement and a new generation of activists returned from Robben Island in 1982 to build some of the most powerful grassroots organisations ever seen in South Africa. From 1984 to 1994, Kwazakhele residents pioneered forms of participatory democracy and community control, including a sophisticated and comprehensive network of street and area committees, as well as neighbourhood anti-crime committees and local welfare structures.

Since 1994, Kwazakhele residents have overwhelmingly supported the African National Congress (ANC) and have participated actively

in the democratic process. Despite a justified scepticism about the economic benefits of liberal democracy, there is an extraordinarily high level of participation in elections, local government processes and various campaigns and neighbourhood activities. The levels of formal education and of political understanding are high and there is a culture of 'active citizenship'.

From its site and service beginnings, Kwazakhele has experienced considerable development over the past three decades. The original municipal houses have been transferred into the residents' ownership and provided with a water-borne sewerage system, running water and electricity, as well as, more recently, solar hot-water heaters on the roofs. New Reconstruction and Development Programme (RDP) houses have been built on the edges of the old township to accommodate the influx of new residents and there are many schools, clinics, public halls and other amenities. The overwhelming problem for the residents of Kwazakhele is thus not service provision; rather, it is an economic problem, one of exclusion from the formal economy of the city and consequently disastrous levels of unemployment. With 25 000 households and over 100 000 residents, Kwazakhele has a big enough market to sustain its own localised economy. As Michael Shuman (2010: 1) has argued, with his 'pragmatic approach to localization', the wealthiest communities are those that are most self-reliant and that employ most residents in businesses that are locally owned. Our recent household survey of 100 of these households indicates that while they are poor, they are not destitute; households are buying fresh vegetables regularly and supplement their allocation of free basic electricity by buying extra, as they can afford it. Although the unemployment rate hovers around 50 per cent, many residents are former workers who have skills in the industrial sector. Our survey showed a high level of artisanal and technical skills in the neighbourhood and many residents are engaged in vegetable farming, livestock breeding and home-based industry such as pot and furniture manufacturing.

For all the above reasons, it can be argued that if it will work anywhere, it will work in Kwazakhele. The infrastructure, the social

homogeneity and the economic need are all strong arguments for creating a sustainable township economy in Kwazakhele. Combined with the experience of solidarity and the political sophistication of the residents, it should be well placed to experiment with a new model of a solidarity economy. Unlike the ‘top-down’ co-operatives established through government programmes, this process is intentionally ‘democratic, bottom up, constitutive of forms of institutional power and systemic change’ as an example of the new type of co-operative indicated by Satgar in the introduction to this volume.

The process

The Transition Township project arose from the imagination of Nkosinathi Jikeka, a Kwazakhele resident, a trade unionist and communist who was convinced of the need to form worker co-operatives and prove that they can succeed. The idea of a transition township applies the concept of ‘transition towns’ in advanced capitalist economies of the North – those towns engaged in a localised economy of production of food and energy in order to ‘transition down’ from a fossil-fuel-based economy of high consumption (see Transition Network 2016) – to the context of a South African urban working-class township. The transition in this context is both a transition to a non-fossil-fuel-based economy and a transition to a localised worker- and resident-controlled economy. It is not a ‘transition down’, but rather a transition to an economy that will provide a higher quality of life in a sustainable manner. The Nelson Mandela Bay Transition Network explored this idea and attended the United Nations Climate Change Conference, COP 17, in Durban in December 2011, where the Congress of South African Trade Unions launched the One Million Climate Jobs Campaign. The global imperative of transition to renewable energy was then applied to the local context of Kwazakhele and integrated with the Food Sovereignty Campaign (see below). The Transition Township project was thus conceived to mobilise residents with regard to controlling their own productive resources.

Why, we are asking, should renewable energy be owned and controlled by big companies? Why should the independent power producers be making millions out of selling renewable energy to the municipality, while residents of a working-class township are able to produce a surplus of energy from their existing infrastructure? Why should residents be buying meat and vegetables produced thousands of kilometres away by a few companies that monopolise the food market when they could be eating locally produced food, which is both cheaper and of higher quality? And most importantly for the residents of Kwazakhele, why are they, the productive and skilled workers of the city, sitting at home without income or a means of livelihood, when they are surrounded by factories and productive resources?

