

The State of the South African Cooperative Sector

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Introduction

The modern history of South Africa cannot ignore the role cooperatives have played in the development of its economic foundations. Besides huge conglomerates dominating the racialised and exploitative 'commanding heights', cooperatives mainly in the financial, services and agricultural sectors were also a crucial feature of the apartheid economy. In other words, Afrikaner empowerment in the 20th century did not just happen through the logic of capital accumulation but had to also coexist with a logic that met human needs through cooperative forms of organising production and consumption; albeit underpinned by perverse and racialised relations of productions.

Hence, it is apposite that the 'cooperative' idea and the 'role of a cooperative movement' in the post-apartheid development process has resonated in numerous State of the Nation addresses and mid-term reports to parliament as part of the new empowerment discourse¹. Over the past 5 years significant policy development has occurred to take forward government's commitment to cooperatives. In this regard, the Broad Based Black Economic Empowerment Act (No.53 of 2003), the Cooperative Development Policy for South Africa (2003) and the Cooperatives Act (No.14 of 2005) are crucial policy pillars for the development of a cooperative sector. In 2007 President Mbeki kept the cooperative thrust on the policy agenda with reference to interventions required to address the 'second economy'.²

In this regard he mentioned four crucial areas of policy intervention that have a direct bearing on the implementation of the Cooperative Development Policy and Cooperatives Act: (i) practical action around micro-finance including widening the reach of the Apex Fund and agricultural micro-credit fund (MAFISA); (ii) ensuring the proper functioning of the Small Enterprise Development Agency (which is the main policy implementation vehicle for cooperatives at a national level);(iii) a youth cooperatives program and (iv) supporting the implementation of the Communal Land Rights Act through various measures including cooperative development.

This contribution will, first, place into perspective the new policy and legislative framework informing post-apartheid cooperative development. Second, provide an analysis of aggregate cooperative development trends in South Africa. Third, highlight the institutional support relationships and sectoral trends emerging as part of embedding cooperative development in national, provincial and sectoral spaces. Fourth,

¹ In 1999, 25 June, President Mbeki in his mid-term parliamentary address made the clearest statement on government's policy commitment to cooperatives when he said: "*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.*"

² See State of the Nation Address , February 9, 2007, p.10-11

developments and dynamics that are shaping the state of the South African cooperative movement will be clarified. This contribution will conclude with unpacking key challenges facing the development of cooperatives in post-apartheid South Africa.

Post-apartheid Co-operative Legal Reform and Policy

Cooperatives exist under various guises in South Africa. Sometimes they are referred to as ‘projects’, ‘self-help groups’, ‘mutual societies’, ‘village banks’, ‘credit unions’, ‘consumer store’ and sometimes even the word ‘association’ is used to describe cooperatives. Essentially, cooperatives are member-owned and democratically controlled institutions. They are not-for-profit in the sense that voting in a cooperative is not based on the number of shares owned but instead on the universal principle: one member, one vote. While cooperatives make a profit this is subjected to the logic of member needs - the essence of the cooperative. A cooperative might originate with particular member needs as a priority but this could change and inform adaptation in the cooperative. Hence, the scale at which cooperatives operate can vary. For example, farming cooperatives can operate on the scale of small scale subsistence farming in an urban space or cooperatives can be high tech, high productivity yielding farming entities producing for established markets. The scale of a cooperative is driven by member needs and not by the dictates of a state bureaucracy or competitive pressures in the market.

Due to these institutional features cooperatives have a distinct identity separate from joint stock companies which are owned by shareholders, public enterprises, which are owned and controlled by the state, or philanthropic organisations that provide for a target group. Cooperatives are user and member centred and have to be legally registered entities in terms of the Cooperatives Act. They cannot exist as informal institutions. Moreover the empirical test of cooperative identity and practice is the extent to which legal requirements, principles and values of a cooperative manifest in its workings. A cooperative cannot be an extension for government bureaucracy or a ‘front’ for a few individual ‘entrepreneurs’.

The latter point is important given the global context in which post-apartheid cooperative development is taking place. In the 20th century cooperatives co-existed with mass fordist systems in the West, centrally planned economies of the Soviet type and with interventionist Third World regimes. In most of these experiences cooperatives lost their true identity. In the 1980s in many parts of the developed world, many large cooperatives with professional management structures and huge market share lost their self-identity and meaning: who owned and controlled them became uncertain (Birchall, 2004:14-16). Moreover, cooperatives became part of the early colonial political economy in various societies. Legislation was introduced by colonial regimes that supported the development of cooperatives. With the emergence of the Soviet bloc, and after World War II through decolonisation, cooperatives were also used as part of national development projects to organise production and consumption. However, many of these cooperatives either in the Soviet bloc or as part of post-colonial development projects failed due to excessive state control. In most instances these enterprises were extensions of the state and subject to bureaucratic rationalities of state planning or were locked into patronage systems that

fostered dependencies on post-colonial elites. In the Soviet Union, for example, Stalin nationalised all the consumer cooperatives, which were the main providers of essential supplies to urban populations, and with forced collectivisation agricultural cooperatives were abolished and replaced with collective farms (but ironically still called “cooperatives”) (Birchall, 2004:16). With the collapse of the Soviet Union in the late 80s many of the cooperatives were not able to survive the transition to open national economies³. The pressures of global competition and the lack of dynamic efficiencies forced many of these cooperatives to collapse in many Soviet bloc countries. In many post-colonial countries the adoption of structural adjustment programs forced a reallocation of fiscal resources away from national development priorities, which undermined patronage support systems, and in many instances ‘cooperatives’.⁴

The post-apartheid challenge of reconstruction and development coincides with an attempt post the Cold War, and in the midst of the neoliberalisation of the global political economy, to reclaim the authentic identity of cooperatives. The legal reform of the 1981 Cooperatives Act, which began through a review initiated in 2000, attempted to take on board the lessons of cooperative development during apartheid and was informed by international standards and universal principles defining cooperatives.⁵ In this regard the new Cooperatives Act breaks with the one sidedness of the 1981 Act, which mainly supported the development of agricultural cooperatives, and at the same time affirms the international principles and values of cooperatives as defined in the International Cooperative Alliance Statement of Identity and the ILO Recommendation 193.⁶

³ The ILO and World Bank have conducted numerous studies about the impact of the transition to market economies on cooperatives.

⁴ Zimbabwe and India are interesting examples in this regard.

⁵ The early history of modern cooperatives in South Africa goes back to the period after the Anglo-Boer war when cooperatives were promoted as a means to improve agriculture. The first formally registered cooperative in South Africa was the Pietermaritzburg Consumers Cooperative which came into existence in 1892 in terms of the Companies Act. At this stage there was no legal framework dedicated to cooperatives. In the case of agriculture this was followed by the establishment of the National Cooperatives Dairies Limited in the early 1900 in the then Natal. See Dr J.A.S. Van Niekerk *Cooperative Theory and Practice SAAU*: Pretoria (1998). But it seems that from progressive histories being written cooperatives also took root in black communities as well during this time. Gandhi was pivotal in promoting cooperatives and many church leaders also promoted cooperatives in black communities at the beginning of the 20th century. Later on leaders from the ANC and SACP like Govan Mbeki and Dora Tamana also played an important role in promoting cooperatives. See Judy Malqueeny unpublished *History of Cooperatives in South Africa* (forthcoming). By the late 1980s cooperatives had evolved into major backbone institutions for the agricultural sector in South Africa providing marketing channels, purchasing inputs and managing irrigation systems and so on. Alongside this trade unions also began experimenting with cooperatives as part of defensive battles against retrenchments. See Kate Philips *Producer Cooperatives in South Africa: Their Economic Potential and Political Limits* SWOP: WITS (1987).

