



**edtea**

**Department :**  
Economic Development, Tourism and  
Environmental Affairs

**PROVINCE OF KWAZULU-NATAL**

**DRAFT**

**KWAZULU-NATAL**

**COOPERATIVES DEVELOPMENT STRATEGY**

**2016 - 2026**

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	Empowerment
CIPC	Companies and Intellectual Property Commission
	Schools
DTI	Department of Trade and Industry
	Department of Forestry and Environmental Affairs
DOE	Department of Education
	Development Plan
ILO	International Labour Organisation
	Individual Owned
KOBERA	Koperasi Bela Rakyat
TEA	KwaZulu- Natal Department of Environmental Affairs
KZN	KwaZulu- Natal
	Economic Development
LRAD	Land Distribution for Agricultural Development Programme
	National Development Plan
NDP	National Development Plan
PGDS	Provincial Growth and Development Strategy
PSA	Productivity South Africa
SACCOS	Savings And Credit Co-Operative
SAMAF	South Africa Microfinance Apex Fund
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SMME	Small, Medium and Micro-sized Enterprises
SOE	State Owned Enterprise



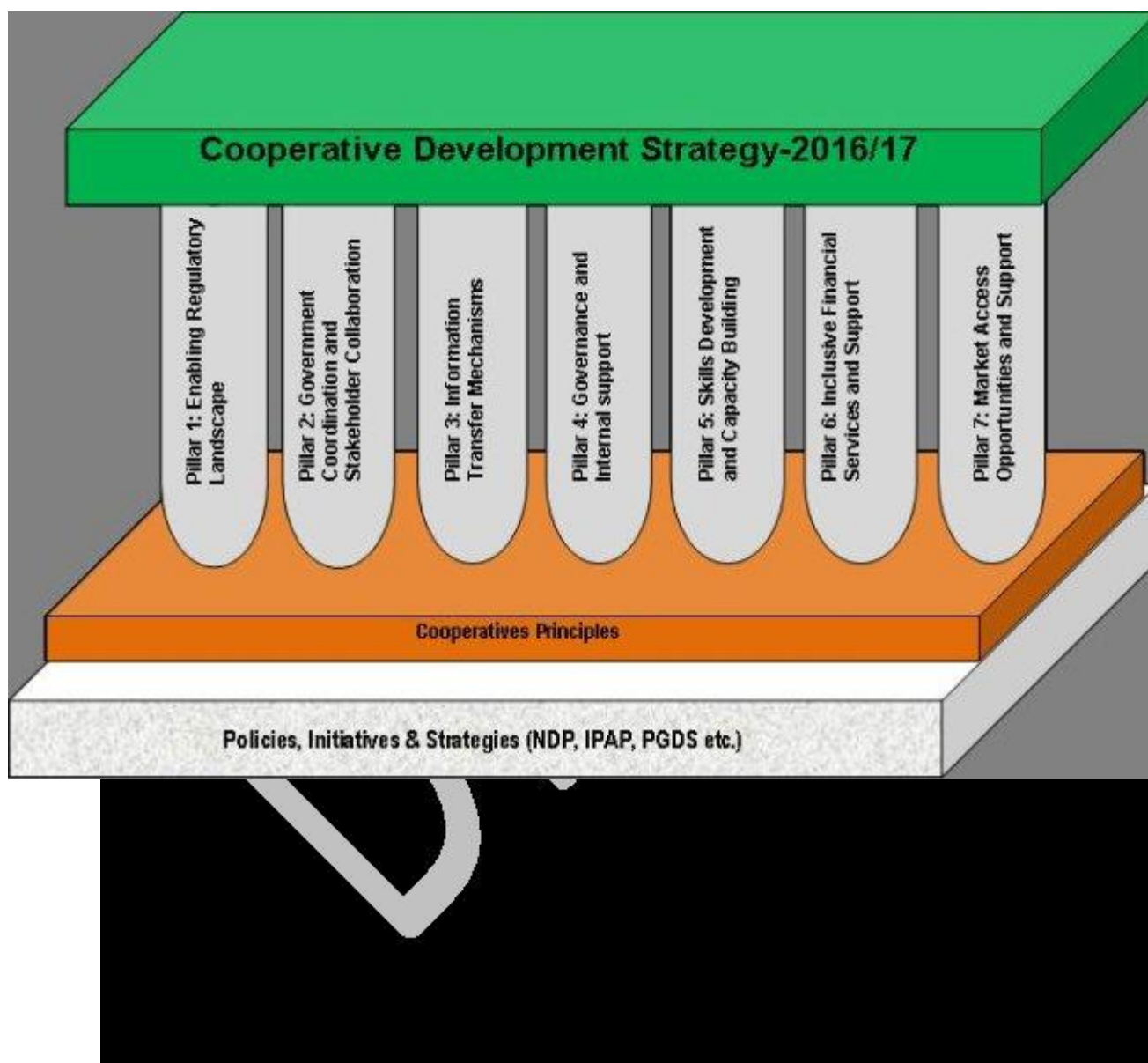
for the development of the ten year KZN Cooperative Strategy.

A key success factor of the strategy is the need to prioritise commitment, focus and support by leadership, and the private sector, to create a conducive environment for cooperative development in KZN.

Notwithstanding the various supportive policy and strategic initiatives, many cooperatives in KZN province are unsustainable owing to a number of key challenges which mainly include: lack of proper coordination between public sector organizations, public and private sector players, lack of structured and impactful cooperative training and mentorship programmes, limited access to appropriate funding, lack of access to suitable markets, lack of sustainable supply of goods and services from the cooperatives, endemic member conflicts as a result of group dynamics and governance issues, regulatory framework impediments and poor information-sharing mechanisms and platforms

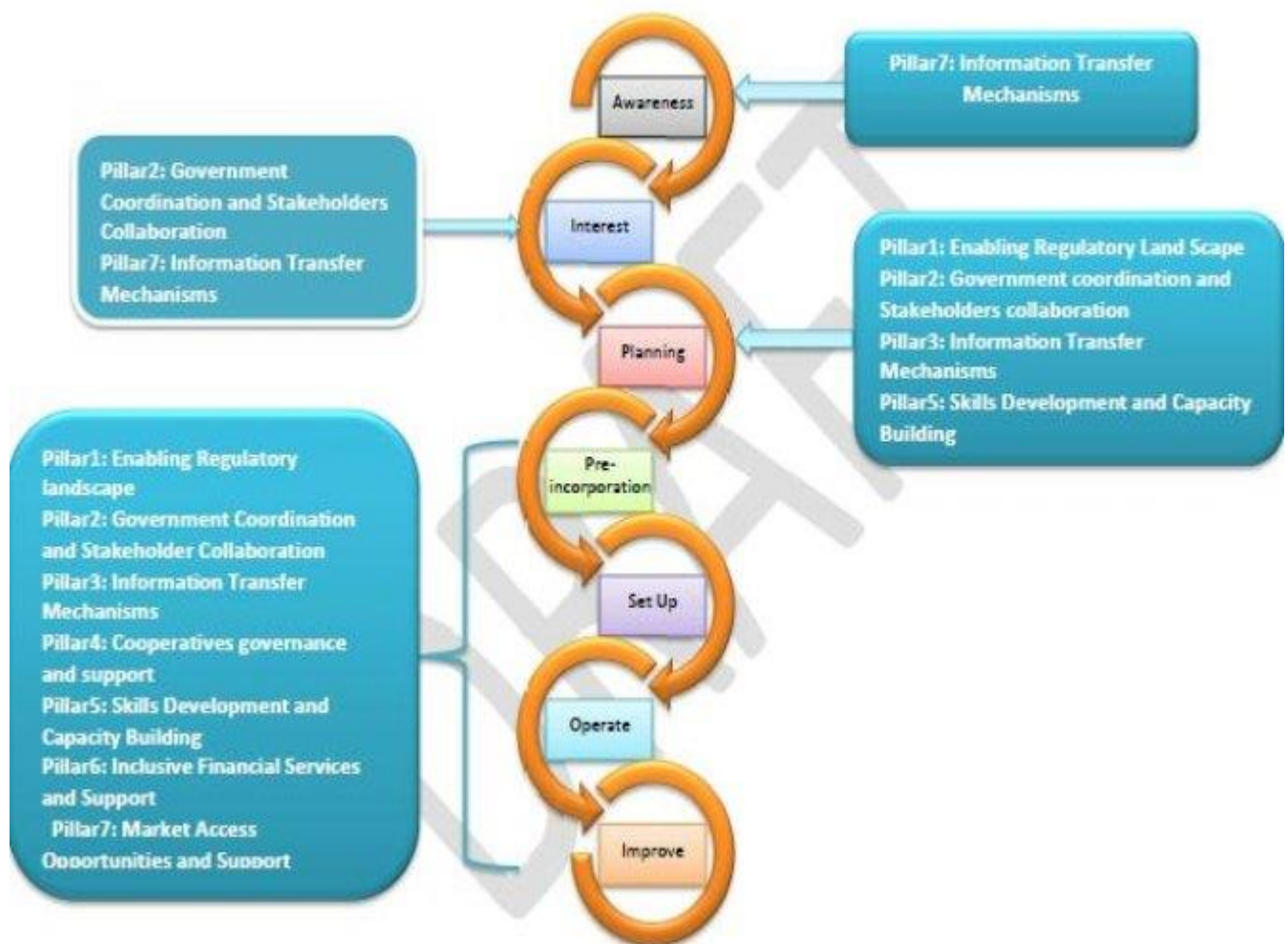


shown by the Fig below:



A *cooperatives storyline*, which details the life-cycle (from awareness to continuous improvement) of cooperatives was developed and linked with these seven strategic pillars of the KZN Cooperative Development Strategy, which are essential for cooperative growth and sustainability in KZN, as shown by the Fig below:



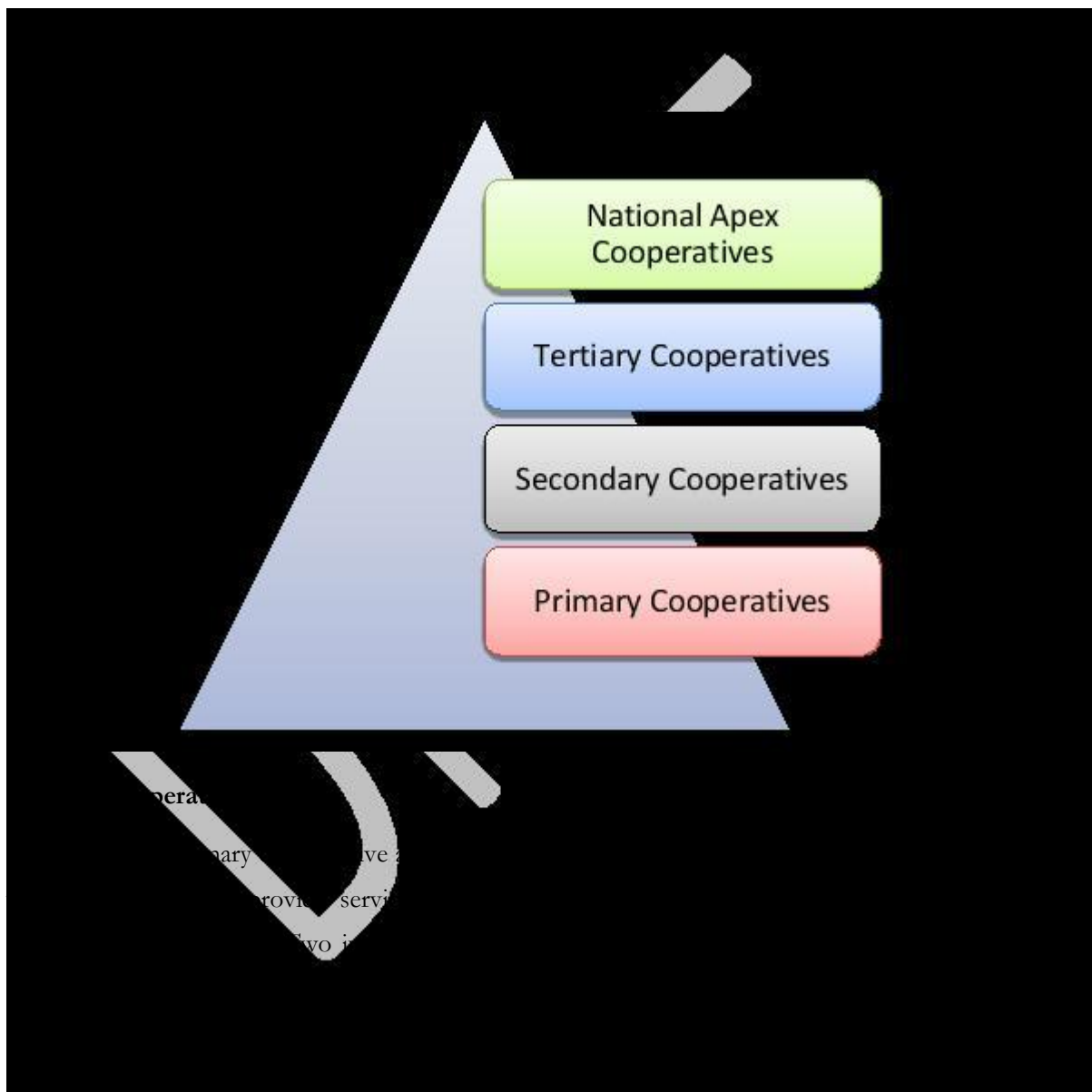


In addition, key stakeholders roles and responsibilities were clearly defined to ensure accountability and development of cooperatives in a cohesive/ integrated manner across the cooperative life cycle. Properly and systematically utilising the integrated model drawing support from various stakeholders as per the institutional arrangement through a clearly defined implementation plan will see the cooperatives sector thriving in the province.

