CO-OPERATIVES IN GAUTENG: A QUANTITATIVE STUDY

Broad Based BEE or Push Back Into Poverty?

2005

BY
Co-operative and Policy Alternative Center
(COPAC)

ACKNOWLEDGEMENTS

COPAC would like to thank the co-operatives that were willing to take the time to participate in this survey. This report was only possible thanks to the many co-operatives across Gauteng that took the effort to fill out the 14-page questionnaire on which this report is based.

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I. INTRODUCTION

The Co-operative and Policy Alternative Center (COPAC) conducted this survey in an attempt to develop a better understanding of the support environment, institutional capacity and practices of co-operatives and the co-operative movement in Gauteng Province. COPAC has worked to build co-operatives in Gauteng for the past six years. Through its experience in building co-operatives COPAC realized that there was a lack of reliable and accurate research on the state of co-operatives in the province. It is COPAC's belief that to accurately assess the most appropriate ways various institutions such as support organizations, government programs, or external agencies can provide assistance to co-operatives reliable and up-to-date information of the needs, challenges, and current state of co-operatives in the province is necessary. Most importantly this kind of research-based information is necessary for co-operatives and the co-operative movement to problem solve and build up their own capacity for self-reliant development.

This report is the first in a two-part study on co-operatives in Gauteng. This report covers the quantitative survey of existing co-operatives in Gauteng. The second report is a qualitative research report based on twenty case studies of co-operatives in various sectors and locations in the province. The qualitative report builds on the quantitative report and will be released in 2006.

The quantitative survey focused on key questions concerning the formation, membership, type of activities, the capacity level, the forms of support, and finances of co-operatives. In summarizing the tremendous amount of data collected the report focuses on the following areas:

- Formation of co-operatives
- Structure and membership
- Activities
- Capacity, Support, and Assets
- Finances

We conclude the report with a summary of findings and recommendations for addressing the problems and challenges identified.

II. METHODOLOGY

The definition of a co-operative informing this survey is taken from the current legislation. The current Act No. 14 of 2005 provides the following definition:

> *A co-operative is an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly-owned and democratically-controlled enterprise organised and operated on co-operative principles.*

This definition affirms the distinct institutional characteristics of co-operatives that have been upheld by international bodies like the International Co-operative Alliance (ICA) and the International Labour Organisation (ILO). This also means that co-operatives in South Africa should not be confused with other forms of economic enterprise like companies, trusts and closed corporations whose economic behaviour is informed by competition. In the main, co-operatives work together and have evolved as a movement at a global, continental, national and local level.

It is also important that co-operatives are not confused with "Small, Medium & Micro Enterprises" (SMMEs). Co-operatives are not the same as SMMEs. SMMEs are defined by the size of an economic enterprise using important indicators such as employment and turnover. 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 are 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 problems if, in policy terms, co-operatives are conflated with SMMEs.

- Co-operative development requires support to promote the backward and forward linkages between co-operatives to promote a co-operative sector and movement. Co-operatives are about collective accumulation and consumption. These policy outcomes require dedicated policy support measures and institutions and would not be realized if co-operatives are merely treated as SMMEs.
- Following 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.
- The main strength of co-operatives is about the reliance on bonds of solidarity between its members, first and foremost, as opposed to the assumption of the individual entrepreneur chasing personal gain and reward in the SMME model.

In short, co-operatives and the co-operative movement require a dedicated and distinct support environment. Similarly, research conducted on co-operatives has to work with the distinct institutional characteristics of co-operatives. In other words, co-operatives cannot be understood through the lens of SMMEs or any other form of enterprise; their practices and institutional arrangements must be understood on their own terms. Hence, the scope of COPAC's research methodology was restricted to targeting co-operatives as defined in South African law.

We relied on quantitative methods of data collection in which a detailed questionnaire was sent to all co-operatives in Gauteng. The questionnaire was developed through a series of three workshops and focus groups with COPAC field researchers and members of co-operatives. Taking the extra time to workshop the questionnaire proved immensely useful as it helped clarify and simplify the language and formatting of the questionnaire. The questionnaire was designed to capture information about the history of the co-operative, its structure and functions, activities, challenges, and future plans.

One of the biggest stumbling blocks to conducting this survey came from the inaccuracy of the Registrar of Co-operatives' contact list. Of the 266 co-operatives in Gauteng relatively few had accurate contact details reflected on the Registrar of Co-operatives' list. This meant that COPAC had to construct a contact list virtually from scratch. In order to recreate a contact list, COPAC sent four field workers into communities across the province to inquire about and search for co-operatives in the area. COPAC also phoned every co-operative on the Registrar's list and made follow-up calls through the 1023 telephone information directory in an effort to contact the co-operatives. Through these various avenues COPAC was able to develop a fairly comprehensive contact list of co-operatives in Gauteng. We have included the contact list as an appendix to this report as we feel this is a valuable tool for co-operatives, government officials, and support organizations.

Of the 266 listed co-operatives that were contacted, 18 are no longer operating, while an additional 108 were not found and another 5 converted into companies, section 21 companies, or foundations. Combining the numbers that have closed down with the numbers of missing co-operatives, the number of functioning and identifiable co-operatives in Gauteng decreased to 116. Through its searches COPAC identified 34 functioning co-operatives that were not yet listed on the Registrar of Co-operatives' directory. Thus, the total number of co-operatives in Gauteng that COPAC could find was 150.

Once the contact list was complete the questionnaire was sent to the 150 co-operatives. A letter explaining the questionnaire and guaranteeing confidentiality and a self-addressed stamped envelope were included with the questionnaire. Based on social science standards of response rates, COPAC expected approximately 20% return rate from the 150 (approximately 30 questionnaires). However, only 11 questionnaires were originally returned by mail. COPAC made follow-up phone calls to all the outstanding co-operatives and as a result received another 8 questionnaires by post.

With the total of 19 questionnaires—which was below the 20% social science acceptable standard—COPAC decided to send field workers to fill out the survey with the remaining co-operatives. All the remaining co-operatives were contacted and an additional 64 co-operatives agreed to have COPAC field workers come fill out the questionnaire with them. In the end, 83 co-operatives filled out the questionnaire, which is 55% of the total number of identified co-operatives. Thus, the final response rate far exceeds social science standards and gives us confidence that the report accurately reflects the general trends within co-operatives in Gauteng.

The responses were then captured using the Statistical Package for Social Sciences (SPSS) statistical programme. After the responses were coded and captured in SPSS, the data was quantitatively analyzed in 172 tables. From this process COPAC has drawn up this report. Because many of the tables are rich with information, we have decided to include a number of tables in this report.

A note about the tables is necessary. Readers may notice that not all the columns in the tables in the report add up to 100%. This is due to the fact that some questions were not answered and thus coded as missing. Readers must also remember that not all questions applied to all co-operatives. Thus, in some tables the percentages are not taken from the total of 83, but from the smaller number to whom the question applied.

The report is divided into three sections. The first examines the national and provincial context of co-operatives. The second section presents the results and analysis of the quantitative survey. The third section provides a series of recommendations based on the information gathered in the survey to guide the sustainable development of co-operatives and future support given to co-operatives in Gauteng.

III. NATIONAL AND PROVINCIAL CONTEXT

Despite the poor quality of statistics on co-operatives in South Africa it is reasonable to estimate the total number of co-operatives, based on the Registrar of Co-operatives register, to be approximately 3,500 in number. This includes primary, secondary and sectoral bodies. There is one national apex organization that provides a voice for co-operatives in South Africa – the National Co-operative Association (NCASA).

The promise for the development of co-operatives in post-apartheid South Africa was first made within the Reconstruction and Development Program (RDP) of the first democratically-elected South African government. Five years later, in 1999, President Thabo Mbeki made a call for the development of a co-operative movement in the country in his parliamentary address. In the year 2000 the Department of Agriculture undertook a review of the 1981 Co-operatives Act. It began this review as it recognized that the 1981 Co-operatives Act was not suitable for the promotion and development of co-operatives in post-apartheid South Africa. In particular, there was a recognition that the 1981 Act had four primary shortcomings: (1) it was skewed in favour of agricultural co-operatives; (2) it undermined the identity and principles of co-operatives; (3) it did not provide for the regulation of different types of co-operatives; and (4) it was not supported by a proper policy framework for the development of co-operatives.

Since the time that this legislative review by government was initiated, the co-operative movement and civil society have actively engaged the co-operative policy reform process. As a result of this process there have been many developments: various versions of a new co-operative bill were drafted and redrafted through this engagement, a new policy was put in place to guide the development of co-operatives, and the Registrar of Co-operatives' office was moved from the Department of Agriculture to the Department of Trade and Industry.

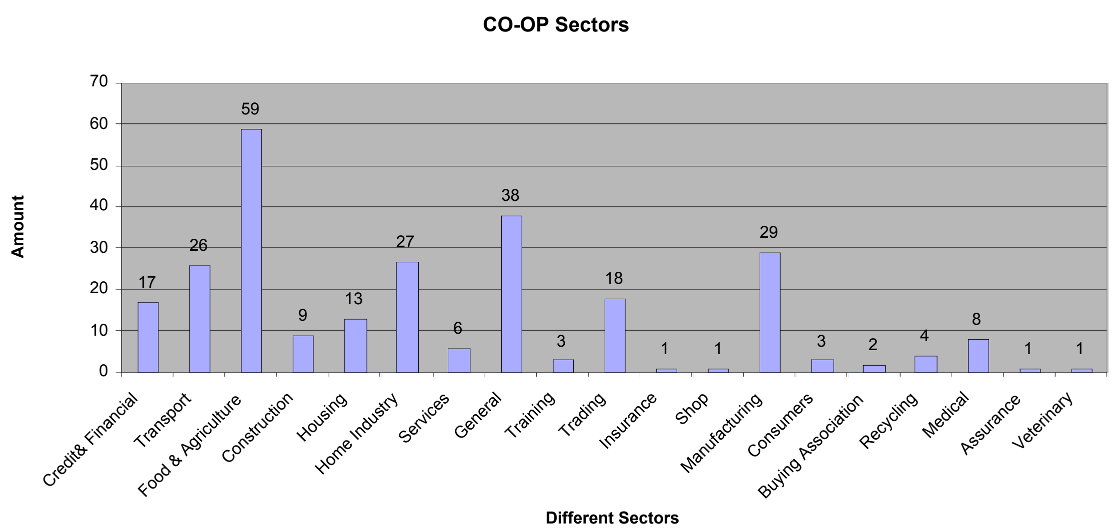
Finally, a new co-operatives law, Act No.14 of 2005, was passed in August 2005 which repeals the 1981 Co-operatives Act. It provides:

- 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.