⁶ The ICA or the International Cooperative Alliance is the international body for cooperatives. It is made up of national cooperative movements and sectoral bodies (like farming, housing and so on). In the world today over a billion people are affiliated to cooperatives and this is reflected in the 227 member organisations, from 91 countries that make up the ICA. As part of its centenary celebrations in 1995 the ICA adopted a set of principles and values that would constitute the universal basis for cooperative identity. These principles are: (1) voluntary and open membership; (2) democratic member control; (3) member economic participation; (4) autonomy and independence; (5) education, training and information; (6) cooperation among cooperatives and (7) concern for community and the values are: self-help, self-

While the tilt of the new Cooperatives Development policy and Act is towards reclaiming the authentic identity of cooperatives, this did not fall into place automatically. Initial drafts of the new Cooperatives Act did not have a policy framework to guide it, it also provided for a hybrid model of cooperatives and companies, was not clear about a financing mechanism for cooperatives and maintained cooperative conversion provisions to other legal entities as part of a cooperatives legal framework.⁷ These were not the only problems with the initial cooperative draft bills. Many voices in the cooperative sector were arguing for a conceptual and policy separation between cooperatives and Small, Medium and Micro Enterprises and for a Ministry of cooperatives to be established.⁸ Many of the latter demands were lost but this interlude about the policy process reveals the extent to which contestation from below was required to win the generally progressive Cooperatives Development Policy and Act.

Moreover, the underlying policy rationale for the development of post-apartheid cooperatives is grounded in the Broad – Based Black Economic Empowerment Act (2003), which serves as a basis for the Cooperatives Development Policy and the new Cooperatives Act. While the former Act provides explicitly for cooperatives to be part of socio-economic strategies to empower black people (generically defined) it has thrown up numerous contradictions that constrain cooperative development in post-apartheid South Africa⁹. In the first place, the deracialising of companies, procurement policy (at most levels of government) and the numerous BEE charters in various sectors has not benefited cooperatives in any direct way.¹⁰ Hence, the BEE discourse, particularly the broad based version, has not worked for cooperatives and has merely been about class formation at the upper ends of society. Second, and as corollary, the get-rich-quick logic of BEE in general does not assist with institutionalising cooperatives in a sustainable way on the ground. Expectations are high, as part of the populist nature of BEE, and hence short term rent seeking behaviour is plaguing cooperative development. The corruption

responsibility, democracy, equality, equity, and solidarity. In the founding tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others in ICA (1996) *Cooperative Principles for the 21st Century*, ICA Communications Department: Geneva : 1. This was also affirmed by the International Labour Organisation in its recent ILO Recommendation 193 adopted in 2002 and in the United Nations with the adoption of *Guidelines on Cooperatives* in 2001. Also see Preamble of Cooperatives Act (2005) and also see the new Cooperatives Development Policy for an explicit statement of adherence to the above principles and values.

⁷ In this regard the influence of white farming and mainly agricultural cooperatives was coming through strongly. Many of the agricultural cooperative entities converted to companies in the course of the 1990s but still maintained a semblance of operating as cooperatives. Hence they wanted a hybrid of a company and cooperative entrenched in the law. The draft bill also contained the idea of external investor shares, which seemed to coincide with the BBE discourse at the time. This notion of external investor shares would have undermined the model and principles of what a cooperative is all about and hence was rejected and jettisoned by the cooperative movement. See COPAC, *Cooperative Movement Conference Report*, Johannesburg (2001)

⁸ See COPAC, *Cooperative Movement Conference Report*, Johannesburg (2001)

⁹ See section 1 and 1 (b) dealing with definitions and section 2 (b) regarding objectives of the Broad-based Black Economic Act, 2003, which defines a role for cooperatives.

¹⁰ This observation is based on eight years of cooperative development work and policy advocacy through the Cooperative and Policy Alternative Center (COPAC).

that flows from this has made it extremely difficult to build trust amongst groups in cooperative development processes.¹¹ Third, the racially exclusive nature of BEE in general stands in direct contradiction to the international principles enshrined and espoused in the new Cooperatives Development Policy and Act. The 1st principle of the International Cooperative Alliance *Statement of Identity on Cooperatives* refers to ‘voluntary and open membership’ and in that regard a positive qualification is made such that membership cannot be restricted based on gender, social, racial, political or religious discrimination. Hence, the BEE approach in general is inconsistent with the essence of what a genuine cooperative is all about. The implication of a racially exclusive approach to cooperative development maintains a racialised duality in the South African cooperative sector which, in economic terms, is dominated by mainly white farming cooperatives.

Put differently, a BEE approach does not foster solidarity and cooperation links between these historically white cooperatives and emerging black cooperatives. It also does not give impetus to deracialising these historically white cooperatives but instead reproduces the racial divide. Despite this, non-racial practices are taking root, based on an understanding of cooperative principles, and this needs to be encouraged.¹² In short, the contention of the argument being made is that a policy rethink needs to happen such that BEE in general does not undermine cooperative development in post-apartheid South Africa. More sharply, it is time that serious consideration be given to uncoupling cooperatives from a BEE approach to development. Instead a cooperative based approach and model of empowerment needs to prevail in the cooperative sector; taking into account the fact that by definition and inherently cooperatives are empowerment based institutions.¹³

As has been mentioned the Cooperative Development Policy for South Africa (2003) and the Cooperatives Act (No.14 of 2005) are crucial policy pillars for the development of a cooperative sector.¹⁴ Both the policy and legislative thrust are crucial to ensure

¹¹ See COPAC Research Reports “Cooperatives in Gauteng (A Quantitative Study): Broad Based BEE or Push Back Into Poverty” (2005) and “Cooperative Support Institutions in the Gauteng Cooperative Sector (Case Studies): Enabling Support or Dependent Development?” (2006)

¹² This is not to suggest that every white farmer in South Africa is keen to reach out and work with emergent black farmers. However, from within the cooperative sector important stories need to be shared. The Taurus Cooperative in Gauteng was formed in 1978 and is the oldest cooperative in Gauteng. It provides artificial insemination services for cattle. It has about 4500 members and has historically been white. Today it is deracialising and has brought in black farmers. In the Northern Cape the Heiveld Rooibos cooperative began in 2000 through the efforts of black farmers. These farmers obtained land from a white farmer for a tea court and even succeeded in purchasing farms from white farmers in the area without any tensions. The Vlaktefontein-Sizani cooperative in the East Rand of Gauteng is a worker cooperative that runs a farm which was bought from white farmers. One of these farmers has played an important mentoring role to the cooperative.