### What is a cooperative?

A cooperative 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”, according to the international cooperative standards enshrined in the ICA Statement on the Cooperative Identity and in ILO Recommendation 193. Accordingly, cooperatives are full-fledged economic organisations active in all entrepreneurial activities, but, their entrepreneurial character is indissociable from a) their being associations of persons (and not of capital) who aim to satisfy their common needs and aspirations and b) their being jointly owned and democratically controlled by those same persons.

As per the same international standards, cooperatives are based on a series of underlying values: **self-help, self-responsibility, democracy, equality, equity and solidarity, honesty, openness, social responsibility and caring for others**. In addition, cooperative members should subscribe and uphold the following ethical values of: Trust, Honesty, Openness, Social Responsibility and Caring for others. Cooperatives should function according to seven operational principles: **voluntary and open membership, democratic member control, members' economic participation, autonomy and independence, training, education and information, cooperation among cooperatives, and concern for the community**. The members of the cooperative have a double identity: on the one hand, they are joint owners, and, as such, exert joint control and democratic management over their enterprise; on the other, they



businesses, Marketing co-operatives and Credit unions.

### Secondary Cooperatives

When two or more primary co-operatives come together because they are involved in similar activities or locality and want to promote their services in the sector in which they operate, then these are called Secondary co-operatives. The success of the secondary cooperatives greatly lies with the sustainability of the primary cooperatives. Secondary cooperatives which sadly constitute 1% of cooperatives in South Africa can play a crucial role in empowering members and providing them with necessary support. Through secondary cooperatives, primary cooperatives can benefit from co-operative values based education training to deal with internal governance challenges. Secondary coops also play a key role in organising primary cooperatives; this will result in improved networks and enhanced performance. Through secondary cooperatives, tertiary and national apex bodies can be initiated to improve the voice of cooperatives at primary and secondary levels.



- Identify meeting places where cooperatives ideas can be discussed
- Provide education and training to start a cooperative enterprise.
- Provide advice, with a group of experts and advisory
- Initiate a credit system and support from established or provisional cooperative

## 2. Meso-level

Cooperative action in development cannot be intended as merely “micro”. A “meso” dimension, corresponding to the 6th cooperative principle of inter-cooperation, is equally fundamental. Meso-level institutions are crucial to the sustainable development of cooperatives. The following meso-level structures are crucial to consolidate and optimize a cooperative development process:

- Business support institutions, deep-seated in the territory, such as cooperative development centres, training centres, advisory institutions, R&D institutions, nonbanking financial instruments (allowing for a better access to bank loans) etc. They aim at promoting and



able to share and exchange business relationships, expertise, knowledge, know-how and good practices. Network building is possible and desirable at each organisational and geographical level;

- To support the creation and strengthening of national, regional and global chains of production and distribution in which cooperatives are present partly or totally and on which they can have partial or total control

### **Cooperatives Principles**

The above principles guide the following seven cooperative operational principles.

#### **1. Voluntary and open membership:**

Cooperatives are not closed interest groups, but, on the contrary, are open to the society which surrounds them, open to all persons able to use their services and willing to accept the responsibilities of



private or public parties, or raise capital from various sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### **5. Education, training and information:**

In order to be enterprises that are really managed democratically by ordinary citizens, cooperatives necessarily have to invest important resources and energy on education, in particular entrepreneurial and management education.

#### **6. Cooperation among cooperatives:**

The same type of cooperation among members which exists in a cooperative should develop among cooperatives in a given district, nation or region and at the world level.

#### **7. Concern for community:**



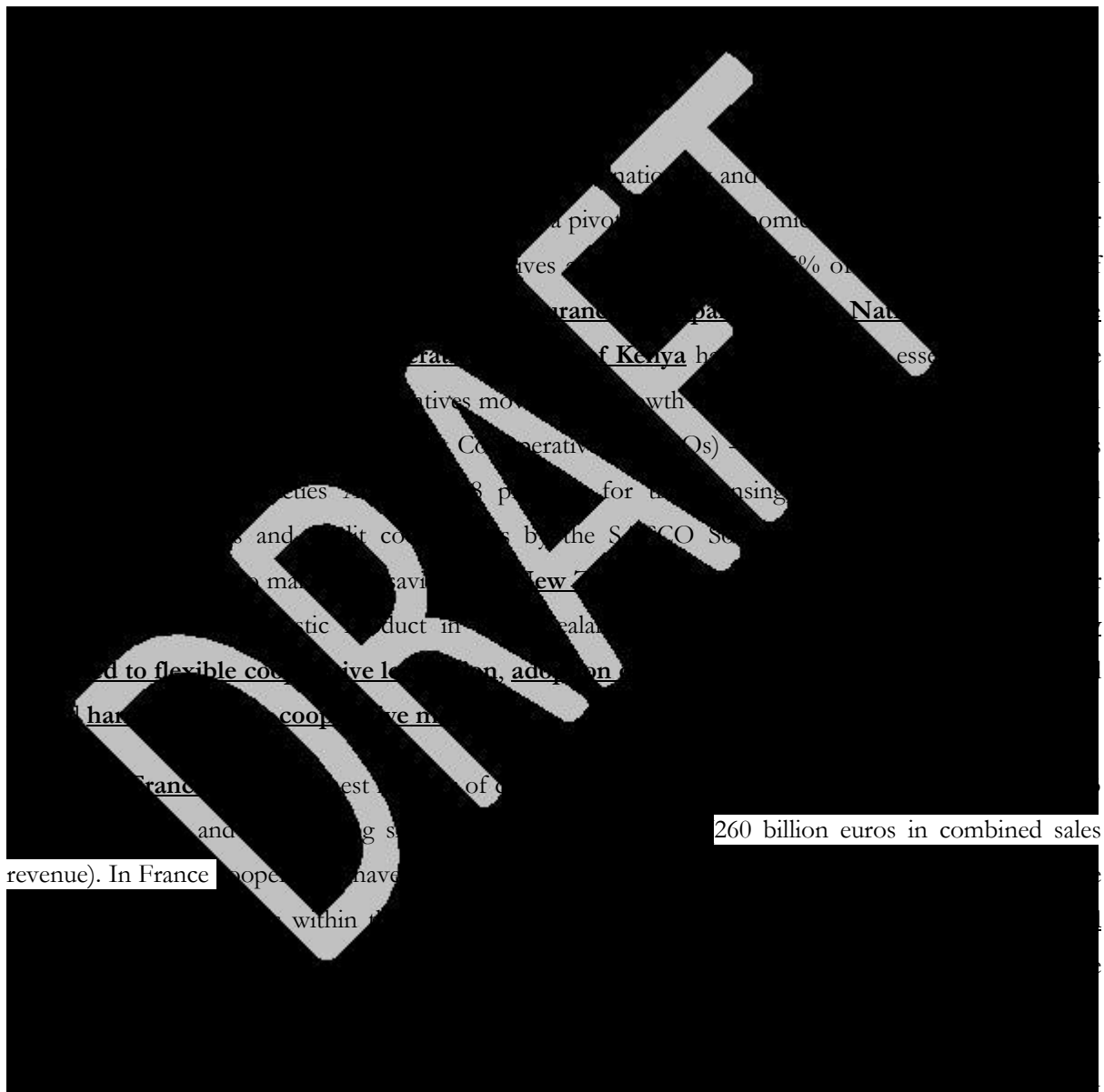
operatives. Therefore, these groups require increased levels of sustainable support.

Important amendments to legislation, policies and strategies as well as increasing challenges facing the South African economy have taken place since 2010, when the last cooperative strategy was tabled in parliament.

Such changes include the:

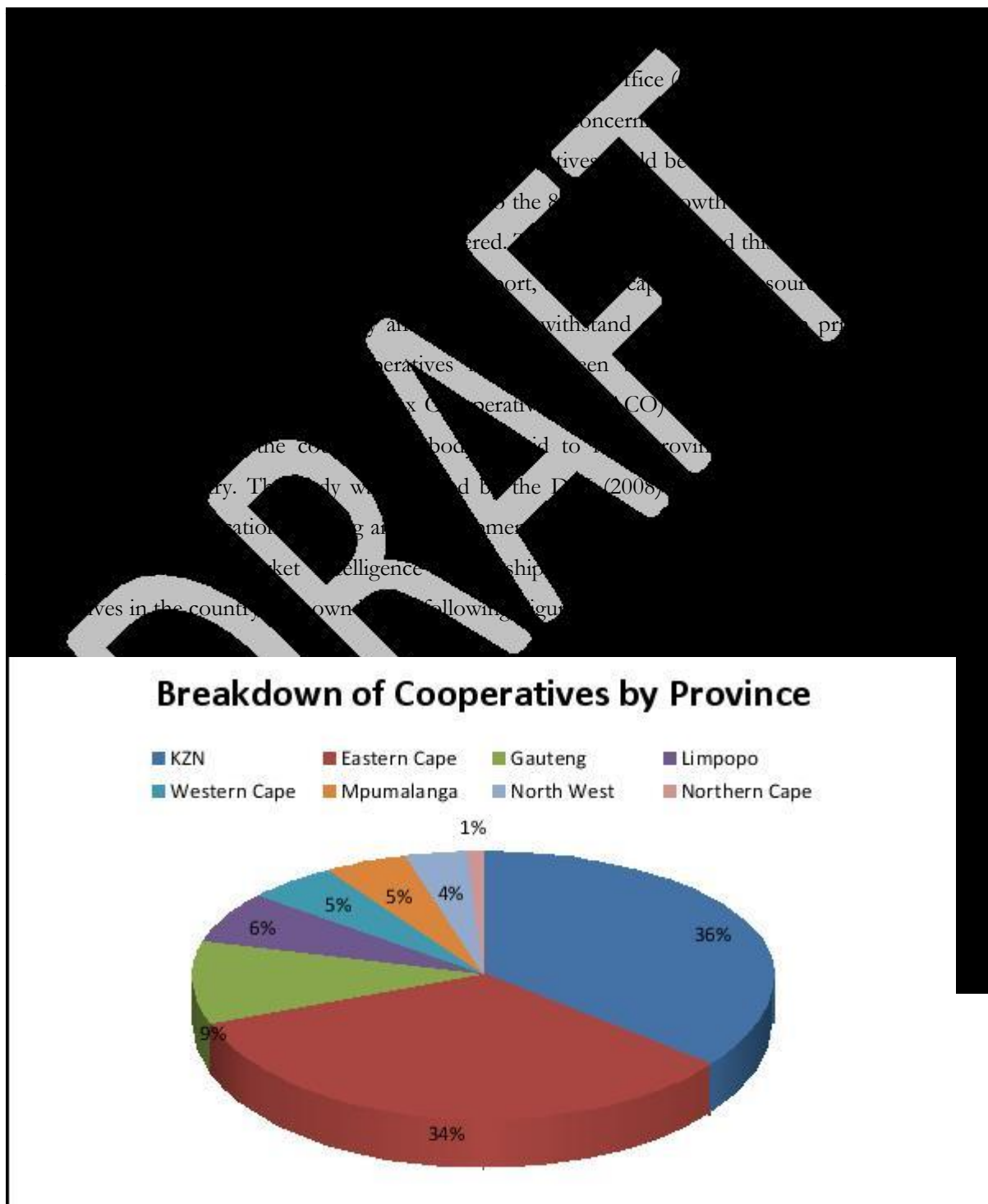
- *Amended Co-operative Act 6 of 2013,*
- Introduction of the *Co-operative Administrative Regulations, 2015*
- Local, provincial and national development plans and policies

This strategy incorporates these key developments in legislation and policies, key stakeholder feedback, as well as focus on developing a structured support system and a well-established co-ordination structure in line with the cooperative regulatory provisions. Additionally the strategy provides key amendments to the 2010 Cooperatives strategy.



