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# MSUNDUZI MUNICIPALITY

## CO-OPERATIVES DEVELOPMENT STRATEGY REVIEW 2024 (DRAFT)

MSUNDUZI MUNICIPALITY

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# CO-OPERATIVES DEVELOPMENT STRATEGY REVIEW 2024

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# 1. INTRODUCTION

## 1.1. BACKGROUND

The concept and philosophy of co-operatives is deeply embedded in the traditional culture of many human societies, especially within African communities. There are many examples where members of communities work together in turns for mutual self-help to improve the socio-economic welfare of each other and the community. Modern economic and social structures may have weakened this co-operative social fabric but it is an important foundation upon which the concept and philosophy of modern co-operatives as economic enterprises can be successfully built and sustained.

The democratic Government of the Republic of South Africa has put in place many development programs to address the urgent need to eradicate poverty in a sustainable manner through support to development of enterprises that create employment, increase household incomes, mobilize savings, and improve the welfare of the people. These include, but are not limited to, small, medium and micro-enterprises (SMMEs), Broad-Based Black Economic Empowerment (BBBEE), and co-operatives.

In KZN Co-operatives Development Programme started in February 2005 and has since attracted more than 60 000 individuals, who constitute approximately six thousand co-operatives. The program is also receiving support from government departments, municipalities and the private sector by awarding contracts to some co-operatives using their affirmative procurement policies and social responsibility/investment programmes. The previously disadvantaged communities now own co-operative businesses and are being enabled through the programme to participate in the mainstream economy of the province.

Further, a KZN co-op strategy has been developed to assist in the provision of support for co-operative development in the province. The overall aim of the strategy is to adopt a regulatory approach in the KZN Province, wherein all stakeholders can add value and support the development of social enterprises in the form of co-operatives. Worth noting is that the draft strategy attributes the coordination of all co-operative activities and value chain in the province to provincial Department of Economic Development and Tourism while the implementation of all programmes is devolved to the local governments through the formulation of their own strategies and implementation mechanisms.

## 1.2. OBJECTIVE OF THE REVIEW

The overall objective is to compile and complete a Co-operatives Strategy that will highlight areas that the Municipality need to concentrate on to ensure that it creates an enabling environment for the local co-operatives within Msunduzi Local Municipality to thrive. Specifically, the focus will be on the development of a feasible implementation plan. Specific objectives are to:

- ☐ To analyse the current status of cooperatives and update the strategy;
- ☐ To identify recently adopted legislations that inform the development of Co-operative and the strategy with the those legislations;
- ☐ To identify constraints and propose interventions to co-operatives development;
- ☐ To develop a revised implementation that is feasible.
- ☐ To assist co-operatives to participate in programmes aimed at improving their productivity;
- ☐ To contribute to sustainability of co-operatives;
- ☐ To develop a cooperative development strategy to drive and propel economic development and spatially guide investment for the entire municipality.
- ☐ To promote equality of co-operatives within the Municipality;
- ☐ To assist co-operatives to participate in programmes aimed at improving their productivity;
- ☐ To contribute to sustainable development of co-operative members' communities;
- ☐ To improve access to information and educate about exist programmes.
- ☐ To enable the Municipality to develop the co-operatives working within its area of jurisdiction.

The overall outcome will enable the Municipality to implement developmental programmes intended to promote economic empowerment and entrepreneurship to the indigent people.

### 1.3. SCOPE OF THE STUDY

The scope of the assignment includes the following:

- ☐ The preparation of the strategy will focus on the development needs of the cooperative and identify opportunities within the economy of the Municipality, looking both externally at the broader economic situation of the region, as well as internally at its procurement processes.

The following tasks were undertaken:

- ☐ Capture a Cooperative development vision for the Msunduzi Municipality in consultation with key stakeholder organisations.
- ☐ Provide an analysis of the Cooperative environment, including strengths, weaknesses, opportunities and threats within the economy in general and municipality in particular. An analysis of present cooperatives, including successes and failures, should be undertaken.
- ☐ Review the key economic sectors in the municipality and analyse the potential development opportunities in each sector that cooperatives could benefit from, and the most recent trends.
- ☐ Analyse the latest Provincial Growth and Development Plan, the Municipal IDP, and the LED strategy together with the various plans of other national and provincial government departments in respect of promotion of cooperative growth and development, to identify possible opportunities.



- Undertake structured consultations with stakeholder groups to develop key strategies and priority interventions, with the aim of promoting new cooperatives, supporting their progression to formal small businesses, and enabling cooperatives to expand, diversify and develop a profile beyond the Municipal boundaries. Identification of training needs, and the specific kind of training and development needed for them to progress to self-sustaining small businesses, should be included.
- Make recommendations on the creation of an enabling environment which is conducive to promoting cooperative development, including both support and the reduction of regulatory and bureaucratic impediments.
- Develop a plan that will transform the projects identified and unpacked in the strategy into programmes that can be implemented within prescribed timeframes and budgets, in order to achieve the targets and objectives set out in the strategy, as well as the realization of the economic vision. More specifically, the consultant is required to:
  - Indicate the responsibilities and timeframes for the plan, as well as the resources and budget that would be required.
  - Identify priority projects from the plan for short to medium term implementation.
  - Evaluating the potential funding sources which will enable efficient and effective facilitation of the implementation of projects.

#### 1.4. APPROACH: THE THEORY OF CHANGE OR OUTCOMES APPROACH

The outcomes approach “is designed to ensure that programme and project planners focus on achieving the expected real improvements in the life of all beneficiaries...[it] clarifies what we expect to achieve, how we expect to achieve it and how we will know whether we are achieving it”. The outcomes approach advocates using a logic model which links inputs, activities, outcomes and impacts, which are defined as follows:

**Table 1: The theory of change or outcomes approach**

| Theory of Change Concept | Mapping the Theory of Change to SMME Strategy  | Overall Achievement  |
|--------------------------|--|--|
| <b>Impacts</b>           | The long-term “developmental result at a societal level that is the logical consequence of achieving specific outcomes   |  |
| <b>Outcomes</b>          | a changed state of being...They describe the effects, benefits or consequences that occur due to the outputs or programmes, processes or activities. The realisation of the outcome has a time factor and can be in either the medium or long-term | <ul style="list-style-type: none"> <li>– The overall achievement or impact of Msunduzi</li> <li>– The relevance of Msunduzi</li> </ul> |

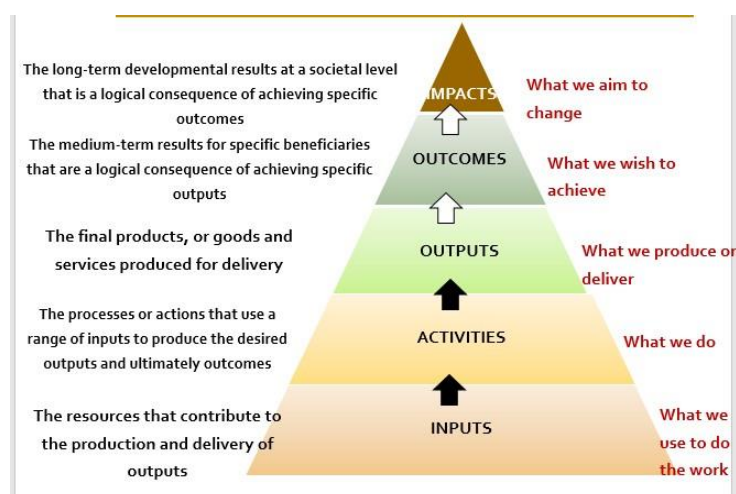
|                   |   |                                 |
|-------------------|---|---------------------------------|
| <b>Outputs</b>    | These “can be immediate and intermediate... direct products and services generated by the Municipality through processes or activities            | – The effectiveness of Msunduzi |
| <b>Activities</b> | a collection of functions (actions, jobs, tasks) that consume inputs and deliver benefits or impacts  | – The efficiency of Msunduzi    |
| <b>Inputs</b>     | everything that Msunduzi needed to accomplish co-ops developmental tasks. This could be in terms of finance, human resources, infrastructure etc. |                                 |

Theory of Change is essentially a comprehensive description and illustration of how and why a desired change is expected to happen in a particular context. It is focused on mapping out “filling in” what has been described as the “missing middle” between what a programme or change initiative does (its activities or interventions) and how these lead to desired goals being achieved.

This theory will assist in understanding the resources to be invested in co-operative development in Msunduzi; various activities to be undertaken; the current results, the expected results; and the overall impact of the statutory support. In summary, the Theory of change will assist through the following:

- Present the efficiency, effectiveness, relevance and impact of the current strategy;
- Identify appropriate strategies that might be considered towards the sustainability and the strengthening of co-operative sector in the Municipality;
- Assisting the Municipality by presenting Smart inputs, attainable activities, measurable outputs, realistic outcomes and achievable impact.

**Figure 1 Elements of the Outcomes Approach**



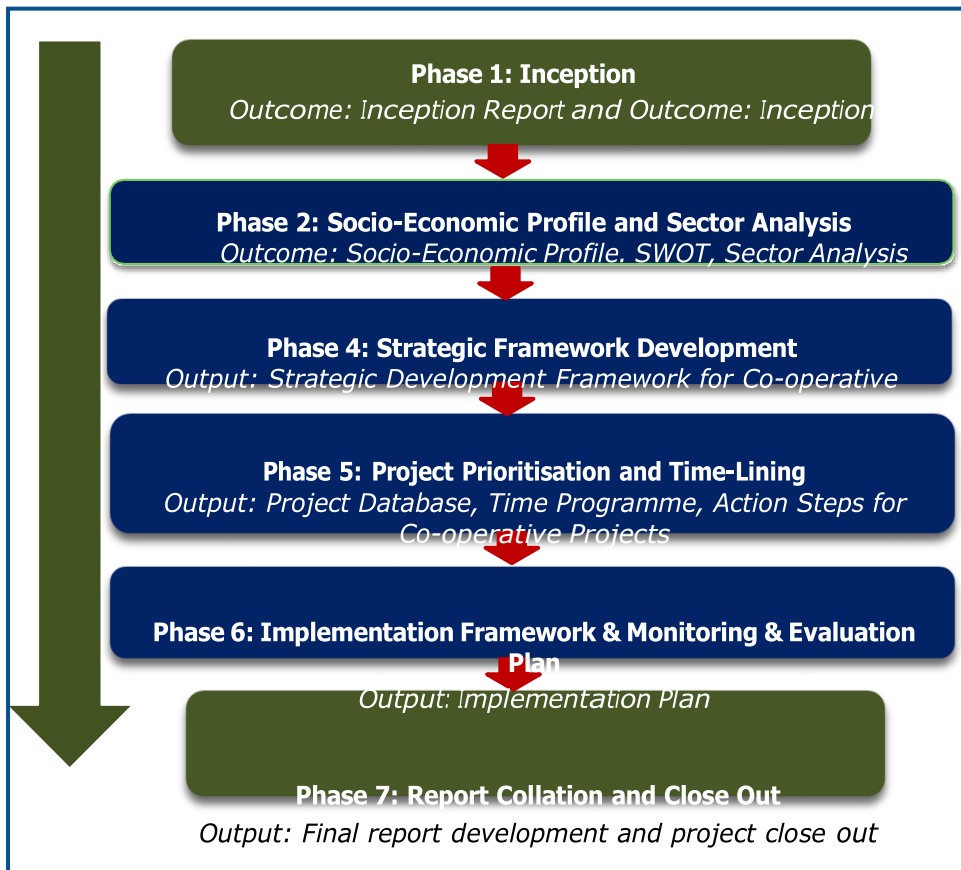


## 1.5. METHODOLOGY

The methodology

shown below is set out in tabular form and key action steps are unpacked into more detail.

**Figure 2: Methodology**



## 1.6. REPORT OUTLINE

This report has the following sections:

- ☐ The first introductory section deals with the administration part of the document,
- ☐ The second section presents the broad understanding of the concept co-operative as well as the policy framework guiding co-operatives in the country; this section shows the co- operative trends in Msunduzi and concludes with a SWOT analysis
- ☐ The third section presents the strategic framework developed for co-operatives development in Msunduzi,
- ☐ The fifth section presents the implementation framework, and
- ☐ The annexure.

## **2. CO-OPERATIVE MACRO-ECONOMIC OUTLOOK**

### **2.1. BACKGROUND**

The establishment and development of the co-operative movement is a universal global trend. Co-operatives have historically existed in all civilisations in different forms and structures.

Most co-operatives in the world have developed from people's needs for self-reliance through mutual self-help. Stokvels in South Africa are a much quoted case in point. However, most of the formal co-operatives promoted by colonial governments were primarily based on the need for increased production and productivity through the organised collection of raw materials and increased tax income for the colonial power.

In order to re-focus and re-align co-operatives by putting the needs and aspirations of co-operative members first, co-operative reform and reconstruction has been an on-going agenda in developing countries, including South Africa.

Mills and Davies (2013) from the International Co-operative Alliance (ICA) estimate that the co-operative movement brings together over 800 million people around the world. Furthermore, it is estimated that the livelihood of nearly 3 billion people, or half of the world's population, is generated by co-operative enterprises. These enterprises continue to play significant economic and social roles in their communities. Co-operatives provide over 100 million jobs around the world, 20% more than multinational enterprises.

Co-operatives are guided by the internationally accepted definition, values and principles as outlined in the Statement of Co-operative Values, Identity and Principles adopted by the General Assembly of the International Co-operative Alliance (ICA) since it came into existence in 1995.

### **2.2. DEFINITION OF A CO-OPERATIVE**

Co-operatives are different from other businesses and are defined in the Co-operatives Act, No. 6 of 2013 as follows:

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

### **2.3. VALUES OF A CO-OPERATIVE**

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others (Birchall, 2003).

Co-operatives have a deep and distinguished history. During each of the last ten generations of human history, many theorists have made major contributions to co-operative thought, and most of that thought has been concerned with co-operative values. The following main principles of co-operatives are explained.

- a) **'Self-Help'** is based on the belief that all people can and should strive to control their own destiny. Co-operators believe that full individual development can take place only in association with others. Individuals also develop through co-operative action by the skills they learn in facilitating the growth of their co-operative. Co-operatives are institutions that foster the continuing education and development of all those involved with them.
- b) **'Self-Responsibility'** means that members assume responsibility for their co-operative – for its establishment and its continuing vitality. Members have the responsibility of promoting their co-operative among their families, friends and acquaintances. Members also ensure that their co-operative remains independent.
- c) Co-operatives are based on **'equality'** meaning that members, whether an individual or a group, are all equal. It does not depend on the social and economic status of the member.
- d) Achieving **'equity'** within a co-operative is continuing, never-ending challenge. It also refers to how members are treated within a co-operative. They should be treated equitably in how they are rewarded for their participation in a co-operative, normally through patronage dividends, allocation to capital reserves in their name, or reduction in charges.
- e) **'Solidarity'** ensures that co-operative action is not just a disguised form of limited self-interest. A co-operative is more than an association of members; it is also a collectivity. All members including the employees and the non-members who are closely associated with the co-operative should be treated fairly. This also means that the co-operative has a responsibility for the collective interest of its members. It has historical roots. Co-operators and co-operatives stand together. Solidarity is the very cause and consequence of **self-help and mutual help** – two of the fundamental concepts at the heart of co-operative philosophy. It is this philosophy, which distinguishes co-operatives from other forms of economic organisations.
- f) **Honesty, openness, social responsibility and care for others** are values, which may be found in all kinds of organisations, but they are particularly cogent and undeniable within co-operative enterprise.

