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<td>ACORN</td>
<td>Koperasi Bela Rakyat (KOBERA)</td>
</tr>
<tr>
<td>CIPC</td>
<td>Companies and Intellectual Property Commission</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>DOE</td>
<td>Department of Education</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
</tr>
<tr>
<td>KZN</td>
<td>KwaZulu-Natal</td>
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<tr>
<td>LED</td>
<td>Local Economic Development</td>
</tr>
<tr>
<td>LRAD</td>
<td>Land Distribution for Agricultural Development Programme</td>
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<td>NDP</td>
<td>National Development Plan</td>
</tr>
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<td>PGDS</td>
<td>Provincial Growth and Development Strategy</td>
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<tr>
<td>PSA</td>
<td>Productivity South Africa</td>
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<td>SACCOS</td>
<td>Savings And Credit Co-operative</td>
</tr>
<tr>
<td>SAMAF</td>
<td>South Africa Microfinance Apex Fund</td>
</tr>
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<td>SEDA</td>
<td>Small Enterprise Development Agency</td>
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<td>SEFA</td>
<td>Small Enterprise Finance Agency</td>
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<td>SMME</td>
<td>Small, Medium and Micro-sized Enterprises</td>
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<td>SOE</td>
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EXECUTIVE SUMMARY
The KZN Cooperatives Development Strategy has been developed to play a pivotal role in the support and promotion of cooperatives in the Province leading to a growing and sustainable sector.

The KZN province is mandated by, inter alia, the NDP and KZN PGDS to reduce inequality, poverty and unemployment as part of the national and provincial government’s priority socio-economic drive. To achieve this objective, KZN EDTEA, in being supported by ILO have developed a ten-year (2016-2026) provincial cooperative development strategy as the means with which to address this tripartite challenge of inequality, unemployment and poverty.

The primary goal of the Cooperatives Development Strategy is to provide strategic guidance and create an enabling environment for cooperative development and support in KZN Province.

Since the 2010 KZN Cooperative Strategy, there have been significant amendments to key Acts and Strategies that influence the national cooperative landscape. These instruments include the Amended Cooperative Act 6 of 2013, Cooperative Administrative Regulations 2015, KZN Growth and Development Strategy, Resolutions of the KZN Cooperative Summit (held in February 2016), The Nine-Point Plan (SONA, 2015) and other key policies, acts and strategies. The 2010 Cooperatives Development Strategy Impact Assessment Report was consulted which indicated that inter alia, the strategy lacked a monitoring and evaluation plan. Subsequently, the need for review and updating the KZN Cooperative Strategy was of paramount importance to ensure relevance and alignment to the updated legislative framework as well as address some of the issues raised in the Impact Assessment Report. In addition to desktop research (review of global, regional, national and provincial cooperative landscape), extensive stakeholder engagement was sought throughout the province to conduct a situational analysis, the findings of which formed the basis 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.
Solutions to these challenges were identified in the form of the following key strategic interventions, which also informed the seven-tired strategic pillars:

- Creation of conducive and enabling conditions to ensure cooperatives’ sustainability through market access and opportunities
- Proper coordination of information and communication channels in a manner that will minimize information asymmetry. This will ensure that existing cooperatives and new entrants fully understand the complete value chain and life cycle of a cooperative
- Promotion of practical and implementable measures or vehicles to improve the flow of required financial support to the cooperative sector
- Ensuring that cooperatives are fully equipped with requisite skills and promoting the cooperatives concept in order to attract the youths and private sector investment interest. Whilst ensuring existing and new entrants comply with cooperative principles.
- Minimising the main challenge of cooperatives’ internal conflicts due to poor management of divergent views. The introduction of the proposed tribunal could play a pivotal role in significantly minimising this perennial hurdle faced by cooperatives.
- Support cooperatives sector through flexible and enabling regulatory instruments
- Addressing the challenge of government departments and the private sector working in silos and providing arbitrary support to the cooperatives sector.

The vision, mission and strategic objectives of the previous strategy were updated in order to align them with the developments that have taken place within the cooperatives sector to date, these include the Cooperatives Act 6 of 2013, Cooperative Administration Regulations, 2015 among others. The seven strategic pillars central to the support of sustainable cooperatives in the province were established as 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 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
Cooperatives Categories in South Africa

Primary Cooperatives
CIPC defines a primary cooperative as one made up of a group of five or more individual members and whose purpose is to provide services or products and employment for one another and promote community development. Two juristic persons or combination of five natural and juristic persons can make up a cooperative according to the Cooperatives Act 6 of 2013. South Africa currently has close to 99% being primary cooperatives. There are mainly six types of primary cooperatives in South Africa, these are Worker cooperatives, Consumer cooperatives, Housing cooperatives, Community businesses, Marketing cooperatives 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.
Tertiary Cooperatives

Tertiary cooperatives are a product of secondary cooperatives which coalesce in order to promote the interests of their members through advocating and engaging organs of state, the private sector and stakeholders on members' behalf in line with its sectoral or geographical mandate.

Apex Cooperatives

These types of cooperatives are made up of at least three operational tertiary cooperatives that have operations at national level and five operational multi-sectorial cooperatives at the provincial levels.

Levels of the Cooperative Development Strategy

The cooperative development strategy includes basic factors through which cooperatives develop in a given territory and community, and at the national, regional and international level. It provides the basic elements which are necessary to develop cooperatives in a sustainable way, and to ensure that cooperatives act as agents of in-depth local and regional development. There are mainly three levels in the cooperative development strategy:

1. Micro-level

A cooperative development process always starts at micro-level. People should be able to establish cooperatives with low administrative requirements. In countries where the informal sector is strong, pre-cooperatives should be allowed to be established and subsequently gradually transformed into full-fledged formal sector cooperatives. In order to kick-start a cooperative development process, a basic support system is necessary, which can:

• 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:**
Being open to potential members within the surrounding community (1st principle) and dedicated to building long-term socioeconomic activities in the community (3rd principle) are the hallmark of sustainable cooperatives. Cooperatives logically cannot develop as “islands” that are isolated from their surrounding community. They should have a long-term mission towards this community.

Cooperatives are therefore a means through which communities with common needs/problems can work together to grow its people and afford them an opportunity to uplift themselves and create employment and a sense of ownership. The National Development Plan (NDP) 2030 is driven towards reducing inequality and poverty and can be achieved through:

- Focusing on capital of the people
- Optimal absorption of labour
- Working towards enhancing the capacity of the state
- Building a more inclusive society and economy
- Promoting leadership and partnerships among the state, business, civil society, and the community
- Empowering and development of rural and township economies

Unlike traditional business entities, cooperatives allow for an inclusive-based growth of the local economy. The work ethics of cooperatives are such that members work in unity to achieve the operational targets and there are shared interests in seeing the cooperative succeed.