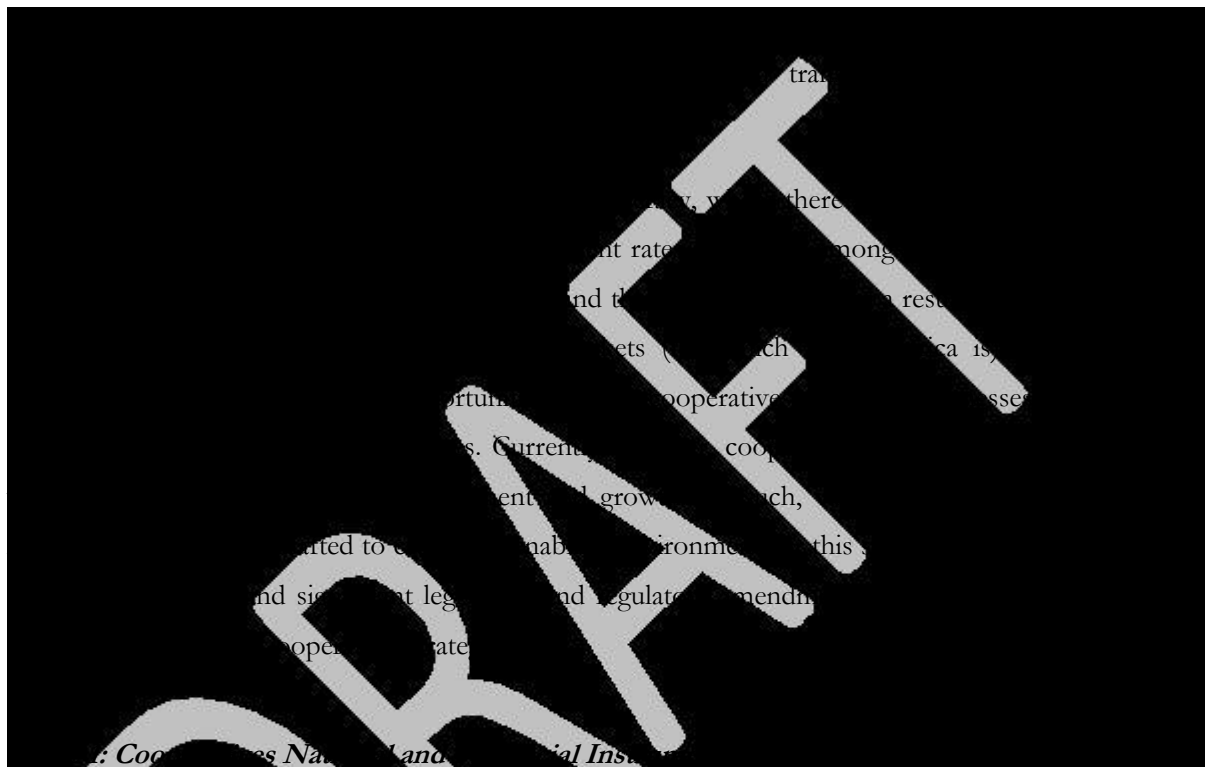
2005 and December 2007, cooperatives membership grew by 4.9% to 6.32 million members with a share capital and assets of USD1.7 billion and USD10.6 billion respectively. The following are some of the notable key drivers behind the sector growth, **National Cooperative Policy** roll-out from 2002-2010, Establishment such strategic organs like National Cooperative Consultative Council and pro poor initiatives such as KOBERA has led to the significant growth of the cooperatives sector. KOBERA is a pro poor organisation in Malaysia where small scale economic activities it undertakes are meant to help members improve their socio-economic lives via enhanced income levels. This has become a vehicle in developing the socio-economic status of the poor especially in the rural areas.





**Figure 1: Breakdown of Cooperatives in South Africa by Province**  
**Source: State of Cooperatives in South Africa 2012- Labour Market Intelligence Partnership**

Eastern Cape Province which is the second behind KZN is also ranked as the poorest province in South Africa and therefore poverty has been found to be one of the key factors leading to the growth of cooperatives in this Province. Other factors contributing to the growth is the available telecommunication and transport infrastructure present in the province. Through the studies previously conducted it has



	<p>an audit of independent review</p> <ul style="list-style-type: none"> <li>○ Category B: Small to medium sized. Each member receives one vote. Required to produce an independent review report</li> <li>○ Category C: Medium to large businesses. Required to produce an audit report (no exemption option exists)</li> </ul> <ul style="list-style-type: none"> <li>• National Apex Cooperative: Established in order to engage organs of state, private sector and stakeholders on behalf of the members as well as advocacy</li> <li>• Registration of cooperative: scope has been widened.               <ul style="list-style-type: none"> <li>○ Minimum of 5 natural persons</li> <li>○ 2 Juristic persons</li> <li>○ Combination of any 5 persons (natural or juristic)</li> </ul> </li> <li>• Tribunal which is to be established for improved governance. This is envisaged to improve overall co-ordination amongst cooperatives.</li> <li>• Introduction of social reports in order for cooperatives</li> </ul>	<p>be given on ing Coop Unit ent agency in separate from is established nce to Chapter ended act. The unit under be aligned with well as with departments like</p>
		<p>SBDA</p> <ul style="list-style-type: none"> <li>• Facilitate training for the Coop Unit on the Act requirements</li> <li>• Scope of cooperatives have been widened through introduction of Associate membership, categories of primary coops, national Apex coops and registration requirements- therefore <b>amend the types of coop section</b></li> <li>• <b>Increased transparency</b> as category B coops and category C coops require independent reviews and audits (respectively) without the option to exempt (state this is in the strategy)</li> <li>• More detail required for cooperative principals-</li> </ul>

			<p>are people to involved in communities educated on the operatives role of the discussing the of the the structure. The linked and the current erative Unit to and timely provision to</p>
	<p>the business support ation, registration, busi- ship, and registra- serv</p> <ul style="list-style-type: none"> <li>o Guide to compliance with acts, and strate</li> <li>o Develop and in de partnership with C and unio</li> <li>o The 7 cooperative include a de</li> </ul>		<p>ment agencies accordance with the new act must with the admin the agency will eration (pre and</p> <p>ce on financial social reporting communicated</p>
	<p>with other coops on a national and international basis) Operates as a support system</p> <ul style="list-style-type: none"> <li>• Financial reporting and social reporting guidance on compliance</li> </ul>		<p>to members such that there is compliance</p>
<b>National Development Plan, 2011</b>	<ul style="list-style-type: none"> <li>• Empowering and development of rural economy</li> <li>• Increased support for small businesses and strengthened financial services support to enhance entrepreneurial development and growth</li> <li>• Commitment to private and public procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Setting up strategic institutional and government (provincial and local) structural arrangements are required to be in place to improve the modicum of outreach and support to SMMEs especially in townships and rural areas</li> <li>• Communication and facilitation processes between government and small businesses to be clearly defined so as to allow small businesses access and participate in these support programs</li> </ul>	

			<p>improved level of engagements with government and the private sector</p> <p>development and growth of informal cooperatives in the development sector</p> <p>employ experts in academia, venues, and networks to be done for each department/department to provide support and channels to the</p>
	<p>Establishment of mechanisms to ensure development and growth of cooperatives through design of programmes with agency and commitment</p> <ul style="list-style-type: none"> <li>Developing employment through cooperatives focusing on job creation and employment</li> <li>Increased competition for small businesses</li> <li>Establishment of local and market access for small business</li> </ul>		<p>and alignment of capacity programmes to be implemented to improve members' management and</p> <p>local and market access for small business</p>
of Cooperatives, 2011	<ul style="list-style-type: none"> <li>EMIA</li> <li>Preferential procurement (Enterprise Networks Program)</li> </ul>		<p>business campaign</p> <p>ing training to cooperatives to programs</p>
KZN Provincial Government Procurement Indaba, 2015	<ul style="list-style-type: none"> <li>Introduction of preferential procurement through implementing set asides for small and youth owned businesses</li> <li>Reducing red tape for small enterprises in procurement processes by government and SOEs</li> <li>Implementation of preferential lending model for small cooperatives/businesses from financial services providers</li> </ul>	<ul style="list-style-type: none"> <li>Improved access to markets and less competition from established businesses</li> <li>Ready and tailor made financial support as commercial banks are required to have at least 30% of their loan books reflecting issuance to previously disadvantaged groups</li> </ul>	
KZN SMME Development Strategy, 2009	<ul style="list-style-type: none"> <li>Facilitation of Research and Development</li> <li>Provision of provincial and district operational and technological infrastructure</li> <li>Establishment of governance and management structures for SMMEs to improve provincial and district support</li> </ul>	<ul style="list-style-type: none"> <li>Development of tailor made training programs for SMMEs and provision of supportive infrastructure</li> </ul>	

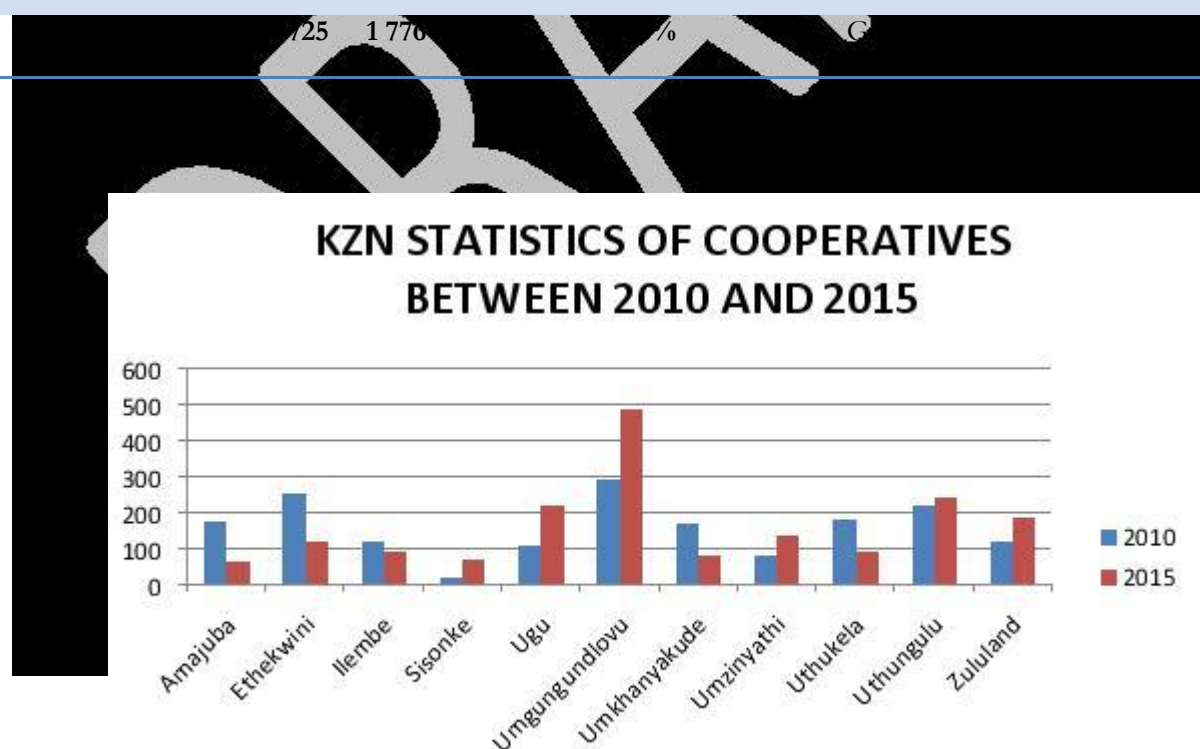


below is a summary of various findings identified from the statistical analysis. Below are statistics extracted from the *Draft Cooperative Summit Concept Document*:

**Table 2: Number of Cooperatives Registrations: 2010 vs 2015**

NAME OF DISTRICT	2010	2015	TREND	PERCENTAGE	COMMENT ON % CHANGE
Amajuba	174	61	-113	65% Decline	General mortality rate after 2 years
Ethekwini	252	120	-132	52% Decline	General mortality rate after 2 years
Ilembe	119	88	-31	26% Decline	General mortality rate after 2 years
Harry Gwala	16	69	53	331% Increase	Underperformance was rectified through more awareness of the programme
Ugu	107	216	109	102% Increase	Ugu District Municipality committed

					resources to the programme	
						Head Office are
UMkhanyakude	171	82	-89	52%	Decline	General mortality rate after 2 years
						identified through
Uthukela	178	88	-90	51%	Decline	General mortality rate after 2 years
Zululand	121	186	65	54%	Increase	District coordinator was appointed and engage on awareness campaign



**Figure 2: Cooperative registration**  
(Source- Draft Cooperative Summit Concept Document: 2015)

Analyses from Table 1 and Figure 1 respectively, reveal that cooperatives are being deregistered at the same rate as they are being registered. In some regions there have been sharp declines since 2010 where in other regions there has been notable growth. Amongst the registered cooperatives, there are a number which are either not operating or are struggling to survive. General reasons for deregistration includes, the following;

- Court order to wind up the business if it has debts it is unable to pay off
- Not doing the business for which it was initially intended
- Non-compliance with its constitution
- Fraudulent activity in order to get registered