These questions were discussed in late 2015 by the Amandla Collective (the local governing body of the Amandla! Resource and Information Centre), which is the township-based non-governmental organisation (NGO) partner of the Transition Township project. Janet Cherry, a member of the Amandla Collective and a professor in the Department of Development Studies at Nelson Mandela University, drew up a concept document, which was approved by the Collective and then discussed in February 2016 with councillors of wards 20, 21 and 22, as well as with the mayor and other officials of Nelson Mandela Bay Municipality. The project really began, however, with the recruitment of a team of Kwazakhele resident activists. This Community Research Team (CRT) has been the bedrock and the driving force of the project.

Nkosinathi Jikeka, who took on the role of research team co-ordinator, invited individuals known to him from the selected wards to participate in the project as community researchers. On 22 February 2016, the project really began with the first CRT meeting, held at the Ward 20 Councillor's office in Hoho Street, Kwazakhele.

The CRT initially consisted of three members each from two wards (wards 20 and 21). It was decided to start with these two wards and expand to the other wards as the project progressed. CRT



Figure 9.1 Map of Kwazakhele, showing new ward boundaries (2016)

members from wards 19 and 22 were subsequently recruited. From the map in Figure 9.1 it can be seen that these wards are situated at the heart of the old townships of Port Elizabeth, with the hub of the township economy being Njoli Square. The map shows the whole of Kwazakhele Township and the ward boundaries into which it falls. The grey shaded area is the focus of the Transition Township project. The idea of a community research team is derived from participatory action research methodology, which has been explored by Anisur Rahman (1993), among others, as an effective way of mobilising and empowering poor or working-class communities to control

and drive their own development.¹ This approach has been used to overcome the tendency of development projects to be implemented from above. The criteria for being a member of the CRT were made clear from the very beginning: CRT members must be residents of Kwazakhele; they must be unemployed; they must have time to devote to the research; they must be able to work during the day and to be active members – to move around the townships, attend workshops, and so on. They must also be literate, but are not required to have a matric certificate or any tertiary qualification.

The CRT consists of equal numbers of men and women, and a mixture of older residents with activist experience and younger residents. At the beginning of June 2016, the CRT workshoped a code of conduct for its members. This included the importance of not being seen as politically partisan (for example, not wearing political party T-shirts in public) given the upcoming local government elections; the importance of listening to each other and respecting each other's opinions; speaking through the chairperson; no swearing and care in using terms of address such as 'comrade' in public.

In preparation for the first workshop, the CRT decided that the team should divide into three groups to explore the three main elements of the township economy. Three teams were formed to take responsibility for presentations on these elements at the workshop. Subsequent to the first workshop, the CRT formed three 'commissions' to conduct feasibility studies into three initial focus areas for economic activity in Kwazakhele: energy, food and culture.

The Transition Township project was started as an action research project, with funding from the National Institute for the Humanities and Social Sciences as a 'catalytic research project'. The CRT members were supported with a small stipend for their time, as well as costs of transport and food, running of community workshops and desktop research. The teams met at the Nelson Mandela University's Missionvale Campus for plenary meetings, training in computer skills, desktop research and compilation of reports. Teams then went 'on the ground' to particular wards of Kwazakhele to conduct research for the feasibility studies in each focus area.

The first CRT meeting

On 22 February 2016, at the initial CRT meeting in the Ward 20 Councillor's office in Hoho Street, a map of the research site was drawn on a flipchart and stuck onto the wall. This showed the four wards and, in addition, the Transition Township Concept Document was distributed to all team members. It was noted that the ward boundaries had changed from when the initial project proposal was drawn up, as they had been amended before the local government elections. One important change was that the Swartkops Power Station – which had been situated in the outlying Ward 60, which was not part of the project – is now situated in Ward 16, part of which lies within Kwazakhele. This is advantageous to the project, as it will be easier to have an integrated strategy for local economy development of the 'cluster', which includes Ward 16.

Janet Cherry explained why Kwazakhele had been chosen for the project: because of its history, its politics and its infrastructure; discussion ensued on the history and politics, and on the current Integrated Development Plan and the plans for the Njoli Square economic hub, as well as the concept of a development corridor, as indicated on the map.