In the past years, cooperative registrations have grown in numbers; however, a coordinated system/structure to support growth of cooperatives has not developed sufficiently. Majority of the new cooperatives registered are black women-led. Youth are beginning to play a role in newly developed cooperatives. 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.
There is a good number of best performing cooperatives nationally and globally from which lessons can be drawn. Beyond borders, cooperatives are playing a pivotal socio-economic role in contributing to their respective countries’ GDPs. In Kenya, cooperatives are responsible for 45% of the GDP, and 31% of national savings and deposits. Cooperative Insurance Company (CIC), National Cooperative Organizations (NACOs) and Cooperative College of Kenya have also played an essential role in the growth and sustainability of the cooperatives movement.

Growth in cooperatives in Kenya has also been linked with the strong Savings and Credit Cooperative (SACCOs) a deposit-taking cooperative, this pillarled by SACCO Societies Act of 2008 provides for the licensing, regulation, supervision, and promotion of savings and credit cooperatives by the SACCO Societies Regulatory Authority, thus allowing cooperatives to make huge savings.

In New Zealand, the cooperative economy comprises over 20% of the Gross Domestic Product in New Zealand. Cooperatives’ success has been largely attributed to flexible cooperative legislation, adoption of various partnership/alliance models, and general harmony among cooperative members.

In Europe, France has the highest number of cooperatives on the European continent with a total of 23 million members and contributing significantly to GDP growth (260 billion euros in combined sales revenue). In France, cooperatives have been found to be catalysts for local entrepreneurial growth because they retain jobs and skills within the communities in which they operate. The strategic institutional arrangements, cooperation among cooperatives and favourable regulatory environment are some key factors behind the success of the cooperative sector in France.

Malaysia is one of the countries that have seen the significant growth in the cooperative sector. Between 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.
National and Provincial Cooperative Landscape

According to Companies and Intellectual Property Registration Office (CIPRO) (2011) there were said to be 22,030 active cooperatives in South Africa. However, concerning is the DTI (2011) baseline study that highlighted only 2,644 of the 22,030 ‘active’ cooperatives could be confirmed operational. This is a 12 per cent “survival rate”, and is in stark contrast to the 86 per cent growth rate recorded between 2005 and 2009, when 19,550 cooperatives were registered. Twalo (2012) attributed this decline to a number of factors, which included recession and decreased support, training, capacity and resources which translated to cooperatives’ increased vulnerability and struggle to withstand competition from private businesses.

Lack of secondary and tertiary cooperatives has also been blamed for the continual decline of cooperatives. South African National Apex Cooperative (SANACO) is the only national representative body of cooperatives in the country; the body is said to have provincial and municipal structures throughout the country. The body was initiated by the DTI (2008) for the purpose of cooperatives representation and education, training and development facilitation among other pertinent interventions.

According to Labour Market Intelligence Partnership (2012), KZN is the leading province with cooperatives in the country as shown by the following Figure; 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
been found that cooperatives in Limpopo, Free State, Northern Cape and North West have limited prospects for expansion owing to weak communication and transport infrastructures to enable sustainable operations.

South Africa is going through a transition in its democracy, where there are many social, environmental and economic pressures such as high unemployment rates, especially amongst the youth, erratic rainfall patterns resulting in drought, decreasing export and the weaker currency as a result of inter alia, political risks, negative sentiments towards emerging markets (for which South Africa is), and plummeting commodity prices. Therefore, the opportunity exists for cooperatives and small businesses to play an even bigger role in alleviating these pressures. Currently however, cooperatives face a number of challenges which hinders their sustainable development and growth. As such, various regulatory and supportive instruments have been drafted to create the enabling environment for this sector. The following matrix is a review of the key and significant legislative and regulatory amendments of the cooperative landscape that impact the KZN Cooperative Strategy.

Table 1: Cooperatives National and Provincial Instruments

<table>
<thead>
<tr>
<th>Document reviewed</th>
<th>Findings</th>
<th>Impacts on Strategy</th>
</tr>
</thead>
</table>
| Cooperatives Act 6 of 2013 | • Associate membership introduced:  
  - Temporary membership  
  - Benefits financially  
  - Option to become permanent or renew (members approval)  
  - No Voting rights  
  - Aimed at providing assistance and support to the cooperative | • Primary cooperative split into:  
  - Category A: Small cooperative. Each member receives one vote and there is no requirement for an audit of independent review  
  - Category B: Small to medium sized. Each member receives one vote. Required to produce an independent review report  
  - Category C: Medium to large businesses. Required to produce an audit report (no exemption option exists) |
|                   | • National Apex Cooperative: Established in order to engage organs of state, private sector and stakeholders on behalf of the members as well as advocacy | • Increased transparency 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) |
|                   | • Registration of cooperative: scope has been widened.  
  - Minimum of 5 natural persons  
  - 2 Juristic persons  
  - Combination of any 5 persons (natural or juristic) | • More detail required for cooperative principals- |
|                   | • Tribunal which is to be established for improved governance. This is envisaged to improve overall coordination amongst cooperatives. | SBDA |
|                   | • Introduction of social reports in order for cooperatives to be given on |  
  - Facilitate training for the Coop Unit on the Act requirements  
  - Scope of cooperatives have been widened through introduction of Associate membership, categories of primary coops, national Apex coops and registration requirements- therefore amend the types of coop section  
  - Increased transparency 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)  
  - More detail required for cooperative principals-
Some people believe that involving communities is educative on the role of the cooperatives in discussing the value of the structure. The agency will be linked and the current Cooperative Unit to be an integrated group and timely support provision to

Chapter 12: Cooperative Development Agency

- Offer all round support to cooperatives:
  - Financial and non-financial support
  - Education and training
  - Access to markets
  - Monitoring and evaluations of cooperatives
  - Establish and manage the Cooperative Development Fund in accordance with the PFMA
  - Provide business support services (pre-registration, registration, business plans, mentorship, post-registration support, access to market services)
  - Guidance to coops in compliance with the Acts, Policies and Strategies
  - Carry out independent review reports on behalf of qualifying primary coops
  - Develop and maintain coop database through partnership with CIPC and provincial/national municipalities

The 7 cooperative principles have been elaborated on and included as a definition in the new Act encourages more people to become involved in cooperatives.

Incorporate the role of the tribunal when discussing the development of the coordination structure. The agency will be linked and aligned with the current EDTEA Cooperative Unit to ensure robust and timely support provision to cooperatives.