## Categories of Cooperatives

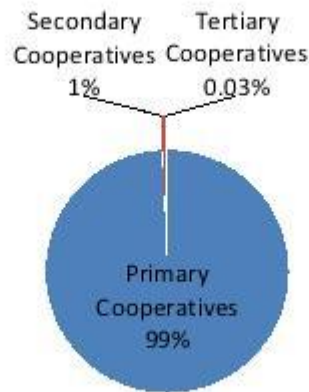


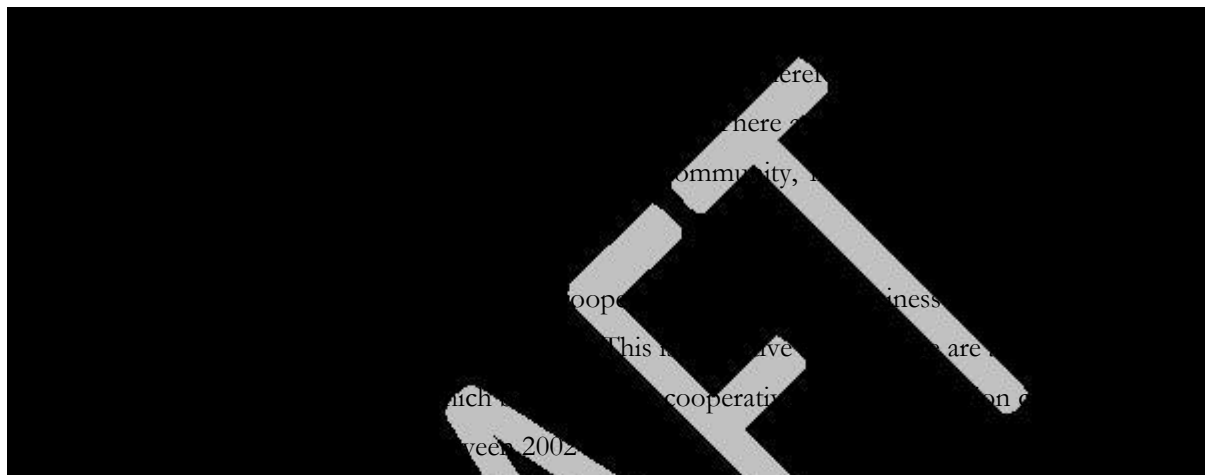
Figure 3: Categories of Cooperatives

however the amended act extends criteria to juristic persons. Secondary cooperatives are important in providing support in various forms to primary cooperatives. There are vast opportunities to grow the secondary cooperative sector especially considering the critical need for added support structures available to cooperative members. The secondary cooperatives that are in existence are seen to mainly provide:

- Administrative supports, expert project management
- Skills development, professional mentorship
- Market access
- Financial support applications and management of funds
- Recruitment, training and management/financial support services

The scope of tertiary cooperatives is wider than those of secondary cooperatives (although the purpose remains the same which is to provide support services to members). The recipient members are from various sectors as well as from secondary cooperatives. This form of cooperative is the link between the





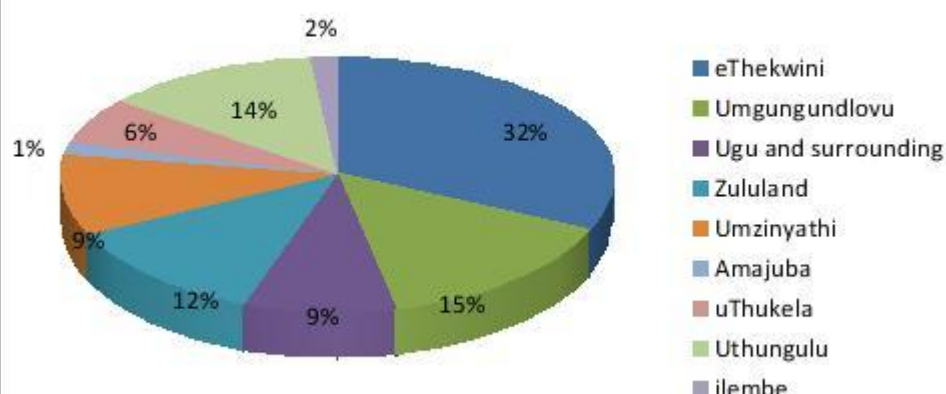
## Status of Cooperatives in KZN



in eThekweni and uMgungundlovu followed by uThungulu (Figure-5 below) as indicated below. The reason for such a set up being that these areas are close to urban areas where infrastructure is fairly developed and available, thus increasing accessibility of information to cooperatives and the community.



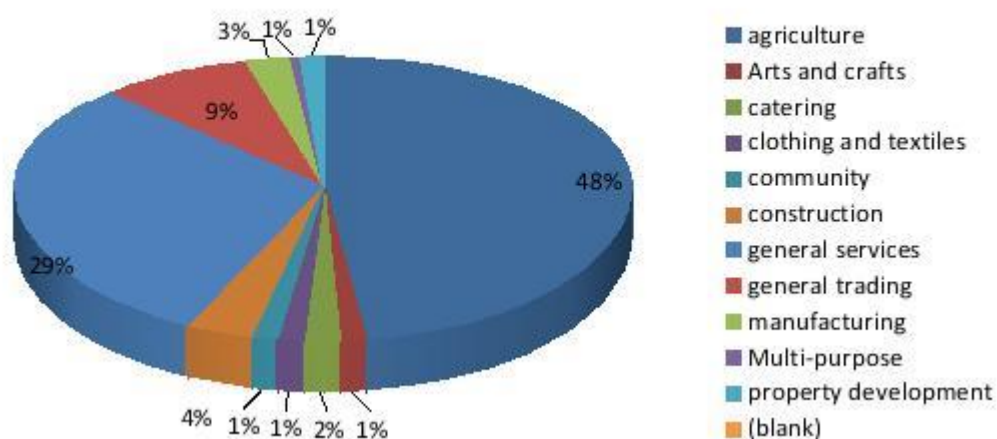
## Cooperatives by District



## KZN Cooperative Distribution by Region

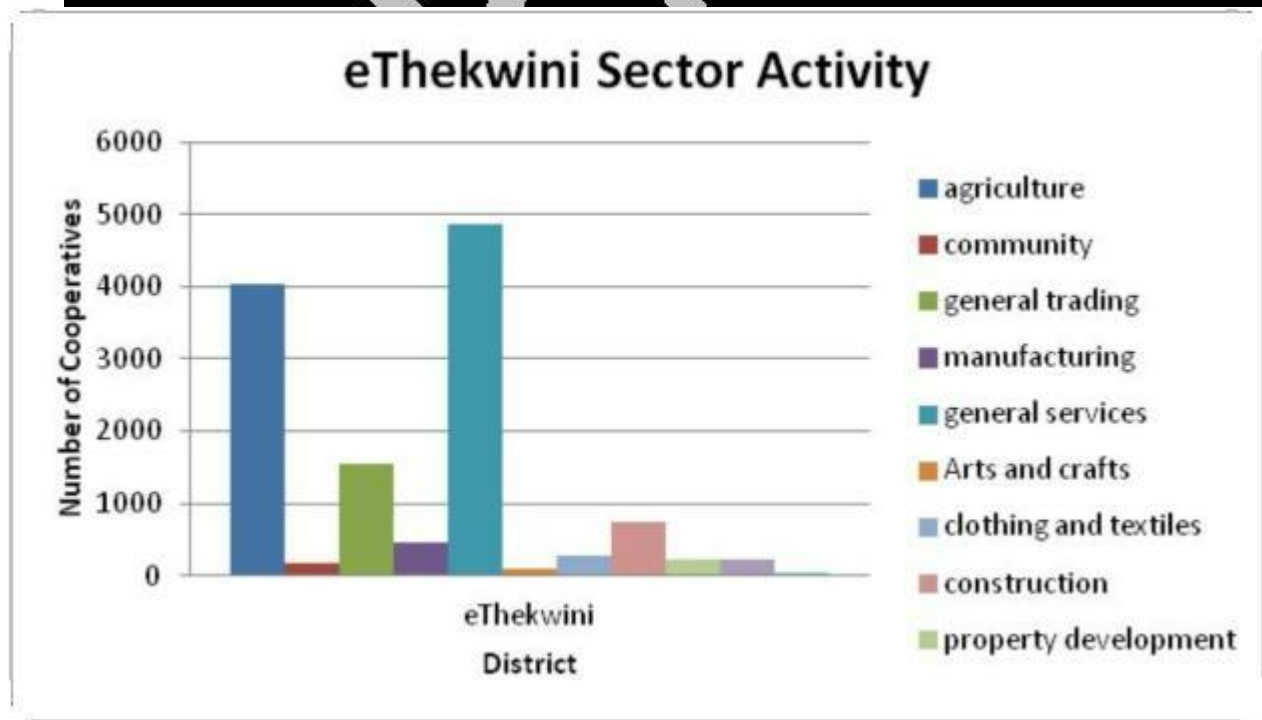
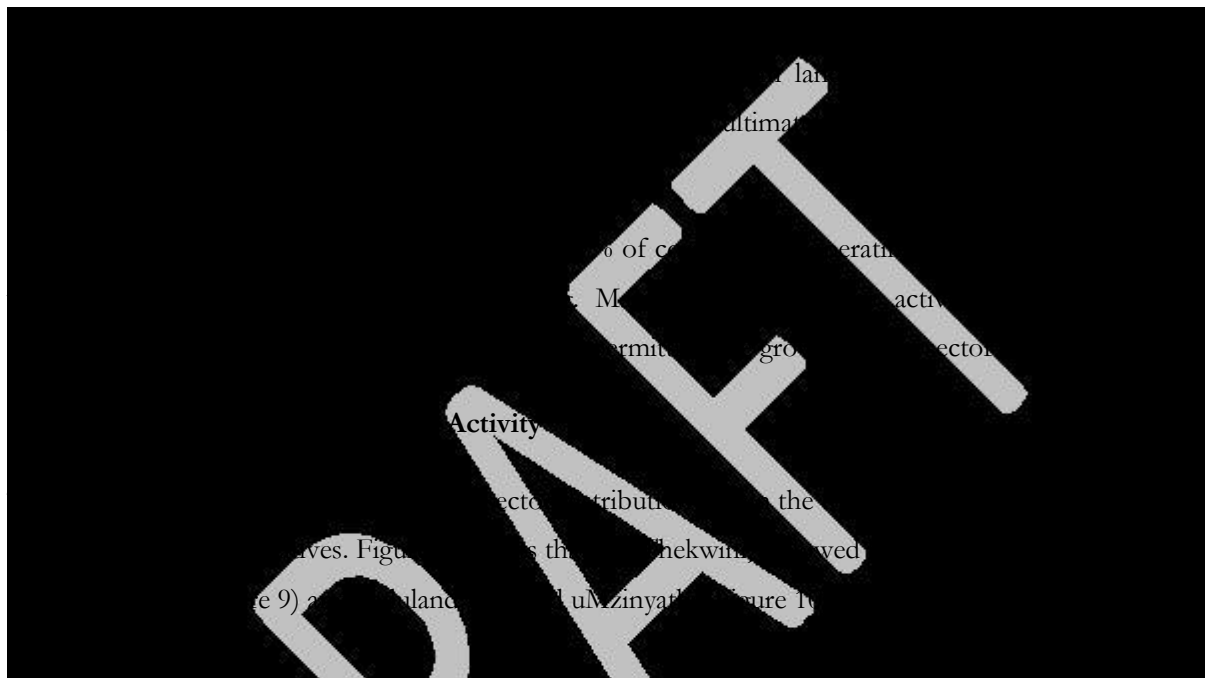
g sector of the province inc  
(refer to below)

