

Co-operatives Development Policy

2007

The Government will also place more emphasis on the development of a co-operative movement to combine the financial, labour and other resources among the masses of the people, rebuild our communities and engage the people in their own development through sustainable economic activity.

Thabo Mvuyelwa Mbeki
Parliamentary Address
25 June 1999

The Growth and Development Strategy, while recognising the leadership role of government in achieving growth and development, acknowledges the role of other stakeholders in this important task. The GDS seeks to galvanise the energies and resources of all sectors of society in Gauteng to work together towards integrated and sustainable development.

Premier Mbhazima Shilowa
Gauteng Growth and Development Summit
24 November 2004

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1.

Introduction

The new democratic government elected into power in 1994, both nationally and in the Gauteng province, has been elected with a mandate to confront the historical legacies of poverty, inequality and underdevelopment. To achieve this many macro level policies have been formulated and implemented. However, it has also been recognized that it is important to enhance the development interventions of government through micro-level strategies. In this regard co-operatives development is a key policy thrust from government.

The modern economic history of South Africa tells the story of competition and cooperation having to co-exist. While large conglomerates emerged across key sectors of the economy, during the 20th century, this had to be complimented with co-operative forms of economic organization. In the main, co-operatives have played an important role to bring about structural transformation in agriculture and have played important ameliorative function poor communities through stokvels, savings groups and burial societies.

Building on this history and tradition the new democratic government has passed a new law for co-operatives and has put in place a national policy for co-operatives. This document attempts to harmonise the national framework with a provincial approach to co-operatives development. In short, it attempts to ensure that government capacity in the province, government support functions, the role of key role players in the co-operatives sector and clear policy making processes are aligned to achieve the development of a co-operatives sector and enabling support environment in Gauteng province that is in keeping with national standards.

1.1 Background

Due to the legacy of apartheid, the South African economy has developed very unevenly. Spatially the economy is divided between a developed and underdeveloped reality, all within a single market economy. Gauteng is the industrial center of the South African economy. It has a population of about 9.5 million, a diversified economic base – ranging from farming, mining, manufacturing and services (with the latter sector contributing 60% to provincial GDP and 70% to provincial employment). Gauteng contributes significantly to national output and value added. This is reflected in the following (See *Gauteng Spatial Development Perspective*):

- 41% of the total GVA in the country;
- 64% of the GVA in innovation and experimentation;
- 53% of the GVA in high value differentiated goods;

- 50% of the GVA in services and retail;
- 48% of the GVA in tourism;
- 34% of the GVA in public services and administration;
- 30% of the GVA in labour intensive mass-produced goods.

While the Gauteng economy is at the center of the South African economy, it has also not escaped the duality of apartheid development. The over-development of Gauteng overshadows the underdevelopment that exists alongside the urbanized and formal economy. Many challenges face the “second economy.”

- While household incomes have been increasing over the period 1996 –2004, more than 2.8 million people still earn below the Minimum Living Level;
- According to the *Labour Force Survey (2005)* there has been a steady decline in the unemployment rate since September 2003 till September 2005, from 27.6% to 22.8%. However, most unemployed people in the province are still black Africans who encounter various barriers of entry into the formal labour market including a lack of skills;
- There are 406 994 shack dwellings in Gauteng, which is increasing due to migration into the province. Also about 10.5% of the population lives in “backyards” or traditional housing;
- About 8% of the population in Gauteng does not have education;
- Many households still require electricity for various purposes: 20% for lighting, 30% for heating purposes and 27% for cooking purposes;
- About 2.5% of households still require piped water.

It is in this context that the Gauteng government wants to halve poverty and unemployment as part of the national government’s priority economic goal. The main instrument that brings together the various strategies and policy thrusts to achieve these goals is the province’s Growth and Development Strategy, adopted at the November 2004 provincial growth and development summit. A key element of the strategy is the promotion of co-operatives.

1.2 Objectives of Gauteng Co-operative Development Policy Framework

The role of co-operatives in the provincial development process would be informed by national policy, strategy and legislation on co-operatives.

However, the objectives of this provincial policy framework are as follows:

- Harmonise with the implementation of national legislation and national policy, in the context of socio-economic conditions in the province;
- Target the unemployed and poor in particular women, youth and the disabled in order to ensure an even spread of the benefits from reconstruction and development;

- Ensure broad based black economic empowerment in the provincial economy;
- Support the development of a co-operatives sector alongside the public and private sector;
- Enable the development of a co-operatives movement;
- Support the implementation of the provincial Growth and Development Strategy;
- Clarify government's role and approach in supporting the establishment of genuine co-operatives and the co-operatives movement in the province.