First research exercise: Transect walk and mapping, Ward 20 (Hoho, Tubali, Sali streets)

After an explanation by Mzimkhulu Keye from the Centre for Integrated Post School Education and Training about transect walks, the group split into two smaller groups and took about 25 minutes to walk through the area bordered by Hoho, Tubali and Sali streets. They then returned to the councillor's office and shared what they had observed with the whole team. A vigorous discussion ensued, which revealed some important observations and analysis of the area:

- There are a number of unused buildings and pieces of vacant land – these were noted on the map and discussion

of ownership or management of these buildings ensued. The need to research ownership of buildings and land was identified; Yolisa Pali would help with this and report to the next meeting.

- There is extensive dumping of rubbish in open lots and on the sides of streets; surely a source of income from recycling could be organised?
- There is clear evidence of income inequality; there are some wealthy people driving fancy cars, who may be coming in from outside and visiting shebeens.
- There are a number of businesses in this small area – shebeens, gyms, spaza shops (Somalian owned), one supermarket, a vehicle-towing business and a mechanic.
- The houses are all old four-roomed houses, with solar geysers; about 20 per cent have a satellite dish on the roof.

Other discussions followed the mapping exercise:

- Crime: a stabbing was observed in the street during the exercise; it was noted that there is vigilantism in the area whereby residents try to control crime.
- Matthew Goniwe Hostel (in another part of Ward 20) is still a ‘blocked project’ after so many years.

The meeting concluded with a decision that a range of research tools would be introduced to the team, including Google Earth, mapping and analysis of census statistics. The CRT agreed to meet initially on Mondays at 4.00 p.m. at the Hoho Street office.

The CRT activities in the first phase of the project involved three main tasks: research skills training; community mobilisation and consultation; and feasibility studies. Each of these is outlined below.

Training

All CRT members were trained in basic computer skills, including Internet searching, use of Word, Excel, Powerpoint, Dropbox, Google Earth and Google Maps. At a later stage, CRT members in the Energy Commission learnt to use Helioscope software to estimate power generation from rooftop photovoltaic panels. Some CRT members had no exposure to computer technology and the excitement and challenge of coming to grips with new technology and acquiring new skills was an important part of the CRT's work in this phase. The project obtained access to a dedicated project office at Nelson Mandela University's Missionvale Campus and two computers were installed, with access given to CRT members. In addition, the entire team was accommodated in the computer lab during the university vacation, for a few days of dedicated training.

Participatory research methods involved transect walks, participatory mapping and interviews with individual business owners/individuals in particular wards as well as with focus groups in two community workshops. Photovoice methods and photographic documentation was also introduced to the team. Reading of articles and other materials on food sovereignty, renewable energy and cultural industries were combined with watching videos to introduce the CRT to concepts such as the circular economy, the solidarity economy and the smart city, the 'Internet of things' and concepts derived from recent works by Manuel Castells, among others.

Community mobilisation and consultation

The main forms of community mobilisation in the first phase of the project were two community workshops, held on 13 June and 14 July 2016. The CRT prepared for the first workshop by rehearsing their presentation to a meeting of women's co-operatives in Kwazakhele. It was deemed important to be able to respond to community expectations about job creation and to explain that we are still a research project and not yet at the stage of implementation.

The first workshop was held in the Cripple Care Centre Hall in Ward 19 and attended by over 100 residents. After the CRT members had introduced the project, residents divided up into

four groups, focused on food, energy, culture and other economic activities. A vigorous and critical discussion ensued in each group and CRT members captured the findings from each. Key issues to emerge included the need for resources (land and water) for livestock and vegetable farmers; regulation of livestock farming; land allocation and use of unutilised or government-owned land; problems with solar hot-water heaters have led to a distrust of solar power and the need for business development hubs and services within the township. It was resolved that the team should continue with the research and that the commissions should report back at a follow-up meeting on 4 July. A number of the councillors (from wards 16, 17, 20 and 21) attended the workshop and gave their support to the project. As one participant said: 'The Research Team is here to give answers to our questions and find solutions to our problems together.'