¹³ See ICA principles and values cited above.

¹⁴ The Cooperative Development Policy provides a framework for the Cooperatives Act. It sets out a vision, makes a case for the role of cooperatives in development, affirms the international identity of cooperatives, defines the policy approach of government and most importantly defines roles and responsibilities of government to realise the objectives of the policy. Complimenting the policy is the Cooperatives Act 14 of 2005 which contains 13 chapters and 2 schedules. The Act deals with definitions,

cooperatives in the post apartheid context are not just ameliorative but are capable of leading structural change and transformation.¹⁵ The content of the cooperatives policy and Act ensures certain crucial assumptions are institutionalised.¹⁶ There are three main assumptions underpinning the policy and legal framework for cooperative development. The first assumption relates to an enabling role for the state. This assumption attempts to delineate a role for the state such that the state is instrumental in creating the conditions for cooperatives to emerge and be autonomous, self-sustaining entities. Both the Cooperatives Development Policy and Act envisages the state providing a carefully regulated environment for cooperatives which stops short of encroaching on the control and ownership thrusts of these institutions.¹⁷ In addition, both the policy framework and legislation attempt to create the conditions for the establishment of a ‘third sector’ in the South Africa economy, the cooperative sector, supported by a panoply of institutions with mandates, resources and policy support capacity to address the structural imbalances that could hinder and undermine the emergence of cooperative based social relations of production and consumption. In short, cooperative based policy and legal reform is not blind to the systemic obstacles that could hinder cooperative development in post-apartheid South Africa. However, in practice the line between enabling support and autonomously developed cooperatives has to be constantly monitored such that, on the one hand, the bureaucracy does not capture these institutions, and on the other, the cooperatives themselves do not become dependent on state support.

The second important assumption and assertion underpinning the Cooperatives Development Policy and Act recognises the distinct institutional identity of cooperatives. This modern identity was forged over two hundred years, originating from utopian attempts in the heartlands of Europe to construct alternatives to the brutal, socially polarising, violent and uneven logic of capitalist development. The abuse and misuse of cooperatives in the course of the twentieth century has also been alluded to above.

scope, registration, membership issues, general meetings, management, capital structure, audits, restructuring, winding up, judicial management, administration, provides for a cooperative advisory board, miscellaneous matters, transitional arrangements and special provisions for housing cooperatives, worker cooperatives, financial services cooperatives and agricultural cooperatives.

¹⁵ However, the role of the new democratic state in promoting and supporting an enabling cooperative environment for different kinds of cooperatives, including worker cooperatives, is not understood. See Kate Phillip “A Reality Check – Worker Coops in South Africa” *Labour Bulletin* Vol. 31 Number 1 March /April 2007. Phillips attacks the worker cooperative model as being inherently unviable by making reference to a historical experience without being self critical about the mistakes made by initiating unions and the Mine Workers Development Agency, which tried to build worker cooperatives in a very different context from the present. More importantly, vibrant and dynamic worker cooperatives exist in developed and underdeveloped countries and crude generalisations about their non-viability, based on a particular historical experience, should be questioned.

¹⁶ This would also apply to a Cooperative Development Strategy/ies if put in place at various levels of government.

¹⁷ It has been mentioned that the new Cooperatives Development Policy and Act (2005) affirms the international principles and values that define a genuine cooperative identity. In addition, they also affirm the international definition of a cooperative which means “ 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 cooperative principles” in Chapter of the Act section 1(1).

However, it is worth reiterating the point that the international cooperative movement today is attempting to reclaim the authentic people centered identity of cooperatives and so has the South African government's Cooperatives Development Policy and new Cooperatives Act. This means cooperatives cannot be "ideologised" and reduced to one aspect of how capitalism is being organised in South Africa.¹⁸ Cooperatives are organised around the principle of human solidarity and therefore cannot be treated as a means to foster capital accumulation. In other words, cooperatives are about meeting human needs first and foremost and hence the social logic of these institutions should not be instrumentalised. In practice government is already straying away from this with attempts in the Department of Trade and Industry to conflate cooperatives to Small and Medium Enterprises, with many officials in government viewing cooperatives as any other "business" which has to submit to the discipline of competition and profit maximisation.

The third assumption inscribed in the policy and regulatory framework for cooperatives acknowledges that while it is necessary to bring in enabling state support it is not a sufficient condition to ensure genuine, independent and self sustaining cooperatives take root. In other words, cooperative development in post apartheid South Africa is anchored in the assumption of building a dynamic cooperative movement. Both the policy and legislation for cooperative development ensures that different types of cooperatives (farming, housing, financial and so on) can emerge and that these institutions are able to organise themselves from a primary level, to secondary and/or sectoral level and ultimately into a national apex body.¹⁹ The assumption of building a cooperative movement that is capable of providing a voice for its members in participatory development processes is necessary to ensure the state or the market does not distort the identity of cooperatives. The symbolic and material capacities of a national cooperative movement are the key defining aspects of a cooperative approach to the politics of 'empowerment' in post-apartheid South Africa. However, the challenges of building such a movement, despite the residues of a vibrant civil society, are proving to be difficult and will be elaborated on below.