1.3 The Development Case For Co-operatives

There are many internationally known arguments that define a role for co-operatives in the development process. These arguments have a resonance in South Africa and help motivate the development role for co-operatives in a post-apartheid context.

These arguments are as follows:

- Skills development – promoted in a co-operative in various areas of activity from core economic activity for vocational purposes, to management skills, governance and collective decision-making skill. The learning and technical training process in a co-operative is ongoing and ultimately ensures multi-skilling and the breakdown of the separation between mental and manual labour.
- Capital formation – happens in a co-operative for the purposes of start-up, expansion and consolidation. Most co-operatives source funds internally through member-based capitalization through equity purchases or member contributions. In addition, co-operatives re-invest surpluses and grow the internal capital and asset base of a co-operative. Co-operatives also obtain external financing in a manner that does not undermine the autonomy and internal democracy of the co-operatives. Essentially, external financing cannot involve passing on ownership to external individuals or entities.
- Redistribution of assets – for development to happen in any country it is important to ensure citizens are able to acquire financial, physical, natural and human resources. The legacy of apartheid has promoted extreme inequality in income and development. To overcome this legacy active redistributive strategies and interventions have to occur led primarily by the new

democratic and developmental state. Co-operatives can be used for such interventions to be sustainable and have maximum impact.

- Income generation – happens through the economic activity of a co-operative. This income is the result of the autonomous and self managed processes in co-operatives by members and worker owners. The income earned is used to meet operating costs, grow the co-operatives, provide financial gains to members and also benefit the community.
- Creating sustainable livelihoods – these are atypical forms of self employment in a co-operative. This is due to the fact that co-operatives are collectively owned. All members are also owners – worker owners. To this extent worker owners have to balance their take home income with the viability of the co-operative. Put differently, the dependency on employers in a typical business does not apply in a co-operative. The risk and sustainability rests with the co-operators and the decisions they make about the consumption of the surplus made.
- Providing an organised institutional voice – through the co-operative and co-operative movement within the policy process in the country. As member based institutions co-operatives are mass based organizations and have the potential to wield massive market and production power which can be used to influence the direction of government policy and the overall direction of society.
- Reach into the mainstream economy – a key characteristic of the economic activity of co-operatives. The goods and services produced by co-operatives find an easy outlet in the formal economy and help bridge the duality in most economies. This is also assisted by the co-operative movement structure and linkages. In short, co-operatives enable the poor to capture a share of the mainstream economy and ultimately contribute to aggregate output in a country.

1.4 A Brief History of Co-operatives

Modern co-operatives have existed for almost two centuries. The first worker co-operative was experimented with in the 1830s in France and the first consumer co-operative in 1844 in Rochdale England. Co-operatives are organized internationally through the International Co-operative Alliance (ICA), which was formed in 1895. National and continental co-operative movements affiliate to the ICA and today there are 224 member organizations from 91 countries. Together these co-operatives represent more than 800

million individuals worldwide. Co-operatives have been utilized as part of development interventions in various countries. Today the most important lesson from these experiences is to recognize the extent to which state support distorted co-operative development in some instances. Many co-operatives were controlled by the state or were forced to be dependent on the state. To overcome this, in the new context, the co-operative movement has emphasized the need to work with governments but in a manner that affirms the autonomy of co-operatives and co-operative movements.

In South Africa today there are +/- 3500 co-operatives. In the past these co-operatives were classified as agricultural, trading and developing by the Registrars Office. However, co-operatives are not new channels and institutions for development in South Africa. Four experiences of co-operatives have co-existed in South Africa.

The first experience of co-operatives exists in white 'organised agriculture'. Essentially, 250 agricultural co-operatives emerged in South Africa with around 142 000 members, total assets of some R12.7 billion, total turnover of some R22.5 billion, and annual pre-tax profits of more than R500 million. In addition, agricultural co-operatives handle all exports of citrus and deciduous fruit, handle and/or process the entire wool clip, and market 90% of dried fruit. On the input side, they provide and/or finance 90% of the fertiliser, 85% of the fuel, 65% of the chemicals, and a significant proportion of the machinery and implements, used by white farmers; they also provide 25% of credit used by white farmers.