The second workshop was held in Daku Hall on 14 July and attended by approximately 60 residents. The participants similarly divided into three groups and continued the discussion, bringing additional information and suggestions in each area identified. More detailed information was shared by participants and captured by CRT members allocated to each group. From these two workshops, together with the transect walks and consultations, an interesting picture of economic activity in Kwazakhele began to emerge. CRT members started to draw up databases of the producers of food and food service providers in each ward, as well as service providers in cultural industries (musicians, poets, and so on) in each ward. As information was obtained by the different CRT commissions, they stored it on Dropbox and created a range of files, including databases, maps and photographic records.

Feasibility studies

Desktop research began by CRT members becoming familiar with the Integrated Development Plan for the wards concerned, as well as the concept document and maps of the area. Preparation for the first workshop saw CRT members meeting with existing women's co-operatives in Kwazakhele involved with recycling used oil and waste and with construction and catering. It was also ascertained

that the Ward 20 Councillor had a waste-recycling facility planned and a suitable place designated and that there was land available in Ward 22 for this purpose. CRT members assessed infrastructure and possible buildings for the establishment of co-operatives, including the decommissioned Swartkops Power Station, the Enkhuthazweni Centre, the Salamntu old bottle store/private hospital and Tamsanqa High School. Open sites and sites of derelict and unutilised buildings were listed in Ward 20.

The need for the renovation of houses, both RDP and the old pre-1994 municipal houses, was highlighted and the potential for residents' co-operatives being involved in the rectification process was noted. The cracks in the walls of the old houses and the problems of groundwater, rising damp and flooding in certain areas were noted. Leaking solar geysers has led to residents being in debt to the municipality and the disconnection of their services. A business model for the fixing of damaged roofs because of defective solar geyser installation was mooted. The possibility of conducting a door-to-door survey/campaign to find out about residents' skills was discussed. Regarding Pond 6, also known as Mbojo, it was noted that a contractor had been employed to renovate/rehabilitate the area in 2015 and that community members were being employed under the Expanded Public Works Programme through the councillor's office, but it was not clear what progress had been made in this regard. The project was also a point of conflict: at a Wildlife and Environment Society of South Africa meeting, a map was presented showing the Ramsar site for the Swartkops estuary, including Pond 6, Kwazakhele 1, which is declared a protected area by the province.

Context: Local government elections and changing municipal council

A critical question raised by CRT member Tamsanqa Bonani was: 'How will the community be involved in the research project?' The discussion of this issue led to the understanding that the research process and the process of community mobilisation with regard to the Transition Township project would go together. It was understood that each ward has its own specific situation and

that conflicts are experienced to varying degrees in the different wards. The first activities of the CRT took place in the context of contestation regarding candidate lists for the upcoming local government elections. While Kwazakhele is historically a solid ANC support base, there are still numerous service delivery protests as well as extensive debate and some conflict related to ward councillors. For example, in May 2016 there were protests at the office of the standing ward councillor in Ward 22, and residents blocked Njoli Road and Daku and Salamntu streets with burning tyres and rubble. Some protests were about the imposition of certain councillors on residents, while others were related to dissatisfaction with the pace of housing delivery to informal settlements in the ward.

It should be remembered that this project was conceptualised in late 2015. The local government elections of August 2016 resulted in the Democratic Alliance (DA) winning control of the Nelson Mandela Bay Municipality. Subsequently, some of the councillors and officials concerned have changed. However, the ward councillors for Kwazakhele remain supportive of the project. On 1 September 2016, CRT members and Janet Cherry held a meeting with the new councillor for Ward 22, Blondie Zuma. In addition, the project was introduced to the new DA head of economic affairs in the Metropolitan area and shared the concept document with him. Subsequently, the CRT met with the new mayor and his mayoral committee, who gave their support to the project. Although there has been support for the project from both sides of the political divide in Nelson Mandela Bay council, the contestation within the council has meant that there have been delays in decision-making on urban land use and infrastructure planning. This contestation continued through 2017 and in September 2018 resulted in yet another change in the mayoral committee, with the DA mayor being ousted and his mayoral committee being replaced yet again. The uncertainty regarding the political decision-making in the city has led to some obstacles in the implementation of the pilot project, although the residents of Kwazakhele have continued to mobilise into neighbourhood co-operatives.

Renewable energy

One objective of the first phase of the project was in the field of renewable energy: the conducting of a technical/engineering feasibility study for rooftop retrofitting of photovoltaic panels and income generation from feed-in tariffs. In addition to desktop research, the CRT attended three renewable energy workshops, discussed briefly below.