National Development Plan, 2011

- Empowering and development of rural economy
- Increased support for small businesses and strengthened financial services support to enhance entrepreneurial development and growth
- Commitment to private and public procurement

- 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
- 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

Cooperative Administration Regulations, 2015

- Guidance on registration of coops through CIPC
- Disclosure of monetary thresholds for different categories
  - R1 mil is category A primary
  - R1–10 mil is category A2 (small)
  - R10–R25 mil category B
  - R25mil< category C

- Annual report/independent review report/audit report must be submitted to registrar within 15 days of AGM

National Apex functions: disclosed (establish relations with other coops on a national and international basis)

Operates as a support system

- Financial reporting and social reporting guidance on compliance
<table>
<thead>
<tr>
<th>Policy</th>
<th>Key Actions</th>
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| National Informal Business Upliftment Strategy, 2016 | • Establishment of a Provincial Informal Business Forum to drive informal business promotion at municipal and ward levels  
• Setting up of the provincial innovation centres aimed at dealing with informal businesses challenges  
• Improve synergy among Department of Small Business Development, SEDA, SEFA, DeDT and relevant government agents to minimise poorly coordinated support to the informal sector |
| Provincial Growth and Development Strategy, 2011 | • Establishment of mechanisms for sustained capacity development at the workplace with interventions designed to maintain high levels of performance, efficiency and commitment  
• Decent employment through inclusive economic growth focusing on job creation, positive trade balance through increased competitiveness, growth in trade and improved support to small business and cooperatives; and implementation of the expanded public works programme (EPWP). |
| Integrated Strategy on the Development and promotion of Cooperatives, 2011 | • Creation of demand for cooperatives products by utilising opportunities emanating from various bilateral agreements. This will be done through various initiatives like:  
  - EMIA  
  - Preferential procurement (Enterprise Networks Program) |
| KZN Provincial Government Procurement Indaba, 2015 | • Introduction of preferential procurement through implementing set asides for small and youth owned businesses  
• Reducing red tape for small enterprises in procurement processes by government and SOEs  
• Implementation of preferential lending model for small cooperatives/businesses from financial services providers  
• Improved access to markets and less competition from established businesses  
• 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 |
| KZN SMME Development Strategy, 2009 | • Facilitation of Research and Development  
• Provision of provincial and district operational and technological infrastructure  
• Establishment of governance and management structures for SMMEs to improve provincial and district support  
• Development of tailor made training programs for SMMEs and provision of supportive infrastructure |
In South Africa, there are a number of successful case studies from which cooperatives in the province can draw lessons. The Heiveld Rooibos Cooperative case study in the Northern Cape is an encouraging example. According to heiveld.co.za (2016), the cooperative has 64 members, with annual production of 60-80 tonnes of Rooibos tea, have organic and fair trade certifications recognised in globally. The cooperative exports to some of the following six countries in Europe, USA, Canada, Japan, New Zealand and Australia.

Mamande Chemical Manufacturing & Laundry Services Primary Cooperative which is based in the Eastern Cape presents another example that confirms the viability and sustainability of cooperatives in South Africa. The cooperative which was started by 5 people has since grown to an annual turnover of almost R700 000 and a contract worth more than R400 000 annually. Locally, in the KZN province, Entity Clothing Workers Cooperative a cooperative that was formed 10 years ago have significantly grown, with its workforce almost tripling to 105, the cooperative's private and public sector linkages has led to establishment of a reliably sustainable market as well as key government support.

KwaZulu-Natal Situational Analysis

This section reviews the KZN Provincial cooperatives landscape, specifically current statistics and feedback from stakeholder engagements that have culminated in the collation of a consolidated SWOT analysis. Statistical Review

A review of pertinent statistics regarding cooperatives nationally and in the KZN province was done, the impetus being on identifying quantitative trends and outputs on the cooperatives sector. The section below is a summary of various findings identified from the statistical analysis. Below are statistics extracted from the Draft Cooperative Summit Concept Document:

<table>
<thead>
<tr>
<th>NAME OF DISTRICT</th>
<th>OF 2010</th>
<th>OF 2015</th>
<th>TREND</th>
<th>PERCENTAGE</th>
<th>COMMENT ON % CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amajuba</td>
<td>174</td>
<td>61</td>
<td>-113</td>
<td>65%</td>
<td>Decline</td>
</tr>
<tr>
<td>Ethekwini</td>
<td>252</td>
<td>120</td>
<td>-132</td>
<td>52%</td>
<td>Decline</td>
</tr>
<tr>
<td>Ilembe</td>
<td>119</td>
<td>88</td>
<td>-31</td>
<td>26%</td>
<td>Decline</td>
</tr>
<tr>
<td>Harry Gwala</td>
<td>16</td>
<td>69</td>
<td>53</td>
<td>331%</td>
<td>Increase</td>
</tr>
<tr>
<td>Ugu</td>
<td>107</td>
<td>216</td>
<td>109</td>
<td>102%</td>
<td>Increase</td>
</tr>
</tbody>
</table>

In terms of cooperatives registrations: 2010 vs 2015, below is a summary of various findings identified from the statistical analysis. Below are statistics extracted from the Draft Cooperative Summit Concept Document.
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

**Figure 2: Cooperative registration**  
(Source- Draft Cooperative Summit Concept Document: 2015)
Data provided by CIPC indicates that the number of primary cooperatives registered is higher than secondary and tertiary cooperatives. Primary cooperatives by definition are formed to provide work opportunities or services to its members such that community development is facilitated. Previous to the Act amendments the requirement was for a minimum of 5 natural persons to form a primary cooperative 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
private, public sector stakeholders and the cooperatives requiring the support. As statistics indicate 0.03% of the total cooperatives in KZN are tertiary cooperatives therefore a reflection of the lack of coordination and support structures being effectively utilized. There are many factors which contribute to this such as limited knowledge within the cooperative community, insufficient support to initiate the cooperative.

Below is a distribution indicating the number of cooperatives currently in business in KZN province, vs those deregistered and in process of being finalized. This is a positive sign as there are a healthy number of cooperatives in business, most of which being primary cooperatives. 73 deregistration cases have been finalized for cooperatives registered between 2002 and 2014.

Figure 4: Status of Cooperatives in KZN

in eThekwini 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.
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
the Provincial Task Team for cooperatives, a collective stakeholder collaborative mechanism body chaired by EDTEA, would be key in ensuring effective coordination in land development as they facilitate integrated land management to achieve spatial equity and ultimately reduce poverty, inequality and unemployment through a vibrant cooperative sector.

Services ranks as the second largest sector with 29% of cooperatives operating various types of services, which include Cleaning, Security and Catering. Majority of the service activity is concentrated in eThekwini owing to the markets and infrastructure permitting the growth in this sector.

Main Districts Cooperatives Sector Activity

The following distribution charts indicate sector distribution within the top six districts that comprise the most number of cooperatives. Figure 7 depicts that of eThekwini, followed by uMgungundlovu (Figure 8) and uThungulu (Figure 9) and Zululand Ugu and uMzinyathi (Figure 10).

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...
Cooperatives to participate in these sectors as they carry huge budgets from both the public and private sector.

**Figure 8: uMgungundlovu Sector Activity**

**Figure 9: uThungulu Sector Activity**
As indicated above the sector analysis in the latter five main districts (UMgungundlovu, uThungulu, Zululand, Ugu and UMzinyathi) differ significantly as agriculture prevails as the strongest sector. This is supported by the rich agricultural resources available in the above five districts. These districts sit on large expanses of land on which agricultural activity takes place such as vegetable farming, sugar cane farming, poultry and crop farming amongst others. Services in these districts occur to a lesser extent than in eThekwini since the strengths of these districts lie in the natural resources and agricultural skills available to utilize these resources. Ugu and the surrounding districts, however, are more coastal districts therefore there is less agricultural land available hence allowing the general services sector to flourish.