Besides white owned and controlled co-operatives, in the 1980s non-racial trade unions attempted to develop co-operatives. This is the second experience of co-operatives in South Africa. Examples of this are the National Union of Metalworkers of South Africa (NUMSA) which established the Sarmcol Workers Co-operative (SAWCO) in 1985. The National Union of Mineworkers (NUM) first began co-operative development in 1988 and its co-operatives now have about 400 members. However, the number of NUM co-operatives has declined over the past few years.

The third experience of co-operatives in South Africa has been in the former homelands. During the apartheid era separate legislation was enacted for co-operative development in homelands. However, most of the co-operatives that were developed either merely existed "on paper" or were tightly controlled by homeland bureaucrats and thus collapsed after the end of apartheid. Statistics are also unreliable, but those that exist point to the existence of a total of 214 co-operatives.

The fourth experience of co-operatives is mainly in the informal sector. These are hawkers, home industry and other types of self employment initiatives.

While these are not co-operatives in the sense that they are not formally registered, they nevertheless operate with the same values as co-operatives which include co-operation, solidarity, self-reliance and common ownership.

1.5 Regulatory Framework

This policy is guided by the following legislation and policy:

- The Constitution of the Republic of South Africa Act (No.108 of 1996).
- A Co-operative Development Policy for South Africa, DTI, 2003.
- Co-operatives Act (No. 14 of 2005).
- The Gauteng Growth and Development Strategy, 2005.
- Gauteng Enterprise Propellor Act (No.5 of 2005).
- The Broad-Based Black Economic Empowerment Act (No.53 of 2003) and Codes of Good Practice issued in terms of the Act.
- Gauteng Strategy for Broad-Based Black Economic Empowerment (2006).
- The Skills Development Act (No.97 of 1998).
- The Preferential Procurement Policy Framework Act (No. 5 of 2000) and regulations.

2. The National Co-operative's Legislation and Policy

The main legislation supporting the development of co-operatives in South Africa has been the 1981 Co-operatives Act. This Act has had numerous shortcomings and has been under review since 2000 by the Department of Agriculture. There are several reasons why the 1981 Co-operatives Act needed to be repealed and replaced with a new co-operatives development legal and policy framework.

- The legislation was skewed in favour of agricultural co-operatives and hence the registrar of co-operatives office was placed within the department of agriculture historically;
- It distorted the identity, values and principles of co-operatives;
- It was not suitable to the needs of co-operatives, including emerging agricultural workers co-operatives, financial services co-operatives and other kinds of non- agricultural co-operatives;
- It was not buttressed by a clear support policy for co-operatives;
- Subsequent amendments promoted the conversion of co-operatives into companies;

- It did not support the development of a diversified co-operative sector.

A Co-operatives Bill was approved by Cabinet in November 2001 as per cabinet memorandum 18 of 2001. A Co-operative conference was held in June 2001. The discussion at the conference provided a point of reference for the debate on the South African Co-operatives Bill, with key stakeholders. The following areas of concern were raised:

- That there was a need for a strategy on co-operatives to be developed prior to legislation.
- The Bill should take into consideration the role of other Government departments as well as extra-legal government supports and incentives.
- Parts of the Bill contain prescriptions that are antithetical to co-operative principles like the prescription of a manager, investor shares and the assertion that co-operatives must uphold business principles.

On the 5th December 2001, cabinet took a decision to shift the responsibility for co-operatives as well as the administration of the new co-operatives law from the National Department of Agriculture (NDA) to the **Department of Trade and Industry** (DTI). In effect the registrar of co-operatives is now part of the Department of Trade and Industry and is supported by a co-operatives unit within DTI.

It has been agreed that it shall henceforth be the responsibility of the **DTI** to ensure proper administration and implementation of the national co-operatives legislation, policy and implementation strategy.

The new co-operatives law, Act No.14 of 2005, passed in August repeals the 1981 Co-operatives Act. It provides:

- A clear definition of co-operatives based on the internationally recognized principles of co-operatives;
- Clear regulation for the registration process of co-operatives by defining requirements and procedures;
- Rules for the functioning and operations of co-operatives;
- Clear rules for the capital and ownership structure of co-operatives;
- Regulation to govern audits, conversions, amalgamations, transfer, division and winding up of co-operative entities;
- Clear procedures for the administration of the Act by the registrar of co-operatives and the national Minister;
- For a Co-operative Advisory Board to play the role of a policy forum at a national level to ensure the implementation and realization of the co-operative policy, legislation and support programs;
- For transitional measures to ensure that all existing co-operatives are realigned to the new law;

- Special schedules that relate to housing co-operatives, worker co-operatives, financial services co-operatives and agricultural co-operatives.