In the Gauteng Province government has also recently responded to this national policy thrust by developing a Gauteng Co-operative's Development Policy and Implementation Strategy. These policy framework documents are still in process and should be formalized as government policy before the end of 2005. At the same time, this provincial policy framework is complimented by existing initiatives of practical co-operative development within three municipal councils, the Department of Housing, and the Department of Social Development.

Outside of provincial government and municipal government attempts to support the development of co-operatives, there are 266 officially registered co-operatives in Gauteng, spanning approximately 19 sub-sectors of economic activity.[1] Most co-operatives, however, are concentrated in food and agriculture (59 co-operatives are listed in this sector on the Registrar of Co-operatives' list), followed by general purpose co-operatives (38 co-operatives are listed in this sector), and manufacturing (29 co-operatives are listed in manufacturing sector). Most of the sub-sectors are not fully established and are still in the process of developing. A number of sub-sectors (such as insurance, shop, assurance and veterinary) have one co-operative listed in the sector.



(Source: Registrar of Co-operatives, 2004)

Some co-operatives have a presence in the formal economy, but the majority operate in the "second" or township economy. Unfortunately, many co-operatives do not interlink with each other. There are no value chain linkages—upstream and downstream—organized through co-operatives. While linkages among production co-operatives are generally underdeveloped, the same is true for consumer co-operatives. The consumption side of the co-operative sector is

[1] We have used the official data from the Registrar of Co-operatives list to capture the sub-sectors. The general trends reflected in the official numbers also apply to the list we compiled of functioning co-operatives. We therefore chose to use the Registrar of Co-operatives' data on sub-sectors.

generally not very developed or organized. In short, the co-operative sub-sectors have not evolved into a coherent and well-established co-operative movement which could lead the development of co-operatives in Gauteng. The extent to which co-operatives work with co-operative principles and values is unclear and difficult to capture and is an important issue probed in this research project.

In general, co-operatives have been developing in post-apartheid South Africa despite the slow pace at which government has responded to the development needs of co-operatives. This is starkly reflected in the fact that it has taken government almost a decade to put in place an appropriate legal and policy support framework for co-operatives. Recent developments point to a positive shift in policy emphasis and support for co-operatives nationally, provincially and at local government level. However, current realities in co-operatives and the co-operative movement have to be considered for belated, but important, support interventions to work. It is important also for the co-operative movement itself to understand its own strengths and weaknesses. This research survey attempts to lay bare some of these issues and to identify the most important internal and external factors that are limiting the development of co-operatives, a co-operative movement and co-operative sector in the Gauteng Province.

IV. RESULTS OF THE SURVEY

In the following sections the results of the survey are discussed. A few findings of the survey are, however, worth highlighting up front. One of the important lessons to come out of the survey is the fact that co-operatives in Gauteng are relatively young and the fledgling movement is still finding its feet. While most co-operatives are young, there are some well-established and highly successful co-operatives in various sectors such as home industry and agriculture. An interesting, and unexpected finding is that while government has played the largest role in initiating co-operatives, government has not followed through by ensuring the co-operatives have the necessary assets, training, and resources (discussed below).

Another important point coming out of the data is that one of the biggest impediments to co-operative development is the lack of resources. Many co-operatives are not resourced sufficiently and have not been utilized on a significant scale for economic interventions and development. The employment and livelihood potential of these institutions are far from being harnessed for development and hence co-operatives are not playing an important role in the provincial economy.

An interesting feature that came out of the survey is the geographical concentration of co-operatives. Most co-operatives are geographically located on the East Rand in Kathlehong/ Thokoza/ Voolorus (Kathorus) (see table 1). Most of these Kathorus co-operatives were established between the years 2001 and 2005 at the initiative of the Ekurhuleni Local Economic Development department. This trend of concentration was also seen in Ivory Park/Midrand and Pretoria. Surprisingly the large municipality of Johannesburg only reported 4 co-operatives. The oldest co-operative, established between the years 1975 and 1979, was located in Pretoria. Yet, despite this geographical concentration co-operatives have not developed forward and backward linkages with other co-operatives in their areas.

Table 1: Location of Co-operatives in Gauteng

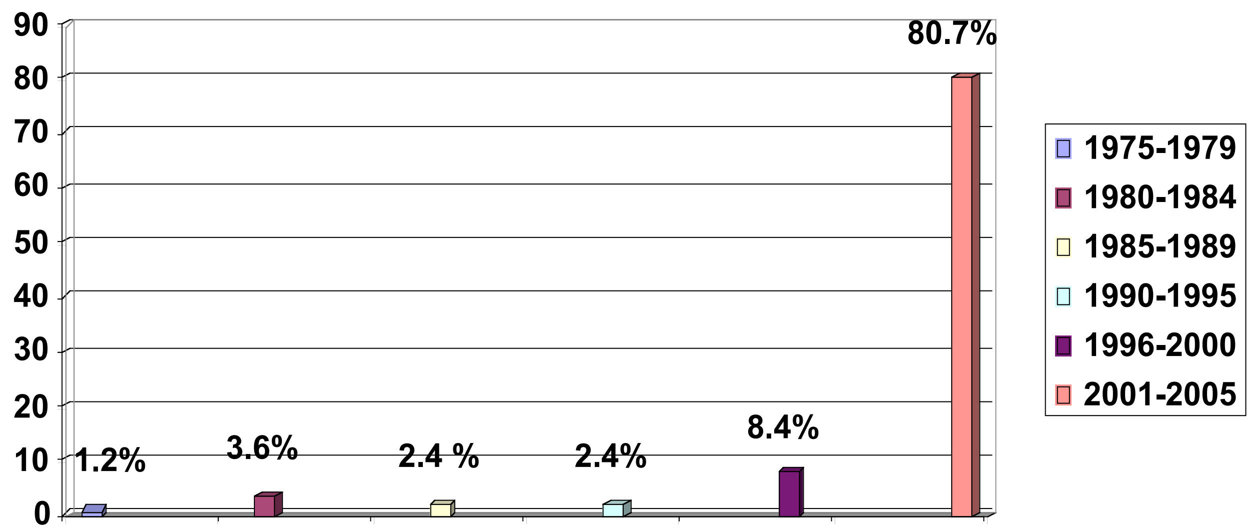
Place	No.	%
Kathorus	16	19.3
Ivory Park/Midrand	13	15.7
Pretoria	12	14.5
Vaal-Sedibeng	9	10.8
Thembisa	8	9.6
Alberton	6	7.2
Tema/Duduza/Etwatwa/Tsakane	5	6.0
Daveyton	5	6.0
Johannesburg	4	4.8
Orange Farm	2	2.4
Rabie-Ridge	2	2.4
West rand	1	1.2
Total	**83**	**100**

The results of the survey have been categorized into the following themes: formation of co-operatives; structure and membership; activities; capacities, support, and assets; and finances.

A. Formation of Co-operative

The majority (80%) of the 83 surveyed co-operatives in Gauteng were formed between the years 2001 and 2005. The oldest co-operative in Gauteng was formed in 1978 and has been consistently active since its formation. From a total of 83 co-operatives only 14 co-operatives were formed between 1980 and 2000 (see figure 2). The existence of at least 15 co-operatives for a longer period than five years does point to the existence of sustainable institutional and economic capacity within some co-operatives. Most enterprises in the South African economy are meant to fail within a five-year horizon. The first five years are meant to be the start-up phase of institutional development and are the most risk prone. With the majority of co-operatives forming in the past five years, it is clear that the co-operative sector has been stimulated and significant potential for growth and development exists.

Figure 2: The year the co-operatives were established



Of the 14 co-operatives established between 1980 and 2000, 50% were established between 1996 and 2000. This recent growth in co-operatives across sectors reflects the government's active involvement in initiating co-operatives. The production activities of these 14 co-operatives cover a wide range of sectors including trading, agriculture, manufacturing, recycling, finance, health, and construction (see table 2).

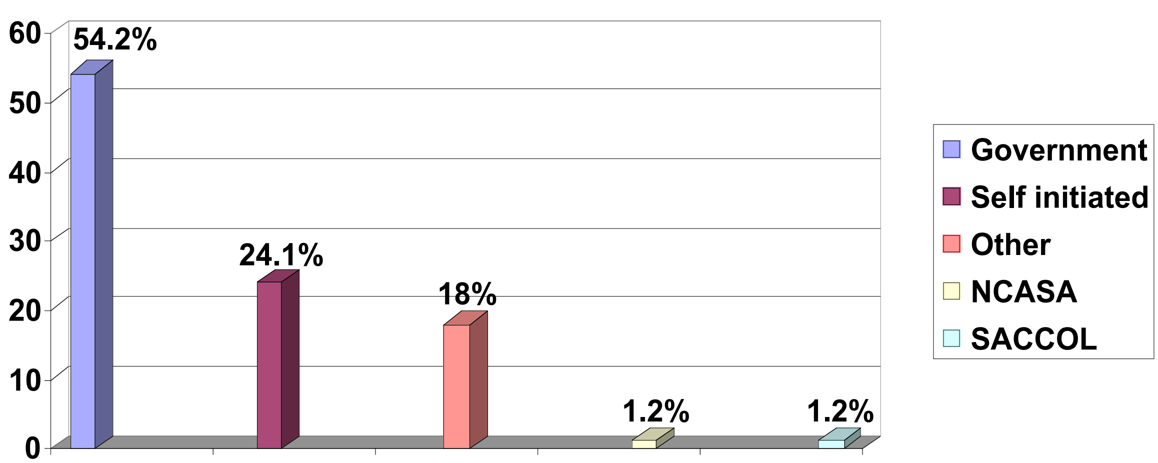
Table 2: Production activity of the 14 co-operatives established 1980-2000

Production activity	Year	No.
Construction / Building	1996-2000	1
Trading	1980-1985	3
Recycling	1996-2000	1
Agriculture	1996-2000	1
Insurance	1985-1990	1
Finance / Credit	1990-1995	1
Home-industry	1985-1990	1
Housing	1996-2000	1
Agriculture	1990-1995	1
Manufacturing	1996-2000	1
Health	1996-2000	1
Finance / Credit	1996-2000	1

Interestingly of the 83 co-operatives, the majority (72%) of co-operatives have been consistently active since their formation date, with only 28% of co-operatives reported to have lapsed into periods of inactivity since their date of establishment. Most co-operatives reported that the causes of their inactivity were multiple but primarily because of a lack of finance and training. Of the 18 co-operatives that stated they were at some point inactive, 100 % of them declared that a lack of finance was at least one of the main reasons. In short, there is a direct correlation between the failure of co-operatives in the province and a lack of development finance.