## 2.4. PRINCIPLES OF A CO-OPERATIVE

There are seven co-operative principles by which co-operatives put their values into practice. The principles that form the heart of co-operatives are not independent of each other. They are subtly linked and when one is ignored, all are diminished. Co-operatives should not be judged exclusively on the basis of any one principle, rather they should be evaluated on how well they adhere to the principles as an entirety. The first three principles essentially address the internal dynamics typical of any co-operative while the last four affect both the internal operations and the external relationships of co-operatives (Mills et al., 2013).

### **2.4.1 1<sup>st</sup> Principle: Voluntary and Open Membership**

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

### **2.4.2 2<sup>nd</sup> Principle: Democratic Member Control**

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

### **2.4.3 3<sup>rd</sup> Principle: Member Economic Participation**

The goal of a co-operative is to provide services to its members at affordable prices, or to create work for its members. The needs of members come first. The members of a service co-operative may want to market their products at a good price, they may want to buy goods at a bargain, or they may want to be able to get a loan at a reasonable interest rate.

Any service provided by a co-operative must be provided mainly to its members. For example, a farmers' marketing co-operative should market crops or livestock produced by its members, and not by persons outside the co-operative. The sewing machines that belong to a sewing co-operative should be mainly for the use of its members, not for the people outside the co-operative.

Members contribute to the "capital" of their co-operative and control the economic affairs of the co-operative in a democratic way. Capital is the money and equipment the co-operative uses to carry out its goals. Co-operatives can get capital from money paid for shares issued to members, membership fees, grants, donations, loans and surplus money left over from previous years of operation.

Some (and possibly all) of the capital the co-operative uses actually belongs to the members, usually in the form of shares and bonus shares. Each member invests some money and receives an equivalent value of shares in return. The shares show that the member owns some of the assets (the money and property) of the co-operative. Any other capital the co-operative uses belongs to the co-operative as a whole.

A shareholder in a company buys shares in the hope of making profit. A member of a co-operative joins the co-operative and contributes to its capital because the co-operative will provide a benefit to its members.

If the co-operative has money left over after it has paid all its debts and taxes and provided the planned benefits to its members, this is called a surplus. Normally the surplus is used to develop the co-operative. For example, a co-operative usually plans to have some surplus which it can use to expand and develop its business or the services it offers to its members.

If however, there is an extra unplanned surplus, it means that (in a worker co-operative) the wages could have been

higher or (in a service co-operative) the price of fees or commissions charged for the service were too high. In this case, the surplus can be returned to the members, or used to support other activities approved by the members.

Any surplus that is returned to the members must be shared in proportion to the contribution each member made to the surplus. A grocery co-operative, for example, might return a portion to the value of the purchases made by each of them during the year.

#### **2.4.4 4<sup>th</sup> Principle: Autonomy and Independence**

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

#### **2.4.5 5<sup>th</sup> Principle: Education, Training and Information**

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

#### **2.4.6 6<sup>th</sup> Principle: Co-operation among Co-operatives**

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

#### **2.4.7 7<sup>th</sup> Principle: Concern for Community**

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

### **2.5. DIFFERENCE BETWEEN CO-OPERATIVES AND OTHER BUSINESSES**

Co-operative organisations differ from other businesses in three key ways:

#### **2.5.1 A Different Purpose**

Co-operatives have to meet the common needs of their members, whereas most investor-owned businesses exist to maximise profit for shareholders.

### **2.5.2 A Different Control Structure**

Co-operatives use a system of one-member/one-vote, not one-vote-per-share. This helps them to serve common interests and to ensure that people, not capital, control the organisation.

### **2.5.3 A Different Allocation of Surplus System**

Co-operatives share surplus among their member-owners on the basis of how much they use the organisation, not on how many shares they hold.

Values, principles, ethics and business competence constitute the co-operative advantage for members and for the communities in which they operate. Co-operatives put people first. They are member-owned; they are controlled under democratic principles; and they are competitive enterprises which are at least as efficient in their business operations and use of capital as others in the market place.

## **2.6. FORMS OF CO-OPERATIVES**

Three basic forms of co-operatives are prescribed by the Co-operative Act 6 of 2013 which is currently under review. This includes primary co-operatives, secondary co-operatives, and tertiary co-operatives.

### **2.6.1 Primary Co-operative**

A primary co-operative is a co-operative formed by a minimum of five natural persons whose aim is to provide employment or services to its members and to facilitate community development.

### **2.6.2 Secondary Co-operative**

A secondary co-operative is a co-operative formed by two or more primary co-operatives mostly operating in the same sector to provide services to its members, and may include juristic persons. The main function of a secondary co-operative is to provide support services to primary co-operatives.

### **2.6.3 Tertiary Co-operative**

A tertiary co-operative is made up of secondary and/or primary co-operatives. The main aims of tertiary co-operatives are also to provide support services to members. Tertiary co-operatives are deemed to be the “apex” body representing different co-operative sectors and primary co-operatives.

## **2.7. TYPES OF CO-OPERATIVES**

There are many different types of co-operatives, including the following:



### **2.7.1 Agricultural Co-operatives**

An agricultural co-operative produces, processes or markets agricultural products; it might also supply agricultural inputs and services to its members.

### **2.7.2 Consumer Co-operatives**

A consumer co-operative buys goods/services (for example, groceries) and sells them to its members at a special discount. These co-operatives can also sell to non-members to improve the viability of the enterprise. Only members, however, will benefit from any surplus that the co-operative makes.

### **2.7.3 Marketing and Supply Co-operatives**

These co-operatives supply production inputs to members and market and/or process their members' products. An example is a sewing co-operative that provides fabric and sewing machines to its members, and then markets the items that members sew.

### **2.7.4 Housing Co-operatives**

Housing co-operative can operate as either a primary co-operative or a secondary co-operative.

As a primary co-operative, it would provide housing to its members. As a secondary co-operative, it would provide technical services to primary housing co-operatives.

### **2.7.5 Financial Services Co-operatives**

These are primary co-operatives that provide financial services (such as banking, insurance or loans) to members. In a savings and loan co-operative, for instance, members pool their savings and make loans to each other.

### **2.7.6 Social Co-operatives**

A social co-operative provides social services to members, such as care for the elderly, children and the sick.

### **2.7.7 Burial Society Co-operatives**

These societies provide funeral benefits to members and their dependants, such as funeral insurance.

### **2.7.8 Service Co-operatives**

These are co-operatives that solely or primarily render services (such as housing, financing, insurance, artificial breeding, electricity, or telephone) as distinguished from handling commodities.

### **2.7.9 Workers' Co-operatives**

A worker co-operative provides employment to its members by running enterprises in which workers are both employees and decision-makers.

## 2.8. CO-OPERATIVES' CONSTRAINTS

- The first and most crucial challenge for co-operatives is to engage in a patient and painstaking process of movement building from below. This means that all co-operators, as well as government, need to appreciate that co-operatives 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 generations (Birchall, 2003).
- All seven principles that define the identity of co-operatives, encapsulate the essence of this ethical practice and this has to be expressed concretely in day-to-day co-operative activities and struggles. For example, the principle of 'democratic member control' means leadership. Women and men have to be accountable to members of a co-operative for their decisions. This means if accountability can be entrenched at a grass roots level it makes it easier to ensure that leadership of the co-operative business at higher levels is also accountable.
- Second, rebuilding the co-operatives also means ensuring financial sustainability comes from within co-operatives. If co-operative members are not able to pay their membership fees in a primary co-operative then this does not serve as a solid foundation on which to build the co-operatives. The co-operative movement has to be anchored in its own capacity to finance its existence. This would to a large extent ensure its independence.
- Co-operatives have all the inherent weaknesses of democratic organisations. The manager must always remember that he is responsible to a membership group, and this may put a brake on the initiative and flexibility he can use in operating the co-operative. He may be at a real disadvantage in competition with a commercial business whose manager is concerned primarily with making a profit and who has a relatively free hand or can consult the owner quickly and frequently.
- Management is tough, democratic management is tougher. Management of an enterprise involves a complex range of skills. As soon as an enterprise involves the collective management of resources, the complexity of management escalates exponentially, along with the need for transparency. There are groups of workers who are able to master these complexities, and succeed as a collective group enterprise. But many unemployed people facing the challenge of self-employment have little or no prior work experience, let alone business management experience. Financial literacy levels and even basic numeracy skills are often low.
- To optimise productivity, in order to compete with other producers on price, collective production also generally requires some degree of division of labour, and some differentiation of skills – and hence of wages. But many co-operatives start with an assumption that equal pay for equal work means equal pay. Those co-operative members who have more skills, who work more efficiently or whose work is of a higher quality may start to feel that it is unfair that they are paid the same as people who don't. If those who are seen to contribute less are paid the same, it causes tension. In addition, the co-operative depends strongly on members with skills, yet the value of such skills is rarely reflected in differentiated pay rates.

- Sometimes co-operative businesses show an unwillingness to pay the kind of salary needed to attract and hold competent managers and other employees. Consequently, managers and good workers are often drawn to higher-paid jobs in commercial businesses.
- Another weakness of co-operation is that the majority of members may lose interest in running the organisation and may then let a small group take it over and manage it for their own benefit.
- It is obvious that for a co-operative to survive, the business must be viable. But achieving business viability is a complex challenge in any business – and is that much more complex in the context of a co-operative.
- Most co-operatives and group enterprises are started with and by unemployed people, often with low skills levels, and no prior business experience, in economically marginal areas. And – like all businesses - it is under these circumstances that they have the least chance of success. But for co-operatives and group projects, the problems are often compounded by other factors.
- The most common problem in co-operatives is that they start with an oversupply of labour, relative to their productive base, and relative to the absorption capacity of the markets they are targeting. This arises partly as a result of the social goals that many co-operatives hope to achieve in response to the pressures of unemployment and the large numbers of people that want to be part of anything that offers hope. But it also arises from the conditionalities imposed by donors and external agencies.
- It is at present the norm for many development programmes, including poverty alleviation programmes, Corporate Social Investment programmes, and Local Economic Development initiatives, to make 'group formation' a condition of funding or other support for income generating or enterprise activities. Ten or even twenty members is usually the minimum requirement for example. Yet scant attention is often paid to the impact of this on the viability of the business in its context.
- Most starter businesses target their local market, because they have local knowledge, and because this limits the logistical costs and complexities of marketing. But for many co-operatives, such local markets are poor. In rural areas, they are highly dispersed and they buy a limited range of products which are mostly mass-produced in the core economy, with low unit mark-ups. While the target market may be poor, it is highly brand and price sensitive and it is therefore difficult for local producers to compete with such products. And while urban markets may seem to hold out the promise of greater volumes, competition levels for price and quality are that much higher in urban centres (Birchall, 2003).

## 2.9. BEST CASE EXAMPLES OF COOPERATIVES 1

The cases presented here illustrate the relationship between the co-operatives and poverty reduction. The examples used come from both developed and developing world and are selected to best illustrate how co-operatives alleviate poverty.

### 2.9.1 Canada

The model that Canada has adopted for cooperatives development involves a strong partnership between the state and the cooperatives movement. The state provides a highly- enabling environment for vibrant cooperatives to operate, through a legislative framework that promotes strict adherence to international cooperative principles. This has proven to be highly effective and a favourable tax regime for cooperatives. The legislative framework

covers federal and provincial levels, with alignment to federal and provincial programmes, and the effective co-ordination thereof. Co-ordination is managed via the Cooperative Secretariat – an intergovernmental forum for all departments that have legislation, policies and strategies for cooperatives.

The Canadian model targets the entire value chain of cooperatives, including credit unions (over US\$200 billion in assets; agricultural (\$9,6 billion turnover in 2003), consumer (\$7,3 billion in assets), housing cooperatives (\$5,7 billion in assets), insurance (over \$16 billion in assets), and worker cooperatives (\$343 million in assets). While all the sectors are performing well, on average, the most successful co- operative sector is that of the credit union. The least-performing is that of the worker sector. The sectors were established via initial government support and are now totally self-reliant, except for the housing and the worker sectors. In the housing sector, government still subsidises levies for low-income families and in the worker sector, the government partners with the cooperatives movement to provide funding for the establishment of new worker cooperatives and expansion of existing ones. Success factors in this regard include the following:

- ☐ Effective coordination among government departments;
- ☐ Strong partnership with the cooperatives movement;
- ☐ Formation of secondary cooperatives for each sector, to drive their development;
- ☐ Formation of cooperative study centres at universities, to provide education and training; and
- ☐ Conduct research and perform comparative studies on cooperatives.

### 2.9.2 Dairy Cooperatives in Bangladesh<sup>2</sup>

#### 2.9.3 Background

Bangladesh is a country of small farmers, who are mostly living on or below the poverty line, and who are subject to the risk of flooding by the rivers and deltas that punctuate the country's low-lying but fertile flood plains. One way to increase incomes is to diversify into different farm products, especially those that can bring in a regular cash income. Dairying is ideal in these respects, because it provides a daily product that can find a ready market both for milk and other milk-derived products such as cheese and yoghurt. The initial investment in livestock is high and a system of veterinary services to maintain it is necessary.

There is the added advantage, crucial in a situation of absolute poverty, that the farmers' families can also consume the milk, thereby contributing to the health of their children. Milk does have some disadvantages, though. It is perishable and difficult to transport. There needs to be some means of collecting small amounts from large numbers of farms

daily, and distributing it effectively to urban areas, so distribution costs can be expensive. To overcome these disadvantages, private dealers often invest in dairies and convert part of the product to less perishable commodities that also have added value. This puts them in a position of monopoly from which they can exploit the farmers. When the distributors are able not just to fix prices but also to lend money at high rates of interest to see farmers through the bad times, or to pay for farm inputs, then the situation becomes desperate. Only cooperation by farmers in dairy cooperatives, or a system of state-owned dairies and marketing boards with guaranteed prices, can enable them to break out of the poverty trap.

#### **2.9.4 Bulk provision of services**

In Bangladesh, shortly after independence in 1974 the government set up the Bangladesh Cooperative Milk Producers' Union, as part of its Cooperative Dairy Development Programme, with financial and technical help from United Nations Development Programme (UNDP) and Food and Agriculture Organisation (FAO), and grants in kind from the Danish International Development Agency (DANIDA). The long-term policy objective was to raise the subsidiary agricultural income of small and poor farmers in relatively remote rural areas, to strengthen support services for livestock development and to ensure the supply of hygienic milk to urban populations.