2.1 The Definition of a Co-operative

Many people confuse co-operatives with other forms economic enterprise like companies, trusts and closed corporations. However, co-operatives do not share the same institutional characteristics, principles and values as these forms of economic enterprise and, in the main, co-operatives have evolved as a movement at a global, continental, national and local level.

In addition, co-operatives are confused with “Small, Medium & Micro Enterprises” or “SMMEs”. Co-operatives are not the same as SMMEs because the latter merely attempts to define the size of economic enterprises using employment, turnover and other important indicators. Co-operatives, companies, trusts, closed corporations, sole trader and partnership enterprises can be SMMEs, depending on what indicators are used to define SMMEs, but not all SMMEs can be co-operatives. This is simply because the potential and actual size of co-operatives can surpass the normal definition of an SMME. While some of the technical support required for sustainability in co-operatives and SMMEs can overlap there are numerous problem if, in policy terms, co-operatives are conflated with SMMEs:

- Co-operatives development requires support to promote the backward and forward linkages between co-operatives to promote a co-operative sector and movement. These policy outcomes require dedicated policy support measures and institutions and would not be realized if co-operatives are merely treated as SMMEs.
- Flowing from the above, an SMME approach places co-operatives within the private sector, particularly the fringe of the “first economy” in South Africa and subjects them to outright competitive pressures. Thus, co-operatives will not be able to develop the necessary capacity to become an integral part of the “first economy”. Co-operatives are empowerment and developmental enterprises that need to be nurtured and supported in the “second economy” as a priority starting point.
- It restricts the development of co-operatives up to a certain size and scale – those that are beyond the definition of “SMME” fall through the policy framework and do not get support.
- The principles and values of co-operatives are easily undermined when co-operatives are confused with small companies, trusts and so on – in practice it would be easy to undermine the collective decision-making and ownership structure of the co-operatives.

However, in the context of national policy and Gauteng Provincial Government policy for SMME development co-operatives are not being

conflated with SMMEs but will be given policy support alongside and with SMME's where there is an overlap. The Gauteng Enterprise Propellor, for example, will be utilized to support both co-operatives and SMMEs but each would have distinct support products. Where there is a need to utilize shared support services this will also be done.

Co-operatives have a universal definition, set of values and principles that have been established formally for more than a century ago. The universally accepted definition of co-operatives has been promoted by the International Co-operative Alliance, the International Labour Organisation and the national government policy framework, which states that:

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

In simple terms, co-operatives are:

- Voluntary institutions based on conscious and free choice to associate by individuals;
- People centered and based on collective solidarity to achieve its objectives;
- Places member and worker owner needs at the center of the activity of the institution;
- Economic, social and cultural institutions depending on the activity performed;
- Owned by its members for the benefit of all its members;
- Empowers every member/worker owner to input into the decision-making by an equal distribution of power through the principle of one-person-one-vote;
- Are member controlled, leadership driven and self-managed.

2.2 Forms and Types of Co-operatives

There are three forms of co-operatives recognized by the new co-operatives law:

- Primary co-operatives – are made up of individual human beings who join as members. The minimum number of members that would compose a primary co-operative is prescribed by the law.
- Secondary co-operatives – are made up of more than one primary co-operative. The main function of a secondary co-operative is to provide support services to primary co-operatives. Secondary co-operatives can also be deemed to be sectoral or federal bodies. Primary co-operatives

could affiliate to more than one secondary co-operative for support services.

- Tertiary co-operatives – are made up of secondary and/or primary co-operatives. The main aim of tertiary co-operatives is also to provide support services to members. In a country tertiary co-operatives are sometimes deemed to be the “apex” body representing different co-operative sectors and primary co-operatives. “Apex national bodies” are meant to be the national voice of co-operatives in a country and are meant to represent its members in policy formulation and to devise strategies and programs for the development of co-operative activities. Tertiary co-operatives can also operate geographically in a local area or province, for instance.

Many enterprises can operate as a co-operative while not being formally registered. However, these “informal co-operatives” are not deemed to be co-operatives according to the new co-operatives law. Any enterprise in the South African economy is only deemed to be a co-operative if it formally registers and complies with the principles enshrined in the new law. Legally registered and recognized co-operatives can engage in varied types and kinds of activity. Some of these include but are not restricted to the following:

- Housing co-operatives
- Worker co-operatives
- Social co-operatives
- Agricultural co-operatives
- Burial co-operatives
- Financial services co-operatives
- Consumer co-operatives
- Marketing and supply co-operatives
- Service co-operatives

In short co-operatives can operate in any sector of the South African and Gauteng economy and engage in different kinds of economic, social and cultural activity to meet the needs of its members.