Co-operatives can develop in different contexts. They can be self initiated, promoted through support organizations, government initiated, the result of a take-over of an existing enterprise, be part of a franchise or formed through amalgamations or divisions. In Gauteng Government has played an important role in the initiation of co-operatives across the province. A total of 54.2% of the co-operatives reported that the local, provincial, or national government had initiated start-up of their co-operative. This contrasts with 24.1% of co-operatives that reported to be self-initiated (See figure 3 and table 3).

Figure 3: The initiators of co-operatives in Gauteng



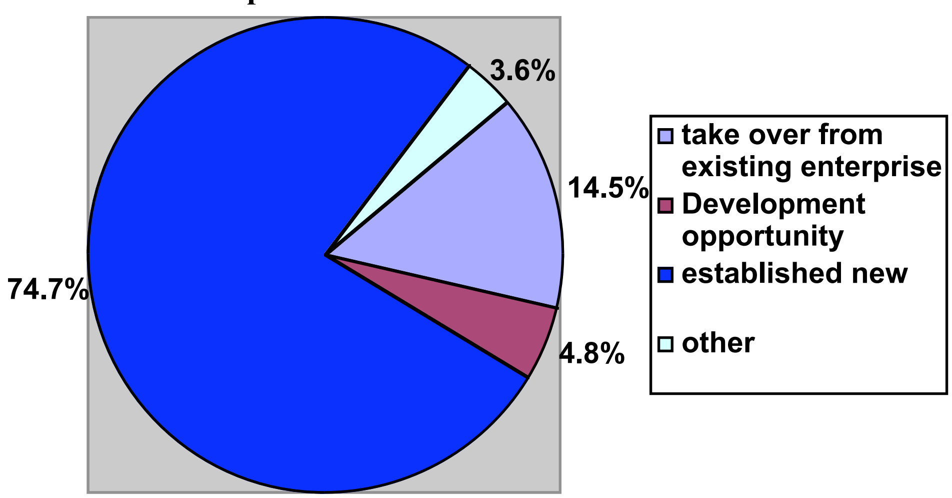
In other words, 45 co-operatives were initiated at the behest of government, while only 1 co-operative was initiated by the National Co-operative Association of South Africa (NCASA) (see table 3). This clearly indicates a commitment from government to support the start-up of co-operatives in Gauteng.

Table 3: The initiators of co-operatives in Gauteng

Co-op Initiator	No.	%
Government	45	54.2
Self-initiated	20	24.1
Saccol	1	1.2
NCASA	1	1.2
Other (NGOs, community)	15	18.0

In trying to capture the formation process it was important to learn whether co-operatives were new entities or had evolved out of pre-existing enterprises. The majority (74.7%) of the co-operatives were new entities, with only 14.5% of the co-operatives reporting to have taken over from existing enterprises (See figure 4). The importance of this distinction should not be underestimated as rolling over from a pre-existing enterprise often means bringing assets, skills, and know-how into the co-operative formation, while starting up from scratch requires building every aspect of the co-operative. On the other hand, the chance to begin something from new provides the opportunity to develop the co-operative in a positive direction, while a take-over from a pre-existing enterprise requires transforming the existing structures which is often difficult to achieve. Thus, from the information we currently have it is difficult to draw any conclusions about the role of newly formed versus take-over from pre-existing entities for the viability or longevity of a co-operative. What is clear, however, is that the majority of co-operatives began as new entities.

Figure 4: Process of co-operatives formation



To summarize what we have learned about the formation of co-operatives in Gauteng, government has been a key player in the initiation of co-operatives in the recent years. While 80% of co-operatives in Gauteng are relatively young, having been established after 2001, the majority of all co-operatives have been consistently active since their formation, but this does not mean that income generation and full-scale economic activity is happening. The vast majority of co-operatives were newly established entities with only 14.5% evolving out of pre-existing enterprises. Thus, it is clear that while co-operatives in Gauteng are in a fledgling state, and have largely been promoted through government support for formation, the extent to which support is provided for start-up, expansion and growth is still the major challenge. Put more sharply, it is not enough merely to assist or initiate the formation of co-operatives into legal entities without planning on and ensuring their development into self-sustaining institutions.

B. Membership and Structure

The majority of co-operatives have members and an elected board. With regard to members, 55 co-operatives formed with between 5 and 25 members and only 10 co-operatives formed with over 40 members (see table 4). The majority of members (60%) were self-selected, which contrasts to the 26.5% selected by government. Thus, while government plays a key role in initiating start-up (see table 3 above), it does not play the same role in selecting members for the majority of co-operatives.

Table 4: Original membership of co-operatives in Gauteng

Membership	No.	%
1-4 members	1	1.2
5-10 members	7	8.4
11-15 members	31	37.8
16-20 members	8	9.6
21-25 members	9	10.8
26-30 members	9	10.8
31-35 members	5	6.0
36-40 members	2	2.4
41-45 members	2	2.4
Over 46 members	8	9.6

Interestingly, but not surprisingly, most of the original members left the co-operative over time. The majority of co-operatives (75.9%) declared that they have lost members over time. While the reasons for the attrition varied, there are discernable trends. For example, 36.5% of this 75.9% that declared to lose members reported that their loss of members was due to the fact that members stopped coming and 28.5% of the co-operatives lost members because the members became unhappy with the co-operative (see table 5). In the end, it is not very clear whether member loss was due to perceived economic failure of the co-operatives or whether they secured better employment opportunities.

Table 5: Reasons for loss in membership

Reasons	No.	%
Members stopped coming	23	36.5
Members not happy with co-op	18	28.5
Co-op asked them to stop coming	5	7.9
Illness	3	4.7
Other	14	22.2

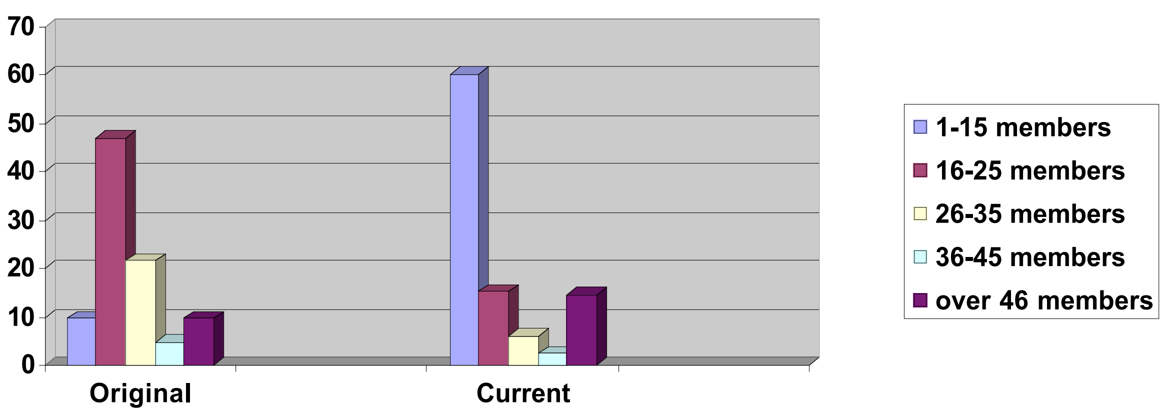
While the majority of co-operatives reported to lose members among their original membership, most have been able to recruit new members. The majority of co-operatives have succeeded in recruiting new members and the current membership has remained constant. The number of co-operatives with over 46 members has grown from 8 in the original membership to 12 in the current membership (see table 6).

Table 6: Current membership of co-operatives in Gauteng

Membership	No.	%
1-4 members	4	4.8
5-10 members	22	26.5
11-15 members	24	28.9
16-20 members	9	10.8
21-25 members	4	4.8
26-30 members	5	6.0
36-40 members	2	2.4
Over 46 members	12	14.4

Based on this data it is clear that co-operatives have changed size over time (see figure 5). While the majority of co-operatives formed with between 16 and 35 members, the number drops over time. At the time of this report, the majority of co-operatives have between 5 and 15 members. This decline in size is probably directly related to economic performance. As seen in table 8 below, most members in a co-operative join because of poverty and unemployment and therefore understand the co-operative as a solution to these problems. If co-operatives are not engaging in sustained economic activity and hence are not able to address members' needs for income then membership loss is likely to happen.

Figure 5: Comparing original and current membership of co-operatives in Gauteng



Of the 12 co-operatives with over 46 members, the majority (66.6 %) has over 100 members (see table 7.1). Interestingly, size does not seem to correlate with longevity as the year of formation does not determine the size of the co-operative with most of these large co-operatives less than 10 years old. Indeed, the majority (7 out of 12) of these large co-operatives were formed between 2000 and 2005. Another three of these large co-operatives were formed between 1995 and 1999. Only two are over 15 years old: one formed in 1987 and the other in 1978. There may be a correlation between size and activity, but our data does not allow us to draw conclusive observations. Nevertheless, the large co-operatives are concentrated in particular sectors with the majority found in agriculture, but a number also found in manufacturing, insurance, credit, and support services (see table 7.2).