Known by its brand name 'Milk Vita', the cooperative provided services for milk production, collection, processing and distribution, and a comprehensive range of technical support services, from institutional development of cooperatives and credit schemes at community level to organising milk distribution in urban centres. In other words, Milk Vita broke the buyers' Bangladesh. It became Bangladesh's leading supplier of fresh milk and dairy products such as butter and yoghurt to the capital city, Dhaka. While at both ends of the production chain – farming and urban milk distribution – it set up cooperatives, the company itself was run by civil servants accountable not to the farmers but to government. The dumping of imported powdered milk also affected the market adversely. Milk Vita was only just breaking even and, when provision for depreciation and loan interest was made, was actually making a loss and in constant need of subsidy.

#### **2.9.5 Training and commitment**

In 1991 the government withdrew, leaving the Union to be run by an independent board of directors, elected mainly by the 390 village primary milk cooperative societies, and by a newly appointed group of professional managers. The transition to a genuine farmer-owned cooperative was a difficult one, but it was made easier by an ongoing commitment to management training and technical help with animal health, processing and marketing from the FAO, with continued funding from DANIDA. Soon Milk Vita was in profit. A move to a more commercial business approach helped, along with a higher throughput of milk and a steep decline in the import of powdered milk. From a modest start with a membership of only 4,300 very poor, landless households, it has become a 'successful commercial dairy enterprise'.

### 2.9.6 Poverty reduction

In 1998, 40,000 farmer members earned a total of US\$9.3m from sale of 30 million litres of milk. In 2000, dividends paid to producers totalled US\$1.5m. Milk Vita is planning to expand into four new areas of Bangladesh where traditional small-scale milk production still prevails. The evidence for poverty reduction is compelling. Farmers' earnings have increased ten-fold, lifting the household earnings of around 300,000 people (including family members) to well above the poverty line. The returns from farming are reliable and constant.

Furthermore, in many households the income from milk production is managed by the women, and so has a direct impact on food security and nutrition. Savings generated from the milk sales help to cushion households against flooding, and 2,200 employment opportunities have been created in the urban areas from milk distribution (1,200 employees of the primary cooperatives, 300 city milkshaw pullers, and 700 employees of the five dairy plants and the head office). In addition, urban consumers benefit from safe, pasteurized milk products.

However, there are people who are even poorer than the farmer members of Milk Vita. Landless tribal people who were living on the equivalent of twenty US cents a day were not benefiting from the dairy cooperative system. The Grameen Fisheries and Livestock Foundation, sister organisation to the Grameen Bank, began by helping these landless people to gain an income through fish farming. Then, helped by a US\$3 million grant from the UNDP and technical assistance from the FAO, it began to train user groups and created veterinary and breeding services based on the Milk Vita model. Now almost 4,000 villagers have begun to earn an income from keeping cows. They are organised into 880 groups that received micro-credit loans to buy livestock. This demonstrates that, with the right kind of technical support, even the poorest rural communities can benefit from agricultural cooperation.

### 2.9.7 Kenya<sup>3</sup>

Cooperatives are one of the pillars supporting Kenya's economic growth since independence. In 2007 the cooperatives mobilized 31 % of the national savings. The following figures show the significant involvement of cooperatives in Kenya's economy:

- ☐ The turnover of the cooperative sector rose from Kshs. 10.9 billion to 30 billion.
- ☐ 63 % of Kenyans derive their livelihoods directly/indirectly from cooperative based activities.
- ☐ 250 000 people are directly employed by cooperative based institutions.
- ☐ 38 % of agriculture-based cooperative societies were dealing with coffee, dairy, pyrethrum and cereals in December 2006.



As an integral part of the Government strategy of wealth creation and poverty reduction, cooperatives activity cut across all the sectors of the national economy that include agriculture, finance, housing, transport, building and construction, manufacturing and distribution trade. Cooperative activities concern mainly the financial sector (44 %) and the agricultural sector (38 %).

The cooperative movement is well structured with more than 11.000 registered Cooperative Societies in 2007. The Kenya National Federation of Cooperatives is the national apex cooperative organization and eight other National cooperative organizations/institutions are bringing together cooperatives per main activity as bank, insurance, college, etc. Cooperatives are gathering at least 7 million members in Kenya.

### **2.9.8 Maletswai Waste & Recycling Co-operative**

The Maletswai area near Aliwal North in the Eastern Cape is a poor region with few job prospects. Seventeen unemployed residents of Maletswai decided that recycling waste could help them put food on the table – and the Maletswai Waste and Recycling Co-operative was born. With no business skills and no capital, their prospects might have seemed bleak. But that was before they asked Seda for help.

We developed a business plan for the co-op, referred them to funding institutions – and financial assistance started pouring in: R500 000 from the Department of Social Development, more than R1,7 million from the National Development Agency, and R1,8 million from Buyisa-e-Bag. A final injection of R4.8 million has been approved by the Department of Economic Development and Environmental Affairs (DEDEA).

These funds have been used to secure land and equipment, with the support of both the local and district Municipalities. Buyisa-e-Bag is also planning Buy-Back Centres at Maletswai and four surrounding townships. With the infrastructure largely in place, Seda turned its attention to providing business skills, training the Maletswai Co-op members in Financial Management, Co-operative Governance, Co-operative Principles, Conflict Management, and Health and Safety. As a result of these interventions, all 17 co-op members are employed. The project is fully operational and is separating out metal cans, cardboard, plastic, paper and glass for sale to customers. When the Buy-Back Centres become operational, another eight jobs will be created. It all goes to show that, with the right support, communities can do it for themselves.

#### PHOTO 1 MALETSWAI WASTE AND RECYCLING CO-OPERATIVE



Source: SEDA together unlocking the potential of SMMEs to create jobs

#### 2.9.9 Nqabayensimbi Poultry Co-op

The Nqabayensimbi Poultry co-operative started in 2002 with 30 chickens in a small mud room that was about 18 m<sup>2</sup>. Fakazile is the chairperson of the Nqabayensimbi Poultry Co-operative in Gamalakhe, Port Shepstone. Start-up capital of R50 was provided by each founding co-op member. Ten years later, the co-op has a joining fee of R500 per member and consists of ten members, all neatly kitted out in orange T-shirts emblazoned with the name and slogan of their business, “Fresh and Good”.

Currently their business is based in a single broiler house with three separate rooms capable of housing 600 chicks. Every two weeks the co-op purchases 200 day-old chicks and raises them over a six-week period. Thereafter the chickens are taken to market and sold live. It is a simple business principle based on supply and demand, and demand is high. The Nqabayensimbi Poultry co-operative has expanded the business and has recently completed a second broiler house that can house 800 birds.

Chickens are big business in Africa and as a micro enterprise a poultry co-operative is ideally suited to support income generation and job creation. The Old Mutual Foundation invested R200 000 into the Nqabayensimbi Poultry Co-operative in a joint venture with Ezemvelo KZN Wildlife, towards the construction of a second broiler house.

Photo 2 Nqabayensimbi Poultry co-operative



Source: <http://dogreatthings.co.za/foundation/enterprise/nqabayensimbi-poultry-co-op/>

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## 2.10. SYNOPSIS

This sub-section started by presenting the broad understanding of the co-operative sector. The co-operative definition was provided; its principles, forms and types also were presented; the roles and advantages of co-operatives in the economy were presented; and the difference between co-operative and other business were presented. In addition, some international and local best co-operative experiences were also presented. However, the following key remarks need to be particularly highlighted:

- a) In its most basic form co-operatives refer to 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;
- b) Compared to other small medium and micro enterprises, co-operative organisations differ in three key ways, a different purpose, a different control structure and a different allocation of surplus system;
- c) Further, from the best cases examples presented above, co-operatives have range of roles to contribute to development and poverty alleviation including:
  - ☐ The provision of bulk services to members and communities
  - ☐ The provision of training and capacity building
  - ☐ The provision of job opportunities
  - ☐ The provision of finance and financial services to the members and communities
  - ☐ The poverty reduction

## 3. CO-OPERATIVES POLICY FRAMEWORK

### 3.1. INTERNATIONAL CO-OPERATIVE ALLIANCE BLUEPRINT FOR A CO-OPERATIVE DECADE JANUARY 2013

The International Cooperative Alliance (ICA) estimates that the cooperative movement brings together over 800 million people around the world. The intention of the General Assembly is that the United Nations International Year of Co-operatives marks the beginning of a world-wide campaign to take the co-operative way of doing business to a new level. The ambitious plan in this Blueprint - the "2020 Vision" - is for the co-operative form of business by 2020 to become:

- ☐ The acknowledged leader in economic, social and environmental sustainability
- ☐ The model preferred by people
- ☐ The fastest growing form of enterprise

The 2020 Vision seeks to build on the achievements of the International Year of Co-operatives and the resilience demonstrated by the co-operative movement since the great financial collapse.

Summary of the Blueprint strategy:

- ☐ Elevate participation within membership and governance to a new level
- ☐ Position co-operatives as builders of sustainability
- ☐ Build the co-operative message and secure the co-operative identity
- ☐ Ensure supportive legal frameworks for co-operative growth
- ☐ Secure reliable co-operative capital while guaranteeing member control

Co-operatives are better because they give individuals **participation** through ownership, which makes them inherently more engaging, more productive, and both more useful and more relevant in the contemporary world. The aim is to elevate participation within membership and governance to a new level.

Co-operatives are better because their business model creates greater economic, social and environmental **sustainability**.

Co-operatives are better because they are a business model that puts people at the heart of economic decision-making and bring a greater sense of fair play to the global economy. The objective is to develop our external identity.

Co-operatives in every jurisdiction sit within a **legal framework**. This framework plays a critical role for the viability and existence of co-operatives. The Blueprint seeks to ensure supportive legal frameworks for co-operative growth.

Co-operatives need access to **capital** if they are to be established, grow and flourish. The aim is to secure reliable co-operative capital while guaranteeing member control.

### 3.2. NATIONAL COOPERATIVE DEVELOPMENT STRATEGY 2012-2022

The Strategy is evidence of government's continued commitment to the promotion of cooperatives over the next ten years, i.e. 2012 – 2022. It sets out an implementation framework for the Co-operatives Development Policy of 2004 and the Co-operatives Act, No. 14 of 2005, as amended. It also ensures that government, through the utilisation of various partnership models, engages in joint initiatives with all relevant stakeholders, in an effort to holistically promote strong, viable, self-reliant, autonomous and self-sustaining the co-operatives movement in the country.

The strategy targets both existing and emerging co-operatives, covering the following market segments: survivalist,

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micro and small to medium co-operatives

**Objectives:**

- Grow all forms and types of co-operatives and the co-operatives movement, as well as increase its contribution to the country's GDP growth rate, economic transformation and social impact.
- Promote co-operatives as a vehicle to assist in creating decent employment and reducing poverty through income-generating activities;
- Support co-operatives in developing their human resource capacities; understanding co-operative principles and values through the provision of technical, collective entrepreneurship, management and co-operative education and training;
- Strengthen co-operative sustainability, through the provision of access to information, access to markets, business development support services, business infrastructure and institutional finance;
- Increase savings and investment, through the promotion and support cooperative banks and financial services co-operatives;
- Foster co-operation among co-operatives, through supporting the creation of the vertical structure of co-operatives and conducting awareness campaigns;
- Raise the profile of co-operatives as a dynamic and effective business organisation that can be utilised by individuals and communities to empower and uplift their social and economic well-being through awareness campaigns
- Raise the profile of co-operatives as an institution that allows the agglomeration of small-scale economic activities (i.e. consumer co-operatives, co-operative banks, etc.) into massive activities, market linkages (i.e. marketing and supply cooperatives), mobilisation of captive markets (i.e. increase membership that uses the service/product of the co-operative), as well as the enabling of vulnerable groups to compete with big market players, via feasibility studies, market research intelligence and awareness campaigns;
- Aggressively promote closed co-operatives, which constantly attract high levels of membership as captive markets, enabling them to be highly sustainable and have huge potential to contribute towards substantial economic and social impact; and
- Promote co-operatives as an effective vehicle that contributes to the development of rural and peri-urban areas of the economy, as well as improve primarily the economic and social well-being of the following targeted groups: black people, women, the youth and people with disabilities.

### **3.3. NEW GROWTH PATH (NGP)**

The new growth path is a broad framework that sets out a vision and identifies key areas where jobs can be created within the South African National Economy. The new growth path is intended to address unemployment, inequality and poverty in a strategy that is principally reliant on creating a significant increase in the number of new jobs in the economy, mainly in the private sector.

The new growth path sets a target of creating five million jobs by 2020. This target is projected to reduce unemployment from 25% to 15%. Critically, this employment target can only be achieved if the social partners and government work together to address key structural challenges in the economy.

The new growth path seeks to place the economy on a production-led trajectory with growth targeted in ten 'jobs drivers'. As a first step, government will focus on unlocking the employment potential in six key sectors and activities. These are:

- ☐ Infrastructure, through the massive expansion of transport, energy, water, communications capacity and housing, underpinned by a strong focus on domestic industry to supply the components for the build-programmes;
- ☐ The agricultural value chain, with a focus on expanding farm-output and employment and increasing the agri-processing sector;
- ☐ The mining value chain, with a particular emphasis on mineral beneficiation as well as on increasing the rate of minerals extraction;
- ☐ The green economy, with programmes in green energy, component manufacture and services;
- ☐ Manufacturing sectors and;
- ☐ Tourism and certain high-level services.

### 3.4. NATIONAL DEVELOPMENT PLAN (NDP)

The recently established National Planning Commission (NPC) has developed the NDP vision for 2030 for South Africa. A *Diagnostic Report* was released in June 2011 and sets out South Africa's achievements and shortcomings since 1994. The central challenges identified are:

- ☐ Too few people work;
- ☐ The standard of education for most black learners is of poor quality;
- ☐ Infrastructure is poorly located, under-maintained and insufficient to foster higher growth;
- ☐ Spatial patterns exclude the poor from the fruits of development;
- ☐ The economy is overly and unsustainably resource intensive;
- ☐ A widespread disease burden is compounded by a failing public health system;
- ☐ Public services are uneven and often of poor quality;
- ☐ Corruption is widespread;
- ☐ South Africa remains a divided society.

The commission believes that of these elements, two are of critical importance – too few people work and the standard of education available to the majority is poor. In reaction to these fundamental challenges, the NDP 2030 Vision spells out the key development areas which require focus. These are:



- ☐ Creating jobs and livelihoods;
- ☐ Expanding infrastructure;
- ☐ Transition to a low-carbon economy;
- ☐ Transform urban and rural spaces;
- ☐ Improving education and training;
- ☐ Providing quality health care;
- ☐ Building a capable state;
- ☐ Fighting corruption and enhancing accountability;
- ☐ Transforming society and uniting the nation.