2.3 Values and Principles of Co-operatives

The national Co-operative Development Policy and the new co-operatives law promote the internationally recognized values and principles of co-operatives.

These values are of self-help, self-responsibility, democracy, equality, equity, and solidarity. Also and in the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Principles

There are seven internationally accepted and recognized principles for co-operatives. These principles are also at the heart of the new co-operatives legislation and would be used as the basis to qualify or disqualify a group wanting to register as a co-operative.

1st PRINCIPLE: VOLUNTARY AND OPEN MEMBERSHIP

Co-operatives are voluntary organizations; open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd PRINCIPLE: DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are organized in a democratic manner.

3rd PRINCIPLE MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th PRINCIPLE: AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th PRINCIPLE: EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public--particularly young people and opinion leaders--about the nature and benefits of co-operation.

6th PRINCIPLE: CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th PRINCIPLE: CONCERN FOR COMMUNITY

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

3. The Existing Provincial Policy Context

This section of the policy document highlights the extent to which co-operative development has been pursued within provincial government. At the same time it attempts to identify the current structure of the co-operative sector in the province and its relationship with the mainstream economy.

3.1 Gauteng Government Departments and Policy Programs

The Growth and Development Strategy of the Gauteng government is the framework for integrating all policies and objectives. This also means that it streams the co-operative approach and option into all key areas of government economic intervention – the Trade and Industrial Strategy, the Gauteng Integrated Development Plan, the Local Economic Development Strategy and the Environmental Implementation Plan.

In addition, some government departments have actively committed themselves to co-operative development in various programs. Currently, the Department of Housing is promoting co-operatives within the People's Housing Process as part of the development of sustainable communities. Co-operatives are being capacitated as institutional vehicles to manage housing support centers, and include farming co-operatives, brick making co-operatives and credit unions to mobilize local savings.

Also the Department of Social Development has committed itself to establish worker co-operatives, social co-operatives and service co-operatives over the next 36 months.

Opportunities also exist in other departments and programs for the promotion and development of co-operatives.

3.2 Municipalities

There are 15 municipal councils in Gauteng. Three are Metropolitan Councils – Johannesburg, Ekurhuleni and Tshwane. Most municipal councils in Gauteng do not have support policy in place for co-operatives. Neither have they developed programs and projects that work with co-operative approaches and institutional forms.

From the survey conducted by the Department of Finance and Economic Affairs only the following municipalities are engaged with co-operatives in a serious way as part of local economic development interventions:

- Ekurhuleni Metropolitan Council – has a co-operative development policy and has mainstreamed this into its LED strategy and program work. Currently, the Metro has a co-operatives' forum and a program intervention to establish sustainable local manufacturing industrial hives in 25 project areas. This project is married to urban regeneration, income generation and livelihood creation.
- Johannesburg Metropolitan Council – has supported the EcoCity project in Midrand. This project has promoted the development of local co-operatives and a co-operative movement. At least 12 co-operatives exist and are engaged in different kinds of local economic activity from recycling, paper making, bicycle repair, tourism, organic farming and housing.
- The Sedibeng district municipal council – is also working on projects. In the local Emfuleni Council there is a co-operative industrial hive and a massive hydroponic farming co-operative in Tshepiso and Sebokeng Township. In this municipal district the provincial government has also supported the development of a major catalytic project called Chem-City. This project will promote downstream enterprise development for value adding related to synthetic fuels. As part of this project an enterprise incubator has been established called Sedi-Chem. This incubator will also promote co-operative development.