## Cooperatives by Sector



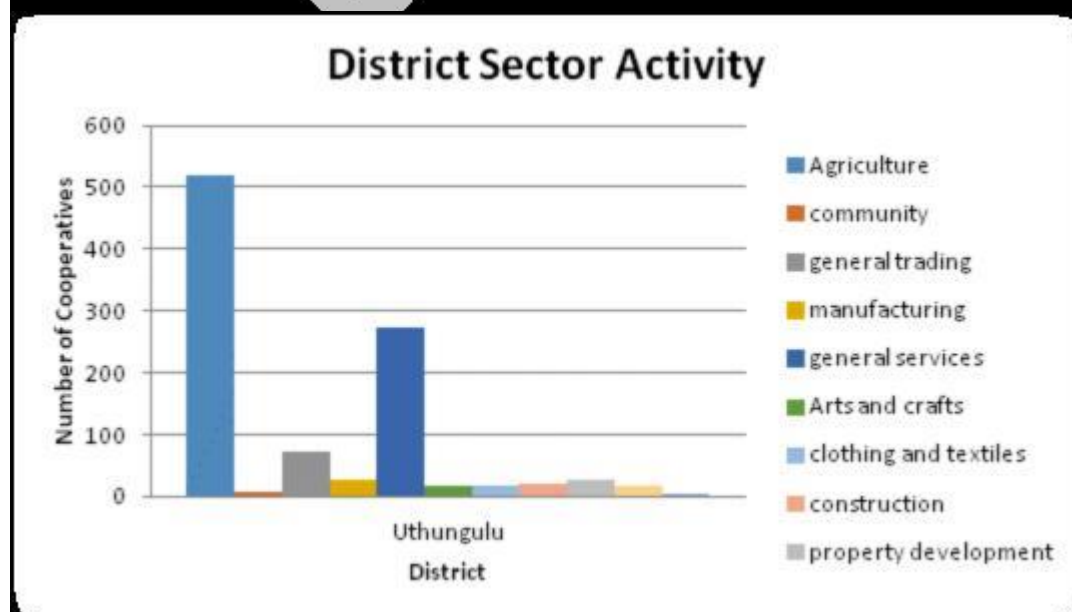
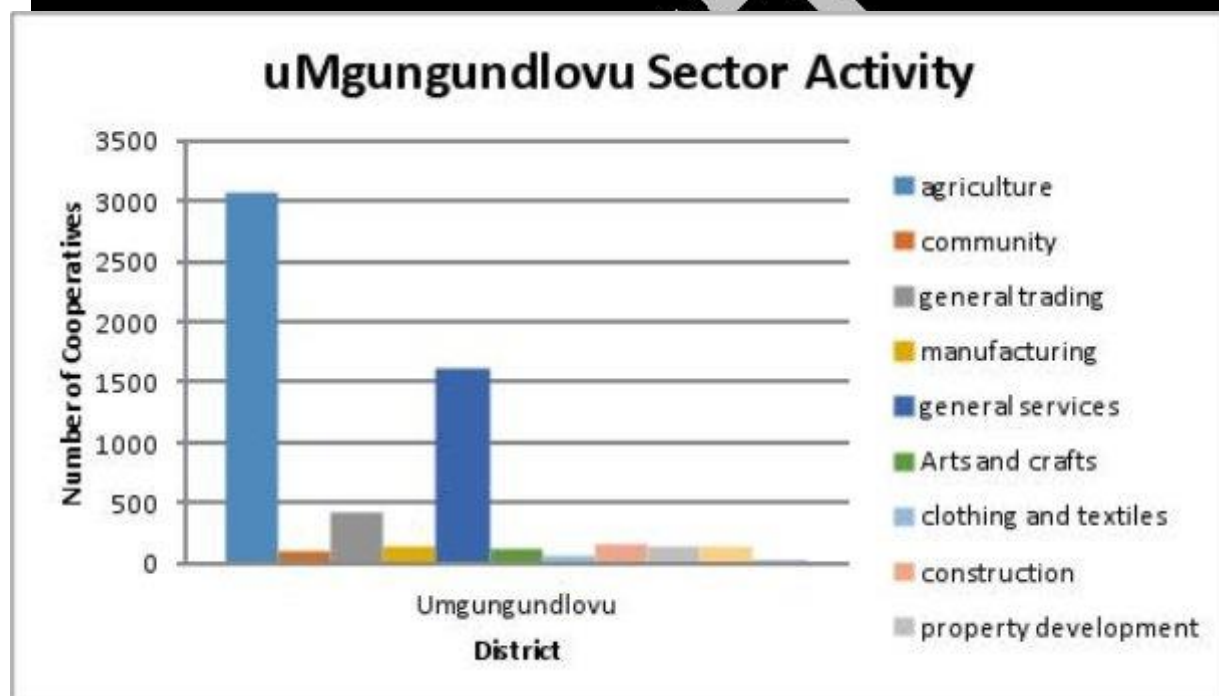
**Figure 6: KZN Cooperative Distribution by Sector**

As illustrated above, there is a high concentration of cooperatives in the agricultural sector which is a positive trait considering the province's rich agricultural landscape. Agriculture is considered a '*low hanging fruit*' to promote rural and community development as well as facilitate widespread job creation. As such

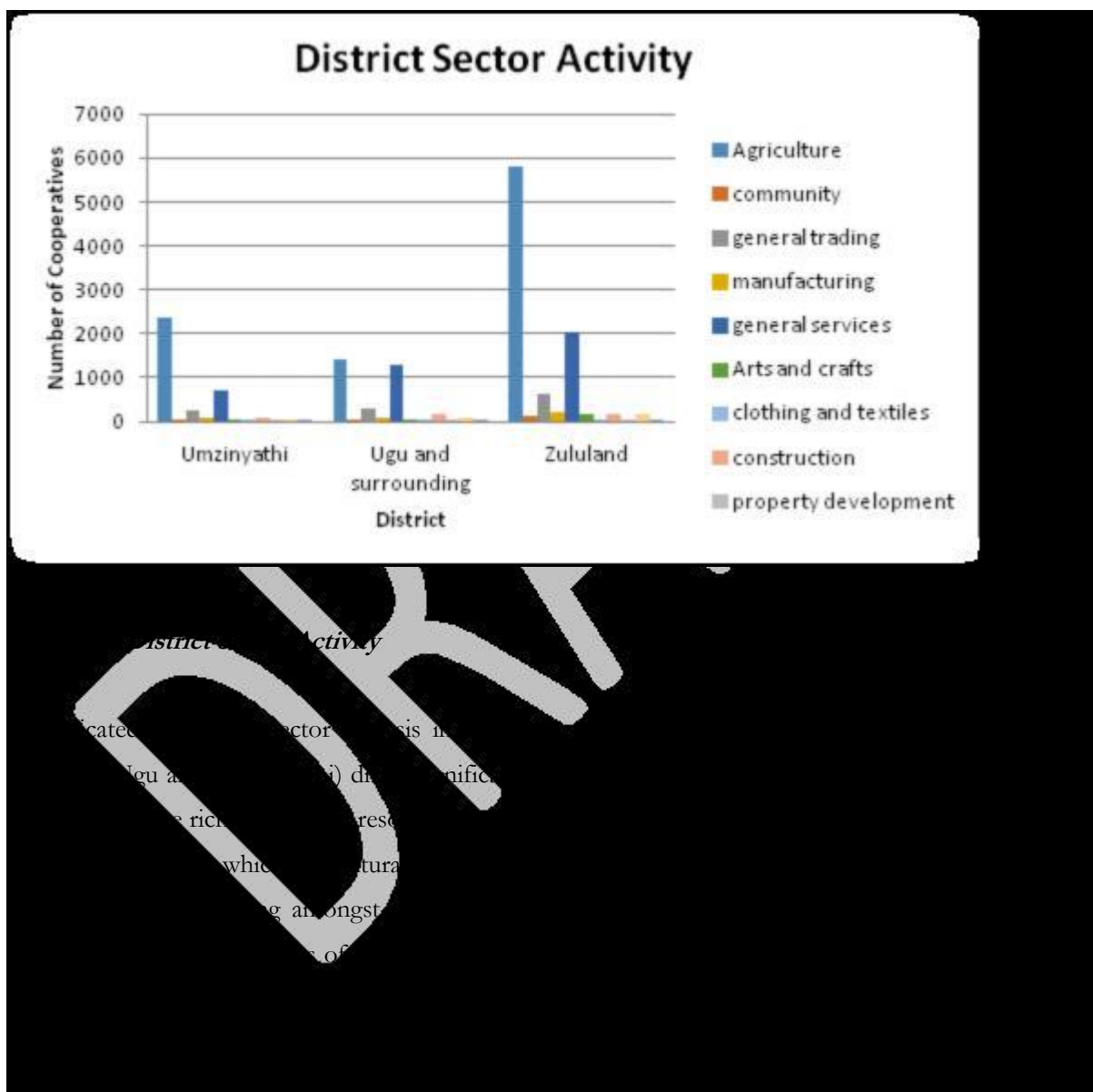


**Figure 7: eThekwini Sector Activity**

As can be seen above, general services emerge as the sector with the highest cooperative activity. The infrastructure as well as the general target market within the metropolitan allows for services businesses to grow and develop whereas the outskirts of eThekwini contains large expanses of fertile land enabling agricultural activities to flourish hence resulting in the agricultural sector being the second highest active sector. Furthermore the eThekwini graph indicates the need to actively identify opportunities in the manufacturing, community, construction, art & crafts and clothing and textile so as to support



*Figure 9: uThungulu Sector Activity*




### Priority Sector Focus

Based on the foregoing statistical analysis the following priority sectors per district have been noted as predominant and therefore present great potential for growth:

**Table 3: Table 5 Priority Sector Focus**

District	Zululand	UMzinyathi	Amajuba	iLembe	uThukela	uThungulu	Umlathuze	Ugu and surrounding	UMgungundlovu	eThekweni
Agriculture		√		√	√	√	√	√	√	√
Services			√	√		√		√		√



	
Board.	
Increase the number of cooperatives in local municipalities through developmental and cooperative support programme.	<p>Generally there was stagnancy in the cooperatives provincial growth (0.03%) for the period 2010-2015. Districts like Uthukela (-90%) and Amajuba (-65%) registered the highest number of cooperatives declines/closures, whilst other districts like Harry Gwala (331%) and Ugu (102%) registered a significant increase in cooperatives registrations. Further research indicated that majority of registered cooperatives are not operating and those that are operating are struggling and surviving from hand to mouth.</p>

However it's noteworthy that initiatives suggested during the Cooperative Summit that was held in Durban (2015) underscore the provincial government's commitment to addressing various challenges



**Table 5: SWOT analysis of Cooperative Landscape in KZN**

Strengths		
✓ Commitment from the provincial government to initiate and facilitate innovation among cooperatives through continued R&D	✓ Strong and promising Agricultural and Services sector	✓ Establishment of the provincial informal business forum to address challenges faced by cooperatives at inception.
✓ Availability of world class reputable institutions to provide research centered support targeting cooperatives.	✓ There are various tools and instruments available to facilitate support to cooperatives	✓ Provincial support through tailor-made initiatives facilitated by district led agencies
✓ Cooperatives members	✓ There are a number of successful cooperatives in South Africa and KZN, from which developing cooperatives can learn	✓ Improved cooperative sector end to end support through integrated

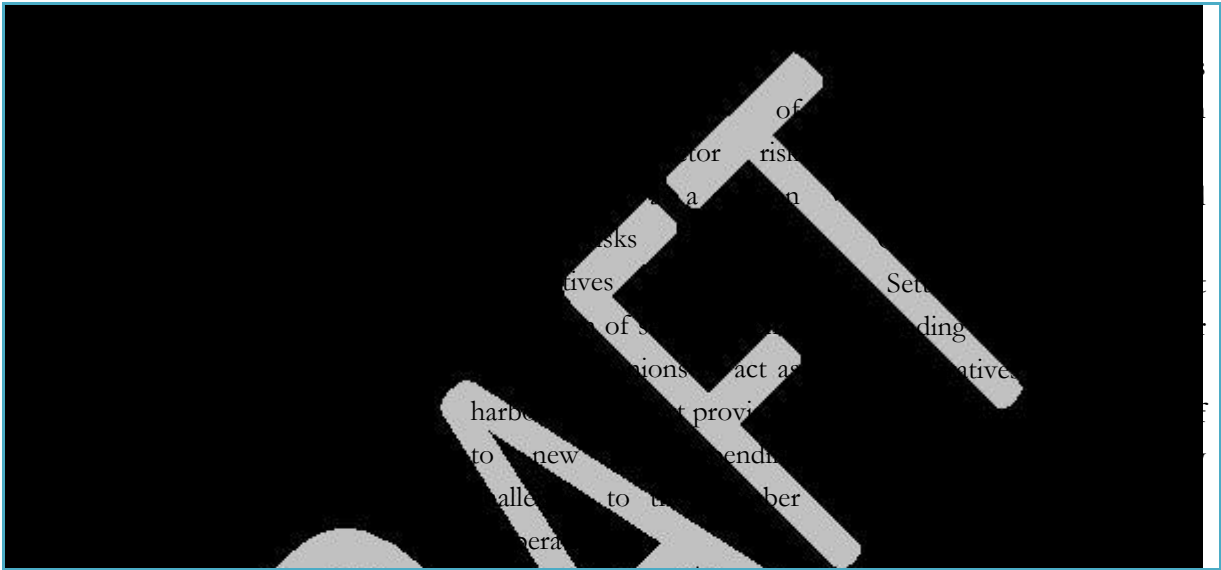
## Weaknesses

political interference

## Opportunities

✓ Scope of cooperatives have been widened and registration is encouraged through amendments of registration criteria	✓ Initiation of a cross-sector franchise model to mitigate market/product expansion or diversification challenges	✓ Cooperatives tribunal to deal with member conflicts and improve coops governance
✓ Legislation amendments allow for improved coordination through the establishment of tribunal	✓ Establishment of a mandatory cooperative college	✓ Initiate preferential procurement for local coops by the government and private sector
✓ There is vast agricultural land in KZN which	✓ Initiating unemployed graduates cooperatives	✓ Launch coops database and website
	✓ Improved coordination of various government	✓ Implement a one stop coach