Workshop 1: 27 July, Alternative Information and Development Centre and German Society for International Co-operation workshop

This was a one-day workshop at the Missionvale Campus with two visitors from the Alternative Information and Development Centre (AIDC) who were assessing wind-farm projects in the Eastern Cape and explained the Renewable Energy Independent Power Procurement Programme model to the CRT. They were joined by David Breitfeld from the German Society for International Co-operation or Deutsche Gesellschaft für Internationale Zusammenarbeit, which is working with the Nelson Mandela Bay Municipality to implement photovoltaic solar in informal settlements and townships. 'Energy democracy' emerged as a key concept and the viability of a community-owned energy company, which would sell electricity to the existing grid, emerged as a key project to be tested as a pilot. More research would be needed to develop a model for such a pilot, however, and the CRT Energy Commission engaged in field research on available infrastructure and desktop research on available roof space and energy-generation potential in Kwazakhele.

Workshop 2: 23–25 October, Alternative Information and Development Centre workshop

This three-day national workshop was hosted by AIDC in Port Elizabeth, at the Pine Lodge conference centre. At this meeting, the Kwazakhele CRT presented the first draft of their proposal on using rooftop photovoltaic panels to generate income in the township community. Members of similar projects in other parts of South Africa, as well as international experts in the field of renewable energy, responded and gave feedback on this proposal.

Workshop 3: 22 November, Transition Township Seminar, Propella Incubator, South End

This seminar saw the CRT presenting a refined proposal to experts in the field, drawn from NGOs and businesses in the renewable energy field, as well as academics and business-incubation specialists. The viability of combining solar energy and food production and feeding energy into the municipal grid from a gap-tap was confirmed at this workshop.

Co-operatives' development and food sovereignty

The second objective of phase I of the project involved exploring a community development corporation and conducting research on the appropriate financial and institutional model for community shareholding and control.

The first week of September 2016 saw all CRT members and some invited guests attend a five-day workshop on building community co-operatives. This exciting workshop, held at Missionvale Campus of Nelson Mandela University, saw our partner, the Co-operative and Policy Alternative Centre (COPAC), sending Mzimasi Ndongeni, who is building local food co-operatives in rural Eastern Cape villages, to Port Elizabeth to assist with the facilitation of the course. CRT members from the Food Commission then attended the Food Sovereignty Festival in Johannesburg from 11 to 13 November, funded by COPAC. The idea of food sovereignty, which entails not only the localisation of food production and distribution, but also the control of food resources by local communities, is at the core of the transition township idea. According to Hannah Wittman, Annette Desmarais and Nettie Wiebe (2010: 2), food sovereignty goes beyond having enough food (or food security) and involves 'the right of . . . peoples to control their own food systems, including their own markets, production modes, food cultures and environments' (in Bennie 2014: 255). Andrew Bennie explains that achieving food sovereignty thus involves profound social change, 'a fundamental shift in the relations of power across society' (256).

Feasibility studies

The next step was for the CRT to work out how this change could be implemented in practice through a pilot project. The three commissions (food, energy and cultural industries) each produced a feasibility study of a pilot project in their area of focus. The conceptualisation of the pilots was based primarily on the community workshops held in June and July, and from the subsequent discussions at the building community co-operatives workshop in September, especially the 'start-up and planning' session on Friday 9 September. The feasibility studies were informed by multiple research methods, including the transect walks, consultations and interviews with stakeholders, including local business owners and residents, desktop research and expert input from professionals in the field (especially in the renewable energy field).

The Energy Commission produced a draft feasibility study for piloting rooftop photovoltaic panels on existing infrastructure to generate income through selling electricity to the municipal grid, something which is possible in terms of the Nelson Mandela Bay municipality's innovative 'feed in tariff'. The Food Commission produced a draft feasibility study for the production of vegetables on vacant land in Kwazakhele. The Cultural Industries Commission explored and documented live performances, music festivals, the local film industry and heritage industries such as cultural villages and a heritage route in Kwazakhele. A database of cultural industries in the Kwazakhele wards was compiled. One aspect of this process has involved the members of the CRT exploring examples of existing co-operatives, which have successfully integrated the key elements of worker control with production of goods and services. The team conducted three research case studies, outlined below.