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**

<table>
<thead>
<tr>
<th>District</th>
<th>Zululand</th>
<th>UMzinyathi</th>
<th>Amajuba</th>
<th>iLembe</th>
<th>uThukela</th>
<th>uThungulu</th>
<th>Umhlathuze</th>
<th>Ugu</th>
<th>UMgungundlovu</th>
<th>eThekwini</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td></td>
</tr>
</tbody>
</table>
As can be seen from the table above, agricultural cooperatives are more dominant in places where there are large spans of land and services cooperatives are in districts with limited space but more urbanised than the former. Thus segmented support should be provided to these cooperatives by districts to ensure relevance and impact of the interventions.
Impact Assessment of the 2010 Cooperatives Development Strategy

The KZN cooperatives development strategy for 2010 highlighted a number of key strategic areas meant to enhance sustainability of cooperatives in the province which included. The following table indicates the 2010 recommendations against the current developments:

<table>
<thead>
<tr>
<th>Key Activities</th>
<th>Impact to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of cooperatives across all economic sectors.</td>
<td>Cooperatives largely concentrated in two sectors - Agriculture (48%) and General Services (29%) sectors have the highest numbers of cooperatives. Emerging and sustainable sectors like ICT, manufacturing and tourism have significantly low penetration rates from cooperatives.</td>
</tr>
<tr>
<td>Establishment of a Provincial Cooperatives College aimed at capacity building and skills development</td>
<td>KZN Cooperatives College not yet established</td>
</tr>
<tr>
<td>Promoting culture of saving through Savings and Credit Cooperatives (SACCOs), Financial Services Cooperatives (FSCs) and setting up of the cooperatives Provincial Development Fund</td>
<td>KZN Coops Development Summit (2015), mentioned access to finance as one of the major hindrances for cooperatives growth in the province and none of the proposed institutions are established as yet.</td>
</tr>
<tr>
<td>Mainstream cooperatives through government tenders and intra cooperative trade and collaboration (promotion of secondary and tertiary cooperatives)</td>
<td>The preferential procurement policy is still vague on how it will be implemented and there are no setaside policies for cooperatives in public and private institutions procurement as yet.</td>
</tr>
<tr>
<td>Primary cooperatives are the most dominant representing 99% of all categories of cooperatives.</td>
<td>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.</td>
</tr>
</tbody>
</table>

| Establishment of the KZN Cooperative Advisory Board. | Board not yet established                                                                                                                                                                               |
| Increase the number of cooperatives in local municipalities through developmental and cooperative support programme. | 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 |
faced by cooperatives and ensuring the cooperatives sector is sustained as an integral part of the mainstream economy as indicated by the 2010 Cooperatives Development Strategy. The summit established six main resolutions which in a way are meant to action some of the items highlighted in the 2010 provincial strategy:

✓ Formation and establishment of cooperatives
✓ Capacity Building and training (interim arrangement)
✓ Access to finance (adoption of the funding model policy)
✓ Access to markets and Procurement
✓ Co-operative coordination of co-operative development program
✓ Promotion of the cooperatives concept across sectors

Table 4: SWOT analysis of Cooperative Landscape in KZN

**Strengths**

✓ Commitment from the provincial government to initiate and facilitate innovation among cooperatives through continued R&D.
✓ Availability of world class reputable institutions to provide research centered support to cooperatives.
✓ Cooperatives members.
✓ Strong and promising Agricultural and Services sector.
✓ There are various tools and instruments available to facilitate support to cooperatives.
✓ There are a number of successful cooperatives in South Africa and KZN, from which developing cooperatives can learn.

**Weaknesses**

✓ Provincial support through tailor-made initiatives facilitated by district led agencies that are not integrated.
✓ Establishment of the provincial informal business forum to address challenges faced by cooperatives at inception.

**Opportunities**

✓ Regional support through district led agencies.
✓ Improved cooperative sector end to end support through integrated support.

**Threats**

✓ Continued challenges faced by cooperatives.
✓ Continued support needed to address the co-operative sector's needs.
### Weaknesses

- Limited training and skills development
- Limited access to markets
- High failure rate
- Information asymmetry
- Poor/ineffective support structure, monitoring and evaluation of cooperatives performance
- Blanket application of top-down support not effective
- Stringent lending conditions from banks
- Growing corruption, nepotism and arbitrary political interference
- Member conflicts
- Unavailability or poor infrastructure (especially for rural coops)
- Lack of access to technical support in outlying areas
- Available government funding not reaching cooperatives
- Lack of sector specific trainings and legal/administrative advisory forums
- Lack of monitoring and evaluation plan for the implementation framework
- Lack of transparency from provincial and local government
- Lack of teamwork and unity among cooperatives
- Too much red tape
- Misaligned local municipalities supply chain model
- One stop shop model not working
- Delayed payments by government
- Cooperatives output not competitive (poor quality)

### Opportunities

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

✓ There is room for expanding the Arts & Culture sector especially considering KZN's rich heritage

✓ Vertical and horizontal integration in the cooperatives sector or with Investor Owned Institutions can be utilized to increase growth prospects

✓ Establishment of cooperatives sector risk insurance unit as a cushion against risks faced by cooperatives

✓ Formation of sector specific federations/unions to act as harbor for support provision to new or impending challenges to the member cooperatives

✓ Decentralization of offices to improve information access

✓ Set up CFIs, MFIs and Cooperatives Banks

✓ Setting up policy on grant funding access for cooperatives

✓ Implementation of cooperative friendly regulatory landscape

Threats

✓ The continued fragmented coordination and support structures by government and its agents remains a disturbing impediment to the provision of intended support to the cooperative sector

✓ Misconstrued view by various stakeholders regarding cooperatives as social and not business entities

✓ Sluggish economic growth can adversely impact the already subdued cooperatives client base

✓ High cost of doing business in the province

✓ Lack of innovation resulting in one sector being oversaturated

✓ Threats threaten sustainability

✓ Technological breakthroughs can impact on some of the sector's competitiveness

✓ The Cooperative Development Agency may not pick up as intended

✓ Supporting cooperatives sector

✓ External factors (drought and crime) hampers sector growth

✓ Acts may be misinterpreted therefore resulting in non-compliance

✓ Registrations of cooperatives may increase rapidly but the support structures may not be strong enough or
The above SWOT analysis was used to develop the key strategic pillars of the KZN Cooperative Development Strategy (PART B below).