Table 7.1: Co-operatives with high membership

Membership	No.	%
46-50	1	8.3
51- 60	3	25.0
Over 100	8	66.6

Table 7.2: Production activity of the 12 largest co-operatives

Production activity	No.
Trading	1
Agriculture	5
Insurance	1
Finance / Credit	2
Housing	1
Manufacturing	1
Support Service	1

The selection and recruitment of new members is largely carried out by the co-operatives themselves. For example, in 69.9% of the co-operatives' new members are chosen by the co-operative, which contrasts markedly to the three co-operatives in which government chose new members. Many people join co-operatives for different reasons. Among the primary reason stated for forming or joining a co-operative was poverty and unemployment, which was reported by 75.9% of the respondents. Less than 5% of members joined a co-operative for financial or personal reasons (see table 8).

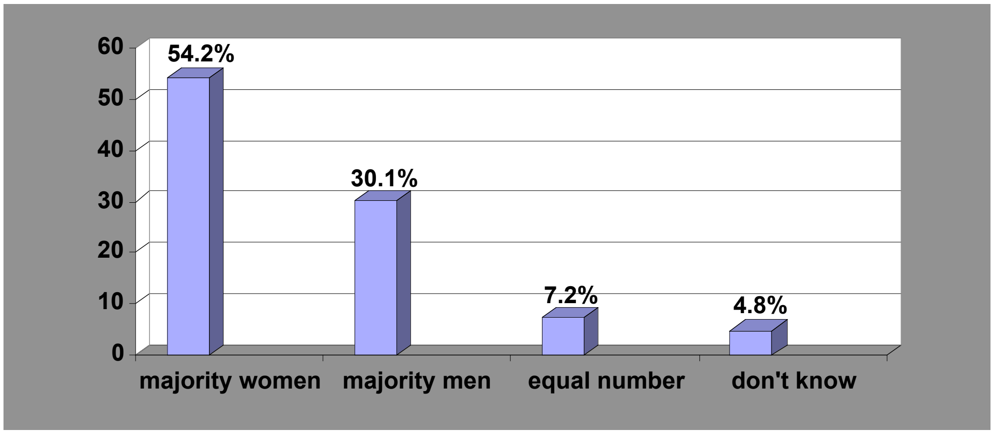
Table 8: Members' reasons for joining a co-operative

Reasons	No.	%
Poverty and unemployment	63	75.9
Recruited by a friend	2	2.4
Other benefits	6	7.2
No monthly payments required	2	2.4
Recruited	2	2.4
Employment opportunity	2	2.4
Financial reasons	2	2.4
Personal reasons	1	1.2

As this data indicates, from the perspective of the poor, co-operatives are seen as one solution to poverty as the majority of the respondents claimed the primary reason for joining the co-operative was due to poverty and unemployment.

In the formal labour force in South Africa men predominate. However, the gender composition of co-operatives in Gauteng point to the opposite trend and profile. The majority of members are women who comprise the majority in 54.2% of the co-operatives (see figure 6). In only 7.2% of the co-operatives are the number of men and women equal.

Figure 6: Gender distribution in co-operatives in Gauteng



The age profile is also interesting to note as most co-operative members are above the age of 26 years. There are relatively few members between the ages of 18 and 25 years, but a larger number fall below age 35, the official cut-off age for youth in South Africa.

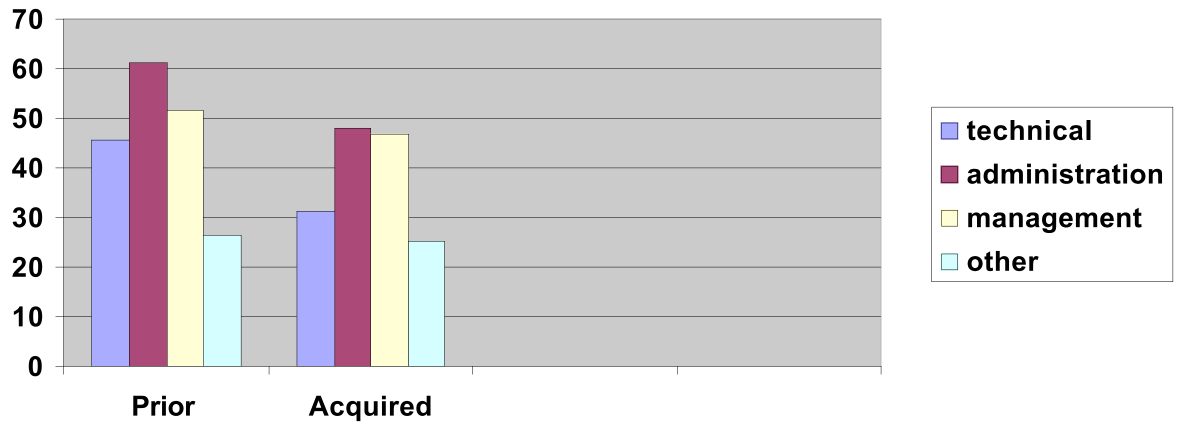
While co-operatives tend to be located in the “second” economy, there is no correlation with this location and education levels of members. Indeed, the education level among members in all 83 co-operatives is significantly high and probably explained through the high levels of unemployment in the formal economy. Most co-operative members (59%) have completed grade 10, 11 or 12 and 16.8% have university degrees. In addition to these qualifications a number of co-operative members have technical certificates, technikon diplomas, and other qualifications (see table 9). Nevertheless, the respondents overwhelming indicated that one of the greatest needs of co-operatives is more skills and specified training, especially in production and marketing.

Table 9: Education distribution in co-operatives in Gauteng

Education	No.	%
Grade 1-3	9	10.8
Grade 4-6	17	20.4
Grade 7-9	28	33.7
Grade 10-12	49	59.0
Technikon diploma	13	15.6
Technical certificate	31	37.3
University degree	14	16.8
Other qualifications	2	2.4

While education is an important asset that members bring to the co-operative, many members bring other skills as well. Many members brought work experience which was directly related and linked to their co-operative activity. Most members (61.4%) had prior administration skills and some had technical (45.8%) and management experience (51.8%). Co-operatives are also empowerment institutions. Education and training are meant to be institutionalized into the general operations of a co-operative informed by the universally recognized principles. A very positive theme that came through the survey was the fact that a significant number of co-operative members acquired skills while working in the co-operative (see figure 7). Despite these positive trends, co-operatives overwhelmingly report a skills deficit in their co-operatives (discussed below).

Figure 7: Prior work experience and acquired experienced



The challenges and problems facing co-operatives were many and included internal and external factors. One of the common internal challenges stemmed from co-operative members themselves. The majority of co-operatives (68.7%) expressed that they have had problems with their members. Issues such as theft, alcoholism, absenteeism and lack of commitment are highlighted as some of the problems. Despite the problems, 73.5% of the co-operatives said that co-operative members are disciplined about their duties and responsibilities in the co-operative. While the majority reported responsible members, 19.3% reported that members were not disciplined about their duties and responsibilities. In addition to problems with members, co-operatives also face external problems such as the lack of funding, training, limited markets, production problems, and the lack of support from government. This is pursued further in the relevant sections of this report.

The Board

According to law, all co-operatives are meant to have an elected Board of Directors. The board is the leadership of the co-operative and has important functions and powers conferred on it by law and by member-based decision-making. If a co-operative does not have a board or has a malfunctioning board this can seriously undermine the functioning of a co-operative. In the survey conducted the majority of co-operatives (99 %) have boards, which serve as the most important structure, especially for dealing with problems. The size of the board varies between 1 and 15, but the majority have chosen boards less than 10 members. Most co-operatives (53%)

have between 6 and 10 elected board directors and 34.9% have between 1 and 5 members. Only 7.2% have boards with between 11 and 15 individuals (see table 10).

Table 10: Size of co-operative boards in Gauteng

Size in numbers	No.	%
1-5 members	29	34.9
6-10 members	44	53.0
11-15 members	6	7.2
Don't know	3	3.6

Reflecting the predominance of women members in the co-operatives, we see the same trend in the board of directors though not to the same degree. While 54.2% of co-operatives reported to have a majority of women, only 39.8% of co-operatives had a majority of women on the board. Nevertheless, there are more women board directors than men (which report a majority in 37.3% of co-operatives) (see table 11). Board directors, again reflecting the general membership trend, are mostly above the age of 26 years.

Table 11: Gender distribution of boards

Gender	No.	%
Majority women	33	39.8
Majority men	31	37.3
Equal number of women and men	18	21.7
Don't know	1	1.2

A very interesting trend that counters the trend found in membership attrition is the continuity of board members. While members have changed over time (discussed above), members of the board have not changed in significant numbers over time. The majority of the co-operatives (62.7%) stated that they have not changed their board of directors, while only 33.7% reported changes in the composition of the board of directors. The significance of the continuity of board members is not clear, except that co-operatives are compelled by law to have regular elections for the board every few years based on their constitutions. If this has happened then it is reasonable to assume that most co-operatives have a great deal of confidence in their existing boards and ultimately the leadership of their co-operatives.

This is further confirmed by the fact that most co-operatives (71.1%) stated that the board functions well and ensures appropriate decisions are taken (88%). The survey data reveals a correlation between a well functioning board and co-operative education for new members. There are a large number of co-operatives (39 No.) whose boards are functioning well and whose members are given education about the co-operative. There are only a few co-operatives (11 No.) whose boards are functioning well but their new members did not receive education about the co-operative. There also seems to be a correlation between the functioning of the co-operative (including making surplus) and the functioning of board. Strong, coherent, and purposive boards seem to be a necessary, though not sufficient, condition for the successful functioning of co-operatives.

The majority of co-operatives (80 %) also stated that members respect the decisions taken by the board. Most co-operatives hold regular meetings (see table 12) in which an agenda is followed and minutes are kept (see table 13). In 50% of the co-operatives, board meetings take place once a week or once every two weeks. Another 20.5% hold meetings monthly, while a minority (2.4%) hold board meetings quarterly. Other co-operatives (10.8%) reported that they did not hold regular meetings, but met once a year or whenever necessary (see table 12).

Table 12: Frequency of Board Meetings

Intervals	No.	%
Weekly	21	25.3
Fortnightly	21	25.3
Monthly	17	20.5
Quarterly	2	2.4
Sometimes	6	7.2
Once year or when necessary	9	10.8

Table 13: Board meeting: agenda and minutes

Activity	Yes (%)	No (%)	Don't know (%)
Agenda	89.2	8.4	1.2
Minutes	85.5	12.0	1.2

The majority of co-operatives (55.4%) also said the board is the only structure that deals with problems. Indeed the majority of co-operatives' boards (48 No. or 57.8%) said they have had problems. These 48 co-operatives that reported to have had problems claimed the problems were both within and external to the co-operative and the board (see table 14). The most common problem reported (in 16 co-operatives) was members' lack of accountability.