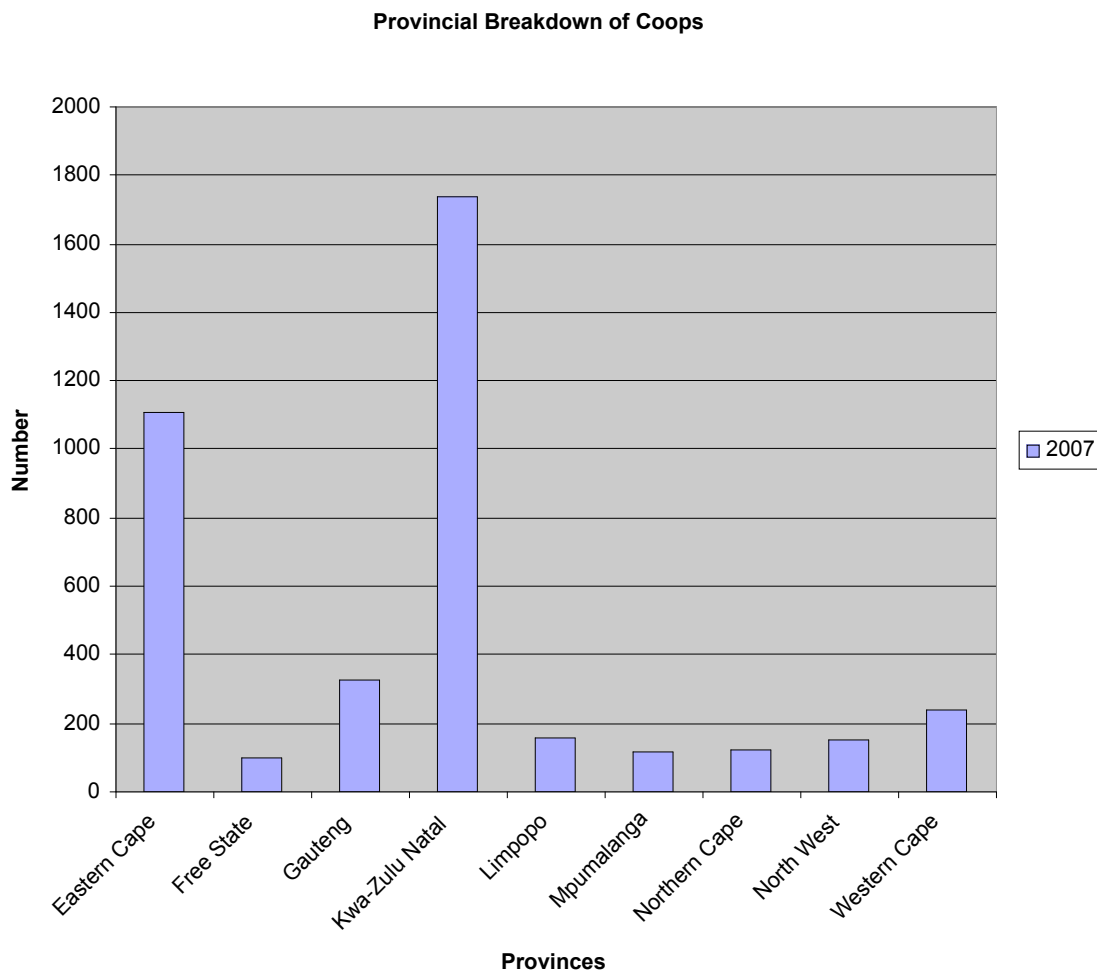
¹⁸ This perspective stands in contrast to the arguments by Hernando De Soto in *The Mystery of Capital* (2000) and generally by neoliberals on the need to commodify every aspect of human existence and subordinate it the logic of capital accumulation. This is also the case with arguments about "social capital". See COPAC Conference Report, "Cooperative Alternatives To Capitalist Globalisation – Building Human Solidarity to Sustain Life" (2006) and Satgar, V. (2007) "Neoliberal Restructuring and Primitive Accumulation- Labour and the Global Struggle for Cooperative Alternatives" Global Labour University Conference Paper: Wits University for a more comprehensive treatment of these issues.

¹⁹ See Chapter 1 section 1(1) and Schedule 1 of the Cooperatives Act (2005).

The State of the Cooperative Sector

Aggregate Trends

Data on South African cooperatives is kept by the registrar of cooperatives, located in the Department of Trade and Industry. There are two data sets available to the public. The first is a national list of cooperatives which contains the names, contact details, names of executive officers and chairpersons, a classification based on type of cooperative and location of registered cooperatives. From the 2007 data available the national picture, broken down per province, is presented below.



(Source: Cooperative List, Registrar of Cooperatives, 2007)

For 2007 the aggregate figure for cooperatives in the country amounted to 4061, with most cooperatives developing as worker and multipurpose cooperatives followed by

agricultural cooperatives²⁰. As per the provincial break-down provided it would seem the growth and concentration of cooperatives are mainly in two of South Africa's provinces in which there is a high concentration of poor rural populations: Kwazulu-Natal and Eastern Cape. However, while these quantitative figures point to an important and interesting story these figures are not very reliable and have numerous problems. First, the Registrar's list does not provide for an appropriate classification based on the new Cooperatives act of 2005. Instead, cooperatives are either classified as farming, agricultural or general trading cooperatives as per the 1981 Cooperatives Act. In addition, given that cooperatives are proliferating in various sub-sectors and engaged in various types of economic activity, sub-categories (like finance, housing and so on) for the cooperative sector are not clear. Second, there is no distinction made between primary, secondary and sectoral cooperatives as per the new act. Linked to this, there is no data available on conversions of cooperatives to companies. This makes it extremely difficult to understand cooperative relations and patterns of development in South Africa. Third, the contact information is generally unavailable and so it is hard to verify the existence of cooperatives.²¹ Finally, this data is not credible because there is no way of confirming whether the cooperatives are engaging in cooperative activity. The list provided does not confirm whether annual financial statements have been submitted by any of the cooperatives, for instance, which is a requirement of the new Act. This would be an important indicator of whether cooperatives are existing or not. In addition, it is clear from research done in Gauteng, for example, many cooperatives established and mainly initiated by government, at different levels in the province, do not have financial resources to engage in economic activity.²² This means many cooperatives have not even entered a start-up phase and merely exist as formal entities waiting for government support. Put more sharply, many of these institutions have a paper membership and are dysfunctional. In short, the cooperative list maintained by the registrar of cooperatives is in a mess and requires urgent attention to serve as a credible basis to understand trends within the emerging South African cooperative sector and sub-sectors.²³

However, the second data set available from the Registrar of Cooperatives is contained in a recent Volume (no. XV1) entitled *Statistics of Cooperatives in South Africa*. This is more credible and based on financial reports submitted. This data does confirm the fact that cooperatives are engaging in economic activity but it does not tell us about actual cooperative practices and patterns of cooperation, but contrasted with the Registrar's national list a more credible picture emerges.

²⁰ The classifications we have used here are based on COPAC's interpretation of the Registrar's list. The problems associated with classifying cooperatives into sub-sectors that are consistent with the new Cooperatives Act is dealt with below.

²¹ In 2005 when COPAC conducted a quantitative study of cooperatives in Gauteng the registrar's list aggregated to 266 cooperatives. After fieldwork attempts to contact and verify the existence of cooperatives COPAC found only 150. See "Cooperatives in Gauteng (A Quantitative Study): Broad Based BEE or Push Back Into Poverty?" (2005).

²² Ibid.

²³ This conclusion is shared by Jan Theron. See his (forthcoming) *Country Study: Cooperatives in South Africa* for the ILO.

Table1: Cooperatives Per Sub-sector - Submitted Financial Statements

	2002	2003	2004	2005
Farming	5	9	3	5
Farming Requisites	4	4	9	6
Fruit & Vegetables	11	12	21	9
General products	6	6	10	5
Grain&oil seeds.	7	5	7	7
Meat	9	10	11	8
Timber	5	6	5	4
Tobacco	3	3	0	0
Wine	32	29	46	0
Buying Aid	3	3	3	3
Financial	3	4	8	5
Fishing	2	1	13	0
General	7	7	0	0
Home Industry	56	54	0	0
Medical	3	1	0	0
Mutual Benefits	9	10	18	0
Shops	6	6	6	0
Insurance	0	0	3	0
TOTAL	171	170	163	78

(Source: Registrar of Cooperatives, Statistics of Cooperatives in South Africa, 2002-2005)

It would seem that the number of cooperatives in compliance with the financial reporting requirements of the Cooperatives Act of 1981 are less than 200 cooperatives since 2000 and 78 in the year 2005. While this might seem like a small number of cooperatives the reporting by these cooperatives show many of them to be involved in high value adding activity with a significant number of members, turnover and asset values.