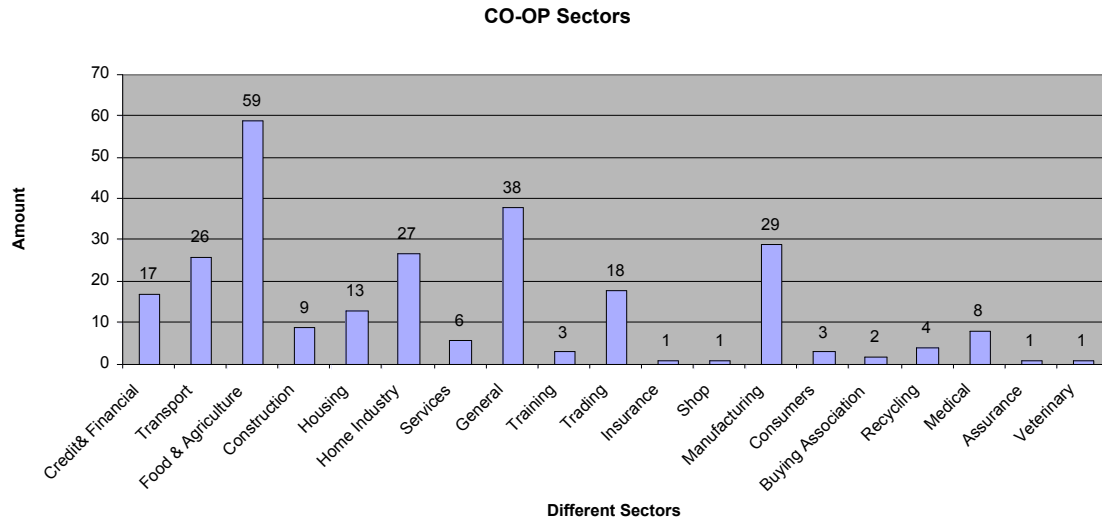
3.3 Structure of the Gauteng Economy and Co-operative Sector

Gauteng has a diversified economic base in which manufacturing and more recently services have come to dominate economic activity. In general terms the Gauteng economy has shifted from mining and farming as the main source of employment growth.

	South Africa	Gauteng	2002 -2007
Sector	% (2001)	% (2001)	Growth rate % p.a
Agriculture & Services	6.7	1.3	5.5
Mining & Quarry	3.4	2.3	2.3
Manufacturing	19.4	19.5	2.9
Electricity, Gas and Water	0.4	0.4	5.4
Construction	2.2	1.8	9.3
Retail/Wholesale	5.7	6.0	4.1
Transport and Communication	2.2	2.3	8.9
Finance /Business Services	3.3	4.4	8.1
Community/Social Services	17.1	18.8	4.0
Government	6.8	6.5	2.9
Other Producers	32.8	36.7	0.4
Total/Average	100.0	100.0	3.0

(Source: Gauteng Trade & Industry Strategy, 2003)

Most of the output and employment creation from co-operatives in the province are not part of these formal sectors with a few exceptions such as established “white agricultural co-operatives”. Co-operatives have mainly contributed to organizing economic activity in the “second or township” economy.



(Source: Registrar of Co-operatives, 2004)

In Gauteng there are 266 co-operatives that currently compose a co-operative sector. These co-operatives span about 20 different sub-sectors of economic activity. Most co-operatives are concentrated in food and agriculture (59) followed by general purpose co-operatives (38) and manufacturing (29). In general terms, most of the co-operative sub-sectors are not fully established but just beginning to develop. Most sub-sectors like insurance, shop, assurance and veterinary have 1 co-operative each.

The number of co-operatives that are primary, secondary/ sectoral and part of an apex body is not very clear due to the lack of information. Also the extent to which these co-operatives work with co-operative principles and values is also unknown. Most importantly, data on livelihoods and sustainable jobs in co-operatives is currently lacking. Appropriate measurement indicators will have to be developed.

In general terms the development of previously white owned co-operatives and the new wave of black economic empowerment co-operatives point to the following characteristics of the co-operative sector:

- Fragmentation – some co-operatives have a presence in the formal economy but in the main operate in the “second” or township economy. There are no value chain linkages – upstream and downstream – organised through co-operatives. Even on the consumption side the co-operative sector is not very developed or organised. Also the various co-operative sub-sectors of the co-operative sector are not organised sufficiently and there is no real presence of a coherent and established co-operative movement leading the development of co-operatives in Gauteng;

- Underdeveloped – co-operatives are not resourced sufficiently and have not been utilized on scale for economic interventions and development. The employment and livelihood potential of these institutions are far from developed as part of a co-operative sector in the provincial economy.

4. Gauteng Government's Development Approach

The Gauteng Growth and Development Summit of November 2004 committed the provincial government to developing co-operatives and a co-operative sector in Gauteng. To achieve this the following aspects would make up a development approach for co-operative development in the province.

4.1 Scope of the Policy

This provincial policy deepens the national framework to enable a fit with Gauteng conditions. In addition, all municipalities in the province are encouraged to work within this policy framework to support the promotion and development of co-operatives.