Mondragon Co-operative

Mondragon Co-operative Corporation, headquartered in the Basque region of Spain, has over 74 000 employees working in 130 co-operatives and approximately 160 affiliates across four main business areas: manufacturing, retail, finance and what they call 'knowledge' (this includes research and development activities, as well as the

Mondragon University). Revenue in 2015 was US\$13.2 billion, with total assets of approximately US\$26 billion (Hussain 2016).

Mondragon did not lay off any workers during the 2008 economic crisis, preferring to transfer them between the various components of its co-operative network, which supplies everything from machine tools to bicycles and is one of the largest corporations in Spain (and the largest in the Basque country). The co-operative ascribes this success to what it calls ‘networked employee ownership’, which operates according to three core values (Freundlich 2014):

- Democratic governance: At Mondragon there is widespread employee-owner participation in daily decisions at the appropriate level of the organisation, tempered by a respect for specific roles and expertise. Every member co-operative is self-governing, with employee-owners agreeing on basic policy, rules and procedures and even business strategy on the basis of one person, one vote. This extends to a general assembly, elected by employee-owners, which appoints and governs the executive leadership of the overall corporation.
- Distribution of profits among employee-owners: This involves dividends, in addition to a normal salary. A significant portion of this is reinvested in the overall business and, together with any capital gains realised, becomes available to employee-owners upon their retirement from the firm.
- Thinking and acting like a co-owner: This means that employee-owners hold themselves and their colleagues accountable when it comes to the performance of their individual member co-operatives, as well as Mondragon as a whole.

Evergreen Cooperatives

The Evergreen Cooperatives (based in Cleveland, Ohio, in the United States) was established in response to the 2008 financial crisis and is specifically modelled on Mondragon (Brodwin 2016). It was initially funded and supported by the Evergreen Initiative, a partnership between the City of Cleveland, Case Western University, Cleveland Clinic and University Hospitals (otherwise known as the

‘university circle institutions’) and the local community. To date, the following ventures have been established:

- Evergreen Cooperative Laundry (September 2009): an industrial laundry that services university circle institutions.
- Evergreen Energy Solutions (October 2009): supplies solar energy services to domestic, commercial and industrial customers throughout Cleveland and surrounding counties.
- Green City Growers (December 2012): hydroponic warehoused food production facility that supplies lettuce, gourmet greens and herbs to leading grocers, restaurants and food service establishments throughout northeast Ohio (Evergreen Cooperatives 2017).

Reimagine Phoenix

Reimagine Phoenix was launched in 2013 to transition the City of Phoenix (Arizona, United States) to a circular economy. The city collaborated with the business and academic community to implement innovative circular economy solutions, specifically in the overall waste management of the city. The goal was to increase Phoenix’s waste-diversion rate from 15 to 40 per cent by 2020. This collaboration led to the establishment of the Resource Innovation and Solutions Network, which co-ordinates the city’s efforts to achieve this goal (Sustainable Cities Network 2015). The Resource Innovation Campus at Arizona State University functions as a business hub for firms wishing to participate in the circular economy and has inspired similar international hubs. Participants in the network include waste-management companies, farmers (large and small scale), local restaurants, educational institutions, local business associations and manufacturers. Revenue is generated at various stages of the value chain through reuse, recycling and improved efficiency (for example, garbage trucks, composting, and so on) (Raj 2014).

The CRT identified the following lessons from the Mondragon and Evergreen experiences:

- Different stakeholders (for example, community, government and business) can work together to achieve a common goal.

- Transparency in finances and democratic accountability are very important in any organisation.

And from the Phoenix experience, the CRT recognised the following important points:

- The Resource Innovation and Solutions Network is an initiative endorsed by the city.
- Businesses are beginning to use recycled materials in production (compost for food, plastics for manufacturing).
- Food solid waste is regarded as the best to produce compost for urban farming.
- Phoenix restaurants provide compost-grown food to consumers.
- The circular economy creates jobs for local people.
- The Resource Innovation and Solutions Network promotes collaboration across a wide variety of areas, including manufacturing, hospitality, waste management and urban agriculture.