**PART B – KZN COOPERATIVE DEVELOPMENT STRATEGY**

**Vision**
KwaZulu-Natal to be the leader in supporting the development of sustainable cooperatives that contribute to the growth and radical transformation of the KZN economy by 2026

**Mission**
To promote sustainable cooperatives by:
- Providing coordinated and seamless integrated support to both operational and prospective cooperatives
- Facilitating provision of effective (sector-specific) skills and mentorship for cooperatives and cooperative support staff
- Ensuring all relevant stakeholders are strategically harnessed to provide support to cooperatives in a cohesive and integrated manner
- Continuously engaging with and providing support to cooperatives to ensure proactive internal and external risk management
- 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
To facilitate provision of relevant information and support to the cooperatives sector which will be also key in promoting re-invention of the cooperatives perception

To ensure provision and promotion of various incentives to improve inclusive financial support

To facilitate an overall effective sector support through proper government coordination and stakeholders collaboration at different levels

Promote sustainability of cooperatives by improving market access and opportunities

Empowering cooperatives with requisite skills through tailor made and general trainings, to help them produce and supply competitive products and services respectively.
The key strategic pillars (Figure 10 below) that constitute the KZN Cooperative Development Strategy are illustrated below:

Pillar 1: Enabling Regulatory Landscape

The success of the cooperatives is unarguably linked to regulatory landscape, as a flexible and conducive environment is directly correlated with a thriving cooperatives sector. The following key interventions will play a central role in ensuring that this pillar positively contributes towards the development and growth of the cooperatives sector in KZN:

- There is need for alignment of the relevant national, provincial and local regulatory policies
- Incentivise private sector support and participation in the cooperative sector through structured regulatory benefits, such as, tax incentives and social point systems.
- Enacting flexible legislative instruments that will improve cooperatives understanding and their 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
This strategic pillar is concerned about addressing the challenge of government departments and the private sector stakeholders working in silos hence ensuring provision of synchronized and agile support to the cooperatives sector. The following are main interventions upon which the success of this pillar is hinged:

- Government departments should be well coordinated to ensure cooperatives are effectively and efficiently supported at local levels. To this effect the Provincial Interdepartmental Coordinating Structure will be formed in terms of the Cooperatives Administrative Regulations, 2015.

- Establishment of the Provincial Cooperatives Task Team chaired by EDTEA, consisting of key stakeholders LRAD, Ingonyama Trust Board, SEDA, KZN DAEA, SAMAF, DoE, KZN Treasury, Civic organisations and relevant private sector players. The Task Team will be chaired by EDTEA since the organisation is the custodian of the cooperatives provincial strategy and thus mandated to promote and support cooperatives development in the province. As a collective stakeholder collaborative mechanism body, the Task Team will be responsible for various activities like engagement with various stakeholders like traditional council reps on land use, monitoring and overseeing the implementation of regulatory policies as well as initiating activities that promotes coordination in various cooperatives centred programmes including land development and integrated land management plans.

- Local municipalities to continuously engage with cooperatives through LED and other forums to ensure proper and continuous support is delivered with provincial departments overseeing and providing high level support where required. To this effect District and Municipal Coordinating Structures will be formed throughout the Province in terms of the Cooperatives Administrative Regulations, 2015.

- Utilisation of Public Private Partnerships (PPP) mechanism in providing specialised and relevant 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 3: Information Transfer Mechanisms

The third pillar deals with proper coordination of information and communication channels in a manner that will minimize information asymmetry. Information forms a key component in support provision of the cooperatives sector and as such the following interventions are invaluable in ensuring information transfer mechanisms are in place, efficient and effective;

• Establishment of the cooperatives provincial Database to improve information management and enhance operational audits for cooperatives
• Facilitate promotion and reinvention of cooperatives business model as a unified and socially involved enterprise aimed at socio-economic transformation
• Set up cooperatives forums and alliances to improve awareness and networking
• Implement more information transfer channels like websites and the use of social media
• Encourage cooperatives inter-sectorial engagements to share information and assist each other
• Provision of cooperatives related information and documents in local language

The current set up indicates that cooperatives are hardly in the loop of any developments which pose both threats and opportunities owing to inefficacious communication means and channels. Consequently cooperatives are finding it difficult to access pertinent information to their operations. Cooperatives expressed concern over lack of effective communication conduits like database, websites, magazines and virtual engagements groups. Lack of cooperatives forums and alliances to improve networking compounds the plight of cooperatives' need for relevant information. Another area that worsens the cooperatives inability to accessing information is lack of key documents like policies, strategies and acts in local languages.

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
Inculcate cooperatives principles, business ownership and teamwork among members through team building trainings to enhance internal bonds and working relationships.

- Introduction of the compulsory Conflict Resolution training module for all cooperatives members
- Cooperatives should actively engage with the tribunal and seek assistance on how to deal with serious conflicts. Rural cooperatives will interact with the tribunal through satellite offices in their local areas.

The prevailing cooperatives landscape reflects the extent to which governance, internal structures and relationships of cooperatives members are weak. Cooperatives members are involved in perennial conflicts especially after accessing funding. This is compounded by lack of objectivity from fellow members who join cooperatives for wrong reasons. The cooperatives sector has been lacking a dedicated arbitration body like the tribunal to help in amicable resolution of conflicts, which is now provided for in the revised Act, as such communication and training on how it works would assist cooperatives. Members are hardly trained on key areas like governance, conflict resolution and teamwork.

Pillar 5: Skills Development and Capacity Building

This pillar is centred on ensuring that cooperatives are fully equipped with requisite skills and promoting the cooperatives business model in order to attract the youth and the private sector investment interest. The following interventions are important in ensuring that cooperatives are well equipped with relevant and pragmatic skills:

- Segment training by sector and ensure it’s more practical and ongoing impactful mentorship is 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
Ensure officials are developed into co-operative specialists and provide robust training and mentorship support through One Stop Coach model located in local municipalities to ensure easy access for cooperatives.

Currently, lack of impactful training has been largely blamed for the continued closures of cooperative businesses, the one stop shop is said not to be effective as cooperatives are seriously lacking in the areas of marketing and business management. Cooperatives are finding it difficult to interpret and adopt new Act and Admin regulations, this largely owes to failure by government departments in coordinating their operations to help cooperatives in this area. The cooperative movements like SANACO and KZN Provincial Secondary Cooperatives Ltd expressed that subdued support by government departments and their exclusion from key initiatives like Business Council, Black Industrialisation and Operation Sukuma Sakhe has worsened their plight and inability to play their roles in rendering adequate support to primary cooperatives. Cooperatives are unaware of the current training and mentorship interventions mainly due to subdued information sharing channels.

Pillar 6: Inclusive Financial Services and Support

Inclusive financial services and support forms the lifeblood of the cooperatives sector and this pillar should be properly harnessed. It is through this pillar that promotion of practical, implementable measures and vehicles to improve the flow of required financial support to the cooperative sector should be in place. The following interventions are thus needed to ensure the success of this central pillar to the cooperatives sector;

- Relook the current pre-funding requirements for cooperatives especially by banks and ensure that 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 due 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
allow increased secondary and tertiary cooperatives growth. This calls for a need to look into the area of supportive economic infrastructure such as abattoirs, processing plants for value addition and entering into lucrative markets rather than stay fixated at primary production level which has significant low profit margins.

Government could do research in terms of the ownership model of the economic infrastructure. Models such as Build-Operate-Transfer (BOT) or Build-Own-Operate-Transfer (BOOT) could be the way to go.

In order to ensure Environmental Sustainability, there is need to promote cooperatives to engage in renewable energy and biodiversity sectors. This may include relevant stakeholders like FETs and Universities, through the Provincial Task Team on Cooperatives assisting in conducting feasibility studies in potential areas like waste management through recycling.

Assist cooperatives with market research and marketing plans through structured training programmes on product quality. This will result in sustainable client base, resulting in cooperatives growth, thus job creation, reduction in unemployment and inequality.