## Threats



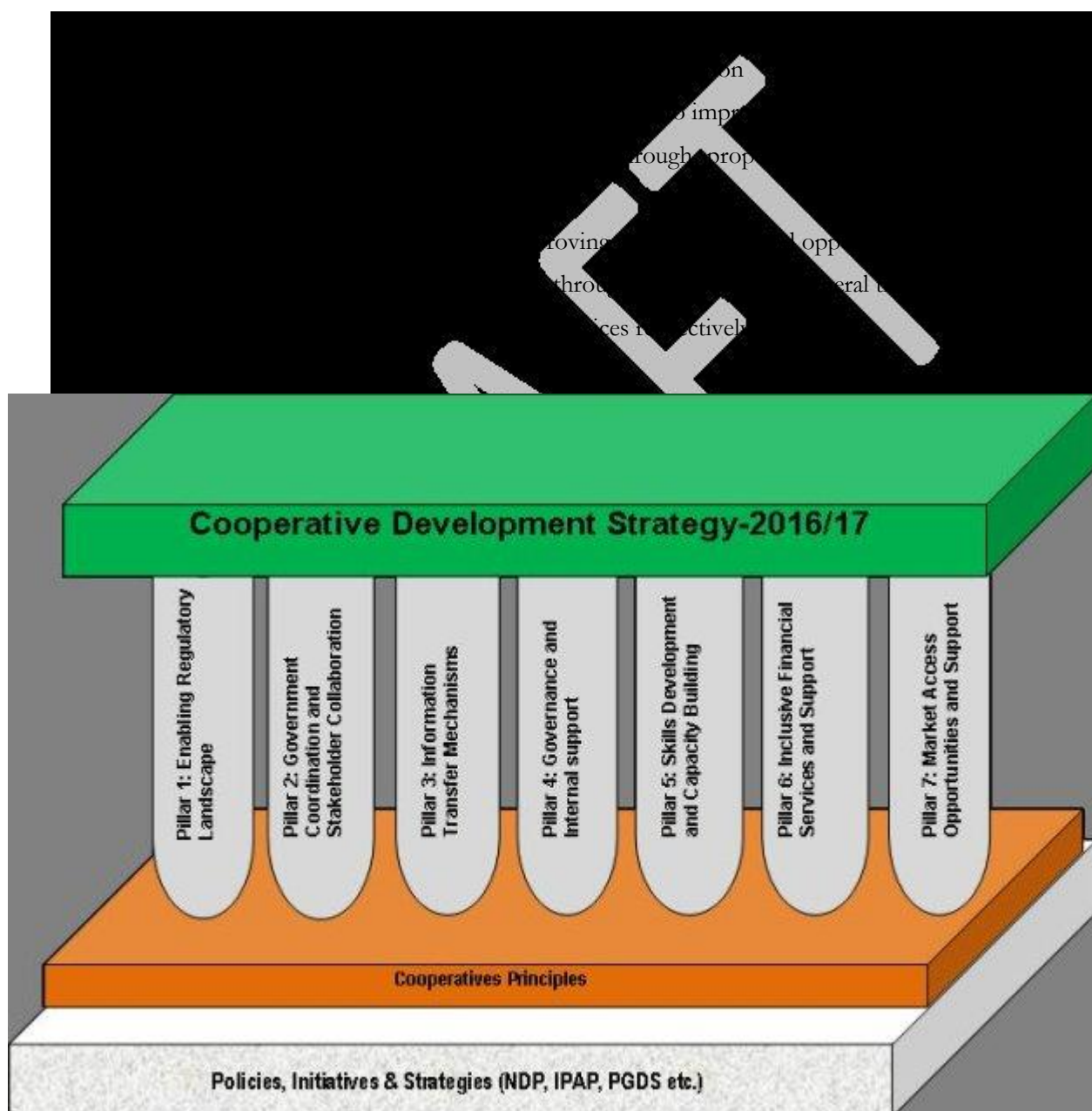
regarding cooperatives as social and not business entities	✓ threaten sustainability	supporting cooperatives sector
✓ Sluggish economic growth can adversely impact the already subdued cooperatives client base	✓ Technological breakthroughs can impact on some of the sector's competitiveness	✓ External factors (drought and crime) hampers sector growth
✓ High cost of doing business in the province	✓ The Cooperative Development Agency may not pick up as intended	✓ Acts may be misinterpreted therefore resulting in non-compliance
✓ Lack of innovation resulting in one sector being oversaturated		✓ Registrations of cooperatives may increase rapidly but the support structures may not be strong enough or



- Facilitating road shows and awareness campaigns aimed at promoting and protecting image and identity of cooperatives as well as improving interest in the cooperatives business model
- Creating an enabling legal and regulatory environment for cooperatives development in KZN

### **Strategic Objectives**

- To stimulate an inclusive cooperative business concept through a flexible and enabling regulatory landscape
- To encourage and cement ethos of social entrepreneurship at all levels through skills development and capacity building programmes
- To encourage the spirit of partnership and prosperity through improved governance and internal conflict resolutions





sustainability

- Reduction of Red tape (cost of doing business) for cooperatives and supportive stakeholders
- Various stakeholders including the Cooperatives Provincial Task Team will be responsible for promoting and overseeing various pieces of cooperatives centred regulatory policies.

Currently the regulatory environment is not conducive as marked by high levels of bureaucracy which exacerbates corruption, nepotism and arbitrary political interface in cooperatives related issues. Red tape in accessing finance, abuse of grant funding, fragmented information flow, lack of government structures accountability, poor private sector involvement in cooperatives and incessant member conflicts are some of the challenges testifying a somnolent regulatory environment.

## **Pillar 2: Government Coordination and Stakeholder Collaboration**



support to the cooperatives sector

- Upgrade the capacity of the EDTEA Cooperative Unit to ensure timely and relevant cooperatives support.
- Coordinate communications to flow through one government department (EDTEA) in order to improve accountability and coordination of other stakeholders' roles and support through the existing cooperatives unit.

The current cooperatives trend indicates that government coordination and stakeholder collaboration structure is conspicuously weak. Government departments/agents operate in silos; this is further worsened by concerning levels of corruption and nepotism as well as government making empty promises. Local municipalities have been found not to be providing the much needed support for cooperatives as well. Additionally, government officials are not properly armed with the knowledge and technical information regarding cooperatives hence deepening the already weak support structures.



#### **Pillar 4: Cooperatives Governance and Internal support**

In order to minimise the main challenge of cooperatives internal members conflicts due to poor management of divergent views this pillar provides the means through which such hurdles can be effectively dealt with or even averted. Internal member conflicts need to be properly dealt with and the following interventions are fundamental in achieving this;

- There is need for careful selection of members before registration, this should be based on members' common needs.
- Government should assist cooperatives to implement proper internal governance structures through frequent meetings which should lead to improved communication and transparency



provided. Government in partnership with relevant cooperative bodies can play a key role in ensuring personnel and provision of funding for these trainings.

- Ensure government training officials are adequately capacitated and also partner with private sector cooperatives field experts to conduct trainings.
- Currently there are incubators being run by SEDA, however there remains a need for business management skills to be introduced and integrated with the current training model.
- Introduce entrepreneurship training and workshops in schools to encourage youth involvement. EDTEA and Small Business Development Ministry will play a pivotal role in lobbying the Department of Education to implement this and also initiation of MoUs with Tertiary institutions like Colleges, FETs and Universities.
- Establish an active and functional cooperatives Task Team including a wide array of stakeholders



- these conditions are not too inhibiting
- Members are to be encouraged to combine their own resources at start, and only after having been operational for a while should they consider further external funding for expansionary purposes.
  - Set up social financial institutions like CFIs, Micro-finance and Provincial Cooperatives Banks to support cooperatives growth through provision of tailor made funding and saving instruments. This will encourage cooperatives to be more proactive in their savings. Establishing a regulatory board for licensing, regulation and supervision of these institutions as well as deposit taking cooperatives is imperative in order to ensure compliance and minimise risk of financial losses dues to mismanagement.
  - Set up provincial and finance task teams to look into cooperatives funding model
  - Create an accommodating and clear grant funding policy for cooperatives





cooperatives' sustainability in the province. The following key interventions are instrumental in ensuring the impact of this pillar;

- Involve private sector through incentives to support cooperatives through B-BBEE economic development and social development initiatives
- There is need for a complete rebirth of the cooperative business model. Establishment of the Cooperatives Task Team to play a pivotal and leading role in assisting coops get market access leads and identification of key sectors. Through the activities of the Task Team and other stakeholders, cooperatives will be encouraged to form various networks through federations (secondary and tertiary coops) so as to provide market to each other (intra-trade) and thus parry off significant competition from IOF businesses.
- Improve supportive infrastructure (especially for rural cooperatives) and formation of secondary and tertiary cooperatives which in turn will offer both market and support to primary cooperatives. Ensuring sustainability of primary cooperatives should be the key focus and thus



proposal and carry no legal push to the private sector players. Cooperatives are also finding tender requirements to be too inhibiting for cooperatives to participate in as well, and dedicated training from government staff well versed with tender procedures could be helpful. Rural cooperatives are the most affected due to lack of necessary infrastructure and logistical arrangements to utilise in supplying their products to distant markets. Many cooperatives are facing market challenges due to supplying poor quality products/ services. Cooperatives should be assisted to acquire skills necessary to access markets in the open market in the long term. Avoid adopting policies that forever affirms less competitive behaviour which is a drain in the resources of the state and ultimately distorts markets and achieves a false unsustainable economy. Through sustainable cooperatives the intention is to build a “real economy” as opposed to a “false economy”.

### **Potential Sectors for Cooperatives in KZN**



Priority sectors as per PGDP	Key catalytic projects (current/ planned)	Spatial Considerations: <i>District Comparative Advantages Report, 2012)</i>	Existing and Stable Sectors ( <b>Bold</b> ) and Emerging Sectors( <b>Red</b> ): <i>District Comparative Advantages Report, 2012)</i>
	<ul style="list-style-type: none"> <li>• [REDACTED] Ezazi</li> <li>• [REDACTED] the e</li> <li>• [REDACTED] broug</li> <li>• [REDACTED] al n</li> <li>• [REDACTED] i.</li> <li>• There</li> <li>• [REDACTED] al settlement and limited</li> <li>• [REDACTED] sisten</li> <li>• [REDACTED] and use</li> <li>• [REDACTED] crop production</li> </ul>	<p>rcourt, Bergville and</p> <p>les</p> <p>trict</p> <p>auteng, Newcastle and</p> <p>owned by the</p> <p>al settlement and limited</p> <p>ne district is extensive</p>	<ul style="list-style-type: none"> <li>• <b>Land and Water Transport</b></li> <li>• <b>Food and beverage processing (Pork products and chocolate drinks)</b></li> <li>• <b>Agriculture and Hunting</b></li> <li>• <b>Clothing and textiles</b></li> <li>• <b>Renewable energies</b></li> </ul>
	<ul style="list-style-type: none"> <li>• [REDACTED] bedal</li> <li>• [REDACTED] ds B</li> <li>• [REDACTED] me</li> <li>• [REDACTED] Richards Bay ID</li> <li>• [REDACTED] andi</li> <li>• [REDACTED] ds B</li> <li>• [REDACTED] Tech sub</li> </ul>	<ul style="list-style-type: none"> <li>• [REDACTED] mmer</li> <li>• [REDACTED] sta</li> </ul> <p>is concentrated along</p> <p>d Empangeni.</p> <p>s of heavy industry,</p> <p>ctivity</p> <p>ion corridor</p> <p>he jurisdiction of the</p> <p>gely underutilised.</p>	<ul style="list-style-type: none"> <li>• <b>Forestry and logging</b></li> <li>• <b>Wood processing</b></li> <li>• <b>Metal and machinery manufacture</b></li> <li>• <b>Land and water transport</b></li> <li>• <b>Construction and engineering</b></li> <li>• <b>Agriculture and agri-processing</b></li> <li>• <b>ICT</b></li> </ul>
	<ul style="list-style-type: none"> <li>• [REDACTED] ary I</li> <li>• [REDACTED] Devel</li> </ul>	<p>zimkulu; Bulwer and</p> <p>nodes</p> <p>opment</p> <p>out</p> <p>rg</p>	<ul style="list-style-type: none"> <li>• <b>Agriculture and hunting</b></li> <li>• <b>Retail trade and services to Eastern Cape</b></li> <li>• <b>Agro-processing</b></li> </ul>