This does not mean that local municipalities should not have co-operative development support programs and policies but have to use this policy framework as the minimum policy standards from which to build.

All local economies have different economic structures and conditions. The co-operative policy framework of each municipality should be tailored to support its local economic development plans and poverty eradication policies.

4.2 Enabling Role for Government

Drawing on international and national experience government will not seek to control co-operatives and consequently micro-manage them as extensions of government. Also government will not surrender co-operatives to the changing circumstances, pressures and difficulties in the market. Government is committed to ensuring co-operatives are sustainable enterprises capable of realizing their objectives and fulfilling the needs of their members. To this extent government will provide the necessary financial, technical and institutional support that would ensure the necessary conditions are in place for co-operatives to make a substantial contribution to local and provincial development and their strengths are harnessed for broad based black economic empowerment. If in this context co-operatives fail it would not

be because government has not tried to ensure sustainability but rather because of internal institutional factors.

4.3 Linking Co-operatives To Development Opportunities

As part of ensuring sustainable co-operatives, government will ensure demand of the public sector and local communities is harnessed such that co-operatives are used, as far as possible, for provisioning and the supply of goods and services. Procurement policy in particular will be strengthened to ensure co-operative development.

In addition, many government development programs and projects need to be linked with co-operative development. Many extended public works programs, farming projects and other kinds of community development initiatives need to utilize the co-operative option as a path way into the provincial co-operative sector.

4.4 Target Groups and Areas

As structural employment increases and the labour absorption capacity of the “first economy” decreases due to capital intensive production or the decline of industries due to competition and restructuring pressures, co-operatives have to be utilized to create employment and sustainable livelihoods.

Many of the unemployed in the province are mainly women, youth and people living with physical disabilities. These groups will be prioritized for co-operative development.

In addition, many of the townships and the semi-rural areas like Sedibeng, the West Rand and Metsweding have to also utilize co-operatives on scale to ensure more even local economic development within cities, towns and across the province.

4.5 Autonomous Co-operatives

Co-operatives by definition are owned and controlled by their members. Their impulse for survival and sustainability comes from within the co-operative and not from the outside. While co-operatives have to evolve through many phases of development - from being organised, established, expansion and consolidation - like all enterprises it is important that they do not lose their autonomy to make their own decisions. Technical assistance, institutional support and resourcing, from the outside, of co-operatives must not undermine the autonomy of co-operatives but instead must promote co-

operation, partnership and autonomy – dependency and “paternalistic” relations must not be fostered with co-operatives.

4.6 Participatory Policy Formulation, Implementation and Review

In keeping with the national policy, legislation and strategy, the provincial framework for co-operative development would be subject to review and enhancement in a participatory manner over time. Many of the experiences by co-operators, co-operatives, government and other support organizations would be drawn on to evaluate and further develop co-operative policy support measures and enabling conditions for a co-operative sector and movement in the province. A dynamic and participatory policy-making cycle will be supported and fostered by government to ensure all co-operative and co-operative movement voices are heard and impact on the direction of policy from below.

5. Policy Outcomes

The co-operative development policy will aim to achieve the following economic and development results over the next five years:

- Create 500 000 livelihoods and 100 000 sustainable jobs, directly and indirectly, in the provincial economy over a period of 5 years;
- The GDS targets 8% RGDP by 2014, the co-operative sector will contribute 30% to RGDP;
- Narrow income inequality between and within race and gender groups;
- Fiscal allocations to co-operative development will be increased over time such that trade offs will be made with expenditure on social grants and public works.
- A comprehensive provincial database of all the unemployed including skills, gender, race, sectoral and spatial data;
- Integrated skills development and capacity building support systems;
- Ensure more targeted resource transfers to the poor and in particular a widened financial, physical and natural resource base for the poor;
- Enhance urban and community based ecological practices and management.

6. Policy Support Measures, Administration and Coordination

6.1 The Role of National Government

The national government, through the Department of Trade and Industry, has provided the country with an important policy framework and set of policy standards from which to build and focus co-operative development policy in provinces. It defines governments role in general terms to ensure enabling support for co-operatives and re-enforces the definition, principles and values recognized internationally and in the new co-operative law. In addition, national government envisages a very general implementation strategy in which support measures and co-operative support services can be provided to co-operatives. This implementation framework can be further enhanced by provincial and local government to suit the specific economic and co-operative sector conditions that prevail.