Table 2 : National Aggregates – Cooperatives Submitted Financial Data

	2002	2003	2004	2005
Assets (Rbn)	6.9	5.4	6.5	5.4
Turnover (Rbn)	10.2	11.4	13.4	6.7
Membership	202 226	211 114	207 811	203 207

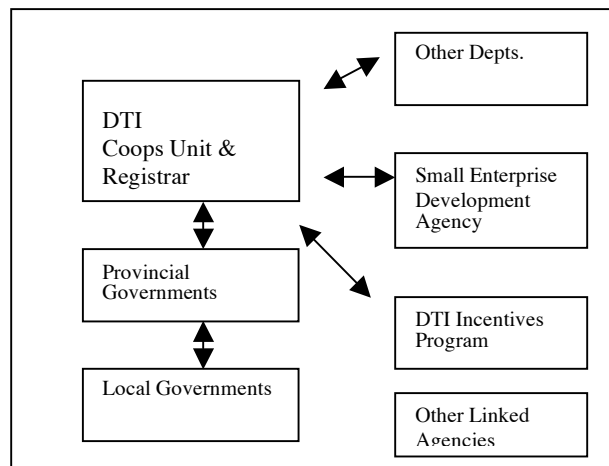
(Source: Registrar of Cooperatives, Statistics of Cooperatives in South Africa, 2002-2005)

Based on the Registrar's statistical data it would seem that a few cooperatives engaged in high value adding activity in farming and agricultural processing (fruit and vegetables, livestock, grain&oil seeds, meat, timber, tobacco, wine and so on) have very significant assets running into billions of rands, as well as, corresponding turnovers. This is consistent with the pre-1990 predominance of mainly white owned and controlled cooperatives in the cooperative sector. The membership of these cooperatives averages at

about 200 000 over 4 years (2002-2005). Included in these figures are the contributions made by 40 black owned and managed cooperatives. It is difficult to establish the precise contribution of these cooperatives because of how the figures are aggregated. At the same time, these figures do not tell us anything about employment, livelihoods and contribution to national GDP. Again the data available from the Registrar of cooperatives requires a different format of presentation and has to say more about the impacts of cooperatives and the cooperative sector on the national economy.

Support Relationships and Trends²⁴

Table 1: DTI Centred Cooperative Support System



The Department of Trade and Industry is at the heart of the incipient cooperatives support system in government. This department through its Cooperatives Development Unit is the custodian of the Cooperatives Development policy and promotes horizontal and vertical support relationships for cooperatives in government. In addition, this Unit has been responsible for developing the support programs, instruments and institutional capacities in government to implement the national Cooperatives Development Policy. In this regard the Cooperatives Development Unit has ensured the following: the completion of legal drafting and legislation of the new Cooperatives Act, the development of a new Cooperatives Development Policy, funding to the national cooperative movement, the development of training materials, influencing regulatory standards relevant to cooperatives, piloting of a funding incentive program (start up grants) and has managed key partnerships relevant to its ambit of work. In the recent period this Unit has farmed out many of its support programs and policy interventions to the Small Enterprise Development Agency (particularly its cooperative capacitation role) and its incentive program has been located under one roof with all other DTI incentive programs. The

²⁴ This section draws extensively on a COPAC study done in 2006 to map support relations both at a national and mainly Gauteng level. This study is entitled: *Cooperative Support Institutions in the Gauteng Cooperative Sector: Enabling Support or Dependent Development*.

policy implementation role of the Unit and its support policy instruments are difficult to assess in terms of impact because these instruments have just come on stream.²⁵

Through the Registrar of Cooperatives role in administering the Cooperatives Act and the national Minister being legally empowered to make regulations to buttress the operations of the Act, the DTI's role at the center of the cooperative support system in government is further re-inforced. This breaks with the pre-1990 location of cooperative development within the Department of Agriculture. In addition, the national Cooperative Development Policy provides for other departments to coordinate their cooperative promotion and development thrusts with DTI. Thus far it would seem the Department of Agriculture, Housing and Social Development have a focus on cooperative development and are attempting to stream cooperative development into their various policy programs and interventions.²⁶ In the national Department of Agriculture, for example, there is dedicated cooperative development capacity through the Farmer Organisation Support Unit (FOSU). This unit has a window of products and support services for cooperative development which includes: pre-registration support, training on administration, linking cooperatives to governmental and non-governmental support programs, assisting primary cooperatives develop commodity production capacity, mobilising cooperatives into cooperative support structures and finally developing a database of agricultural cooperatives.²⁷ Such support capacity is also being built vertically in provincial departments.²⁸

Alongside the DTI, and various other government departments with cooperative development thrusts, are a host of government linked institutions with mandates to support the development of cooperatives. This includes: Umsombomvu Youth Fund, the National Development Agency (NDA), the Micro Agricultural Finance Scheme of South Africa (MAFISA) and the South African Micro-finance Apex Fund (SAMAF). Many of these institutions are in a program piloting stage and are attempting to clarify their support roles and functions. Beyond these national level institutions which operate with reach into provinces, cooperative development and support systems are evolving in a very dynamic way in provinces. The institutional environment is diverse and is grounded in the national policy and legislative framework established by the DTI.

²⁵ Interview, Nomvula Masango-Makgotlho, Director: Cooperatives Development, DTI, 6/03/2007.

However, there are only about 20 cooperatives that have been supported through the grant program.

²⁶ Ibid.

²⁷ Interview, Mmemogolo Malomane, Provincial Coordinator Cooperative Development: Directorate Agricultural Development Finance, 28/02/2007

²⁸ Focus Group, Officials and Extension Offices Agricultural Unit : Department of Agriculture Kwazulu Natal, Cedara College, 12/03/2007

Table2: Overview of Cooperative Support Systems in Gauteng and Kwazulu-Natal

	Policy Custodian	Main Implementing Vehicle	Main Horizontal Thrusts	Local Government Cooperative Policy Programs
Gauteng	Department of Economic Development	Gauteng Enterprise Propellor (GEP) linked with FETs and Service Providers	Department of Social Development	Most Councils – Ekurhuleni Metro leading
Kwazulu-Natal	Department of Economic Development	Ithala Development Finance Cooperation linked to FETs (includes incubation centers) KZN Treasury manages procurement policy for cooperatives	Departments: Agriculture Health Public Works Transport & Tourism	Most Councils – Durban Metro leading

Since 2005 the Kwazulu-Natal provincial government has one of the most aggressive strategies to propel the development of cooperatives in the country. It is estimated to have injected over a R100 million and has geared various institutional and departmental thrusts to support its cooperatives development push. Its general approach is to utilise cooperative development as a poverty alleviation intervention as part of its provincial development strategy.²⁹ It is generally ‘stepping-stone’ in its approach to cooperatives and envisages cooperatives as being one step in a process that would lead to scaled up medium sized business enterprises. In this regard cooperatives, in theory at least, are meant to be fast tracked and incubated and eventually streamed into the “first economy”. In contrast, the emerging emphasis in Gauteng’s Cooperative Development policy is about developing a cooperative sector as an end in itself.³⁰ In addition, cooperatives are one among various interventions and thrusts in the “second economy”. While the KZN government’s approach to ensure state support to cooperatives is well intentioned this is not enabling but instead instrumentalises cooperatives as part of a state-led development agenda; the cooperatives are not developed in accordance with member needs and capacities but in terms of governments objectives. This is dangerous because it does not cultivate the autonomous and independent impulses within the cooperatives for sustainability. Worse, the development of thousands of cooperatives per annum, all initiated by and dependent on government, exposes cooperatives to the risk of failure and hence being discredited. The challenge for government is to find a balance between ensuring it provides strategic enabling support while cooperatives are initiated around opportunities identified by aspirant cooperators (a women’s group, youth groups, workers in trade unions, community groups and so on) rooted in their own organic impulse of collective effort and solidarity. Moreover, if there are opportunities through government policy then government has to ensure a clear exit strategy which should include as a precondition that the cooperative is sufficiently diversified, through its own effort, to survive beyond a government tender for example.