### 3.5. NATIONAL INDUSTRIAL POLICY FRAMEWORK

In January 2007, Cabinet adopted the National Industrial Policy Framework (NIPF), which sets out government's broad approach to industrialisation. The NIPF identifies a challenge in the South African labour economy. The NIPF is written with the view to create a competitive national environment for investment, create capability in Trade and Investment South Africa for investment promotion in line with global best practices and investor after care services (which it identifies as being effective in encouraging further investment); provide input into the development of incentives which take cognisance of global best practices; and to develop an effective investment monitoring and evaluation framework. The objectives of the strategy are:

- ☐ To facilitate diversification beyond our current reliance on traditional commodities and non-tradeable services, which requires the promotion of increased value-addition, characterised particularly by movement into non-traditional tradeable goods and services that compete in export markets and also against imports;
- ☐ To ensure the long-term intensification of South Africa's industrialisation process and movement towards a knowledge economy;
- ☐ To promote a more labour-absorbing industrialisation path, with the emphasis on tradeable labour-absorbing goods and services, and economic linkages that create employment;
- ☐ To promote industrialisation, characterised by the increased participation of historically disadvantaged people and marginalised regions in the industrial economy; and
- ☐ To contribute towards industrial development in Africa, with a strong emphasis on building the continent's productive capacity.

### 3.6. INDUSTRIAL POLICY ACTION PLAN (IPAP 2)

The upscaled IPAP 2, mapping the country's industrial development roadmap for the period 2010/11 – 2012/13, in respect of critical sectors of production and value-added manufacturing.

It has four transversal themes around which a number of interventions are built, namely industrial financing, procurement, competition policy and developmental trade policies.

The IPAP 2 also focuses on providing the necessary support for co-operatives, in respect of business planning; training and the application of technology upgrade incentives, among other initiatives.

### **3.7. REGIONAL INDUSTRIAL DEVELOPMENT STRATEGY (RIDS)**

The RIDS, which bears relevance to co-operatives, propose the establishment of special economic zones (SEZ) – industrial parks, logistics parks, industrial estates, innovation hubs and other measures, such as promoting regional growth coalitions and supporting industrial clustering among firms, including co-operatives, in order to foster regional industrial development.

RIDS also proposes the establishment of a Systematic Competitiveness Facility or Thematic Fund, to support innovative regional development initiatives. A component of the Fund will be a support facility for innovative start-ups, which include SMMEs and cooperatives.

### **3.8. INTEGRATED STRATEGY ON THE PROMOTION OF ENTREPRENEURSHIP AND SMALL ENTERPRISES**

The overall objective of the strategy is to adequately and effectively foster entrepreneurship and the promotion of small enterprises. There is a strong relationship between the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises and this strategy. The relationship is one in which all government support programmes for the small business sector, which are also relevant to co-operatives, shall also be extended to co-operatives taking into account the specific characteristics of and differences between such enterprises.

### **3.9. BROAD-BASED BLACK ECONOMIC EMPOWERMENT STRATEGY (B-BBEE)**

The objectives of the B-BBEE strategy include:

- ☐ achieving a substantial increase in the number of black people who have ownership and control of existing and new enterprises (i.e. through models of ESOPS, Community Trusts/Groups, Worker Co-operatives, *Stokvels*, Burial Societies, etc.);
- ☐ achieving a substantial increase in the number of black people who have ownership and control of existing and new enterprises in the priority sector of the economy, which government has identified in its macro-economic reform strategy;

- ❑ achieving a significant increase in the number of new black enterprises;
- ❑ increasing the proportion of ownership and management of economic activities vested in community enterprises and co-operatives;
- ❑ increasing procurement from black-owned enterprises and to strengthen the supply capacity of black-owned firms through preferential procurement measures; and
- ❑ strengthening business capacity and coordination of financing mechanism.

B-BBEE as a South African growth strategy can be utilised in to grow co-operative sector through the unlocking of entrepreneurial skills of the previously disadvantaged and marginalised individuals.

### **3.10. NATIONAL YOUTH ENTERPRISE STRATEGY (NYES)**

The objectives of this strategy include ensuring that entrepreneurial skills, talent and experience are nurtured among young women and men, to enhance their capacity to participate in all aspects of the country's social, economic and community life; ensuring that young women and men are recognised as a key target group of need, and a resource in the development of cooperatives and SMMEs within national, provincial and local economies; and maximising access to financial and non-financial resources for young women and men who are in business or planning to enter business. In a nutshell, the strategy encourages and promotes youth enterprise ownership, covering all forms of enterprises, including cooperatives.

### **3.11. STRATEGIC FRAMEWORK ON GENDER AND WOMEN'S ECONOMIC EMPOWERMENT**

This strategy proposes a large number of initiatives aimed at providing various kinds of support to women-owned businesses. These measures have an effect and influence on cooperatives development and the promotion of collective entrepreneurship. These support measures include the provision of business information to women entrepreneurs; entrepreneurial education and training; financing of women entrepreneurs; involvement of women entrepreneurs in international trade; research and statistics; science and technology for women; and support for rural women.

### **3.12. THE COOPERATIVE AMENDMENT ACT 2013**

The coop amendment Act 2013 amended the coop Act 14 of 2005 so as to provide for substitution and addition of certain definitions. The general provisions of the 2005 Act included the following:

- ☐ To promote the development of sustainable co-operatives that comply with co-operative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy;
- ☐ To encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises, to register co-operatives in terms of this Act;
- ☐ To enable such co-operative enterprises to register and acquire a legal status separate from their members;
- ☐ To promote equity and greater participation by black persons, especially those in rural areas, women, persons with disability and youth in the formation of, and management of, co-operatives;
- ☐ To establish a legislative framework that preserves a co-operative as a distinct legal entity;
- ☐ To facilitate the provision of support programmes that target emerging co-operatives, specifically those co-operatives that consist of black persons, women, youth, disabled persons or persons in the rural areas and that promote equity and greater participation by its members;
- ☐ To ensure the design and implementation of the co-operative development support programmes by all the agencies of national departments including but not limited to Khula, NEF, NPI, SEDA, IDC, SAQI, SABS, CSIR, PIC, DBSA, SALGA and SETA'S, and compliance with uniform norms and standards prescribed by this Act;
- ☐ To ensure the design and implementation of the co-operative support measures across all spheres of government, including delivery agencies, and adherence to a uniform framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness;
- ☐ To facilitate the effective coordination and reporting mechanism across all spheres of government through the department.

The amendment would see the development of support institutions, such as the Cooperatives Development Agency, the Cooperatives Academy and the Cooperatives Tribunal. A key aspect of the Co-operatives Amendment Act is the setting up of the co-operative development agency.

The agency aims to:

- ☐ Help with governance and management of the co-operatives sector,
- ☐ Lend support to the development of co-operatives as an organised sector,
- ☐ Provide financial and non-financial support to the sector,
- ☐ Provide business support services including pre-registration support, business plan development, mentorship and after-care to co-operatives.

A co-operatives tribunal will also be established. The tribunal will be tasked with handling disputes and conflicts as well as ensuring compliance with the provisions of the act. It will be placed within the department.

Other entities include a co-operative academy to provide training and a co-operative advisory council.

### 3.13. THE CO-OPERATIVE POLICY OF 2004

Co-operative policy outlines government's broad guideline to develop and support co-operatives. It outlines the government's approach to defining the co-operative enterprises as well as the policy instruments that will be utilized to achieve the objectives.

The purpose and objective of the co-operative policy included the following:

- ☐ Create an enabling environment for co-operative enterprises which reduces the disparities between urban and rural businesses, and is conducive to entrepreneurship
- ☐ Promote the development of economically sustainable co-operatives that will significantly contribute to the country's economic growth
- ☐ Increase the number and variety of economic enterprises operating in the formal economy;
- ☐ Increase the competitiveness of the co-operative sector
- ☐ Encourage persons and groups who subscribe to values of self-reliance and self-help to formalise
- ☐ Enable such co-operative enterprises to register and acquire a legal status/legal person separate from their members;
- ☐ Defines genuine co-operatives for targeted support purposes
- ☐ Promote greater participation by black persons, especially those in rural areas, women, persons with disability and youth in the formation of and management of co-operatives.
- ☐ Establish a legislative framework that will preserve the co-operative as a distinct legal entity.
- ☐ Facilitate the provision of support programmes that target co-operatives that will create employment or benefit disadvantaged groups.
- ☐ Establishes a code of conduct for co-operative promoters for basic principles to be respected

### 3.14. THE NATIONAL CO-OPERATIVE DEVELOPMENT STRATEGY (2004-2014)

The Co-operative Development Strategy recognises the potential of co-operative enterprises in creating and developing income-generating activities and sustainable decent employment; developing human resources capacities and knowledge, strengthening competitiveness, increasing savings and investment; improving social and economic well-being, contributing to sustainable human development; establishing and expanding a viable and dynamic distinctive sector of the economy and in contributing to broad-based economic empowerment.

In the period from 2004 – 2014, the Co-operative Development Strategy will pursue the following objectives:

- ☐ Ensure the establishment of co-operatives of all types in all sectors of the South Africa economy.
- ☐ Ensure the implementation of effective support structures & programmes across all government institutions, departments & private sector
- ☐ Ensure that co-operatives are making a meaningful contribution to economic growth, employment creation, social & cultural development & income generation.
- ☐ Ensure the existence of strong, viable, self-reliant, autonomous & self-sustaining co-operative enterprises.
- ☐ Ensure a situation where co-operatives are serving as effective vehicles for broad-based empowerment e.g. ESOPS, TRUSTS, and Work Co-operatives.
- ☐ Create an enabling legislative environment exists that fosters the promotion & development of co-operatives.
- ☐ Ensure that emerging Black co-operative enterprises are competing successfully on a national and global scale.

### **3.15. CO-OPERATIVE BANKS ACT, NO 40 OF 2007**

The general provisions of the Act include the following:

- ☐ To promote and advance the social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions;
- ☐ To promote the development of sustainable and responsible co-operative banks;
- ☐ To establish an appropriate regulatory framework and regulatory institutions for co-operative banks that protect members of co-operative banks;
- ☐ To provide for the registration of deposit-taking financial services co-operatives as co-operative banks;
- ☐ To establish supervisors to ensure appropriate and effective regulation and supervision of co-operative banks, and to protect members and the public interest;
- ☐ To establish a Development Agency for Co-operative Banks to develop and enhance the sustainability of co-operative banks.

### **3.16. NATIONAL FRAMEWORK FOR LOCAL ECONOMIC DEVELOPMENT (2006)**

LED is about promoting local approaches to respond to local needs and conditions, but also within the context of national and global economic trends and events. It aims to base economic activity on social conditions and local resources as well as regional capabilities and local competitive advantage.



The aims of LED are:

- ☐ To create robust and inclusive local economies that exploit local opportunities, address local needs and contribute to national development objectives, such as economic growth, jobs and equity”;
- ☐ To eradicate poverty and create sustainable work opportunities, this can be achieved through the formation of co-operatives in previously disadvantaged areas.
- ☐ To integrate the first and second economies; and
- ☐ Practising LED is about creating an enabling environment, building economic capability and facilitating productive networks at the local level”.

### **3.17. INTEGRATED AND SUSTAINABLE RURAL DEVELOPMENT (ISRDS) STRATEGY (2000)**

The South African Government, in consultation with a wide range of key stakeholders launched a new stage of concerted effort to improve opportunities and well-being for the rural poor. The ISRDS Strategy is designed to realize a vision that will attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who equipped to contribute to growth and development. To fulfil the ISRDS’ vision complementary measures are necessary including in particular:

- ☐ Human resource development and capacity building
- ☐ Land reform: implement revised programme
- ☐ Community based income generation projects including the formation of co-operatives such as savings and credit co-operatives (SACCOs)
- ☐ Social assistance and safety-nets
- ☐ Rural Finance

### **3.18. THE NATIONAL FRAMEWORK FOR LOCAL ECONOMIC DEVELOPMENT**

This Framework intends to establish an encouraging environment for SMMEs, Cooperatives, Youth and Broad-Based Black Economic Empowerment Enterprises development and provide them with business support.

#### ***Cooperatives Support***

This Framework supports the DTI initiatives to upsurge both financial and non-financial support for cooperatives in order to improve their long-term sustainability and develop a demand for products produced by cooperatives. Through their LED strategies, this Framework also encourages municipalities to work with the DSBD’s Cooperative Incentive Scheme (CIS), with the objective of improving the viability and competitiveness of cooperative enterprises by reducing their business costs through an incentive that supports BBBEE.

It is crucial to establish an LED governance/steering system and a facilitation system to support cooperatives development. NYDA provides a Youth Cooperatives Development Programme (YCDP) which seeks to attain the following:

- a) Conduct analysis to identify performance gaps and factors that affect the cooperative performance including training needs;
- b) Facilitate business development through the provision of voucher services including such as business registration, business plan development, marketing strategy, marketing plan and marketing tools, bookkeeping and financial administration, and tendering etc;
- c) Facilitate training to enhance management efficiency, which includes relevant technical and entrepreneurship training, cooperative governance and soft skills, occupational health and safety, Hazard Analysis Critical Control Point (HACCP) training, and productivity improvement.

### ***Business Incubation***

Incubation is a combination of business development processes that nurtures and grow new and small businesses through the provision of support during early stages of development. Forms of support provided to businesses include training, mentoring, advice, and access to networks, finance and office space and equipment. Business incubation programmes are often sponsored by private companies or municipal entities and public institutions.

### ***Business Linkages***

Business linkages facilitate the transfer of technology, knowledge and skills, improving business and management practices, and facilitating access to finance and markets. It aims to promote and facilitate the formation of business linkages through development of guidelines, by enhancing the productive capacity, efficiency and competitiveness of the domestic private sector by promoting durable and mutually beneficial business partnerships

## **3.19. KZN CO-OPERATIVE DEVELOPMENT STRATEGY (2010)**

The KZN Co-op Strategy has been developed to assist in the provision of support for co-operative development in the province. The KZN government through Co-op Strategy seeks to address the unequal development of the province by reducing unemployment and poverty.

The overall aim of the strategy is to adopt a regulatory approach in the KZN Province, wherein all stakeholders can add value and can support the development of social enterprises in the form of co-operatives. However, the key objectives of this strategy include:

- ☐ To promote co-operatives that create decent work and wealth
- ☐ To promote a culture of saving
- ☐ To provide skills development
- ☐ To provide financial and non-financial support
- ☐ To ensure the coordination of activities directed at the promotion of co-operatives
- ☐ To promote the establishment of co-operatives as a means to transform the economy of the Province

Worth noting is that the draft strategy attributes the coordination of all co-operative activities and value chain in the province to DEDT while the implementation of all programmes is devolved to the local governments through the formulation of their own strategies and implementation mechanisms.

### 3.20. KZN PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY REVIEW 2021

In terms of the KZN Provincial Growth and Development Strategy (KZN PGDS), its vision is to develop the KwaZulu-Natal to be a prosperous Province with a healthy, secure and skilled population, living in dignity and harmony, acting as a gateway to Africa and the World. The KZN Provincial Growth and Development Strategy sets the strategic priorities for the province. The table below reflects provincial strategic priorities as established in the 2021 review of the Growth and Development Strategy.