The pilot: ‘Gap tap’ co-operatives

The feasibility studies generated much discussion and debate, and led to a decision to pilot a neighbourhood co-operative in a ‘gap tap’. ‘Gap taps’ in Kwazakhele are open plots of land, which used to contain a stand tap to supply water to the surrounding households. Now that the households have running water, the gap taps are no longer used for this purpose, but are municipal open spaces that can be used by the neighbourhood for various purposes. There are approximately 120 gap taps in Kwazakhele. The CRT identified a specific gap tap between Sali and Tubali streets, near the hub of Njoli Square. This particular gap tap is vacant except for an electricity substation, which the municipality’s electricity department assured us we can ‘feed into’. There are 36 households around this gap tap and CRT members consulted with the residents of these houses before deciding on the implementation of the pilot on this site.

A detailed household survey was conducted in May 2017 to find out about residents’ needs, livelihoods, energy use and food consumption. This survey of 100 households in three ‘gap taps’ of

Ward 22 allows a baseline from which the impact of the pilot gap tap co-operative can be assessed in the future. The household survey also indicated that there is a substantial market for fresh produce in Kwazakhele, which could be supplied by local producers in a 'food sovereignty' model. The survey indicated that the majority of households (58 per cent) spend between R50 and R150 per week on fresh vegetables. The average spend per household is R105 per week. Extrapolated to 25 000 households this represents a potential market of R136 million per annum for fresh vegetables in KwaZakhele.

Subsequent to the household survey, which constituted part of the mobilisation of the residents for the pilot project, the residents of the Sali Tubali Gap Tap formed the very first neighbourhood co-operative, the Saltuba Energy, Food and Multi Purpose Cooperative. The members of the cooperatives are the households in the immediate vicinity of the identified gap tap, and one member of each household represents the residents on the democratic co-operative structure. The members engaged in a process of formulating a constitution and deciding on the rules of membership and benefit, and the Saltuba Coop was registered in December 2017. The residents of the gap tap, together with the Community Research Team, then engaged in a participatory planning process to design a viable energy, food and waste-management co-operative. This exciting process involved a 'community green design' architect, Kevin Kimwelle, holding a series of workshops where the residents decided collectively on what activities they wanted to engage in on the gap tap, how the public space would be used, and how the households adjoining the gap tap would be involved in water capture, waste recycling and energy production. All decisions about access, security, management and potential benefit distribution were debated and decided collectively. In addition, residents participated actively in the design process, researching, visualising, drawing and building models of how they foresaw the gap tap pilot.

Simultaneously with the formation of the Saltuba Cooperative, the members of the Community Research Team constituted

themselves into the Kwazakhele Development Agency, a non-profit organisation with the nickname KDA ‘Amandla’ (Power) – a play on the dual role of empowering the residents, and producing electricity. The Saltuba Cooperative members, together with the KDA ‘Amandla’ members, then underwent a course of training with a local bank, followed by a process of using a ‘business model canvas’ to develop a series of business plans for each aspect of the co-operative. Business plans for electricity generation, fresh vegetable production and distribution, and waste recycling were developed as the initial activities of the Saltuba Cooperative.

Visits to vegetable production projects, restaurants and recycling businesses provided inspiration and examples to the KDA and co-op members. One consideration that came to the fore in this process was the importance of integrating water capture into the pilot, as Nelson Mandela Bay was experiencing a severe drought with water restrictions, and in order to be sustainable any agriculture project will have to be self-sufficient in water provision. The design was then adapted to capture water from the roofs of the houses neighbouring the gap tap, as well as channel and filter grey water from the kitchens and bathrooms for use in the vegetable growing operation.

Another unexpected obstacle to the implementation of the plan was the extreme difficulty experienced by both the Saltuba Coop and the KDA in opening bank accounts – a confirmation of the exclusionary and anti-poor operations of South African banks. The formation of a community co-operative bank would be a great step forward, but at this stage this is not possible.

The implementation of this pilot neighbourhood co-operative will test not only the technical viability of the project, but also the social management model and its economic viability.

The future

In designing a co-operative development programme for KwaZakhele, the CRT took into account lessons that had been gleaned from the various case studies undertaken, as well as feedback from community members during workshops, transect exercises and interviews. The

resultant proposal is an attempt to adapt the Mondragon approach (democratic governance and networked enterprises) to local conditions, while also adopting the institutional innovation found in both Cleveland and Phoenix: the city authorities collaborate closely with local universities and the community to provide an enabling environment conducive to the success of the venture.