Table 14: Problems experienced by the board

Problems	No.	%
Lack of accountability	16	33.3
Lack of commitment from members	8	16.6
Funding	6	12.5
Production problems	5	10.4
Internal problems	4	8.3
Alcohol abuse	2	4.3
Other	5	10.8

Problem solving in the co-operatives is one of the functions of the board. Indeed, the role of the board cannot be overstated. One of the other important roles of boards in a co-operative is to also ensure self-management. This is not inconsistent with having a manager/s in a co-operative but can happen even if there is no manager. The survey data revealed that boards play an integral role in the overall functioning and management of co-operatives. In 69.9% of the co-operatives the board manages the functioning of the co-operative as they do not have a manager. The lack of a manager was highlighted by most co-operatives as a shortcoming in their structure. Indeed, the majority of these co-operatives (53%) that do not have a manager stated that they needed a manager. The issue of managers is more complicated as other factors affect whether or not a manager plays a positive function. For example, the relation between manager and the board, how decisions are made within the board, whether the manger is a member or an employee of the co-operative, and the strength and cohesiveness of the board are equally important. Nevertheless, 53% of co-operatives believed that a manager would be good for their co-operative.

Of those who have a manager (30.1%), the majority of the managers (62.5%) are members while only 29.1% are employees of the co-operative (see table15). From the quantitative data it is difficult to draw any conclusions about the relation between a manager and the functioning of the co-operative. There is, however, no correlation between those co-operatives with a manager and the functioning of their boards. For example, 38 co-operatives do not have managers, but their boards function well. There are only 14 co-operatives that do not have a manager and their boards do not function well. It is not clear, however, whether the existence of a manager would get the boards to function better.

Table 15: Co-operative Managers: Members or Employees

Board	No.	%
Member	15	62.5
Employee	7	29.1
Don’t know	2	8.3

To summarize, the size of co-operatives have decreased over time, perhaps due to a lack of economic performance. While most co-operatives reported a loss in original members, the attrition rates have been countered by new members joining. Women also feature prominently in the membership profiles of co-operatives and constitute the majority of members in most co-operatives. Another very important point to come out of the survey is the fundamental role of boards in problem solving and self management. The data suggests that a strong and cohesive board is crucial for the functioning of a co-operative. Finally, most co-operatives do not have managers, but would like to have them.

C. Activities of Co-operatives

Co-operatives are extremely versatile economic institutions and can organise economic activities in production and services. In fact co-operative approaches and models can be utilized in diverse ways within the development process. The main activities of the surveyed co-operatives varied from agriculture to recycling with the majority of co-operatives in manufacturing (31.3%) and agriculture (27.7%) (see table 16). Interestingly, 67.9% of co-operatives classify themselves as primary co-operatives.

Table 16: Main sectoral classification of co-operatives in Gauteng

Sector	No.	%
Manufacturing	26	31.3
Agriculture	23	27.7
Trading	10	12.0
Transport	2	2.4
Other	20	24.1

According to co-operative principles, all co-operatives are meant to endeavor to work with each other to build a co-operative movement and sector. Co-operatives are meant to supply to other co-operatives within value chains. For example, a brick-making co-operative is meant to supply to a construction co-operative or a waste collection co-operative should supply to a recycling co-operative. Co-operatives are also meant to sell to co-operatives on the demand side, like consumer co-operatives. This does not mean that co-operatives cannot sell their services and products to non-co-operatives. In fact, for the sake of broad-based black economic empowerment solidarity from local communities, government, and even the private sector become important markets for co-operatives. For example, a farming co-operative should sell its produce to consumer co-operatives, government school feeding schemes and to retail outlets. In general, by working together co-operatives are meant to protect themselves from the competition of typical business enterprises.

Indicating the lack of linkages among co-operatives, 30.1% of the co-operatives get their raw materials from wholesalers or other sources. Only 3.6% of co-operatives procure their raw materials from other co-operatives (see table 17). Thus, despite geographical concentration in some areas (see table 1 above), co-operatives are not developing positive linkages for procurement. Most surprisingly, is the fact that consumer co-operatives have not been established to fill this gap. Clearly, this is an area that needs further development.

Table 17: Sourcing of raw material

Source	No.	%
Wholesaler	25	30.1
Government	7	8.4
Foreign	3	3.6
Other co-operatives	3	3.6
Other (e.g. Community)	23	27.7

In terms of for whom co-operatives produce, it is clear that local communities are paramount. While a number of co-operatives sell in a few different places (e.g. market, government, business), the majority of co-operatives (69.9%) sell their products to the local community (see table 18).

The analysis of the sourcing of raw materials and selling of products reveals once again the lack of support among co-operatives. Co-operatives are not buying from or selling to each other. This is certainly one area in which the government and support organizations could facilitate the development of the co-operative movement by nurturing linkages between co-operatives.

Given that all of the co-operatives in this survey are located in Gauteng, South Africa's economic hub in which a great deal of importing and exporting occurs, it is surprising that only a few co-operatives (4 %) export their products.

Table 18: Selling of finished goods or services

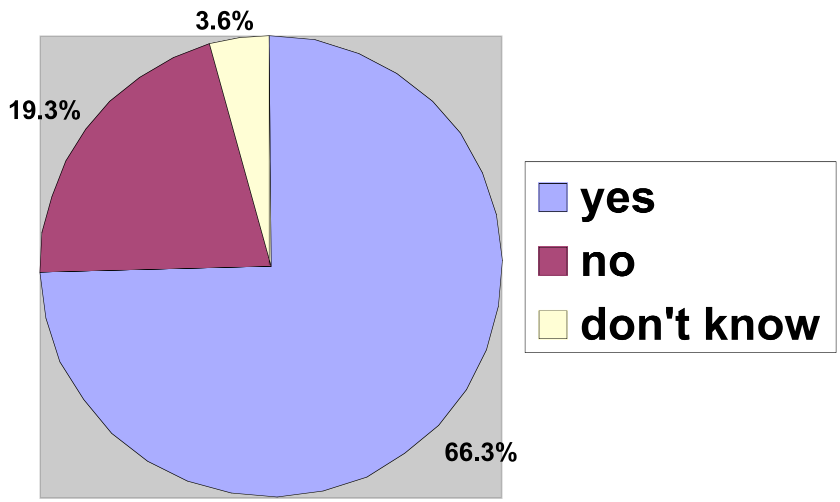
Customer	No.	%
Market	15	18.1
Government	12	14.5
Business	20	24.1
Community	58	69.9
Co-operative members	3	3.6

Clearly, the activities of co-operatives have tremendous potential to expand both to other sectors but also within sectors. One of the biggest weaknesses of the co-operative movement in Gauteng is the lack of forward and backward linkages among co-operatives. Consumer co-operatives are an important missing link that can assist co-operatives in selling their finished products.

D. Capacity, Support, and Assets

It has been mentioned that co-operatives are people centered institutions and a meant to be dedicated to ongoing education and training. The majority of co-operatives (66.3%) offer induction training to new members joining the co-operatives, while 16 co-operatives (19.3%) did not offer such training (see figure 8).

Figure 8: Induction training for members



Yet the picture of member training is not so clear. Even though 55 co-operatives claimed to offer new members induction training, the majority of co-operatives do not have education resource materials including induction resource materials. Only 34 of the 83 surveyed co-operatives had education resource materials. Of the 34 co-operatives that said they have resource materials, only 28 have induction resource materials (see table 19). This suggests that very few co-operatives are orientating existing and new members to understand the principles, concept and general operation of their co-operative. It is also significant that only few co-operatives (32 No.) have internal policies to guide operations. This further suggests a lack of institutional development and economic activity.

The data reveals that support has been given for groundwork and basic start-up training, but aftercare and production-related training has been sorely neglected. Again, this suggests that government, the co-operative movement and support organizations have prioritized the formation process, but have not provided the crucial and necessary support for aftercare and long-term sustainability of co-operatives.

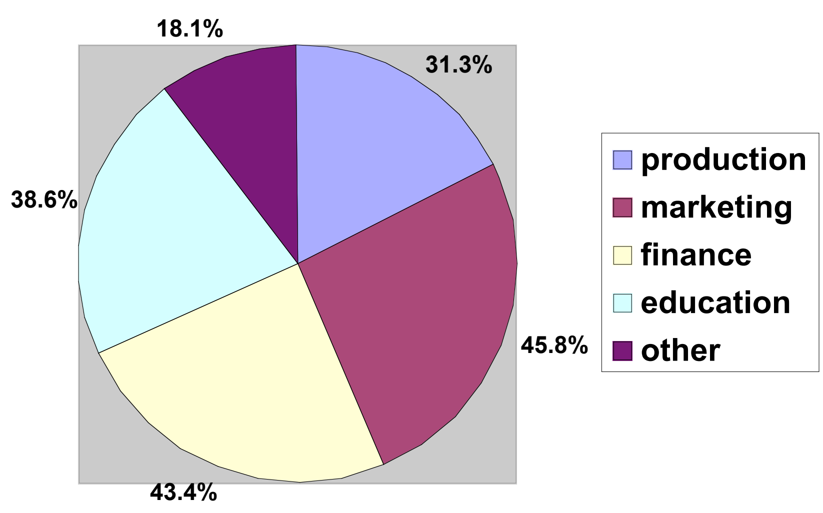
Table 19: Education resource materials

Type of material	No.
Induction	28
Handbook	28
Policies	32
Education	34
Other	2

The role of training and education is clearly important as a majority of co-operatives (57.8%) have an education officer. However, even though 57.8% have education officers, only 43.4% of the co-operatives hold education workshops. 38.5% of co-operatives have an education portfolio (clearly some of these education portfolios have education officers).