**Table 2: Strategic priorities as established in terms of the KZN PGDS**

| Priority No. | Strategic Priorities   | Relevance to cooperative development |
|--------------|--|--------------------------------------|
| 1            | Building a capable, ethical and developmental state                        | Low                                  |
| 2            | Economic transformation and job creation                                   | High                                 |
| 3            | Education, Skills and Health   | High                                 |
| 4            | Consolidating the social wage through reliable and quality basic services. | Low                                  |
| 5            | Spatial integration, human settlements and local government                | Low                                  |
| 6            | Social cohesion and safe communities                                       | Medium                               |
| 7            | Better Africa and World  | High                                 |

Source: KZN Provincial Growth and Development Strategy Review 2021

### 3.21. MSUNDUZI INTEGRATED DEVELOPMENT AND DEVELOPMENT PLAN 2022 - 2027

The Msunduzi IDP 2022 - 2027 presents the following Strategic Development Framework for Msunduzi Municipality.

#### Vision

“By 2040 Msunduzi will be a safe, vibrant, sustainable and smart metropolis.”

In order to realise the Vision, the Municipality has proposed six strategic priority areas and their associated goals, as follows:

**Table 3: strategic priorities as established in terms of the KZN PGDS**

| Priority No. | Strategic Priorities   | Relevance to cooperative development |
|--------------|--|--------------------------------------|
| 1            | <b>Well serviced city</b><br>Goal: By 2030, Msunduzi is a city serviced with quality water and sanitation reticulation, uninterrupted, adequate energy supply, and regular waste removal – for ALL neighbourhoods, communities, and centres of business.   | Medium                               |
| 2            | <b>An accessible and connected city</b><br>GOAL: By 2030, Msunduzi is a city with sufficient and well-maintained road, rail, and other physical infrastructure serving all residents, whether they use public or private transport modes. It has layers of diverse transport networks interconnecting at centres and internal urban hubs. Human settlement initiatives reduce housing backlogs and eliminate spatial separation by racial categories. Telecommunications and information technology is universally accessible and reliable. Social infrastructure, focussed on educational, health and recreational facilities meets all communities' needs. | Medium                               |
| 3            | <b>A clean, green city</b><br>GOAL: By 2030, Msunduzi is a city protecting our natural environment, our native plants and animal habitats, limiting pollution, greening the city, and using our natural resources, such as water, wisely. The clean, green city harnesses our renewable energy supply, public open space creation project, and urban renewal and greening programme to these ends. Msunduzi conserves its natural assets while still meeting the demand for more housing, more roads and more services to accommodate our increasing population.   | Low                                  |
| 4            | <b>A friendly, safe city</b><br>GOAL: By 2030, Msunduzi is a city with strong, welcoming, caring, and diverse communities, living in a variety of friendly, safe neighbourhoods  | Low                                  |
| 5            | <b>An economically prosperous city</b>   | High                                 |

|   |  |        |
|---|--|--------|
|   | GOAL: By 2030, Msunduzi is a city with a flourishing business environment, with people exercising their entrepreneurship across the full spectrum of commercial, public, scientific, educational, and charitable enterprises.  |        |
| 6 | <b>A financially viable and well-governed city</b><br>GOAL: By 2030, the Msunduzi Municipality is a financially sound and well-governed institution, delivering on its legislative mandates and offering residents of the Municipality value for their rates payments. | Medium |

Source: Msunduzi Integrated Development and Development Plan 2022 – 2027

### 3.22. MSUNDUZI LOCAL ECONOMIC DEVELOPMENT 2022

#### THE LED OBJECTIVES

The LED strategy of Msunduzi Municipality has identified the following strategic objectives:

- To promote and attract both foreign direct investments and local investments in the City;
- To position Msunduzi Municipality as a Capital City with highest and reputable standards to attract investment, retain and expand business opportunities;
- To promote Township Development and supporting SMMEs in City;
- To promote Msunduzi Municipality as a low carbon city and encourage investment that will use renewable and energy efficient technologies;
- A policy-stable environment;
- Implementing area based interventions, including nodes, corridors, town planning schemes with an integrated approach to spatial development framework and local economic development opportunities.

#### THE LED VISION

The Local Economic Development Strategy vision for Msunduzi Municipality:

*“The vision of Msunduzi Municipality is of a globally competitive metropolitan city of choice which capitalises on its strategic location, environment, cultural heritage and educational facilities in creating a choice quality of life for all, whilst actively creating an enabling environment for local economic development directed towards economic growth, prosperity, alleviation of poverty and job creation.”*

#### THE LED ROLE / MISSION OF THE MUNICIPALITY

With the above in mind it then becomes important to clarify the role of Municipality in terms of future Economic Development and investment. For discussion purposes and then informing initial strategy proposals it is proposed that the role of the Municipality in Economic Development is to facilitate and advocate for economic development.

#### THE MUNICIPAL STRATEGY

Considering the above role the Msunduzi LED identifies the following strategies intended to stimulate economic development within the municipality.

- Strategy 1: To facilitate the development, growth and expansion of key economic sectors identified within the Msunduzi Local Municipality
- Strategy 2: To enhance the effectiveness of LED planning and implementation
- Strategy 3: To support the development of small-enterprises and the Informal Economy
- Strategy 4: To support business development, retention and expansion within the Msunduzi Local Municipality
- Strategy 5: To drive implementation of catalytic projects

This sub-strategy intends to uphold the vision and the above identified strategies for economic development as it highlights the importance of promoting cooperatives thus allow them to become economically active. The Msunduzi LED strategy emphasize the need to support small-enterprises and the Informal Economy and support business development which can be achieved through co-operatives development thus making this sub strategy a crucial factor to for the local development of Msunduzi Municipality.

### **3.23. SYNOPSIS**

The policies presented above are all relevant to co-operatives economic development as they all promote job creation, poverty reduction, economic development and growth. Co-operatives economic development in Msunduzi needs to be developed with these above principles in mind, i.e: ensuring that the municipality creates a conducive environment to ensure effective promotion and growth of co-operatives. Msunduzi's aim will be to work toward the achievement of the national long term vision of growing the economy and creating employment as well as skills development and innovation through many economic elements including co-operative development, infrastructure provision, good governance, investment attraction, promotion and facilitation.

## **4. CO-OPERATIVE SUPPORT SERVICE PROVIDERS**

Governments at all levels recognise that co-operatives play an important role in the growth of the local economy. For this reason, governments play an important role in supporting co-operative development and in providing them with an environment in which they can flourish. This sub-section presents the national, provincial as well as the local service providers.

### **4.1. NATIONAL AND PROVINCIAL SERVICE PROVIDERS**

The main national and provincial stakeholders that deal with co-operative development are the following:

- ☐ Department of Rural Development and Land Reform,
- ☐ Department of Social Development,
- ☐ Department of Small Business Development,

- ☐ South African National Apex Co-operative (SANACO),
- ☐ The National Empowerment Fund (NEF),
- ☐ National Small Enterprise Financial Agency (SEFA)
- ☐ The Industrial Development Corporation (IDC),
- ☐ Micro-Agricultural Financial Institute of South Africa (MAFISA),
- ☐ Women Entrepreneurs Fund (WEF),
- ☐ National Youth Development Agency (NYDA):
- ☐ The Department of Agriculture and Environmental Affairs,
- ☐ The Department of Trade and Industry,
- ☐ KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs(KZN EDTEA),
- ☐ Ithala Development Finance Corporation,
- ☐ Small Enterprises Development Agency (SEDA),
- ☐ Further Education and Training (FET) institutions,
- ☐ Provincial Small Business Growth Enterprise (SBGE),
- ☐ Non-government organisations,
- ☐ University of Zululand, faculty of Commerce, Administration & Law.

#### 4.2. MSUNDUZI CO-OPERATIVE SERVICE PROVIDERS

In Msunduzi Local Municipality, the key co-operative service providers include the following

**Table 4: Key Msunduzi's co-operative service providers**

|   | SERVICE PROVIDER                | SERVICE PROVIDED   |
|---|---------------------------------|--|
| 1 | Local Economic Development Unit | <ul style="list-style-type: none"> <li>– The overall management and coordination of co-operatives' development in Msunduzi Municipality,</li> <li>– Bridging the gap between co-operatives and their challenges,</li> <li>– Bridging the gap between co-operatives and SMMEs,</li> <li>– Through facilitation, liaising co-operatives with other stakeholders to access existing services,</li> <li>– Empowering people and communities to form co-operatives,</li> <li>– Referring co-operatives to the Line Departments for work.</li> </ul> |



|   |                                  |   |
|---|----------------------------------|---|
| 2 | SEDA-uMgungundlovu               | <ul style="list-style-type: none"> <li>– Provision of training,</li> <li>– Provision of mentorship programme,</li> <li>– Assisting co-operatives to access markets,</li> <li>– Assisting co-operatives to access information,</li> <li>– to facilitate networking between co-operatives themselves and with stakeholders,</li> <li>– Provision of business infrastructure including co-operative incubators.</li> </ul> |
| 3 | Msunduzi Supply Chain Management | – Provision of work to co-operatives including cleaning, grass cutting etc.   |
| 4 | Msunduzi Parks                   | – Provision of work to co-operatives including grass cutting, the overgrown verges, and cleaning of beaches.  |
| 5 | Expanded Public Work Programme   | <ul style="list-style-type: none"> <li>– Provision of training</li> <li>– Assisting co-operative in registration</li> </ul>   |
| 6 | Department of health             | – Provision of work to co-operatives including cleaning of offices  |

## 5. MSUNDUZI MUNICIPALITY - SNAPSHOT

### 5.1. DEMOGRAPHICS

This section presents a demographic overview of the Msunduzi Local Municipality with the latest accounting for the year 2022, there is no recent data post 2022. In 2022 the Msunduzi Local Municipality had a population of 753 812, and the population growth set at 1,3%.

**Table 5: KZN Population growth**

|                                   | KwaZulu-Natal | uMgungundlovu | Msunduzi |
|-----------------------------------|---------------|---------------|----------|
| <b>Population</b>                 |               |               |          |
| 2007                              | 10 161 237    | 974 754       | 595 705  |
| 2012                              | 10 669 100    | 1 051 415     | 651 950  |
| 2017                              | 11 298 372    | 1 122 717     | 702 490  |
| 2022                              | 11 973 891    | 1 199 593     | 753 812  |
| <b>Population Growth rate (%)</b> |               |               |          |
| 2007                              | 0,8%          | 1,4%          | 1,7%     |
| 2012                              | 1,1%          | 1,2%          | 1,5%     |
| 2017                              | 1,2%          | 1,4%          | 1,5%     |
| 2022                              | 1,1%          | 1,3%          | 1,3%     |

Source: South Africa Regional eXplorer 2423 (2.6w).

The table 4 below shows that in 2022 the Msunduzi municipality had an unemployment rate of 35,2% and the employment rate is 55,5%. The Labour force participation rate for 2016 was 54,6% which indicate an increase in employment opportunities between 2016 and 2022. In 2022, the number of people employed in the formal sector (non-agriculture) is 136 862, while, the number of people employed in the informal sector (non-agriculture) is 29 388. The number of people with matric only is 196 981 and the number of people that had higher education is 81 867. This shows that a large population experience challenges that prevented them from enrolling or completing higher education which include limited financial capacity and limited access to funding and bursaries. A detailed view of education demographics is shown on the table 5 below.

**Table 6: Msunduzi's Employment Structure**

|  | 2022    | 2016    | 2010    |
|--|---------|---------|---------|
| <b>Working Age Population</b>                        | 520 289 | 503 635 | 479 895 |
| <b>Labour Force</b>                                  | 288 834 | 275 230 | 272 871 |
| <b>Employment (at place of residence)</b>            | 187 225 | 194 900 | 204 744 |
| <b>Employment (at place of work)</b>                 | 189 214 | 196 624 | 206 065 |
| <b>Employment - Formal sector non-agriculture</b>    | 136 862 | 140 930 | 148 558 |
| <b>Employment - Informal sector non-agriculture</b>  | 29 388  | 31 313  | 31 107  |
| <b>Unemployment - official definition</b>            | 101 608 | 80 330  | 68 128  |
| <b>Not Economically Active - official definition</b> | 231 456 | 228 405 | 207 024 |
| <b>Not Economically Active - expanded definition</b> | 159 548 | 173 544 | 160 216 |
| <b>Discouraged work seekers</b>                      | 71 908  | 54 862  | 46 808  |
| <b>Unemployment Rate - official definition</b>       | 35,2%   | 29,2%   | 25,0%   |
| <b>Unemployment Rate - expanded definition</b>       | 48,1%   | 41,0%   | 36,0%   |
| <b>Labour absorption rate</b>                        | 36,0%   | 38,7%   | 42,7%   |
| <b>Labour force participation rate</b>               | 55,5%   | 54,6%   | 56,9%   |

Source: South Africa Regional eXplorer 2423 (2.6w).

**Table 7: Education Attainment**

|                                      | 2022    | 2017    |
|--------------------------------------|---------|---------|
| No schooling                         | 11 096  | 18 173  |
| Grade 0-2                            | 4 890   | 8 018   |
| Grade 3-6                            | 27 291  | 34 678  |
| Grade 7-9                            | 58 290  | 64 382  |
| Grade 10-11                          | 124 123 | 110 057 |
| Certificate / diploma without matric | 906     | 1 867   |
| Matric only                          | 196 981 | 158 401 |
| Matric & certificate / diploma       | 34 018  | 28 155  |
| Matric & Bachelors degree            | 30 892  | 28 241  |
| Matric & Postgrad degree             | 16 957  | 12 507  |

Source: South Africa Regional eXplorer 2423 (2.6w).

## 6. ECONOMIC OVERVIEW

This section presents an economic overview of Msunduzi Local Municipality using Gross Value Add (GVA) by industry at constant by comparing data from 2017, 2021 and the projected figures for the year 2024. According to table 6 below, the municipality's least growing sector is mining which contributed R179 271 in 2021 and is expected to contribute R194 783 in 2024. Most of the municipality's GVA is attributed from the Community services sector, which was R16 441 795 in 2021 and is projected to be R17 011 473 in 2024. Construction, mining, transport, trade, electricity, manufacturing sectors experienced a decline in GVA, however these sectors are projected to grow in 2024. The decrease in GVA between 2017 and 2021 is result of natural events of COVID pandemic which stagnated the economy.

**Table 8: Umsunduzi GVA by sector**

|                    | 2017        | 2021        | 2024 (Projected) |
|--------------------|-------------|-------------|------------------|
| Agriculture        | R1 767 132  | R2 126 565  | R2 082 430       |
| Mining             | R277 560    | R179 271    | R194 783         |
| Manufacturing      | R6 242 042  | R6 102 845  | R6 561 311       |
| Electricity        | R1 792 040  | R1 732 189  | R1 796 064       |
| Construction       | R1 983 974  | R1 517 888  | R1 687 641       |
| Trade              | R6 304 517  | R6 060 715  | R6 574 453       |
| Transport          | R5 202 743  | R4 931 096  | R5 274 154       |
| Finance            | R9 609 653  | R10 240 266 | R10 918 904      |
| Community services | R15 187 356 | R16 441 795 | R17 011 473      |
| Total              | R52 903 877 | R53 920 567 | R56 984 790      |

Source: South Africa Regional eXplorer 2423 (2.6w).