There is need for effective implementation of the preferential policy on procurement to support local cooperatives in government tenders and private sector procurements. Cooperatives should be assisted in completing tender documents and registering on Central Supplier Database. Cooperatives to be supported to provide competitive services/products once. This can be achieved by helping cooperatives appreciate and respect the conditions of contract.

Currently majority of cooperatives are grappling with market access challenges due to a myriad of reasons that includes lack of the mandatory government (30% procurement policy). It should however be noted that the 30% set aside is not yet part of the legislation and its implementation remains difficult before it’s part of legislation. Private sector set asides are also anticipated but like public sector, they are still a 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
The following is a table showing each district municipality's priority sectors as per the PGDP, catalytic projects, key spatial considerations, as well as proposed sectors in which cooperatives in different districts might focus on.
<table>
<thead>
<tr>
<th>Priority sectors as per PGDP</th>
<th>Key catalytic projects (current/ planned)</th>
<th>Spatial Considerations: District Comparative Advantages Report, 2012</th>
<th>Existing and Stable Sectors (Bold) and Emerging Sectors (Red): District Comparative Advantages Report, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Land and Water Transport</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Food and beverage processing (Pork products and chocolate drinks)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Agriculture and Hunting</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Clothing and textiles</td>
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<td></td>
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<td></td>
<td>• Renewable energies</td>
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<td></td>
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<td></td>
<td>• Forestry and logging</td>
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<td></td>
<td></td>
<td></td>
<td>• Wood processing</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Metal and machinery manufacture</td>
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<td></td>
<td></td>
<td></td>
<td>• Land and water transport</td>
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<td></td>
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<td></td>
<td>• Construction and engineering</td>
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<td></td>
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<td></td>
<td>• Agriculture and agri-processing</td>
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<td>• ICT</td>
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<td></td>
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<td></td>
<td>• Agriculture and hunting</td>
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<td></td>
<td></td>
<td></td>
<td>• Retail trade and services to Eastern Cape</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Agro-processing</td>
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<tr>
<td>District</td>
<td>Industries</td>
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<td>----------</td>
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<td></td>
<td></td>
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<tr>
<td>Umzinyathi District</td>
<td>Agriculture, hunting, forestry and fishing, Wholesale and retail trade, Manufacturing, Tourism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Msinga Town</td>
<td>Formalisation, Greytown, one of the district's main economic hubs</td>
<td></td>
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<tr>
<td>Greytown</td>
<td>The District is made up of four Local Municipalities each with distinct development features</td>
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<tr>
<td>The central parts of the District, including Nqutu, are an agricultural area</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Food and beverages (livestock processing), Mining beneficiation (coal and anthracite)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>uMkhanyakude District</td>
<td>Agriculture, trade, tourism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Isimangaliso</td>
<td>Makathini development, Ndumo School of Excellence</td>
<td></td>
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</tr>
<tr>
<td>These districts share international borders with two countries: Mozambique and Brazil</td>
<td></td>
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</tr>
<tr>
<td>In some respects, the Ingonyama Trust under Ingonyama Trust is considered as two of the poorest rural municipalities in South Africa</td>
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<tr>
<td>21% is under proclaimed conservation area</td>
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<tr>
<td>Lack of industrial development of any kind</td>
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</tr>
<tr>
<td>Only three towns are considered formal towns: Mtubatuba, Hluhluwe and Mkuze</td>
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<tr>
<td>Relax on the riverine and wetland systems for water and agricultural production</td>
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<tr>
<td>Tourism</td>
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<tr>
<td>Agriculture and hunting</td>
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<td></td>
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</tr>
<tr>
<td>Wholesale and retail trade</td>
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<td></td>
<td></td>
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<tr>
<td>Green economy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zululand District</td>
<td>Storage and communication, Agriculture, forestry and fishing, Manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>More than 50% reside in Nongoma and Ulundi in mainly traditional settlement areas</td>
<td></td>
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<tr>
<td>Ulundi and Nongoma Municipalities are regarded as two of the poorest rural municipalities in South Africa</td>
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<tr>
<td>The district is divided nearly equally between commercial agriculture and traditional settlement areas</td>
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</tr>
<tr>
<td>Historically, the Zululand District has been isolated, in some respects referred to as a cul-de-sac, because of limited linkages to both the coast and the north</td>
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<tr>
<td>Tourism</td>
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<td></td>
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<tr>
<td>Agriculture and hunting</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Forestry and Logging</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat and skin processing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining beneficiation (coal and anthracite)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural tourism</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Umgungundlovu District</td>
<td>Municipality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Umgungundlovu Technohub</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater Dukuduku project</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Houses the administrative and legislative centre of the provincial government</td>
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<td></td>
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<tr>
<td>Urban centres outside of Pietermaritzburg include Howick</td>
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<td></td>
</tr>
<tr>
<td>The district is further characterised by commercial farming activities</td>
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<td></td>
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<tr>
<td>Large areas of land owned by the Ingonyama Trust Board and Trust Board and</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and hunting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forestry and timber production</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and hunting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agro-processing</td>
<td></td>
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</tbody>
</table>
### Fishing

Wholesale and retail trade occupied by traditional communities.

- Areas of land have been set aside in the district for conservation (private and state) and ICT.

### Manufacturing

Agriculture, forestry and fishing.

- Ugu Technohub
- Music City
- Finningley Growth Sphere

An operational rail system stretches along the coast.

- 70% of district economic activity is concentrated in the Port Shepstone / Margate area.
- The tourism sector is well-developed along the coast.
- Rural nodes in three of the six municipalities are underdeveloped.
- Forestry plantations dominate land use in the western parts.
- Agricultural activity is generally confined to the coastal strip and inland.
- Wood processing and ICT.

### Amajuba

- Emadlangeni Agri-village focus
- Amajuba Technohub
- Ngagane Smelter project
- Manipal Medical Training Facility

Newcastle - Madadeni - Osisweni is the key economic node of the district.

- Amajuba is a gateway to the Free State and (especially) Mpumalanga.

### iLembe

#### Agriculture

- Sugar industry
- Renewable Energy Projects

- iLembe is located on the eThekwini-Umhlatuze Corridor, a corridor which is viewed, in terms of the 2006 PSEDS, as a priority development corridor in KwaZulu-Natal.

- Major formal commercial centres in the district include KwaDukuza, Ballito and Mandeni / Sundumbili, with industrial activity concentrated in Stanger and Isithebe in Mandeni as well as at the various sugar and paper mills.

- Agriculture in the area is dominated by sugar cane production.

- The rural nodes of the Ndwedwe and Maphumulo Municipalities are underdeveloped.

### eThekwini

#### Agriculture

- Sugar (cane)
- Agro-processing
- Wood processing.

- Beach resort tourism.
- Property development and real estate.
- Green Economy.

#### Community Services

- Financial and business services.

- Dube Trade Port and Aerotropolis.

- The spatial distribution of economic activity is skewed towards the Durban City Centre, the South Durban Basin, the Port of Durban.

- Chemical manufacturing.

- Metals manufacturing and beneficiation.
- Coal mining.
- Textile and clothing.
- Chemical manufacturing.
- Wholesale, retail and trade.
- Agriculture.
- ICT.