National government also ensures the administration of the new co-operative law. However, the new law does not prevent the registrar of co-operatives or the Minister from decentralizing certain functions and powers, stipulated by the new co-operatives law. In other words, to ensure the co-operative option comes closer to the ground and capacity exists in government for proper administration provincial government can take on certain administrative functions, in keeping with the national law.

6.2 The Role of Provincial Government

The enabling role of provincial government is defined by the national policy framework and legislation for co-operative development in the country. However, in keeping with provincial economic conditions and the structure and level of development of the co-operative sector in the province, appropriate policy support measures and an implementation strategy would be designed.

To this extent, provincial government would ensure the following forms of enabling and strategic support for co-operatives in Gauteng province:

- Proper institutional and administrative capacity to ensure the active promotion, development and support of co-operatives and the co-operative sector, at a provincial government level;

- Coordinate development opportunities and the role of government in the promotion of co-operatives within government's development programs and projects;
- Resources (financial and physical) are channeled through appropriate mechanisms, incentive schemes and support programs to co-operatives;
- Training and technical support in keeping with proper training standards are networked and linked to further strengthen the sustainability of co-operatives;
- Provide a set of minimum policy support measures required from local government;
- Ensure proper links with national and local government for proper policy management, decentralization and harmonization;
- Provide appropriate research information to assist with understanding the trends within co-operatives, the co-operative movement and the co-operative sector and the various challenges co-operative development is facing for ongoing policy development and innovation.

6.3 The Role of Local Government

Local government has a very important role to assist with the implementation of the national and provincial policy framework on co-operatives. In particular local government has to ensure the following:

- Work with national and provincial government support measures;
- Establish institutional administrative capacity in the local municipality to support the implementation of the co-operative development policy;
- Provide a certain minimum of support measures required within the provincial implementation strategy;
- Align co-operative development with local government development strategy, poverty eradication plans, IDPs and other developmental interventions. To this extent all local governments to have policy statements to promote these linkages in local government policy and to utilize its co-operative administrative capacity to coordinate such linkages;
- Establish participatory forums to build strong partnership with local co-operative movements;
- Coordinate its co-operative development efforts very closely with provincial government.

6.4 The Role of the Co-operative Movement

The co-operative movement is still in its infancy in Gauteng. It has not developed sectoral/secondary co-operatives in most sectors and it has to

make sure a higher level of co-operation is developed between co-operatives in the co-operative sector and movement. In addition the co-operative movement has to ensure the voice of co-operatives is heard in the provincial economy, the policy-making process and in Gauteng society.

Government will form a partnership with the co-operative movement and support it in a manner that does not undermine the autonomy and independence of the co-operative movement.

6.5 The Role of Support Organisations

Within and around the co-operative movement are a host of technical support organizations. These organizations provide co-operative training for groundwork and after-care to assist co-operatives with sustainability. These institutions would be co-ordinated into a provincial network of training support organizations and they shall work closely with provincial and local government and the co-operative movement to ensure co-operatives are developed in Gauteng.

In addition, universities and SETAs would be engaged by provincial government to ensure they align with the training and support needs of co-operatives and fill appropriate gaps for the development of sustainable co-operatives and a cooperative sector.

6.6 The Role of Mass Organisations

The trade union movement, civic organizations, food security networks, landless people's organizations and other such mass organizations have a crucial role to play in promoting co-operatives.

Provincial and local government will establish partnerships with such organizations to ensure support is harnessed for the building of a powerful co-operative movement and sector in Gauteng.

7. Implementation Strategy for the Policy

The policy framework developed for the province would be implemented through a properly designed implementation strategy. This strategy shall detail the support measures and instruments that would be used to ensure the development of co-operatives and the co-operatives sector in Gauteng.

8. Policy Monitoring and Review

The provincial government shall establish a provincial co-operative advisory forum made up of co-operatives, relevant support organizations and stakeholders within the co-operative sector. Similar forums shall be convened at a local government level and representatives from these forums would also participate in the provincial forum.

These forums shall not be statutory bodies but shall be aligned to the national co-operative advisory board. These forums shall meet at least once every quarter, during a year, and shall convene a co-operative movement and sector summit every two years.

These forums shall enable the following:

- Monitor the implementation of policy;
- Utilise appropriate research to understand the problems and challenges facing the co-operative movement and sector in Gauteng;
- Use the provincial summit to assist government to think about policy changes;
- Develop recommendations for the national co-operative advisory board and the national Minister.