## 7. MSUNDUZI CO-OPS TRENDS

There is no recent data on cooperative in the Msunduzi Municipality. The only latest information and data comes from the survey conducted with local co-operatives as part of a study that was conducted in 2017. The aim of the co-operative survey was to understand the co-operative environment in Msunduzi Municipality. Therefore 150 co-operatives were surveyed in and around Msunduzi Municipality to receive their inputs.

### 7.1. AGE OF BUSINESS

As per the following table, the majority (more than 60%) of co-operatives in the Municipality have been operating for more than five years. This indicates and illustrates that the trading environment is becoming more conducive for business stability and growth.

**Table 9: Business Durations**

| Trends        | %     |
|---------------|-------|
| < 1 year      | 2,7%  |
| 1 to 3 years  | 10,0% |
| 4 to 6 years  | 26,7% |
| 7 to 10 years | 37,3% |
| > 10 years    | 23,3% |

Source: Msunduzi Co-operative Survey 2017

### 7.2. BUSINESS ACTIVITIES/SECTOR

Co-operatives in the Municipality, as presented in the following table, provide a variety of activities to their clients that cross cut many economic sectors. However, the dominant sectors include the crop farming (20 %), livestock and poultry farming (14.7%), textile industry (11.3%), and other services (22.7%).

**Table 10: Co-operative Business Focus**

| Trends                     | %     |
|----------------------------|-------|
| Crop farming               | 20,0% |
| Livestock/ poultry farming | 14,7% |
| Textile                    | 11,3% |
| Catering & décor           | 8,0%  |
| Cleaning                   | 6,7%  |
| Brick/ blocks              | 4,0%  |

|                                    |       |
|------------------------------------|-------|
| Grass cutting/ gardening landscape | 4,0%  |
| Retail                             | 3,3%  |
| Construction                       | 2,7%  |
| Craft work/ beading                | 2,7%  |
| Other services                     | 22,7% |

Source: Msunduzi Co-operative Survey 2017

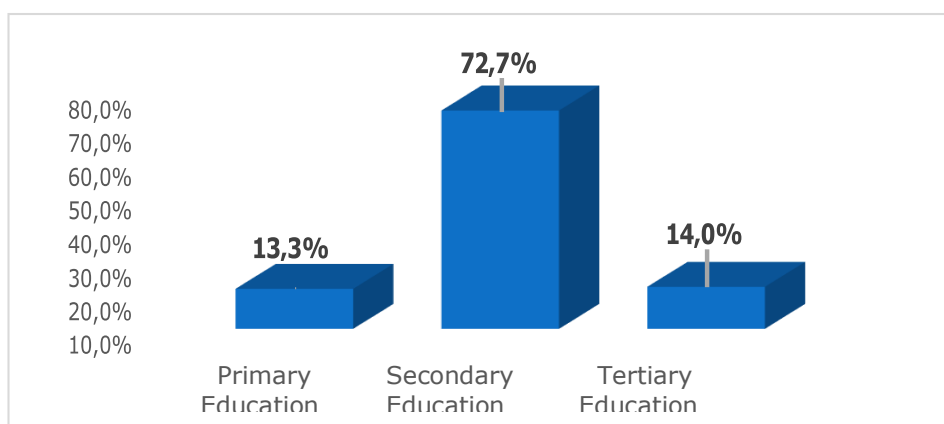
Other services include the following

|                                |                      |
|--------------------------------|----------------------|
| Bakery                         | Fencing              |
| Furniture                      | Funeral parlour      |
| Nutrition                      | Mr phone / telephone |
| Electrical / welding           | Plant hire           |
| Textile                        | Printing             |
| Sewing & embroidery            | General car repairs  |
| Transport /taxi                | Security services    |
| Advertising / public relations | Shoes repairs        |
| Candle making                  | Tent & marquee hire  |
| Disposal nappies               | Waste management     |

### 7.3. LEVEL OF EDUCATION

The level of education of co-operative members has been presented below. As shown in the following table, more than half of the co-operative leaders in Msunduzi Municipality are people who have studied and completed the secondary school level. Others have done tertiary education.

Figure 5 Level of Education for co-ops leadership



Source: Msunduzi Co-operative Survey 2017

#### 7.4. CO-OPERATIVES' SOURCE OF WORKS (MARKETS)

Currently Msunduzi co-operatives receive works from a large number of stakeholders that include both private and public stakeholders as presented in the following table.

**Table 11: Source of Works for Msunduzi's Co-operatives**

| Trends                     | %     |
|----------------------------|-------|
| Local people and companies | 48,7% |
| Government                 | 28,0% |
| Local schools              | 8,7%  |
| Local hospitals            | 4,7%  |
| Local clinics              | 4,0%  |
| Others                     | 6,0%  |

Source: Msunduzi Co-operative Survey 2017

Stakeholders including the local government departments, schools, hospitals and clinics that provide work to Msunduzi's co-operatives are detailed below.

**Table 12: Co-ops work providers**

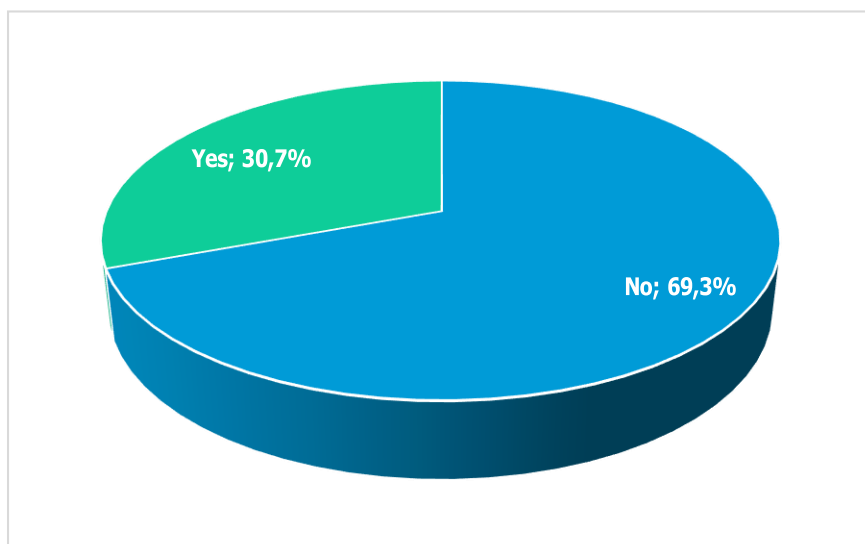
| Government  | Schools  |
|---|--|
| <ul style="list-style-type: none"> <li>Department of social development</li> <li>Department of health</li> <li>Department of arts and culture</li> <li>Department of cogta/</li> <li>Department of education</li> <li>Msunduzi Municipality</li> <li>Mshwaphi Municipality</li> <li>uMgungundlovu District Municipality</li> <li>Department of human settlement</li> <li>harry gwalu District Municipality</li> <li>growth development centre</li> <li>New prison PMB</li> <li>uMngeni water</li> <li>Ithala Bank</li> <li>South Africa Social Security Agency (Sassa)</li> </ul> | <ul style="list-style-type: none"> <li>Ntsika yethu high school</li> <li>Imbu primary school</li> <li>swelile primary school</li> <li>Bonguduma high school</li> </ul>   |
|   | <b>Hospitals and clinics</b> <ul style="list-style-type: none"> <li>Fourth neighbour hospital</li> <li>Edendale hospital</li> <li>Mbalenhle Clinic</li> </ul>  |
|   | <b>Others</b> <ul style="list-style-type: none"> <li>eThekwini markets</li> <li>Royal show grounds</li> <li>Rainbow chicken</li> <li>NPO Orphan</li> <li>funeral parlour uniforms</li> <li>Overseas (Canada )</li> </ul> |

Source: Msunduzi Co-operative Survey 2017

### 7.5. UNDERSTANDING OF TENDER PROCESS

A large portion of the current as well as the future market opportunities for co-operatives in Msunduzi lies in government related tenders. That is why it was essential to verify whether co-operative members understand the government tender processes. However, as per the following figure, 69.3% of co-operatives do not understand the tender procedures in Msunduzi.

**Figure 6 Co-ops Understanding of the Tender Process**

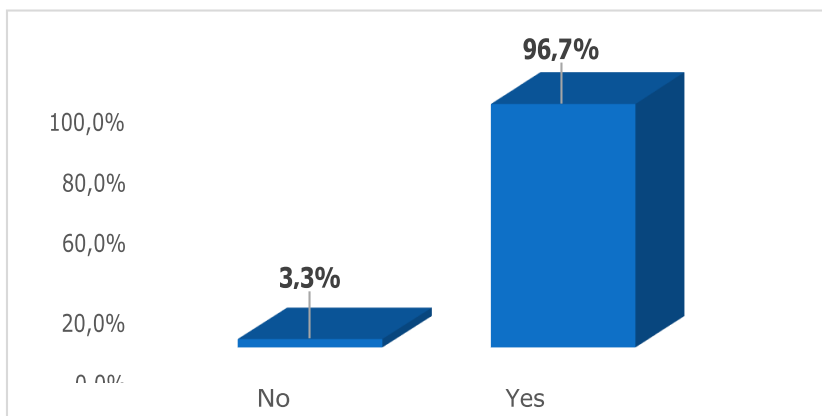


Source: Msunduzi Co-operative Survey 2017

### 7.6. CO-OPERATIVE NEEDS FOR TRAINING ON HOW THE GOVERNMENT TENDERS WORK

However, despite the fact that some co-operatives understand the tender processes, an overwhelming majority (96.7%) of co-operative members in Msunduzi still want workshops and training on tender procedures as presented in the following figure.

**Figure 7 Needs for training on the government tenders process**



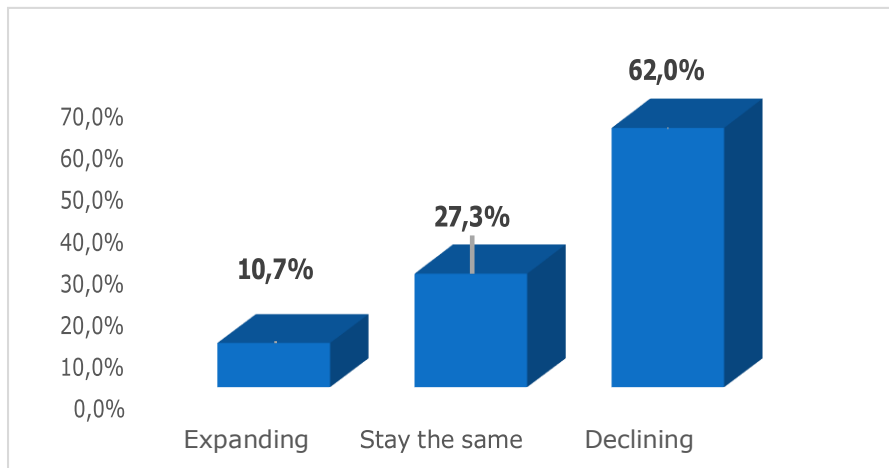
Source: Msunduzi Co-operative Survey 2017



### 7.7. GROWTH STATUS OF THE CO-OPERATIVES

The following figure indicates that a small number of co-operatives (10.7%) in Msunduzi is growing and 27.3% is stagnant. however, the large majority of 62% is not doing well.

Figure 8 Co-operatives Average Growth



Source: Msunduzi Co-operative Survey 2017

### 7.8. MAJOR BUSINESS OBSTACLES

The KwaZulu-Natal Co-operatives Development Strategy indicated that a large number of the co-operatives (95%) that have been established in the Province have failed. This trend also applies to the Msunduzi's co-operatives. The main reasons for the failure of co-operatives may be attributed to a variety of challenges related to the management of co-operatives, business development as well as other inopportune challenges as presented in the following table. It should be indicated that challenges presented in the table below came from the survey organised with co-operatives in the Msunduzi Municipality.

**Table 13: Msunduzi Co-operatives' Major Obstacles**

| Management Issues   | Business Development  | General/Others  |
|---|---|---|
| 1. Lack of networking with other co-operatives and stakeholders                         | 1) Shortage of business equipment   | a. Corruption and nepotism inside the municipality in terms of co-operatives appointment  |
| 2. Losing members or members giving up  | 2) Not enough resources to efficiently work   | b. Co-operatives are being neglected by the Municipality mainly because officials have a bad image regarding co-ops   |
| 3. Lazy members who do not want to work   | 3) Not getting enough profit  | c. Not knowing the appropriate departments to address queries or to look for market opportunities   |
| 4. No co-operation between members  | 4) No Business premises   | d. The strikes and the world cup have disrupted co-operatives efficient running/functioning   |
| 5. Members do not have time for the co-op and are not interested in co-operative issues | 5) Difficult to get markets and contracts   | e. Red tape from government on: <ul style="list-style-type: none"> <li>• Tender applications and approvals</li> <li>• Information sharing and flow</li> <li>• Annual changes of tender application forms</li> <li>• Delay in payment by the municipality after co-operatives have done the job which leads to co-op members to fight amongst each other.</li> </ul> |
| 6. Members live far from each other and cannot attend meetings                          | 6) Difficult access the loans from banks  |   |
| 7. Reluctance from members in paying their membership fees                              | 7) Do not understand how the business work  |   |
| 8. Business skills shortages (shortage of technical skilled workers)                    | 8) No co-operative insurance  |   |
| 9. Limited time dedicated for meetings with co-operative members.                       | 9) Some large businesses are not familiar with using co-operatives as sub-contractors |   |

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|   |  |   |
|---|--|---|
| 10. High level of competition with well-established business, no room for co-ops  | 10) Side-lining co-operatives or bad image attached to doing business with co-operatives   | <ul style="list-style-type: none"> <li>• Loss of payment invoices within the municipality which also cause a delay in payment</li> <li>• In most cases, it is the municipality that determines how much they will pay the co-ops without negotiating with them<br/>e.g. 16 cents a square meter for grass-cutting co-ops</li> <li>• Maintenance of equipment getting more expensive e.g. price of petrol has gone up but the square meter is still 16 cents.</li> </ul> |
| 11. Not knowing how to quote: co-operatives do not have the necessary skills when it comes to quoting for the work done. They under-quote their work and not making profit to sustain the co-operative. | 12 Difficult to register co-operative in various Municipal databases   |   |
| 12. Few members tend to be more committed on the progression of the co-operative than others.   | 11) Limited access to finance and financial issues: <ul style="list-style-type: none"> <li>• Co-operative members are black-listed and cannot access finance and other advantages,</li> <li>• Banks want security to cover the loan when lending money to co-operatives and lots of documents that co-operatives do not have'</li> <li>• Most co-operatives do not have the necessary skills to write an acceptable business plan,</li> <li>• co-operatives do not have fixed contracts in place to secure funding,</li> <li>• Most co-operatives do not know which other institutions they can approach when trying to access funding and how to fill-in the documents required by financial institutions.</li> </ul> |   |
|   | 12) Many co-operatives did not receive relief funds to help recover from events of looting, storms and covid.  | 13. Many co-operatives were affected by events of looting, storms and covid.  |

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|  |  |  |
|--|--|--|
| 14. Co-operatives formed to reduce poverty usually decline as soon as the members get formal employment.   |  | 15. There are few co-operative in programs from institutions such as NYDA which shows a decline co-operatives.                       |
| 17. Most co-operative do not consist of member with the expertise crucial for it progression, as they are either formed due to friendships or just to alleviate poverty. |  | 16. There are gender imbalances as most of the co-operative and businesses in incubation programmes are owned and operated by women. |
|  |  |  |

## 8. KEY INTERVENTIONS

Key interventions were developed in response to challenges faced cooperatives. These interventions are grouped to managerial interventions, business development interventions and General/other interventions as presented in the following table.