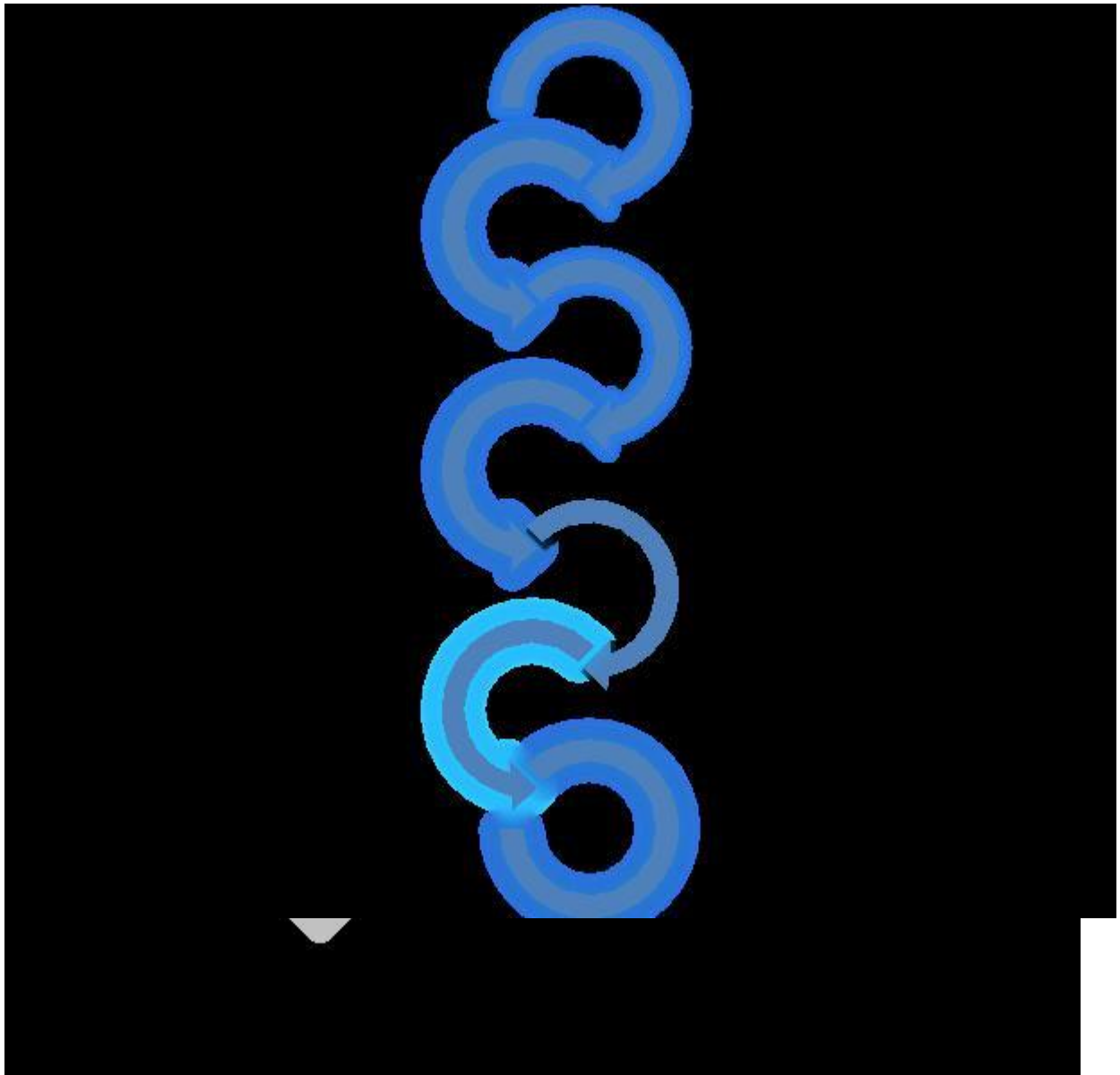
		<p>ic hubs</p> <p>palities each with</p> <p>distinct</p> <p>The topog</p> <p>D... inclu</p> <p>nt to h</p>	<p><b>Tourism</b></p> <ul style="list-style-type: none"> <li>• Agriculture and hunting</li> <li>• Forestry and Logging</li> <li>• Tourism (Battlefields)</li> <li>• Food and beverages (livestock processing)</li> <li>• Mining beneficiation (coal and anthracite)</li> </ul>
	<ul style="list-style-type: none"> <li>• es in</li> <li>• Swazila</li> <li>• The</li> <li>• ust.</li> <li>• is und</li> <li>• Land indust</li> <li>• Only re</li> <li>• ce o</li> </ul>	<p>ies: Mozambique and</p> <p>re under Ingonyama</p> <p>we and Mkuze</p> <p>for water and</p>	<ul style="list-style-type: none"> <li>• Tourism</li> <li>• Agriculture and hunting</li> <li>• Wholesale and retail trade</li> <li>• Green economy</li> </ul>
<p>ge and</p> <p>mun</p> <p>lture</p> <p>and</p>		<p>ndi in mainly traditional</p> <p>rded as two of the</p> <p>mercial agriculture and</p> <p>olated, in some respects</p> <p>linkages to both the</p>	<ul style="list-style-type: none"> <li>• Agriculture and hunting</li> <li>• Forestry and Logging</li> <li>• Meat and skin processing</li> <li>• Mining beneficiation (coal and anthracite)</li> <li>• Cultural tourism</li> </ul>
<p>Umg</p> <p>Ted</p>		<p>tre of the provincial</p> <p>clude Howick</p> <p>ercial farming</p> <p>Trust Board and</p>	<ul style="list-style-type: none"> <li>• Forestry and timber production</li> <li>• Agriculture and hunting</li> <li>• Public administration</li> <li>• Agro-processing</li> </ul>

		...ect for conservation	<ul style="list-style-type: none"><li>• <b>ICT</b></li></ul>
	...in open... 70% of dis... ... / 1... ...sect... ...three... ...as do... ...the western parts... ...the coastal strip and inland	...e coast ...ated in the Port ...the coast ...are underdeveloped ...the western parts ...the coastal strip and inland	<ul style="list-style-type: none"><li>• <b>Forestry and timber production</b></li><li>• <b>Agriculture</b></li><li>• <b>Tourism</b></li><li>• <b>Food beverages and tobacco processing</b></li><li>• <b>Wood processing</b></li><li>• <b>ICT</b></li></ul>
	...eni Agri... ...New... ...istrict... ...hno... ...ba is... ...Th... ...con... ...Ngag... ...r... ...project... ...al M... ...Fa...	...nomic node of the... ...istrict... ...especially) Mpumalanga... ...: ...Th... ...con...	<ul style="list-style-type: none"><li>• <b>Metals manufacturing and beneficiation</b></li><li>• <b>Coal mining</b></li><li>• <b>Textile and clothing</b></li><li>• <b>Chemical manufacturing</b></li><li>• <b>Wholesale, retail and trade</b></li><li>• <b>Agriculture</b></li><li>• <b>ICT</b></li></ul>
...be... ...ipality... ...e...	...Sugar Industry... ...Renewable Energy... ...project...	...ize Corridor, a corridor... ...\$, as a priority... ...istrict includes... ...biliti, with industrial... ...in Mandeni as well as at... ...cane production... ...mulo Municipalities are	<ul style="list-style-type: none"><li>• <b>Agriculture (sugar cane)</b></li><li>• <b>Agro-processing</b></li><li>• <b>Wood processing,</b></li><li>• <b>Beach resort tourism</b></li><li>• <b>Property development and real estate</b></li><li>• <b>Green Economy</b></li></ul>
		...s skewed towards the... ..., the Port of Durban	<ul style="list-style-type: none"><li>• <b>Chemical manufacturing</b></li></ul>

<p>and the Northern</p> <p>tourism</p> <p>historical</p> <p>commercial</p> <p>the growth of</p> <p>•</p> <p>social d</p>	<ul style="list-style-type: none"> <li>• Transport, trade and logistics</li> <li>• Automotive Manufacturing</li> <li>• Finance and Insurance</li> <li>• Tourism (events)</li> <li>• Agro-processing</li> <li>• Green Economy</li> <li>• Air Transport</li> <li>• Ocean Economy</li> <li>• ICT</li> </ul>
<p>quite</p> <p>ZN</p> <p>with</p> <p>and emerging sectors</p> <p>dominant</p> <p>that p</p> <p>sector and other</p> <p>at fa</p> <p>lengths resulting in sustainable</p>	<p>peculiar geographic characteristics for each district.</p> <p>oss the province. Cooperatives in different districts should</p> <p>the long term. As such all stakeholders should be aware of</p> <p>logic growth of cooperatives based on district uniqueness</p>







From the above cooperatives Story Line (also refer to Annexure A), **Awareness** marks the starting point of the cooperatives life cycle. This stage relies on the **Information** Transfer Mechanisms Pillar as it involves active campaigns by the government and other stakeholders like the Cooperatives Provincial Task Team and NGOs to ensure that the message reaches a wide group of audience who may be interested in the cooperatives business concept.

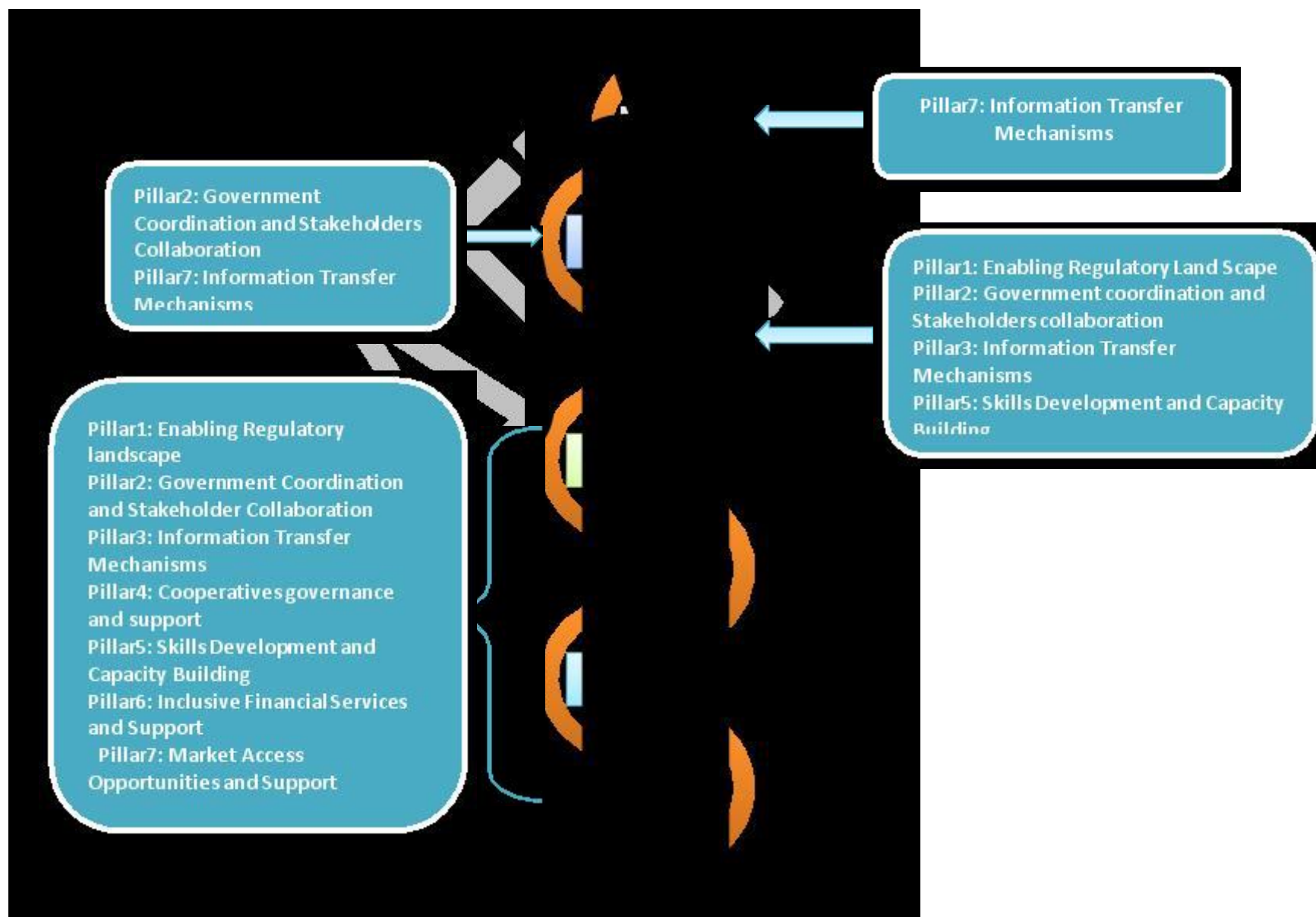
From Awareness the next stage is **Interest** which is primarily a result of the former. This stage which mainly depends on the duo of **Government Coordination and Stakeholder Collaboration and Information Transfer Mechanisms Pillars** will see interested parties actively seeking further information on nitty-gritties regarding the concept of cooperatives business model. This stage will involve high level feasibility studies, external consultations before eventual culminating into the next stage of the life cycle.

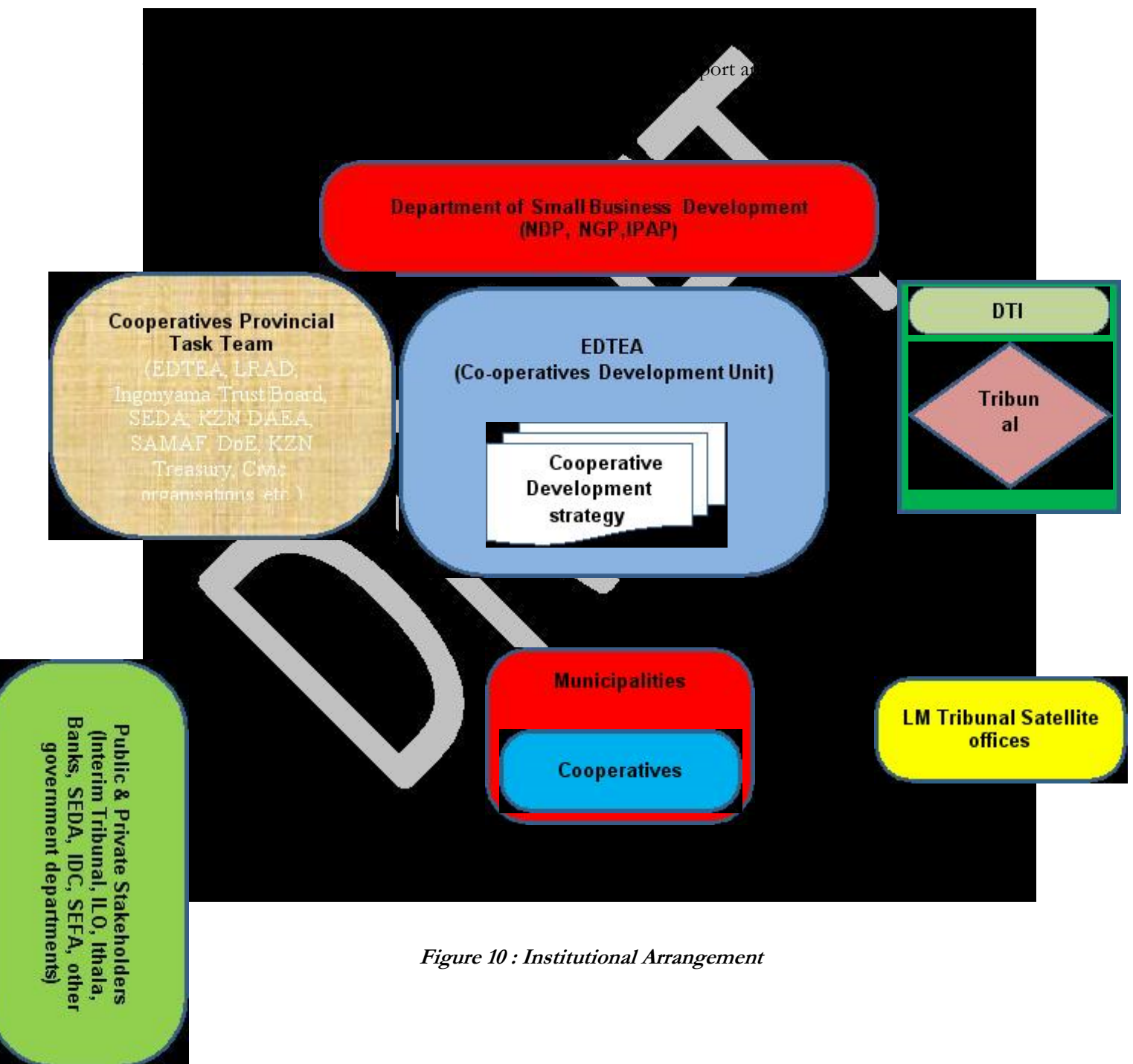


growth, past lessons should be a guide enough to circumvent the recurrence of similar problems of unsustainable cooperatives in the province.