²⁹ Ibid. Also focus group interviews with farming cooperatives in Cato Manor 13/03/2007. Also Interview with Judy Malqueeny, Cooperative Development Facilitator and Historian, KZN, 13/03/2007.

³⁰ See Gauteng Government, Draft Cooperatives Development Policy and Strategy , August 2006.

While government support for cooperative development is important it is not sufficient. As important are the attempts by the cooperative movement itself to develop support relationships for sustainability. This is happening in various ways and at various levels. The first important level of cooperative initiated support relations are at the primary and secondary cooperative level. Two examples are useful in this regard. The first is the Heiveld Rooibos Cooperative in the Northern Cape. This is one of the most successful post-apartheid cooperatives in South Africa. It was self initiated in 2000 and is a primary cooperative made up of 51 members. This cooperative produces about 60 tons of the finest rooibos tea in the world and exports most of its produce. One of the crucial determining success factors was the cooperatives willingness to build support relations with institutions that would not undermine its autonomy. In this regard, it has built useful links with the University of Cape Town which has assisted with scientific research to improve its cultivation methods and an academic has also assisted the cooperative with developing its financial management capacity, for example. The second example of cooperative support relationships is at the secondary level. In Midrand, Ivory Park, the Midrand Eco-Village Cooperative is a secondary cooperative made up of numerous primary cooperatives. This cooperative manages the eco-village space from which most of the cooperatives operate and it has attempted to promote the eco-village and the cooperatives by working closely with the Eco-city Trust. This is also an important success story of cooperatives attempting to organise themselves to build support relationships.

The next level of cooperative initiated support relationships is at a sectoral level. Today in South Africa two crucial sectoral bodies are in existence and are attempting to provide capacity building support and voice to affiliated primary cooperatives. The first and most important sectoral body is the Savings and Credit Cooperative League of South Africa (SACCOL). This sectoral body has its roots in the early 1980s attempts by Catholic parishes to set up credit unions and today has over 50000 members, with a combined asset value of R60 million and is organised through 40 Savings and Credit Cooperatives (SACCOs) in various parts of the country³¹. The highest concentration of these SACCOs, about 20, are in the Eastern Cape. This sectoral body has over the years developed important support services for affiliated SACCOs which includes: development services kits/ training resources to assist SACCOs with start-up and organising; targeted grant support; training services such as long distance education modules, provincial forums, national manager training, an e-library and continental and international training program links; it has value adding services like in-house soft-ware, loan products and a central financing facility and finally it provides a set of regulatory tools and examination services to monitor standards and operations of SACCOs. Currently, SACCOL is engaging in important national policy-making processes regarding a new Cooperatives Bank Bill, which will provide dedicated legislation for the development of financial services cooperatives. It is also managing important partnerships. With NEHAWU it is attempting to develop an effective SACCO for public sector workers, with UMSOMBOMVU Youth Fund it is attempting to develop specialised financing products for youth projects

³¹ Interview with Patson Ngwevela, National Treasurer SACCOL, 23 /04/2007

and cooperatives and is finally working closely with a Danish cooperative organisation to scale up the roll out of SACCO's to poor province like the Eastern Cape.

The second important sectoral body is the South African Housing Cooperative Association, formed in 2004, and which has 50 housing cooperatives affiliated to it, with 12 500 members. This sectoral body is in the process of building its support services for cooperatives but has ensured it develops a database, engages government at various levels about thrusts in housing policy that could have implications for cooperatives and is currently engaging government on the new Housing Cooperative's Bill. It is also developing important international and national partnerships that could strengthen its capacity to support housing cooperatives. Alongside the sectoral bodies that support primary cooperatives are various NGOs that have developed over the past ten years to support cooperative development and the cooperative movement. This is the third level of support relationships that are developing outside government. While NGOs like COPE, which managed 6 housing cooperatives in Johannesburg has become moribund, other institutions like the Eco-City Trust, CBDC-Fort Hare University, the Social Housing Foundation, the Labour and Enterprise Policy Research Group, the Workers College, the Environmental Monitoring Group, YEBO Cooperative, the COSATU Job Creation Fund, the Cooperative and Policy Alternative Center (COPAC) and the Dora Tamana Center, to name a few, are also engaged with support interventions for cooperative development. Many of these institutions provide training and development services, research, funding and technical advice to cooperatives. The challenge going forward is to ensure a dense network of support institutions takes root, both within and alongside government, but more importantly within the cooperative movement and alongside it as part of an integrated support system to ensure cooperatives are embedded for sustainability and autonomous development.

The Cooperative Movement

Most successful cooperatives in the world have evolved as part of a cooperative movement. The 6th principle of the International Cooperative Alliance, endorsed by the national policy and legislation for cooperatives, provides for 'cooperation among cooperatives'. This principle attempts to foster cooperation between cooperatives; it attempts to build and link cooperatives together and thus harness a key strength of cooperatives locally, nationally, regionally and internationally. In practice this amounts to building a powerful and independent cooperative movement. Such a movement would serve as the voice of cooperatives in the country, engage policy processes, build reach for cooperatives into the national and global economy, strengthen the cooperative sector and ensure cooperative principles are adhered to. The parallel of such a movement in the South African context would be the Congress of South African Trade Unions (COSATU). COSATU, for example, is a federation which functions as the umbrella body for industrial unions. Similarly, a South African cooperative movement would function as an umbrella for sectoral affiliates like housing, financial services, farming and so on.

However, despite our rich traditions of building mass based movements in civil society the development of a South African cooperative movement, under post-apartheid conditions, has been dismal. Thus far the development of the South African cooperative movement went through two important movement building phases. In the first phase the groundwork was laid from 1995. A founding meeting was held for the South African National Association in 1995 made up of about 30 cooperatives and a few cooperative associations. An interim committee was formed and provinces were encouraged to establish cooperative forums. By 1997, on the 26th August, several sectoral bodies came together to launch the National Co-operative of Association of South Africa (NCASA). These sectors included the Agricultural Cooperative Business Chamber (ACB), the National Community Cooperative Union (NCCU), the South African Cooperative Network (SACNET) and the Savings and Credit Cooperative League (SACCOL).

The International Cooperative Alliance (ICA) supported this process together with the new democratic government. A key funder for this period was the Canadian Cooperative Association supported by CIDA. With the organisation evolving in a top-down way this set a mould which culminated in the failure to establish proper provincial structures (and with many divisions manifesting at this level) and sectoral bodies. As a result and with tensions being so great in the organisation, many of the original sectoral bodies left, leaving only SACCOL. By the end of this the Canadian Cooperative Association withdrew funding. However, it must be recognised that the manner in which the Canadian Cooperative Association related to NCASA was not problem free: it used its financial leverage to define, in a top down way, most of the work areas for the organisation including formalising a budget before the formal launch and employing managerial staff.