**Table 14: Co-operatives interventions**

| Management interventions   |  | Business development interventions                      |  |
|--|--|---|--|
| 1. Training in:  |  | 1) Open business opportunities to all co-operatives     |  |
| • Information technology   |  |   |  |
| • Tender process   |  |   |  |
| • Functionality of co-operative  |  |   |  |
| • And other technical trainings (sawing, quoting, IT, Butchery,)             |  |   |  |
| 2. Co-operatives from same field to be grouped into a secondary co-operative |  | 2) Financial assistance                                 |  |
| 3. Mentor co-operatives  |  | 3) Work and business premises                           |  |
| 4. Establish co-operatives organisations or forums                           |  | 4) Assist co-ops with work material or equipment needed |  |
| General/Other interventions  |  |   |  |
| a.   | Record all co-operatives in the data base  |   |  |
| b.   | Workshop to fight corruption   |   |  |
| c.   | Pay visits to co-op sites and see how they struggle  |   |  |
| d.   | Give priorities to new established co-operatives rather than existing ones                                     |   |  |
| e.   | Stop sidelining co-operatives  |   |  |
| f.   | Give co-operatives an amount of money every month  |   |  |
| g.   | There must be committees for co-operatives;  |   |  |
| h.   | There is a need to redefine alignment with municipal department, sector departments and agencies;              |   |  |
| i.   | There must be skills audit conducted;  |   |  |
| j.   | Audit to identify active and non-active co-operatives;   |   |  |
| k.   | Site inspections must be conducted to monitor the progress of co-operatives;                                   |   |  |
| l.   | There must be an online and physical platform where cooperatives can submit challenges and access information; |   |  |

|    |  |
|----|--|
| m. | Land must be provided for co-operatives and this information must be made easily accessible;   |
| n. | Land must be provided with services to conduct business;   |
| o. | Cooperatives must invite government officials to them to address challenges;   |
| p. | There must be a relationship between tribal leaders (Amakhosi) and the municipality to promote co-operatives development in rural areas; |
| q. | There must be municipal officials allocated I different Area Based Management to response to queries;                                    |
| r. | Co-operatives must be supported to allow them to upgrade to big businesses;  |
| s. | There must be a differentiation of members and employees.  |

**Source: Urban-Econ 2014 and stakeholder's consultations 2024**

### **8.1. SWOT ANALYSIS**

This sub-section serves as the concluding section to the Situational Analysis report and provides a breakdown of the co-operative sector's Strengths, Weaknesses, Opportunities and Threats (SWOT). The strengths and weaknesses are based on the present situation while the Opportunities and Threats consider the future implications of various factors. It should be noted that SWOT analysis leads to the understanding of strengths to be worked upon as well as weaknesses to be counteracted in this co-operative sector.

**Table 15: SWOT Analysis**

|  |   |
|--|---|
| <p><b>STRENGTHS</b></p> <p><b>1. Existence of National and Provincial Co-operative Policy, Strategy and Programme</b></p> <p>The co-operative sector has backbone policy that regulates the entire sector (Act No 06 of 2013), there is a national co-operative strategy and there is KZN Co-operative Development Programme at the provincial level. This co-operative framework regulates the sector and deals with co-operatives in terms of financial support, training and skills development, advisory services, marketing, and BBBEE development.</p> <p><b>2. Existence of co-operative financial and non-financial stakeholders</b></p> <p>A number of departments and private stakeholders deal with co-operatives trends including the Msunduzi LED Unit, Small Enterprise Development Agency, Ithala, Further Education and Training, Supply Chain Management, and the like.</p> <p><b>3. Existence of training programmes for co-operative members.</b></p> | <p><b>WEAKNESSES</b></p> <p>1. Lack of coordination between service providers has resulted in difficult access to services by emerging co-operatives.</p> <p>2. Interference of stakeholders in the internal matters of co-operatives.</p> <p>3. Limited information flow between co-operatives and stakeholders.</p> <p>4. Co-operatives own challenges: co-ops have their own challenges such as the Management and Business Challenges: Lack of access to Market, to business premises, to business equipment and machineries, to market opportunities, to raw materials, to business transport, to quality/skilled employees, to land, to Seed capital, to government grant, to business advice and mentorship.</p> |
| <p><b>OPPORTUNITIES</b></p> <p>1. Existing business opportunities in the ten set aside products from the DTI:</p> <ul style="list-style-type: none"> <li>– advertising, media and communication;</li> <li>– interior and exterior cleaning services and cleaning product supplies;</li> </ul>  | <p><b>THREATS</b></p> <p>1. Side-lining Co-operatives People in the Municipality, including some officials, think that co-operative means a black social business or social assistance. This narrow view on co-operatives restricts and prevents many service providers to assist co-operatives.</p>  |



|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>– clothing and textiles;</li> <li>– computer equipment and consumable supplies;</li> <li>– interior and exterior furniture and décor;</li> <li>– events co-ordination and management;</li> <li>– maintenance, repair, construction and officespace;</li> <li>– travel co-ordination and shuttle services;</li> <li>– food, perishables and supplies; and</li> <li>– stationery supplies and printing.</li> </ul> <p>Opportunities exist for co-operatives to export to neighbouring cities such as Durban and Johannesburg.</p> <p>2. Opportunities exist for co-operatives to export to BRICS countries including:</p> <ul style="list-style-type: none"> <li>– Brazil</li> <li>– Russia</li> <li>– India and</li> <li>– China.</li> </ul> <p>3. Existence of the DTI co-operative incentive scheme (eligible for a maximum total grant of R300 000 with the minimum being R10 000).</p> <p>4. Existence of the DTI co-operative Micro-Loan Support Through Wholesaling (financial support at the lower end of the market of co-operatives ranging from R200 to R10 000)</p> | <p>2. Lack of an entrepreneurship culture and reluctance to enter into the business sphere</p> <p>3. Lack of innovation by business owners</p> <p>4. Red Tape and rumours of corruption</p> |
|--|---|

## 9. STRATEGIC FRAMEWORK

This strategy framework section follows the preceding situational analysis section that assessed the existing co-operatives' situation and trends of the Msunduzi Municipality. In the conclusion of the situational analysis section, a breakdown of the Msunduzi's co-operatives in terms of Strengths, Weaknesses, Opportunities and Threats (SWOT) was presented.

The current section deals with the formulation of a strategic framework and interventions that are necessary to turn around the current state of co-operatives in the Msunduzi Municipality. This will be achieved through the creation of a vision, principles and strategies which take into consideration the projects within the area as well as stakeholder linkages and project implementation.

The section starts by presenting the developed vision, principles and strategies that will be taken into consideration in the implementation of various suggested key interventions.

### 9.1. VISION

***By 2030 Msunduzi Municipality to have self-sustained co-operatives in variety of economic sectors that will generate income, create employments and grow the economy***

It should be noted that there is a need to develop a number of guiding principles that might guide the current strategy. Therefore, following principles are the key thrusts to be carried forward in this strategy.

### 9.2. POLICY PRINCIPLES

**Bottom up approach:** although one might argue that the government tries to uplift the lives of the previously disadvantaged individuals and groups through the mobilisation of people to start co-operatives, there is a need to understand that mobilising co-operative using the top down approach has produced a large number of premature co-operatives, not yet ready for the business. Co-operatives are poverty alleviation means that help the previously disadvantaged individuals to access the mainstream of the economy. Therefore, genuine co-operatives need to be self-driven and subject to certain preconditions for success.

**Set aside procurement:** Although it is accepted that co-operatives are businesses like any other, the Msunduzi Municipality through this strategy recognises that co-operative is a legal and form of business organisation used as a poverty alleviation mechanisms. For this reason, the Msunduzi Municipality needs to set aside a number of products that are specifically for co-operatives procurement.

**Determined timeframe for co-operative assistance:** government recognises the role played by co-operatives in job-creation, sustainable employment and improvement of the quality of life of their members and communities around them. Government's role is to support these initiatives ensuring that they are viable and sustainable. However, government support and assistance need to have a limited timeframe after which matured co-operatives are to be treated as other normal businesses.

**Harmonisation of support to co-operatives:** co-operatives are based in local communities and affected by the government programmes, policies, laws and regulations. Co-operatives keep people in their communities, encouraging them to mobilise resources they have within their communities. The integration of provincial and local co-operative development support is a crucial principle underlying the development of co-operatives. This is consistent with the decentralisation of government services and the important roles played by local authorities in the implementation of co-operatives programmes. In other words, provincial government and departments are required to reduce and limit their direct interferences with co-operatives; while encouraged to assist municipalities in the implementation of co-operatives programmes and activities.

**Good understanding of co-operatives by officials:** co-operative principles are the universally accepted guidelines by which co-operatives put their values into practice. This needs to be recognised by government by drawing the thin line between support and control. Extensive government interference may break the co-operative movement but government support can help create a strong co-operative movement in the area. Therefore, for an efficient co-operative movement development, municipal officials need to undergo a thorough training in the deep understanding of the functioning of co-operatives.

### 9.3. STRATEGIES

This sub-section provides details of the developed strategies, which will further be unpacked into projects/activities in the implementation plan. It should be indicated that strategies deal with the aspects or challenges faced by SMMEs in both urban and rural areas of the Municipality. Strategies developed include the following:

- A creation of a conducive policy and legal environment,
- Building of a supportive institutional system,
- Provision of capacity building and skills development for co-operatives,
- Provision of support services to co-operatives and addressing poverty.

#### 9.3.1 A creation of a conducive policy and legal environment

The Msunduzi Municipality has a constitutional mandate and role to play in creating a climate that is conducive for co-operatives to operate without being frustrated by any biased policy. It should be indicated that this conducive environment needs to have few or no legal barriers to market full participation for co-operatives in the Msunduzi's economy. Key actions here include the following:

- Facilitating people to form co-operatives,
- Legal registration of co-operatives,
- Registration of Co-operatives in the Central Database,
- Assisting in the establishment of the secondary co-operatives,
- Assisting in the establishment of the co-operative wholesales,

#### 9.3.2 Building of a supportive institutional system

Of most importance to indicate is that the current Msunduzi co-operative value chain provides a number of significant and needed services to co-operatives. However, there is a limited collaboration between the municipal officials who deal with the co-operatives. Therefore, the harmonisation and coordination of institutions and stakeholders that deal with co-operatives in the Msunduzi Municipality ought to be promoted in order to efficiently manage co-operative sector. Key activities here include the following:

- Facilitating the establishment of the co-operative development association,
- Training of officials on the functioning of co-operatives,
- Provision of the co-operative helpline,
- Rehabilitation of the underperforming co-operatives,
- The coordination of all co-operatives development activities.

### 9.3.3 Provision of capacity building and skills development for co-operatives

Certain co-operative members and stakeholders face a skills shortage in the Msunduzi Municipality; while others even associate co-operatives with charity organisations. This makes it difficult for both co-operative members and service providers to run and support co-operatives efficiently. Co-operatives as businesses, members have to apply all required business skills and to work intensely to sustain and survive in the business sphere. They have to realise that producing quality goods and services can lead to the products being in high demand in the market. In this way co-operatives will become financially stable. Key activities here include the following:

- Train co-operatives on the functioning of co-operative business
- Train co-operatives on SARS, VAT, UIF and CIPC compliance
- Train co-operatives on Business administration and management
- Train co-operatives on Financial management
- Train co-operatives on Human resources management
- Train co-operatives on Conflict resolution
- Train co-operatives on Quality control
- Train co-operatives on Customer care
- Train co-operatives on Technical and specific subjects/skills
- Train co-operatives on Tendering skills

### 9.3.4 Provision of support services to co-operatives and addressing poverty

Co-operatives in the Msunduzi Municipality face many challenges ranging from the lack of access to funding, lack of access to market opportunities, lack of access to information and skills development, lack of access to technical skills, lack of entrepreneurship skills, lack of managerial abilities, etc. to develop co-operative sector in the Municipality, these challenges will need to be addressed. Key activities here include the following:

To encourage co-ops to get involved in various sectors including the sectors such as: Green economies (Solar projects, Waste buy-back centre, Innovative waste management, Hydro-power research, Ethanol and oil from algae, Shisa solar and green building), Tourism sector (Event management, Catering, Accommodations, Cultural tourism), Transport sector, Construction sector, Manufacturing sector, Financial services, and Import and export trade.

- a) Assisting Co-operative to venture in export especially in BRICS countries and in Africa
- b) Assisting co-operatives to participate in special economic zones (SEZ),

- c) Facilitating access to finance,
- d) Provision of mentorship programme,
- e) Refer co-operatives to the Line Departments,
- f) Provision of available business equipment,
- g) Facilitating networking sessions for co-operatives,
- h) With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend on co-operatives on yearly basis.
- i) To lobby for the revision of the bottlenecks caused by the current supply chain management regulations in line with the principles of the radical economic transformation.
- j) Facilitate access for small businesses to the following ten set aside products from the DTI:
  - advertising, media and communication;
  - interior and exterior cleaning services and cleaning product supplies;
  - clothing and textiles;
  - computer equipment and consumable supplies;
  - interior and exterior furniture and décor;
  - events co-ordination and management;
  - maintenance, repair, construction and office space;
  - travel co-ordination and shuttle services;
  - food, perishables and supplies; and
  - stationery supplies and printing.