### **Integrated Cooperatives Story Line and Strategic Pillars**

The following Fig 12 depicts afore explained strategic pillars' interrelatedness to the cooperatives storyline model. Relevant strategic pillars are linked to each specific stage of the cooperatives storyline to ensure robust foundation and sustainable operations.





*Figure 10 : Institutional Arrangement*

The above figure 13 depicts the institutional arrangements and how cooperatives will relate with various departments and stakeholders from the local and district municipalities where cooperatives operate from up to the national level. At local municipality level, Satellite Tribunal offices will also be available for easy access and enhance expeditious settlement of conflicts among cooperatives members. The provincial government (EDTEA) is responsible for mobilising and coordinating pertinent financial and non-financial support required by cooperatives. The provincial cooperatives development strategy will be housed under the EDTEA. The Provincial Task Team which will comprise of various stakeholders and being chaired by EDTEA will play a key role in promoting and assisting in cooperatives developmental programs, this may include but not limited to, engaging with various stakeholders to assist cooperatives,



<b>Department of Trade and Industry (DTI)</b>	<p>Ensuring all-inclusive support to cooperatives at national level, through Coordination, consultation and advisory mechanisms</p>	<ul style="list-style-type: none"> <li>✓ Overall responsibility for legislative framework, policy and strategy, coordination as well as administration in consultation with key national and provincial departments including other stakeholders</li> <li>✓ Promotion of cooperatives at the national level</li> <li>✓ Coordination of the various Government institutions dealing with cooperative enterprises</li> <li>✓ Designing uniform training materials for the co-operative sector involving relevant government programmes</li> <li>✓ Registration and de-registration of co-operative enterprises through the Companies and Intellectual Property Registration Office (CIPRO)</li> </ul>
<b>Cooperatives Tribunal</b>	<p>Play a central and leading role in addressing cooperatives members' conflicts, for Fair and just settlements</p>	<ul style="list-style-type: none"> <li>✓ Independent and subject to the constitution of the country</li> <li>✓ Maintain and administer effective and efficient tribunal for the settlement of cooperative disputes</li> <li>✓ The services will mainly include the following;               <ul style="list-style-type: none"> <li>○ Assist with judicial management, winding up, deregistration, conflict resolutions and liquidations</li> <li>○ Resolve matters from the Registrar</li> <li>○ Provide technical support on matters transferred from the cooperatives development agency</li> <li>○ Investigation and assessment of cooperatives compliance to the Act</li> <li>○ Adjudicate cooperatives members' applications</li> <li>○ Appoint and dissolve the Cooperative Conflict Resolution commission</li> <li>○ Hearing disputes</li> <li>○ Issue summons to any person who may furnish with relevant information</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>✓ Tribunal Satellite offices in Local Municipalities will be crucial in ensuring that cooperatives can easily and quickly access the tribunal. This will result in expeditious settlement of various cases affecting cooperatives</li> <li>✓ In the interim before finalisation the Tribunal at national level, social enterprise administered by legal entrepreneurs may be utilised at provincial level</li> </ul>
		<ul style="list-style-type: none"> <li>✓ Development strategy</li> <li>✓ Co-operative Development Agency</li> <li>✓ communication</li> <li>✓ development</li> <li>✓ and impacts of</li> <li>✓ the</li> <li>✓ Full</li> <li>✓ E</li> <li>✓ stakeholders in the</li> <li>✓ tives support</li> <li>✓ trainings for</li> <li>✓ pre-registration,</li> <li>✓ mentorship, post</li> <li>✓ t services)</li> <li>✓ database through</li> <li>✓ provincial/national</li> </ul>
<b>KZN Cooperatives Task Team</b>	Promote cooperatives growth through various programmes and activities.	<ul style="list-style-type: none"> <li>✓ Promoting and assisting in cooperatives developmental programs</li> <li>✓ Engagement with various stakeholders like the traditional council reps on land use</li> <li>✓ Identify legal and regulatory pieces to be revised or initiated so as to promote cooperatives growth in the Province as well as overseeing the implementation thereof.</li> <li>✓ Propose and develop cooperatives development incentives</li> <li>✓ Provide input and support in development of programmes that promotes the development of cooperatives across all sectors.</li> </ul>
<b>Other National and Provincial Departments: Agriculture &amp; Rural Development, Education, Social Development, Rural Development and land reform etc.</b>	Each department is responsible for developing and providing sector specific support to grow and develop the sector	<ul style="list-style-type: none"> <li>✓ Identifying market opportunities in respective sector and work closely with private sector to realise opportunities</li> <li>✓ Work closely with local municipality and academic institutions to feed technical expertise into training and mentorship programmes. EDTEA as the custodian of the cooperative development unit will play a leading role in determining the intervals for other departments' interventions and the channels through which they will communicate the same.</li> </ul>
<b>Local/district Municipalities</b>	Promote local economic development within municipal area	<ul style="list-style-type: none"> <li>✓ Drive cooperative development through implementation of the strategic objectives</li> <li>✓ Manage the operation of cooperative development</li> </ul>



		agency satellite offices ✓ Provide easily accessible information and assistance regarding coops using various mediums ✓ Facilitate forum meetings and platform for cooperatives and officials to exchange information ✓ Drive mentorship support within coop community ✓ Work closely with academic institutions for business management and entrepreneurial training
<b>Community and NGOs</b>	Provide integrated support to Cooperatives and SMMEs to enable growth	✓ Work closely with local municipalities to assist in increasing awareness of cooperatives amongst communities ✓ Assist with mentorship support to cooperatives requiring development ✓
<b>Cooperatives</b>	Actual beneficiaries of the strategy	✓ Work closely with local municipalities offices ✓ Actively engage and organise coalitions at district, provincial and national levels. This should result in formation of secondary and tertiary cooperatives ✓ Participate in various cooperatives related activities and share their experiences in order to access pertinent support

Having defined the roles and responsibilities of all possible stakeholders involved in cooperatives, it will remain imperative that these stakeholders appreciate clearly defined roles through which they can provide their support to the sector. The figure 13 below depicts the communication channels through which the stakeholders' roles and responsibilities will be managed by EDTEA in partnership with the Ministry of Small Business Development through the Cooperatives development Agency. Utilising this integrated communication and accountability model will ensure transparency and co-ordinated timeous support to cooperatives in an efficient and effective way. Centralising the overall responsibility of coordination with EDTEA and the Ministry under which cooperatives fall (Min of Small Business Development) will furthermore result in provision of practical and sufficient support and services to cooperatives.





lead to a successful, sustainable cooperative with a good chance of growing into a competitive market player

- **Mentorship support:** Many new and existing cooperatives require support in the form of mentorship. The success of these programmes rest on the tailoring of the mentorship to address the key needs of the cooperatives as well as the technical and business acumen of the mentor.
- **Perception of cooperatives:** A key component to ensure growth of the cooperative sector is the shift in the perception of cooperatives. The view should shift from that of a low- skilled enterprise to one that reflects community –involved business focused on creating employment and driving local economic development through combined skilled efforts the production of quality, organic products for the marketplace. This shift will attract a youth with fresh innovative ideas and energy as well as private sector involvement.
- **Flexible cooperative legislation:** There is need for a regulatory landscape that favours cooperatives over traditional businesses. This set up is key in ensuring that cooperatives remain



on plan implementation plan.										
				NAME						KEY ROLE PLAYERS
				YEAR						
						2019/13	2020/14	2021/15	2022-2026 Impact	
1	Coordinate Government structures and stakeholder collaboration	Coordinate Government Stakeholders such that support efforts are integrated								
2	Access to Information	Improving accessibility of information for prospective and existing								

[illegible]

[illegible]



[Coop FR](#)

<http://nz.coop/understanding-co-ops/>

<http://www.thenews.coop/38324/news/co-operatives/two-european-countries-have-strong-cooperative-presence-france-and-italy/>

<http://www.seda.org.za/Publications/Publications/Success%20Story%20Booklet%202014.pdf>

[http://www.copac.org.za/files/ECSECC\\_workingpaper\\_5.pdf](http://www.copac.org.za/files/ECSECC_workingpaper_5.pdf)

<http://www.heiveld.co.za/>

[http://www.amadlclo.co.za/index.php?option=com\\_content&view=article&id=54&Itemid=62](http://www.amadlclo.co.za/index.php?option=com_content&view=article&id=54&Itemid=62)

<http://www.nda.agric.za/doaDev/sideMenu/cooperativeandenterprisedevelopment/docs/Annual%20report%20on%20cooperatives%202010.pdf>

- 14) 4<sup>th</sup> Annual Report on Agricultural Cooperatives 2014/2015, available from:  
[http://www.nda.agric.za/doaDev/sideMenu/cooperativeandenterprisedevelopment/docs/4th%20Cooperatives%20Annual%20Report\\_.pdf](http://www.nda.agric.za/doaDev/sideMenu/cooperativeandenterprisedevelopment/docs/4th%20Cooperatives%20Annual%20Report_.pdf)
- 15) <http://www.entrepreneurmag.co.za/ask-entrepreneur/doing-business-in-sa-ask-entrepreneur/what-should-i-know-about-a-co-operative-before-registering-one-and-how-do-i-go-about-it/>
- 16) [http://www.lmip.org.za/sites/default/files/documentfiles/13%20TWALO\\_Cooperatives\\_0.pdf](http://www.lmip.org.za/sites/default/files/documentfiles/13%20TWALO_Cooperatives_0.pdf)



seeking further information on nitty-gritties regarding the concept of cooperatives business model. This stage will involve high level feasibility studies, external consultations before eventual culminating into the next stage of the life cycle.

From the research and engagements it was noted that a fair number of cooperatives were formed for wrong reasons in the past, due to inappropriate or lack of relaying of important information to the cooperatives sector. This was further worsened by the weak and poorly coordinated government support structures. Private sector stakeholders and the youth who are glaring missing from the cooperatives composition presently have misconstrued views of cooperatives and this has for long adversely impacted the required broad amount of interest in the cooperatives business model.

### **Tier 3: Planning to set up**





cooperatives being initiated for wrong reasons and thus result in them being easily closed over without operating for long.

There is currently a litany of challenges involved in setting up cooperative businesses; cooperatives indicated that registration forms are not in their local languages thus limiting their understanding of the registration documents. Accessibility of registration offices for rural cooperatives makes the registration process challenging, onerous requirements post registration requirements, red tape in accessing finance and poor membership composition which lead to unending conflicts are some of the hurdles currently faced by cooperatives during the Setting Up stage. Noteworthy is that cooperatives are currently registered without business plans and this results in majority of cooperatives being registered and remaining non-functional.

#### **Tier 5: Pre Incorporation Set Up**



in place so that no cooperative lack the required support as that will exacerbate the likelihood of closures. Private sector players like financial institutions and customers (e.g. retailers), research and development institutions among others should also actively manage and analyse primary data from cooperatives and note any sort of red flags about cooperatives transactional trends. This will result in proactive assistance being offered to cooperatives timeously and mitigating risks of ultimate business closures.

Currently both public and private sector players are not actively monitoring cooperative progress. Some of the challenges include, lack of database, lack advisory council, lack of relevant and impactful training and proper mentorship programmes. Cooperatives also lack support, guidance and capacity to improve and grow their business operations.

DRAFT