While a number of co-operatives have portfolios (or sub-committees), it is difficult to determine the significance of the quality of their functioning as this was not reported in the survey. We can infer, however, the relative importance education is given when comparing the prevalence of different portfolios. While 38.5% of co-operatives have an education portfolio, only 31.3% of co-operatives have a production portfolio. These percentages contrast to the relatively higher percentage of co-operatives that have a marketing portfolio (45.8%) and a finance portfolio (43.3%) (see figure 9). From these numbers, it seems to support the claim that marketing and finance rank among the highest priorities within co-operatives. All of this also suggests that co-operatives have developed internal institutional arrangements to take forward their economic and social activities. However, this does not confirm that such activity has taken off.

Figure 9: Portfolios



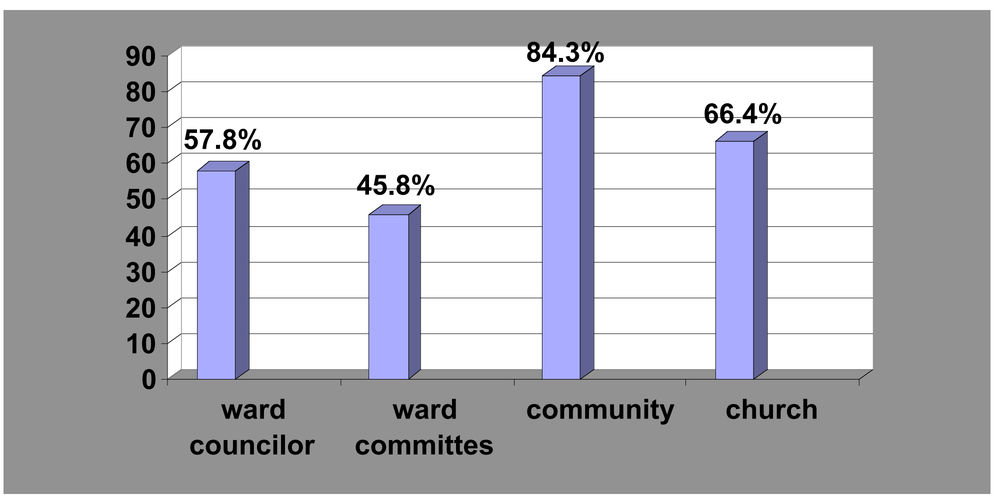
On a very positive note, the majority of surveyed co-operatives (73.5%) said they had a business plan and the majority of these co-operatives (51.8%) reported to use their business plans (see table 20). However, there are still 21 co-operatives who do not have a business plan and 24 co-operatives who have a business plan but do not know how to use it. Thus, the important and positive role a business plan can play is clearly underutilized and unrealized by many co-operatives. Most importantly, the extent to which business plans are used to leverage development finance is also not clear.

Table 20: Usage of business Plan

Usage	No.	%
Yes	43	51.3
No	24	28.9
Don't know	2	2.4

While many co-operatives have some form of links to local ward councilors and ward committees, the most common linkages reported are to the local community and the church (see figure 10). This was not surprising as the community has been one of the important markets for co-operative goods and services (as discussed above). The positive relation between many co-operatives and the community is further reflected in the majority of co-operatives (67.5 %) reporting to share their surplus with the community.

Figure 10: Linkages and relations with various institutions



The majority of co-operatives (54.2 %) said they receive external support. The majority of these co-operatives (73.3%) said the government is an external source of support. This was not surprising because the government was cited as the most common initiator of co-operatives and hence the biggest source of support for co-operatives (see table 21). While the survey did not directly capture the type of support, it is clear from the data that the most common type of support was related to the formation process and not to start-up and expansion for income generation. There is a lack of support for other resources for take-off.

Table 21: Sources of financial support

Source	No.	%
Government	33	73.3
Foreign donor	5	11.1
NGO	8	17.3

Indeed, of the 33 co-operatives that received support from government, 88 % said these relations are helpful. However, as shown below, most of these co-operatives still lack education resource materials and also key assets such as office space, telephone, and fax (table 22).

Table 22: Assets of the co-operative

Assets	No.	%
Computer	15	18.1
Telephone	17	20.5
Office	26	31.3
Equipment	27	32.5
Other	15	18.1

The two largest initiators of co-operatives are government (45 co-operatives) and co-operative members (20 co-operatives) (see figure 3 above). When comparing those co-operatives that were self-initiated with those that were initiated by government, there are significant differences in their asset base. Surprisingly, those co-operatives that were self initiated are much better off in terms of asset base than those initiated by government (see table 23). Nevertheless, it must be noted that the majority of co-operatives, whether government initiated or self initiated, lack basic assets needed to effectively run their co-operatives.

Table 23: Assets of the co-operative: Self or Government initiated

Initiated	Asset	Yes (No.)	No (No.)
Government	Office	3	4
	Telephone	3	39
	Computer	3	39
	Equipment	10	32
Self	Office	9	11
	Telephone	8	12
	Computer	6	14
	Equipment	11	9

The role of sectoral or apex bodies seems to be minimal as the majority of co-operatives (88.3%) are not linked to a sectoral and/or apex body. This in itself reveals a lack of concerted organizing and movement building on the part of the co-operative movement. For those who are linked to a sectoral or apex body the benefits received include training and capacity building (see table 24). In general it would seem that sectoral and apex body mentor and capacity-building support interventions are seriously lacking and are not being rolled out on scale, reflecting a serious weakness in the co-operative movement.

Table 24: Benefits received from affiliation to sectoral and apex body

Type of benefit	No.	%
Training	7	41.1
Capacity building	2	11.7
Other	3	17.6
None	2	11.7

In terms of training, most of the co-operatives report to have had some training. The type of training received included formation, management, financial, production and other relevant training. The type of training received, however, is lopsided with the majority of co-operatives (74.7%) having received formation training, but only 18.1% reporting training in production (see table 25). In general, co-operatives are in dire need of training for proper start-up and long term sustainability. This would include management, financial and production training.

Table 25: Training received by co-operative members

Type of training	No.	%
Management	24	28.9
Financial	36	43.4
Formation	64	74.7
Production	15	18.1
Other	7	8.4

While a majority of co-operatives reported to have received training, very few reported to receive it from formal training institutions. Contrary to expectations, the majority of training received was not from government, technical institutions, or SETAs. Rather co-operatives that received training reported that this training was largely from other institutions such as support organizations and NGOs linked to the co-operative movement. The hard-edge vocational training from institutions such as the labor department or SETAs is a serious gap. Clearly the government institutions responsible for providing such training are not reaching their intended constituents (see table 26).

Table 26: Institutions as sources of training

Training Source	No.	%
Department of labour	3	3.6
Technical institution	6	7.2
Seta	3	3.6
Other	15	18.1

In summary, co-operatives are generally under-resourced and lack many important assets necessary for effective functioning. While co-operatives are generally under-resourced, self-initiated co-operatives have a larger asset base than government-initiated co-operatives, indicating a lack of commitment from government to provide the necessary inputs for the sustainability of co-operatives. The failure of government responsiveness to the resource needs of co-operatives is clearly having a "push back" or stunting effect on co-operatives in the province.

While many co-operatives have education portfolios and offer induction courses, they lack education resources. On a positive note, many co-operative members bring prior skills and experience to the co-operative as well as gain skills through their participation in the co-operative. Despite this skills base, co-operatives overwhelmingly reported a skills deficit, especially in production, marketing, and finance. The data also reveals that while co-operatives have received training, much more training is necessary for the viable functioning of co-operatives especially in production and marketing. The majority of training has been related to the legal formation process and basic start-up. Also government training institutions like SETAs, government departments and technical institutions are not filling in training gaps or responding to the needs of co-operatives.

Within many co-operatives there are business plans and organized institutional arrangements through portfolio committees to handle economic activity. However, these seem like lame-duck structures if resources – financial, physical, natural – are not leveraged through business plans or co-operative initiative for income generating economic activity. The most revealing challenge for capacity building is the failure of the sectoral and apex co-operative movement structures to organize and support existing co-operatives in the province.

E. Finances

The majority (73.5%) of co-operatives' finances are handled by a treasurer, though 18.1% also reported that the finances are handled by members and the board, while 2.4% reported that government handles their finances (see table 27). The majority of co-operatives have bank accounts and 56.6% of these accounts are held at commercial banks. Only 15.7% of co-operatives have bank accounts with co-operative banks. This probably reflects a weakness in the credit union model which has not been able to move beyond consumption based finance to providing productive capital to co-operatives. In short, the appeal of credit unions/co-operative banks are limited. Clearly this is an area with tremendous potential for growth and for deepening co-operative movement linkages. Of further concern is the fact that 20 % of co-operatives do not have a bank account at all. Based on the qualitative data, there is growing evidence to suggest that many formal banking institutions do not recognize co-operatives as viable enterprises and thus do not make it easy to open accounts. Only 2 of the 83 surveyed co-operatives have both a commercial bank account and co-operative bank account (see table 28).

Table 27: Finance responsibility

Responsible party	No.	%
Treasurer	61	73.5
Other (members and board directors)	15	18.1
Government	2	2.4

Table 28: Bank accounts

Banking institution	No.	%
Commercial bank	47	56.6
Co-op Bank	13	15.7
Co-op & Commercial bank	2	2.4
No bank account	17	20.5
Don't know	2	2.4

Overall, co-operatives are under-resourced and have limited access to financial support. This point is made patently clear when the sources of financial support are analyzed. The majority of financial support comes from members with 55.4% of co-operatives listing membership fees as their main source of finance. Government as a source of finance ranked only among 27.7% of co-operatives, while donor funds account for 12% of co-operatives' financial support (see table 29). The fact that member contribution accounts for the majority of financial support is especially poignant given that members of co-operatives are largely unemployed and poor and do not have access to large sums of capital. Overall, the data tells a sad story of drastically underfinanced and under-supported co-operatives.

Table 29: Sources of financial support

Source	No.	%
Membership fees	46	55.4
Government	23	27.7
Donor	10	12.0
Other	13	15.7

In most co-operatives, members do not receive a monthly wage or surplus bonuses. Only 14% of co-operatives offer their members a regular wage (see table 30). The amount paid to members varied, but most wages fall between R500 and R3500 a month. A significant number of co-operatives (28.9%) offer bonuses that range from 3 to 70 %. However, of the 28.9 % of co-operatives that state they offer members bonuses, only 8.4% have actually given out these bonuses.