The primary organising structure for the community will be a network of gap tap co-operatives (GTCs), which will not be dissimilar in form and function to a body corporate of an apartment building in that their main activity will be to manage and maintain common areas for the 36 households on the gap tap and to ensure that both natural (land, rainwater, energy from sun or wind) resources and infrastructure assets (roads, electrical substations, walls) are used for the common benefit of the community. Alongside the GTCs, it is proposed to establish a series of specialist employee-owned co-operatives to service each gap tap (for example, to install and maintain solar panels, establish and maintain permaculture gardens, and so on).

In addition to the network of GTCs and employee-owned co-operatives, it is proposed to establish a non-profit organisation, in collaboration with the university, the municipality and other potential alliance partners (investors, trade unions, donors, state-owned enterprises, provincial and national government). The role of the non-profit organisation will be to channel support to the network of gap tap and specialist co-operatives (investment, grant funding, training, and so on) as well as to assist in governance and assurance of financial accountability where required. Figure 9.2 shows the proposed KwaZakhele Co-operative and supporting institutions.

While the initial focus will be efficient use of existing assets (sunshine, land, waste) to generate revenue streams (renewable energy, food production, compost, plastics), the medium-term vision for the network is that it will participate in a much wider variety of economic activities, including retail, leisure and local green industrial production based on new technologies (for example, 3D printing,

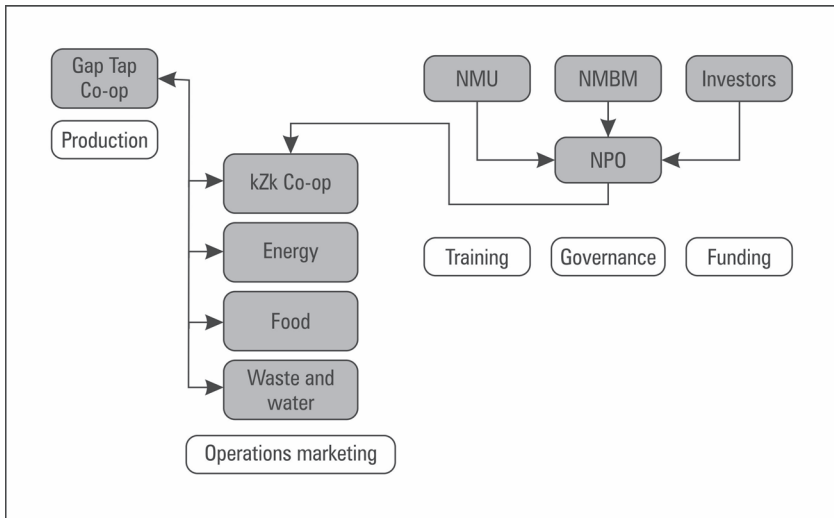


Figure 9.2 Proposed KwaZakhele Co-operative and supporting institutions

the ‘Internet of things’, hydroponics, aquaculture and Industry 4.0), which are responsive to local and diverse needs.

The long-term vision also embraces the integrated use of the decommissioned coal-fired Swartkops Power Station as a centre for such new industries, including renewable energy, as a symbol of the transition from the old to the new. The environmentally sustainable use of the Pond 6 wetland, together with livestock farming, compost production, clean water systems and food markets will contribute to a higher quality of life for the residents of Kwazakhele.

The democratisation of both energy and food production, and the control of productive resources by the working-class residents through neighbourhood co-operatives, makes the transition township model a radical one, which challenges social and economic power relations through a prefigurative ‘piloting’ of an alternative economy at the local level. It remains to be seen whether this model can be successfully implemented and replicated across the township of Kwazakhele, and serve as a model for radical transformation across South Africa and elsewhere in the world.

Note

1. The funding for this Participatory Action Research project was provided by the National Institute for the Humanities and Social Sciences in South Africa as one of its 'Catalytic Research Projects' for 2016–18. Additional funding for the implementation of the Gap Tap Pilot was provided by Ezethu Trust via the Nelson Mandela University Trust.

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