The second phase of movement building followed this first period with a closer relationship with the South African government and major attempts to restructure the organisation from within, but still from the top. The national leadership was restructured with divisions coming to a head and many of the founding members pushed out of the organisation. At the same time, the board was broadened to include representation from sectoral and provincial structures. There were continuities with the past, in terms of a strong emphasis on building provincial cooperative associations (many of which were divided and organisationally under-resourced) and continuing with the misguided idea that the role of the cooperative movement was to be a development agency (discussed further below).

In the end, this phase of national movement building attempted to define a national voice for the cooperative movement in the policy environment, but fatal mistakes were made about organisational form and roles. These mistakes led to the demise of the National Cooperative Association as a national apex body. The crisis and failure of NCASA is not a crisis and failure of the cooperative movement as a whole, although it is a setback that will probably take at least ten years of patient and painstaking movement building to rectify.

The Role of NCASA in Supporting Cooperative Development

Since its formation in 1997 NCASA has attempted to advance the cause of cooperatives through engaging with the policy development process, attempting to restructure itself, linking with international organisations and most importantly mapping out a strategy for co-operative development in the country. In the course of its short existence NCASA made several important contributions.

First, NCASA played an important role in the review of the Cooperatives Act of 1981 and subsequent policy formulation processes for a new cooperatives development policy and legislation, together with other progressive organisations. Second, it engaged in numerous international fora, including the ILO process to develop a new Recommendation on Cooperatives (NCASA was part of a wider South African delegation). Third, it attempted to restructure itself organisationally, informed by a macro-level quantitative study and a new movement development strategy adopted in 2001. Linked to this process was an attempt to put in place new legal arrangements to ensure NCASA was formed as a fully-fledged apex structure, governed by national legislation.

By 2002 NCASA secured a partnership with the Department of Trade and Industry (DTI) and received a few million (about R6 million over two years) to advance its cooperative development strategy. The main content of this partnership was as follows:

- Promotion of cooperative Trade;
- Development of Cooperative Development Centres (CDCs) in Provinces;
- Cooperative development education and training costs;
- Establishment of a Pilot Project to focus on cooperative development in a specific Province (Manufacturing cooperatives).

The Crisis of NCASA

Despite massive government support NCASA failed over the past few years. Today it is a moribund organisation.³² Its national leadership structure has disintegrated and its provincial structures are non-existent. Its national offices have been closed due to non-payment of rental and it is going to be liquidated. Its efforts at building sectoral bodies have been very half-hearted and lacked serious organisational effort.³³ This situation has to be confronted self critically and rigorously by the cooperative movement, the

³² Although some obsessed with leadership positions are still attempting in an opportunistic way to hold on to a wrecked organisation for personal reasons and hence discrediting cooperatives in South Africa.

³³ However, it did succeed in launching the South African Housing Cooperative Association (SAHCA)—the sectoral body for housing cooperatives but this structure has not been adequately capacitated and resourced (see above). An attempt was made at developing a sectoral body for worker cooperatives and a workshop was held.

government and other social actors in the cooperative sector. Its decline at a time when the cooperatives policy and the legislative environment requires a strong cooperative movement forces serious questions to be asked. To put it more sharply, the crisis in NCASA, today, has set back the cooperative movement and the development of a cooperative sector. Why is the cooperative movement in this mess in the context of a new and enabling policy support environment and when government did provide financial support to NCASA?

Various reasons emerge from the empirical evidence.³⁴ First, it would seem NCASA had an ambitious intervention strategy to develop cooperatives in a ‘top down’ manner while it did not have the institutional capacity to deliver. For example, NCASA was resourced through its partnership with DTI to establish Cooperative Development Centres (CDCs) as cooperative incubators. Unfortunately NCASA failed to deliver on this and not a single example of a working CDC exists in the country.

Second, it would seem building NCASA as an organisation with strong sectoral and geographically grounded organisations also did not translate into tangible progress due to lack of organising and organisational capacity at the centre of the organisation. It would seem most of the funds received were not managed in accordance with organisational building priorities. An audit done by the DTI points to a failure by NCASA to utilise its funds appropriately and to achieve agreed outcomes. Third, personality issues loom large in the empirical evidence. Individuals concentrating power at the apex of the organisation seemed to have also undermined the internal democratic process and vibrancy of the organisation.

Fourth, sectarian political attitudes also featured in the internal crisis. It would seem political pluralism was annihilated. A few individuals seemed to have been intent on making NCASA a ‘conveyor belt’ of unreconstructed vanguardism. In this regard the relationship between NCASA and the SACP has to be further clarified. Finally, it would seem relations between government and NCASA soured along the way largely due to the failure to deliver on the partnership agreement. This heightened tensions between key government officials and some leaders in NCASA. Ultimately, funding dried up and the organisation collapsed.

Challenges Facing Cooperative Development

While the National Cooperative Association has rolled over and died, cooperatives have continued to emerge in the enabling environment. The first and crucial challenge for these new cooperatives, as well as, the existing primary, secondary and sectoral bodies is

³⁴ COPAC has documented the demise of NCASA and conducted numerous interviews so that a proper case study was written up. This case study was also extensively discussed at an international conference held in June 2006, in Johannesburg. This section on NCASA draws on this case study contained in COPAC’s research report entitled: *Cooperative Support Institutions in the Gauteng Cooperative Sector – Enabling Support or Dependent Development?* (2006) and from its conference publication entitled: *Cooperative Alternatives to Capitalist Globalisation- Building Human Solidarity to Sustain Life* (2006)

to engage in a patient and painstaking process of movement building from below. This means that all cooperators, as well as government, needs to appreciate that cooperatives by definition have an ethical basis grounded in the idea of self and collective empowerment; it is an empowerment tradition of learning from experience and practice that would also have to be passed on to generations³⁵. All the seven international principles, that define the identity of cooperatives, encapsulate the essence of this ethical practice and this has to be expressed concretely in day-to-day cooperative activities and struggles. For example, the second ICA principle of ‘democratic member control’ means leadership, women and men, have to be accountable to members of a cooperative for their decisions³⁶. This means if accountability can be entrenched at a grass roots level it makes it easier to ensure leadership of the cooperative movement at higher levels is also accountable.

Second, rebuilding the cooperative movement also means ensuring financial sustainability comes from within cooperatives. If cooperative members are not able to pay their membership fees in a primary cooperative then this does not serve as a solid foundation on which to build the cooperative movement. The cooperative movement has to be anchored in its own capacity to finance its existence. This would to a large extent ensure its independence. Finally, in terms of rebuilding the cooperative movement in South Africa the institutional form has to be rethought. It is clear from recent experience that sectoral bodies rather than ‘all comer structures’ in provinces should be the backbone of the cooperative movement. The two most important sectors that have to be fostered from below in the next phase of movement building is the worker cooperatives sector and the consumer cooperative sector. In this regard COSATU has a crucial role to play.