Table 30: Wages to members

Wage	No.	%
Yes	12	14.5
No	60	77.1
Don't know	3	3.6

This lack of wages and bonuses could be attributed to the fact that most co-operatives do not earn a surplus and are not engaged in sustained income generating economic activity. Only 20.4% accumulate a surplus, while the majority of co-operatives (71.1%) do not earn a surplus (see table 31).

Table 31: Surplus of co-operatives

Surplus	No.	%
Yes	17	20.4
No	59	71.1
Don't know	2	2.4

While most co-operatives have bank accounts with commercial banks, most of the co-operatives did not borrow money from banks or other institutions. Indeed, over 70% of co-operatives did not have a loan or debt (see table 32). This is largely because most co-operatives do not have asset bases and viable economic activity to mitigate risk for lenders. Also most commercial banks and credit unions have not developed appropriate financial products to meet the needs of co-operatives. Only one co-operative has a loan from a commercial bank and two have a loan from government. The loans are used for cash-flow problems, buying equipment, and production material. The size of the loans are between R30 000 and over R500 000.

Table 32: Co-operatives' debts and loans

Debt or Loan	Yes (%)	No (%)
Debt	3	72
Loan	5	73

In summary, most co-operatives have treasurers who are responsible for managing finances. At the same time, most co-operatives have bank accounts with commercial banks (56.6%) and co-operative banks (15.7%) but at least 20.5% do not have a bank account. Sources of financial support are mainly internal and from member fees – this in itself is inadequate given that most co-operators have been unemployed and poor. Also government and other donors are not adequately providing for the financial needs of co-operatives and again contributing to the "push back" of co-operatives into failure. Commercial banks are also not willing to lend to co-operatives, despite most having business plans (see above). Hence, the majority of co-operatives are not able to engage in sustained income generating activity and hence do not have adequate income streams for wages, surpluses, and bonuses. In the main, the majority of co-operatives that have been established in Gauteng are not the beneficiaries of black economic empowerment and hence are struggling to survive.

F. Summary of Findings

The key findings of this survey regarding the state of co-operatives, the co-operative movement and co-operative sector in Gauteng Province can be summarized in the following points.

- The co-operative sector is officially made up of 266 registered co-operatives. Most of the sub-sectors within the co-operative sector are underdeveloped and most co-operatives are located in township communities with certain areas containing a concentration of co-operatives. Value chain linkages have not been developed between these co-operatives and on the consumer side there is big gap in terms of the non-existence of consumer co-operatives. In short, co-operatives have not been utilized on scale as an effective development intervention to tackle poverty, unemployment and most importantly broad-based black economic empowerment.

- The majority of co-operatives in the province have not been initiated through the co-operative movement. Most co-operatives in the province (80%) were established after 2001 and mainly through government initiative. This means the co-operatives are relatively young. At the same time, 15 co-operatives have been in existence for longer than five years in the province and have operated across various sub-sectors. The shift in government support for co-operatives has mainly been to ensure formation of these enterprises. However, this has not ensured support for start-up and expansion.

- The lack of support is reflected in the decline in membership densities over time in co-operatives. Most people have joined co-operatives because of poverty and unemployment, but many have left. Many of the co-operatives started up with a membership between 16-35 and are currently between 1-15 members. New members have been recruited mainly by co-operatives themselves. Government has in some instances (at least 3 co-operatives) determined the selection of co-operative members.

- Women have emerged as the majority within the membership profiles of the co-operatives. Among the youth, the majority between the ages of 26-35 seem to be active within co-operatives.

- Boards are very important leadership structures in co-operatives and exist in almost every co-operative. The majority of boards have between 6-10 elected directors. Women hold the majority on most boards, but are closely followed by men, who have a dominance in other boards. The majority of boards make key decisions which impact on the functioning of the co-operative. This is reflected in the overwhelming support or respect by members for decisions made by the board. Most boards meet during a month with proper agendas and minutes kept.

- While boards are at the center of problem solving, they are also central in the self management of co-operatives. In the majority of co-operatives boards manage the operations of the co-operatives. However, despite this most co-operatives believe they require managers. Of those co-operatives that have managers (30.1%), the majority are members while the rest are employees. The extent to which managers would contribute to the effective functioning of a board and to the effective functioning of the co-operative in general has not been clearly explored in the study.

- Most co-operatives in the province are involved in manufacturing followed by farming and transport. While there is potential for further diversifying the role of co-operatives within the co-operative sector, this is proceeding at a very slow pace. Most of the co-operatives do not source their raw materials from other co-operatives. Neither are consumer co-operatives well established in the province to organize the demand side. In the main, co-operatives are supported by the local community and have not been adequately supported through government procurement policy for their products and services. Co-operatives have not grown significantly to compete with the private sector and to export.

- While basic induction training is happening in co-operatives and most co-operatives have an education officer, the resources for ongoing training are seriously lacking. Most co-operatives have received basic ground-work or formation training. However, training for start-up and long-term sustainability is lacking. Some co-operatives have received training in marketing, finance, production and have organized relevant portfolios and sub-committees for management, but this has not been linked to start-up of economic activity.

- While most co-operatives have a business plan and have tried to use them, this has not yielded the resources necessary for sustained economic activity. This is in a context where government has initiated most co-operatives in the province and has put in resources for formation, but not for further development. Clearly, the majority of co-operatives have not had their start-up needs met for computers, telephones, offices and equipment. Contrary to expectation, the evidence points to greater asset formation through self initiation rather than government support. Linked to this is the failure of the sectoral and apex structures of the co-operative movement to organize co-operatives and provide concerted training and capacity building to co-operatives in the province. Also government linked training institutions like the labour department, SETAs and technical training institutions have also not been responsive to the training needs of co-operatives.

- While most co-operatives have bank accounts with commercial banks (56.6%) and some (15.7%) have accounts with co-operative banks (mainly credit unions) this has not led to loan finance for development. Most banks, including credit unions, have not developed the appropriate financial products to support the needs of co-operatives. Also for start-up, government has failed dismally to provide appropriate funding support. From the data, co-operatives have to rely on internal financial contributions through membership fees which fall far short given that most co-operative members have been unemployed and are generally poor. This lack of financial resources has clearly undermined the performance of co-operatives and has actually pushed them back or stunted their development. This is reflected in the fact that the majority of co-operatives (77.1%) are not able to pay their members' wages, most have not generated a surplus (71.1%) and close to all have not paid out bonuses except for a minority of 8.4%.

- In short, co-operatives in Gauteng province over the past five years have been initiated mainly by government, but there has not been adequate support forthcoming for the start-up and growth needs of co-operatives. Training, procurement, asset formation and finance needs have not been adequately provided for. Hence co-operatives initiated by government in Gauteng have not been about broad-based black economic empowerment, but rather have been about setting up the poor for failure. More sharply, it has been about pushing the poor back into poverty. This is in contrast to narrow black economic empowerment and elite development projects that have benefited and continue to benefit a few.

V. RECOMMENDATIONS

To remedy the dismal situation facing co-operatives, the co-operative movement and sector in Gauteng the following recommendations need to be considered.

Role of Government

(a) ***Accelerated implementation of the Co-operative Development Policy and Implementation Strategy*** – this policy and strategy has to be formalized speedily by the Gauteng government and implemented. It provides for an enabling role for government such that dedicated support institutions and programs are put in place for co-operative development. Such institutions and programs are to include: a provincial registrar, a co-operative development fund, a co-operative development agency, a training network, a training program for co-operative managers, an incentive program from local government, a partnership with the co-operative movement, and a participatory policy formulation and implementation process.

(b) ***Short-term links providing resources, finance and training to existing co-operatives*** – a bold initiative has to be undertaken by government to ensure the existing co-operatives on the ground are provided with resources and finance for start-up and growth. This to be within a properly controlled framework, including a role for business plans and milestone based disbursements (including proper financial reporting and accounting by co-operatives). This should be complimented with a government facilitated agreement between SETAs, labour department and other relevant training institutions and co-operatives for immediate capacity building.

(c) ***In the short and medium term to promote and support the development of consumer co-operatives*** - across the province, in local communities, in partnership with the co-operative movement.

Role of Co-operatives

(a) ***Linkages for education and training / socializing supply and demand*** – co-operatives should start actively fostering relationships between themselves to share education and training resources, skills and advantages. This “rub off” and learning experience should be used to build economic relationships between co-operatives on both the supply chain side and demand side.

(b) ***Induction programs and policies*** should be developed by all co-operatives to limit internal problems. These induction programs should educate new members about the co-operative history, principles, activity, members’ rights and responsibilities, and decision-making processes, for example. Policies should be designed and implemented to assist with operational issues like discipline, asset management, transport, and wages for example.

(c) ***Links with co-operative movement*** - all co-operatives should actively seek to join the national co-operative movement and to strengthen its provincial and sectoral structures.

Role of Co-operative Movement/NCASA

(a) ***Recruit and organize existing co-ops*** – this should be done aggressively by the co-operative movement. This research project can be a guide to the organizing activities of the co-operative movement.

(b) ***Build secondary and sectoral support institutions*** as part of organizing co-operation between co-operatives. In addition, they should build support capacity in these institutions to ensure training, capacity building and mentoring happens through these secondary and sectoral support institutions where feasible and relevant in the province.

(c) ***Partnership with government*** should be secured as part of provincial policy framework. Such a partnership will assist in resourcing the co-operative movement and ensure it plays an independent and effective co-operative support and development role.

(d) ***Credit unions and finance*** – appropriate funding support and products have to be developed by the co-operative movement, particularly with credit unions to ensure co-operatives are financed. Such credit unions should be included in the partnership with government and should also be given assistance by government to ensure finance is channeled to co-operatives for start-up, expansion, and consolidation.

(e) ***Engage the banks*** in the province to ensure they open bank accounts for co-operatives and provide relevant services for the growth and development of co-operatives.

Role of Support Organisations/NGOs

(a) ***Strengthen self reliance in co-operatives*** by ensuring co-operatives are capacitated appropriately and are organized to run their own affairs. In the end, co-operatives must be responsible for realizing their own objectives.

(b) ***Provide relevant information*** with regard to finance, training and general support for co-operatives.