- Agriculture (sugar cane).
- Agro-processing.
- Wood processing.
- Beach resort tourism.
- Property development and real estate.
- Green Economy.

- Chemical manufacturing.
From the above matrix, it is quite clear that KZN Province is diverse with different sectorial profiles and peculiar geographic characteristics for each district. Catalytic projects, spatial considerations, existing and emerging sectors bear testimony to the diversity across the province. Cooperatives in different districts should target sectors which are dominant and presents great potential in the future so as to remain sustainable in the long term. As such all stakeholders should be aware of these current and emerging sectors and other pertinent factors resulting in sustainable job creation and robust economic growth.
The Cooperative Story Line

The above strategic pillars would therefore need to be integrated throughout a typical cooperatives value chain - The Cooperatives Story Line, which is the life cycle of a cooperative through six stages from Awareness to continuous Improvement phase, if their impact is to be realised. As the following "Cooperative Story Line" depicts the life cycle of cooperatives from inception to sustainable operation. The model captures the various stages of a cooperative life cycle and the need for support at each stage of the life cycle. Hence, the seven strategic pillars of the KZN Cooperative Development Strategy which are envisaged to ensure growth and sustainability of the cooperative are aligned across the various stages of the cooperative life cycle.

The model will play an important role in ensuring that government, private sector stakeholders and cooperatives members understand key principles central to the process and hence sustainability of the sector in the province. This revitalised value chain process for cooperatives is seamlessly integrated with the overall provincial strategy and will be supported with the implementation of the cooperative story line as per Annexure A of this strategy document.
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 9: Integrated Cooperatives Storyline and Strategic Pillars

Pillar 1: Enabling Regulatory landscape
Pillar 2: Government Coordination and Stakeholders Collaboration
Pillar 3: Information Transfer Mechanisms
Pillar 4: Cooperatives governance and support
Pillar 5: Skills Development and Capacity Building
Pillar 6: Inclusive Financial Services and Support
Pillar 7: Market Access Opportunities and Support

Pillar 7: Information Transfer Mechanisms

Pillar 1: Enabling Regulatory Landscape
Pillar 2: Government Coordination and Stakeholders Collaboration
Pillar 3: Information Transfer Mechanisms
Pillar 7: Information Transfer Mechanisms
Institutional Arrangements

The diagram below shows various stakeholders involved in the support and development of cooperatives in the province.

**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,
identifying viable markets, promoting and enforcing regulatory compliance among others. At the top is the ministry of Small Businesses Development which is responsible for cooperatives development at the National level and now houses almost all cooperatives support programs and schemes. The Department of Trade and Industry under which the tribunal will be housed, when functional, is solely responsible for the operations of the tribunal, this set up ensures independence of the function as the department is now no longer involved in cooperatives development activities. In the interim before the Tribunal establishment, the interim tribunal which will be administered by voluntary legal entrepreneurs in form of a social enterprise will be utilised. Further details on the roles and responsibilities of various stakeholders in providing support for cooperatives are discussed in the next section below.
## Stakeholders Roles and Responsibilities

The following is a matrix of various stakeholders highlighting their specific roles and accompanying responsibilities in implementing the seven strategic pillars of the cooperative strategy:

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| **Department of Trade and Industry (DTI)**       | Ensuring all-inclusive support to cooperatives at national level, through Coordination, consultation and advisory mechanisms | ✓ Overall responsibility for legislative framework, policy and strategy, coordination as well as administration in consultation with key national and provincial departments including other stakeholders  
 ✓ Promotion of cooperatives at the national level  
 ✓ Coordination of the various Government institutions dealing with cooperative enterprises  
 ✓ Designing uniform training materials for the cooperative sector involving relevant government programmes  
 ✓ Registration and de-registration of co-operative enterprises through the Companies and Intellectual Property Registration Office (CIPRO) |
| **Ministry of Small Business Development**       | Facilitate the development and growth of small businesses and cooperatives to contribute to inclusive and shared economic growth and job creation through public and private sector procurement | ✓ Facilitate partnerships with all spheres of government as well as the private sector to ensure mutual cooperation that will benefit small businesses and cooperatives  
 ✓ Advocate for a conducive regulatory environment for small businesses and cooperatives to enable equitable and sustainable transformation of small businesses in the economy |
| **Cooperatives Tribunal**                        | Play a central and leading role in addressing cooperatives members’ conflicts, for Fair and just settlements | ✓ Independent and subject to the constitution of the country  
 ✓ Maintain and administer effective and efficient tribunal for the settlement of cooperative disputes  
 ✓ The services will mainly include the following:  
   - Assist with judicial management, winding up, deregistration, conflict resolutions and liquidations  
   - Resolve matters from the Registrar  
   - Provide technical support on matters transferred from the cooperatives development agency  
   - Investigation and assessment of cooperatives compliance to the Act  
   - Adjudicate cooperatives members’ applications  
   - Appoint and dissolve the Cooperative Conflict Resolution commission  
   - Hearing disputes  
   - Issue summons to any person who may furnish with relevant information |
<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>KZN Cooperatives Task Team</td>
<td>Promote cooperatives growth through various programmes and activities.</td>
</tr>
<tr>
<td>Other National and Provincial Departments: Agriculture &amp; Rural Development, Education, Social Development, Rural Development and land reform etc.</td>
<td>Each department is responsible for developing and providing sector specific support to grow and develop the sector.</td>
</tr>
<tr>
<td>Local/district Municipalities</td>
<td>Promote local economic development within municipal area.</td>
</tr>
</tbody>
</table>

- 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.
- In the interim before finalisation the Tribunal at national level, social enterprise administered by legal entrepreneurs may be utilised at provincial level.

- Promoting and assisting in cooperatives developmental programs.
- Engagement with various stakeholders like the traditional council reps on land use.
- 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.
- Propose and develop cooperatives development incentives.
- Provide input and support in development of programmes that promotes the development of cooperatives across all sectors.

- Identifying market opportunities in respective sectors and work closely with private sector to realise opportunities.
- 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.

- Drive cooperative development through implementation of the strategic objectives.
- Manage the operation of cooperative development.
<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Support Activities</th>
<th>Agency Satellite Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community and NGOs</td>
<td>Provide integrated support to Cooperatives and SMMEs to enable growth</td>
<td>✓ Provide easily accessible information and assistance regarding coops using various mediums&lt;br&gt; ✓ Facilitate forum meetings and platform for cooperatives and officials to exchange information&lt;br&gt; ✓ Drive mentorship support within coop community&lt;br&gt; ✓ Work closely with academic institutions for business management and entrepreneurial training&lt;br&gt; ✓ Work closely with local municipalities to assist in increasing awareness of cooperatives amongst communities&lt;br&gt; ✓ Assist with mentorship support to cooperatives requiring development&lt;br&gt; ✓ Participate in various cooperatives related activities and share their experiences in order to access pertinent support&lt;br&gt; ✓ Assist with post finance developmental support&lt;br&gt;</td>
</tr>
</tbody>
</table>
Some of the following key success factors for development of cooperatives arose from our stakeholder engagements and best practice reviews. Development of these areas is essential in order to build up and strengthen the cooperative sector in KZN.