The second important challenge facing cooperative development is intra-governmental coordination. The emergence of various government linked institutions to support cooperative development and policy thrusts in departments all constitute a strength of the emerging government support system. However, these roles and contributions need to be brought together in a synergistic way to strengthen learning from policy practice and should be institutionalised. In this regard the new Cooperatives Act (2005) provides for a national Cooperative Advisory Board to be established to make recommendations on policy, strategic development challenges and other important issues related to cooperative development.³⁷ This structure has to be constituted in a way that ensures representivity from across government departments and government linked institutions promoting cooperatives and also from cooperative movement structures.

³⁵ It is this empowerment based ethics that clashes with the logic of capitalist business principles of short term profit maximising horizons, competition and generally in a Darwinian sense the strongest survive in the market place.

³⁶ This does not mean that intra-cooperative democracy is a tedious process in which every decision has to be mandated. On the contrary, cooperative institutional arrangements provide for leadership to be legally empowered and for broad policy mandates to be secured from membership at general members meetings (such meetings can be scheduled to happen once a month for example depending on the constitution of the cooperative). In this regard cooperatives can be highly efficient in their decision-making structures.

³⁷ Chapter 12 of the 2005 Act.

The third important challenge facing cooperative development is to avoid the duality of ‘black cooperatives’ and ‘white cooperatives’. The point has been made that BBBEE fosters a racial divide amongst cooperatives. It is crucial at a policy level for government to think about the deracialising challenge for historically white cooperatives. While these cooperatives have a particular history they have developed very successful cooperative practices, in many instances, and many in the farming sector have chosen to remain as cooperatives rather than convert to companies despite the challenges of liberalisation.³⁸ In this regard tax reform has a crucial role to play to possibly incentivise and hasten the process of deracialising ‘white cooperatives’ and fostering cooperation between black and white cooperatives. Moreover, this challenge of deracialising the cooperative sector also lies with the cooperatives on the ground.

On its own, the issue of tax reform for cooperatives has really taken a long time to come to the fore. In the past agricultural, farming and trading cooperatives had important tax benefits and exemptions to promote their growth. Before the change in the 1970s, the tax dispensation did incentivise capital formation and promote better financial benefits for members. After 1977 cooperatives were charged tax at the company rate while a few concessions could be obtained through the Income Tax Act for agricultural cooperatives. South Africa has to put in place a new tax dispensation that ensures exemptions, limits and prohibitions for emerging cooperatives and for established cooperatives based on the challenge of maintaining the genuine identity of cooperatives, deracialisation (raised above) and the challenges of dealing with pressures in an open economy.

A related challenge is measuring the economic and social impact of cooperatives. As has been shown the statistics available on cooperatives in South Africa are not useful. It is important for the Registrar of Cooperatives to produce a bi-annual “State of the Cooperative Sector Report” which places in the public arena all the important data related to cooperative economic performance (assets, turnover, surpluses and so on), membership densities, growth trends sub-sectorally and spatially and off course contributions to employment and livelihood creation. It would also be important for such a report to also reveal the extent to which cooperatives are actively contributing to community development like supporting development projects. Reporting on the latter is also important in terms of the 7th ICA principle which espouses ‘concern for the community’. Besides the direct impacts cooperatives might have on the economic development of a local community through employment, for example, it is still important to ensure that cooperatives do not produce social distance between themselves and the communities in which they are located; a cooperative must always strive to uplift surrounding communities and hence a kind of ‘social auditing’ will be important.

Another crucial challenge for cooperative development in post-apartheid South Africa is the development of markets for cooperatives. Many emerging cooperatives attempt to utilise community demand as a basis for development. However, this might not always be sustainable and hence cooperatives have to find other channels to promote their products. In this regard two important options can be considered. The first is a role for

³⁸ Interview with Rector Rapoo, Registrar of Cooperatives, 6/03/2007

government to widen access to the fair trade marketing system for emerging cooperatives. Such an international market privileges small scale producers in developing countries through its special labelling and verification system. Arts and crafts cooperatives, organic farming cooperatives, cultural cooperatives and so on can have privileged access to this market and in this regard government and cooperatives themselves should work closely with the international fair trade organisation to link in to such markets. The second important marketing channel for cooperatives is to establish cooperative stores as part of consumer cooperatives, in towns and city centres, to support producer cooperatives. Again this is a challenge for government and cooperatives themselves.

Finally, it is important to enhance the multi-class appeal of cooperatives and to ensure cooperatives are able to attract people with different kinds of skills. In this regard, tertiary academic institutions have to consider developing special degrees for cooperative managers, encouraging research and journals on cooperatives, developing text books and promoting the cooperative idea as part development education.³⁹ Also our education curriculum in schools needs to provide for an understanding of the cooperative model and its role in development and empowerment. Most importantly in terms of skills development there is a need for a national cooperatives college in South Africa which should be set up to train cooperators, government officials, NGO personnel and so on about cooperative practice.⁴⁰ Such a college could also run specialised and advanced training courses for cooperative cadres that might want to specialise in particular areas of cooperative work.

Conclusion

While the development case for cooperatives provides for them playing a wide ranging role in development through employment creation, asset formation, income redistribution and market reach, it still has to be recognised that cooperatives are not a panacea for the development challenges facing South Africa. Sometimes the BBBEE slogan reduces cooperatives to a means to achieve instant empowerment and wealth. Unfortunately, such an approach easily lends itself to abuse of the cooperative idea or worse it fosters mobilisation on a rent seeking basis. At the same time, it should be recognised that cooperatives are inherently about ethical self and collective empowerment, as expressed through the principles that define the true identity of cooperatives and which are endorsed in the new Cooperatives Act (2005) and the Cooperatives Development Policy for South Africa. This inherent ethical philosophy of empowerment within cooperatives has to be the main compass for deepening cooperative development.

³⁹ Ironically, this is the case in various developed countries in the world like Italy, Canada, the USA, United Kingdom, Ireland and so on. South Africa has a lot of catching up to do in terms of mainstreaming communication and knowledge about cooperatives.

⁴⁰ This is close to the idea of a “SETA” for cooperatives but not the same thing. Instead this would be a joint government and cooperative movement initiative with capacity to work in various parts of the country. A similar college exists in the United Kingdom and in about six African countries.

This is important given that cooperative development in a post-apartheid context is entering a new phase. The policy and legislative framework that has developed, the support system emerging in government and in the cooperative movement itself all provide for a powerful cooperative sector to emerge in post-apartheid South Africa. Such a sector has to compliment governments efforts to lay a foundation for economic and social progress. This has to be done in a way that does not forgo the autonomy and genuine character of cooperatives and does not degenerate into cooperatives being extensions of government or the market. Currently, cooperative-government relations have the appropriate conditions to break new ground and could potentially serve as one of the key elements for the constitution of a “democratic developmental state”. The rebuilding of the cooperative movement from below and the confronting of crucial policy challenges to consolidate the progressive policy and legislative support framework for cooperatives should place South Africa at an innovative edge, comparable to many progressive countries in the world.

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