(c) ***Provide proper groundwork and planning for start-up*** through participatory development. Co-operatives must be empowered to understand the co-operative concept and seriously assess its viability before choosing formation. In addition, proper business plans and legal arrangements must be put in place with co-operatives.

(d) ***Provide links for business plan implementation*** – this includes information sharing but also ensuring relevant institutions receive such plans. This could also include a supporting appeal.

(e) ***Support the building of the co-operative movement*** by ensuring all co-operatives are aware of the existence of the co-operative movement and discuss the pros and cons of becoming members.

(f) ***Assist government*** to make its co-operative development policy and strategy work.

Role of Mass Organisations

(a) ***Promote co-operative development*** by running awareness training and including co-operatives within the various programs of such organizations. For example, COSATU can use co-operatives to deal with retrenchments and even worker take-overs. SANCO can also promote co-operatives as part of local economic development.

(b) ***Build the co-operative movement*** by encouraging co-operatives to work together and link in secondary, sectoral, and the national structure.

(c) ***Assist government*** in implementing its Co-operative Development Policy and Strategy.

VI. APPENDIX: CONTACT LIST

Name and Category	Telephone	Address
	Credit and Financial	
Alrode Savings and Credit Co-operative Limited	082 6953019 011 903 9500	P.O. Box 1794 Alrode, Alberton 1451
Anchor Tshiya Savings and Credit Co-operative	016 422 4518	P.O. Box 4681 Vereeniging
Midrand Eco-Savings and Credit Co-operative Limited	083 956 6915	Ivory Park
	Transport	
Together Transport Co-operative Limited	072 577 9019 082 494 9851	P.O. Box 1584 Pretoria 2002
Vosloorus Local Small Cars	011 906 6513	46 Lesedi Center Vosloorus 1475
	Food and Agriculture	
Balemi BA Afrika Agricultural Co-operative	072 557 0229 011 926 6241	1046 Maoaeng Ext. Tembisa 1632
Duthasa Farmers Co-operative LTD	011 851 1288	P.O. Box 5131, Suurbekom, West Rand 1787
The Joy Ke Thabo Farmers Agricultural Co-operative	073 306 4138	1570 Lebanon, Mabopane Mabopane 0190
Pudi-Sejo Co-operative	072 174 1658 072 129 5913	P.O. Box 911-1451 Rosslyn 0200
Loansha Tlala Organic Farming	073 409 9940	
Siyabonga Organic Farming	072 043 1595	
Iketsetseng Organic Farming	072 178 3720 072 601 4255	P.O. Box 16888 Witsieshoek, 9870
Diepsloot Funda Mlimi Organic Farming	072 913 1702	
Boshatshe Agricultural and Flower Co-operative	083 404 6563	P.O. Box 2713 Tshepiso 1928
Mvelaphanda Organics	073 282 2391	P.O. Box 29632

Agricultural Co-operative		Ivory Park 1689
Qina Mlimi Primary Organic Farming Co-operative Limited	072 281 2819 083 367 3475	460 Extension 1 Orange Farm 1805
Vlakfontein Sizanani Co-operative Limited	011 735 8004	P.O. Box 70181 Tsakane 1550
Rethabile Organic Farming	072 627 8866 072 216 1297	Vosloorus
Sedibeng sa Bophelo Organic Farming	016 594 4086 016 594 6096	Kanana
Competent National Traders Co-operative Limited	082 597 8618	10042 Mamelodi East P.O. Rathabile 0122
Construction		
Aganang Youth Constructors Co-operative	012 791 1510	670 Block H Shoshanguve H; Pretoria 0152
Ubuhle Bemvelo Eco-Construction Co-operative	083 983 6353 072 0632928	P.O. Box 8453 Midrand 1685
Housing		
Tswelopele Housing Co-operative	083 435 2212 011 339 8971	P.O. Box 185 Wits 2050
Newtown Housing Co-operative	083 546 1915	P.O. Box 185 Wits 2050
Masisizane Women's Housing Co-operative	073 200 8777 082 546 2803	P.O. Box 9955 Midrand 1685
Home Industry		
Drie Riviere Tuisnywerheid (KO-OP) Beperk	016 423 6502	Winkel N6A, River Square Sentrum Nile Ryland, Drie Riviere 1935
Koop En Geniet Tuisnywerheid Beperk	012 332 0018	Codonialaan 773, Waverly, Pretoria 0134
Lynnwoodrif Se Tuisnywerheid Beperk	012 361 7172	Posbus 72587 Lynnwoodrif 0040
Piekfyn Tuisnywerheid (KO-OP) Beperk	011 793 4071 011 787 6126	Posbus 245 Randburg 2125

Kenako Cottage Industries Co-operative	011 421 6248	P.O. Box 2290 Benoni 1500
Altefyn Co-operative	011 954 3423 011 764 6172	Posbus 2025 Wilro Park 17731
Sandton Home Industries Co-operative	011 783 0015	Faspac, P.O. Box 95 Randburg 2125
Kopano Ke Tswelopele Sewing and Knitting Co-operative	084 640 6372 011 261 1060	P.O. Box 9043 Ivory Park 1689
Badira-Mmogo Sewing Co-operative	082 264 7610	P.O. Box 873 Attridgeville West 0008
Services		
Matlhasedi Youth Printing Co-operative	072 979 6384	P.O. Box 59108 Karen Park 0118 Shoshonguwe
Reagile Ekuphuleni Worker Co-operative	082 712 8220	90 Zambia St., Thafeni Section; 768 Maokeng Section, Tembisa 1632
Yebo Co-operative	012 346 6020	P.O. Box 2701 Brooklin Square 0075
Batho-Pele Water Demand Co-operative	072 670 1172	P.O. Box 2281 Vereeniging
Sifikile Skills and Services Co-operative	012 373 9627 012 375 5978	37 Serote Street Atteridgeville 0008
Amandla Energy Co-operative	072 255 0350	
General		
Bokomoso Youth Co-operative Limited	012 375 5646 082 792 2511	2 malebye St. Saulsville 125
De Voetpadkloor Ko-op	011 691 2800	Posbus 3559 Cramerview 2060
Man Back to God Co-operative	072 424 2075 072 470 5398	P.O. Box 20342 Spruitview 1425
Moshito Otee Co-operative	072 557 0229 072 666 2737	347 Lekaneng Section Tembisa 1632
Union 2002 Co-operative		P.O. Box 8801 Ivory Park 1689

Xirhundzu Co-operative	073 714 0738	1604 Dungeni Street Daveyton
Kutlwano Co-operative	083 248 6532 084 808 3444	
Midrand Eco-City Co-operative		Private Bag x65 Halfway House 1685
Baobab Development Co-operative	083 482 0824	P.O. Box 588 Kwenzekile 1433
Training		
Hlokomela Co-operative	073 472 0959 083 505 4872	P.O. Box 12023 Katlehong 1432
Trading		
Sizmisele CLEDA	072 596 854	Rabie Ridge
Inzim-Impulelo CLEDA	082 675 1796	Ivory Park Ward 77
Boitshepville CLEDA	083 592 8137	Tshepiso
Thoto Boswa CLEDA	072 755 9078	Shoshonguve
Kopano Ke Matla CLEDA	073 484 4358	Doornkop
Refentse CLEDA	083 671 6343 072 671 3931	Vosloorus
Chisime CLEDA	083 426 2861	Kanana
Qhakazwe CLEDA	072 683 4519	Zonkizizwe
Savuka CLEDA	083 713 0498	Orange Farm
Insurance		
Consolidum (Ko-op) Beperk	011 921 166	P.O. Box 86 Van Riebeeck Park 1629
Manufacturing		
Eyethu Soap Making Co-operative	082 436 1593	P.O. Box 2281 Vereeninging
Twanano Paper Manufacturing	083 858 4696 011 2616760	P.O. Box 28612 Ivory Park 1689

Mpumelelo Co-operative	073 400 9810	9777 Mnyezane St. Bophelong
Green Pastures Dairy		Daveyton
Itekeng	082 220 1128 083 432 9696	Katlehong
Tasty Meat Thusano	084 267 0497 083 747 9030	Umtembeka (Tembisa)
Lesedi	083 249 9520	Tembisa
Takalani	082 481 8720	Tembisa
Kuthalang	084 776 5720 011 925 3207	Tembisa
Qalabocha Co-operative	011 738 4596 072 255 2933	Tskane
Izigi Co-operative	011 737 6344 073 521 2801	Kwa Tema
Lethabo Co-operative	011 810 1840	Duduza
Maphungubwe	073 274 3380 011 915 7725	Wadeville
Bontle Ke Leaho	082 254 6471 016 153 7809	Daveyton Ward 51
Ikhwezi Lokusa	076 122 6100 073 610 0922 083 547 9148	Etwatwa
Buthina Barona	084 725 7154 011 866 7324	Vosloorus
Letsema Clothing	082 718 0720	Vosloorus
Saseko Co-operative	083 366 7598 072 564 9277	Thokhoza
Pulling Together	072 829 9772 072 297 7436	Thokhoza
Masibambisane	083 963 7074 073 959 0352	Thokhoza

Landuthoko	072 549 1365	Thokhoza
Better Tomorrow	011 920 3970 083 349 8861	Tembisa
Vuta Meat Processing	082 631 6561	Daveyton
Ubociko ben Gilasi	073 220 9790	Katlehong
Katleho	082 096 0773 011 909 8901	Katlehong
New Horizons	083 991 3806	Daveyton
Shovalula Co-operative	073 901 8083	15339 Ivory Park Midrand 1689
	Recycling	
Iteke Waste Recycling Co-operative	072 492 0622	768 Shirpe St. Rabie Ridge 1689
	Medical	
Karibu Specialist Services Co-operative	082 851 1289 011 421 9941	P.O. Box 2148 Benoni 1500
Alexandra Wynberg Independent Practitioners	011 443 8708 011 786 3558 (fax)	P.O. Box 266 Alexandra 2014
Attridgeville Health Providers Co-operative	012 373 4703	P.O. Box 911850 Rosslyn 0200
Britts Health Providers	012 729 1035 012 729 1045	P.O. Box 934 Lethlabile 0264
	Veterinary	
Taurus Veevebeterings	012 667 1122	Private Bag x5 Irene 1675