• **Teamwork and member cohesion**: Members working together towards a common goal and objective and a shared vision of seeing the cooperative flourish requires communication, team work and trust. These elements yield a more sustainable cooperative as the level of member commitment increases.

• **Strict observance of cooperative principle**: All members are to understand and practically apply the seven cooperative principles from an individual and collective standpoint. Thus cooperatives are to derive their identity from these basic principles that are guidelines by which they put their values into practice.

• **Access to correct and updated information**: Access to information on cooperatives starts from the awareness stage. Local and district municipalities should be armed with necessary updated information for prospective and existing cooperatives through easily accessible mediums. There are many cooperatives and communities who are rural based and therefore lack the ease of accessibility. Hence it is critical that local offices accommodate these cooperatives such that they receive an equal chance to grow and develop with the right information.

• **Business management and entrepreneurial skills**: Many cooperatives begin operations immediately without guided support on running a business. This becomes the key reason why cooperatives are not sustainable. Mentorship and training in this respect is necessary to ensure that members are equipped with the skills to run a business. The effective execution of this will 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
competitive against traditional forms of businesses and can equally attract both financial and non-financial interest from the private sector players.

- Cooperatives as a special purpose vehicle for radical economic transformation and wealth creation: Cooperatives should not be seen only as a means to alleviate poverty and live at a hand-to-mouth level. Cooperatives should be a long-term plan to move from sustainable livelihood to meaningful job and wealth creation. This means that the wages paid should satisfy the minimum wage and the value of a cooperative business reflected through the balance sheet should grow annually. A cooperative should move from one category to the next. This will result in the economic landscape being transformed.

Cooperatives should have productive assets, own the factors of production and operate in the space of asset accumulation and wealth creation.

- Cooperatives Insurance Organ: Many countries that have seen the flourishing of the cooperatives sector have utilized this model. This sector-specific organ plays a pivotal role in the cooperatives movement through the provision of key insurance services like risk underwriting, awareness in risk protection and management, and training for cooperatives on effective leadership, importance of strategic planning, management of scarce resources, quality standards, HIV/AIDS awareness, and risk management.

This organization will be responsible for the development of premises for training, membership, and management of cooperatives in the community.
This section elaborates on the cooperatives strategy implementation plan. The Table 6 below sums up the implementation plan.

### Table 6: Cooperative Strategy Implementation Plan

<table>
<thead>
<tr>
<th>NO</th>
<th>OUTCOME</th>
<th>OBJECTIVE</th>
<th>INTERVENTIONS</th>
<th>TIMEFRAME</th>
<th>KEY ROLE PLAYERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Impact</td>
<td>Coordinate Government structures and stakeholder collaboration</td>
<td>Coordinate Government Stakeholders such that support efforts are integrated</td>
<td>2017/11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Access to Information</td>
<td>Improving accessibility of information for prospective and existing</td>
<td>2018/12</td>
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<td></td>
<td></td>
<td></td>
<td>2019/13</td>
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<td></td>
<td>2020/14</td>
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<td>2021/15</td>
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<td></td>
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<td>2022-2026</td>
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</tbody>
</table>

**Key Role Players**

- Government
- Stakeholders
- Private sector
- NGOs

**Year**

- 2019/13
- 2020/14
- 2021/15
- 2022-2026

<p>| | | |</p>
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<thead>
<tr>
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<tbody>
<tr>
<td>3</td>
<td>Training and Mentorship Support</td>
<td>Improving technical and business skills within various sectors through training interventions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Impactful Mentorship Programmes that reach the cooperative effectively</td>
</tr>
<tr>
<td>4</td>
<td>Access to finance</td>
<td>To ensure that Cooperatives are well informed of</td>
</tr>
</tbody>
</table>
financing requirement and process and receive the appropriate development and receive the
moral support

Access to Markets
To increase Cooperatives’ Competitive position in the market and ensure sustainable operations

Reduce member conflicts and increase cohesion
Enhance the Cooperative Working environment to increase member commitment and collaboration

Regulatory landscape
To create an Environment conductive to successful and sustainable cooperatives
business practice which is aligned to national, provincial and local regulations and policies
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3) http://nz.coop/understanding-co-ops/


6) I.W Othman, M Mohamad, and A Abdullah, Cooperative Movements in Malaysia: The Issue of Governance: International Scholarly and Scientific Research & Innovation 7(6) 2013


11) http://www.neiveld.co.za/


The Cooperative Story Line - Tiers

Tier 1: Awareness

This mainstay marks the starting point of the cooperatives life cycle and thus it forms one of the most important stages in ensuring a sustainable cooperative sector in KZN. This stage involves active campaigns by the government and other stakeholders like NGOs to ensure that the message reaches a wide group of audience who may be interested in the cooperatives business concept. Emphasis is placed on correct, updated and relevant information communicated to cooperatives. Various relevant mediums which allow for information exchange would need to be in place to ensure interaction with majority of the potential audience is achieved effectively and efficiently.

Currently the cooperatives landscape is grappling with the challenge of accessing relevant information, available communication channels are said to be ineffective and thus both operational and prospective cooperatives are not abreast with critical information which affects the sector. The major weaknesses though is that some cooperatives upon being aware, they end up opening cooperatives without clear and well thought plan for doing so, as such assistance on planning as well as pre incorporation vetting should be utilised to stem this challenge.

Tier 2: Interest

Adequate and well-informed awareness campaigns will result in a growing interest amongst the prospective cooperatives. This stage is important as these prospective cooperatives' interest will be informed by pertinent information from the preceding stage. This stage 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.

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**
At this stage cooperatives will undergo extensive vetting before being fully registered, the main plan here is to filter bogus and any other sort of unsustainable cooperatives, the trio of Information Transfer Mechanisms, Skills Development and Capacity Building and Enabling Regulatory landscape are key at this stage. The stage will play a key role in ensuring that cooperatives are not registered for wrong reasons like once off tenders or accessing grants. This phase is very important in ensuring that cooperatives are not opened without proper and feasible plans as has been the case before.

Tier 6: Operate
Following the rigorous pre-setup assessment and evaluation, cooperatives can then kick start their operations. During this stage cooperatives are aware of the risks and opportunities involved in this unique business model and understand how, what, where and when to seek help before things get out of control.

This stage involves the rolling out of business plan cent per cent in the short to medium term and also considerations of market expansions or/and product diversifications in the long term to ensure the cooperative remains competitive and thus sustainable, the resultant impact being employment creation.

Currently majority of cooperatives misuse grant or loan funding, corruption and nepotism remains a threat to their operations as markets are easily lost to those politically connected. Lack of impactful training and mentorship (business management, technical skills) programmes remains a challenge. Lack of interactions (forums) has also been blamed for the current weak cooperative sector.

Tier 7: Improve
In order to ensure that cooperatives remain sustainable there is need for their continuous improvement. This stage actively interrelates with the preceding one as sustainable operations will require support which mainly comes from both the government and private sector. This requires the government through local government functions and other relevant agents to ensure that supportive systems and infrastructure are 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.