## 10. IMPLEMENTATION FRAMEWORK

This implementation section follows the preceding strategy formulation section that provided a strategic framework and interventions necessary to improve the current co-operative movements in the Msunduzi Municipality. The strategy formulation section developed a vision and principles taking into consideration the projects within the area; current co-operatives' and economic trends of the Municipality, stakeholder linkages and the municipality's project implementation capability. This section is made of the implementation plan, the financial guidelines and the monitoring and evaluation tools. Key projects that will be part of the implementation framework include the following:

**Table 16: Key Projects**

| Strategies  | Projects  |
|---|---|
| 1 A creation of a conducive policy and legal environment                  | <ul style="list-style-type: none"> <li>– Facilitating people to form co-operatives,</li> <li>– Legal registration of co-operatives,</li> <li>– Registration of Co-operatives in the Central Database,</li> <li>– Assisting in the establishment of the secondary co-operatives,</li> <li>– Assisting in the establishment of the co-operative wholesales,</li> <li>– Assisting in the establishment of the co-operatives in all sectors.</li> </ul>   |
| 2 Building of a supportive institutional system                           | <ul style="list-style-type: none"> <li>– Facilitating the establishment of the co-operative development association,</li> <li>– Training of officials on the functioning of co-operatives,</li> <li>– Provision of the co-operative helpline,</li> <li>– Rehabilitation of the underperforming co-operatives,</li> <li>– The coordination of all co-operatives development activities.</li> </ul>   |
| 3 Provision of capacity building and skills development for co-operatives | <ul style="list-style-type: none"> <li>– Train co-operatives on the functioning of co-operative business</li> <li>– Train co-operatives on SARS, VAT, UIF and CIPC compliance</li> <li>– Train co-operatives on Business administration and management</li> <li>– Train co-operatives on Financial management</li> <li>– Train co-operatives on Human resources management</li> <li>– Train co-operatives on Conflict resolution</li> <li>– Train co-operatives on Quality control</li> <li>– Train co-operatives on Customer care</li> <li>– Train co-operatives on Technical and specific subjects/skills</li> <li>– Train co-operatives on Tendering skills</li> </ul> |



|   |   |
|---|---|
|   |   |
| 4 Provision of support services to co-operatives and addressing poverty | <p>a) To encourage co-ops to get involved in various sectors: green economies, tourism sector, transport sector, construction sector, manufacturing sector, financial services, and import and export trade.</p> <p>b) Assisting Co-operative to venture in export especially in BRICS countries and in Africa</p> <p>c) Assisting co-operatives to participate in up-coming special economic zones (SEZ),</p> <p>d) Facilitating access to finance,</p> <p>e) Provision of mentorship programme,</p> <p>f) Refer co-operatives to the Line Departments,</p> <p>g) Provision of available business equipment,</p> <p>h) Facilitating networking sessions for co-operatives,</p> <p>i) With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend on co-operatives on yearly basis.`</p> <p>j) To lobby for the revision of the bottlenecks caused by the current supply chain management regulations in line with the principles of the radical economic transformation.</p> <p>k) Facilitate access for small businesses to the following ten setaside products from the DTI:</p> <ul style="list-style-type: none"> <li>• advertising, media and communication;</li> <li>• interior and exterior cleaning services and cleaning product supplies;</li> <li>• clothing and textiles;</li> <li>• computer equipment and consumable supplies;</li> <li>• interior and exterior furniture and décor;</li> <li>• events co-ordination and management;</li> <li>• maintenance, repair, construction and office space;</li> <li>• travel co-ordination and shuttle services;</li> <li>• food, perishables and supplies; and</li> <li>• stationery supplies and printing.</li> </ul> |

## 10.1. IMPLEMENTATION PLAN

The Project Implementation Plan provides a time-based perspective of the projects and activities relating to the co-operative sector proposed for implementation. The following table displays the project number, the project / activity name, and the proposed start and end date. The GANTT chart starts from 2025 as a number of projects should be initiated immediately and then the five years is broken down into blocks of six months.

It should be noted that:

- Where activities did not have a defined end date the end of the five-year term was used as the end date, i.e. 30 December 2029;
- Where a project will be undertaken within a specific six-month period and have a shorter timeframe (i.e. two months) the full six-month block was filled up; and
- A large number of projects start out in the early parts of the five-year term and the potential for achieving this should be reconsidered based on resources, including human capacity and funds, in Msunduzi Municipality.

**Table 17: The Project Implementation Plan**

|    | Projects/Activities   | 2025 |  | 2026 |  | 2027 |  | 2028 |  | 2029 |  |
|----|---|------|--|------|--|------|--|------|--|------|--|
| 1  | Facilitating people to form co-operatives,                                  |      |  |      |  |      |  |      |  |      |  |
| 2  | Legal registration of co-operatives,  |      |  |      |  |      |  |      |  |      |  |
| 3  | Registration of Co-operatives in the Central Database,                      |      |  |      |  |      |  |      |  |      |  |
| 4  | Assisting in the establishment of the secondary co-operatives,              |      |  |      |  |      |  |      |  |      |  |
| 5  | Assisting in the establishment of the co-operative wholesales,              |      |  |      |  |      |  |      |  |      |  |
| 6  | Facilitating the establishment of the co-operative development association, |      |  |      |  |      |  |      |  |      |  |
| 7  | Training of officials on the functioning of co-operatives,                  |      |  |      |  |      |  |      |  |      |  |
| 8  | Provision of the co-operative helpline,                                     |      |  |      |  |      |  |      |  |      |  |
| 9  | Rehabilitation of the underperforming co-operatives,                        |      |  |      |  |      |  |      |  |      |  |
| 10 | The coordination of all co-operatives development activities.               |      |  |      |  |      |  |      |  |      |  |
| 11 | Train co-operatives on the functioning of co-operative business             |      |  |      |  |      |  |      |  |      |  |
| 12 | Train co-operatives on SARS, VAT, UIF and CIPC compliance                   |      |  |      |  |      |  |      |  |      |  |
| 13 | Train co-operatives on Business administration and management               |      |  |      |  |      |  |      |  |      |  |
| 14 | Train co-operatives on Financial management                                 |      |  |      |  |      |  |      |  |      |  |
| 15 | Train co-operatives on Human resources management                           |      |  |      |  |      |  |      |  |      |  |
| 16 | Train co-operatives on Conflict resolution                                  |      |  |      |  |      |  |      |  |      |  |
| 17 | Train co-operatives on Quality control                                      |      |  |      |  |      |  |      |  |      |  |
| 18 | Train co-operatives on Customer care  |      |  |      |  |      |  |      |  |      |  |

| No | Projects/Activities  | 2024 |  | 2025 |  | 2026 |  | 2027 |  | 2028 |  |
|----|--|------|--|------|--|------|--|------|--|------|--|
| 19 | Train co-operatives on Technical and specific subjects/skills  |      |  |      |  |      |  |      |  |      |  |
| 20 | Train co-operatives on Tendering skills  |      |  |      |  |      |  |      |  |      |  |
| 21 | To encourage co-ops to get involved in various sectors: green economies, tourism sector, transport sector, construction sector, manufacturing sector, financial services, and import and export trade. |      |  |      |  |      |  |      |  |      |  |
| 22 | Assisting Co-operative to venture in export especially in BRICS countries and in Africa  |      |  |      |  |      |  |      |  |      |  |
| 23 | Assisting co-operatives to participate in special economic zones (SEZ),  |      |  |      |  |      |  |      |  |      |  |
| 24 | Facilitating access to finance,  |      |  |      |  |      |  |      |  |      |  |
| 25 | Provision of mentorship programme,   |      |  |      |  |      |  |      |  |      |  |
| 26 | Refer co-operatives to the Line Departments,   |      |  |      |  |      |  |      |  |      |  |
| 27 | Provision of available business equipment,   |      |  |      |  |      |  |      |  |      |  |
| 28 | Facilitating networking sessions for co-operatives,  |      |  |      |  |      |  |      |  |      |  |
| 29 | With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend on co-ops on yearly basis  |      |  |      |  |      |  |      |  |      |  |
| 30 | Facilitate access for small businesses to the ten set aside products from the DTI:   |      |  |      |  |      |  |      |  |      |  |
| 31 | To lobby for the revision of the bottlenecks caused by the current supply chain management regulations in line with the principles of radical economic transformation                                  |      |  |      |  |      |  |      |  |      |  |
| 32 | Formulation of co-operative committees   |      |  |      |  |      |  |      |  |      |  |
| 33 | redefine alignment with municipal department, sector departments and agencies  |      |  |      |  |      |  |      |  |      |  |

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|    |  |  |  |  |  |  |  |  |  |  |  |
|----|--|--|--|--|--|--|--|--|--|--|--|
| 34 | Audit to identify active and non-active co-operatives  |  |  |  |  |  |  |  |  |  |  |
| 35 | Skills audits  |  |  |  |  |  |  |  |  |  |  |
| 36 | Online and physical platform where cooperatives can submit challenges and access information         |  |  |  |  |  |  |  |  |  |  |
| 37 | Identification and the release of strategic land.  |  |  |  |  |  |  |  |  |  |  |
| 38 | Provision of funding for tools of trade.   |  |  |  |  |  |  |  |  |  |  |
| 39 | Facilitation of co-operatives in rural area and the formulation of partnershion with trabal leaders. |  |  |  |  |  |  |  |  |  |  |

## **10.2. FINANCIAL PLAN**

The Financial Plan reflected in the following table provides an overview of capital and operational budget requirements per institution or service provider over a certain period. The budgets indicated in the table are indicative only. Detail cost estimates can only be made once feasibility studies for the actions have been undertaken that includes the conceptualisation of the designsof the facilities and actions.

**Table 18: The Project Financial Plan**

| No | Description / Type of facility  | Nature of the project | Motivation cost   | Annual cost  |
|----|---|-----------------------|---|--|
| 1  | Facilitating people to form co-operatives,                                  | Institutional Project | R0. This will be part of day-to-day functions of Msunduzi Business Unit | R0   |
| 2  | Legal registration of co-operatives,  | Facilitation Project  | R 2500 per each unregistered co-op                                      | Depending on the number of co-ops to be registered           |
| 3  | Registration of Co-operatives in the Central Database,                      | Institutional Project | R0. This will be part of day-to-day functions of Msunduzi Business Unit | R0   |
| 4  | Assisting in the establishment of these secondary co-operatives,            | Facilitation Project  | R 2500 per each unregistered co-op                                      | Depending on the number of secondary co-ops to be registered |
| 5  | Assisting in the establishment of the co-operative wholesales,              | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit | R0   |
| 6  | Facilitating the establishment of the co-operative development association, | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit | R0   |
| 7  | Training of officials on the functioning of co-operatives,                  | Capital project       | R3 000 per course   | Depending on the number of staff in the business unit        |
| 8  | Provision of the co-operative helpline,                                     | Capital project       | R2000 for installation.   | R0   |
| 9  | Rehabilitation of the underperforming co-operatives,                        | Regulatory Project    | R250 000 to develop the programme                                       | R0   |
| 10 | The coordination of all co-operatives development activities.               | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit | R0   |

| No | Description / Type of facility                                  | Nature of the project | Motivation cost   | Annual cost                                     |
|----|---|-----------------------|-------------------|---|
| 11 | Train co-operatives on the functioning of co-operative business | Capital Project       | R3 000 per course | Depending on the number of co-ops to be trained |
| 12 | Train co-operatives on SARS, VAT, UIF and CIPC compliance       | Facilitation Project  | R3 000 per course | Depending on the number of co-ops to be trained |
| 13 | Train co-operatives on Business administration and management   | Facilitation Project  | R3 000 per course | Depending on the number of co-ops to be trained |
| 14 | Train co-operatives on Financial management                     | Capital Project       | R3 000 per course | Depending on the number of co-ops to be trained |
| 15 | Train co-operatives on Human resources management               | Capital Project       | R3 000 per course | Depending on the number of co-ops to be trained |
| 16 | Train co-operatives on Conflict resolution                      | Capital Project       | R3 000 per course | Depending on the number of co-ops to be trained |
| 17 | Train co-operatives on Quality control                          | Capital Project       | R3 000 per course | Depending on the number of co-ops to be trained |
| 18 | Train co-operatives on Customer care                            | Capital Project       | R3 000 per course | Depending on the number of co-ops to be trained |
| 19 | Train co-operatives on Technical and specific subjects/skills   | Capital Project       | R3 000 per course | Depending on the number of co-ops to be trained |
| 20 | Train co-operatives on Tendering skills                         | Capital Project       | R3 000 per course | Depending on the number of co-ops to be trained |



| No | Description / Type of facility   | Nature of the project | Motivation cost   | Annual cost                                 |
|----|--|-----------------------|---|---|
| 21 | To encourage co-ops to get involved in various sectors: green economies, tourism sector, transport sector, construction sector, manufacturing sector, financial services, and import and export trade. | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit         | R0  |
| 22 | Assisting Co-operative to venture in export especially in BRICS countries and in Africa  | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit         | R0  |
| 23 | Assisting co-operatives to participate in special economic zones (SEZ),  | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit         | R0  |
| 24 | Facilitating access to finance,  | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit         | R0  |
| 25 | Provision of mentorship programme including site including business inspections,   | Capital Project       | R 150 000 to develop the programme<br>R 100 000/ Mentor coaching up to 20 SMMEs | R150 000 per mentor coaching up to 20 SMMEs |
| 26 | Refer co-operatives to the Line Departments,   | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit         | R0  |
| 27 | Provision of available business equipment,   | Capital Project       | TBD   | TBD   |
| 28 | Facilitating networking sessions for co-operatives,  | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit         | R0  |

| No | Description / Type of facility  | Nature of the project | Motivation cost  | Annual cost |
|----|---|-----------------------|--|-------------|
| 29 | With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend onco-operative businesses on yearly basis,                  | Facilitation Project  | R 250 000  | R 250 000   |
| 30 | Facilitate access to the ten set aside products from the DTI  | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit  | R 0         |
| 31 | To lobby for the revision of the bottlenecks caused by the current supply chain management regulations; this in line withthe principle of the radical economic transformation | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit  | R 0         |
| 32 | Formulation of co-operative committes   | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit. | R 0         |
| 33 | redefine alignment with municipal department, sector departments and agencies   | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit. | R 0         |
| 34 | Audit to identify active and non-active co-operatives   | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit. | R 0         |
| 35 | Skills audits   | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business Unit. | R 0         |
| 36 | Online and physical platform where cooperatives can submit challenges and   | Facilitation Project  | R0. This will be part of day-to-day functions of Msunduzi Business       | R 0         |

|    |   |                      |  |     |
|----|---|----------------------|--|-----|
|    | access information  |                      | Unit.  |     |
| 37 | Identification and the release of strategic land.   | Facilitation Project | R0. This will be part of day-to-day functions of Msunduzi Business Unit. | R 0 |
| 38 | Provision of funding for tools of trade.  | Capital Project      | TBD  | TBD |
| 39 | Facilitation of co-operatives in rural area and the formulation of partnership with trabal leaders. | Capital Project      | TBD  | TBD |

### 10.3. MONITORING AND EVALUATION TOOLS AND MECHANISMS

The monitoring and evaluation (M&E) process is always seen as an essential component used in the process of developing and implementing local economic projects in general and co-operatives ones in particular. It is aimed at improving the effectiveness, efficiency and impact of programmes and projects. Without proper examination of the work undertaken, programmes initiated and projects funded, there can be no understanding of what is being successfully implemented, hence the important role that monitoring and evaluation plays in effectively undertaking and implementing co-operatives projects and related processes.

The main objectives of the monitoring and evaluation mechanisms are to:

- a) Ensure that the correct milestones, as planned, are being achieved;
- b) Act as an early warning system in cases where targets are unlikely to be achieved;
- c) Provide regular information to all stakeholders on progress of the projects and an informed basis for any reviews;
- d) Ensure the continuous sharpening and focusing of strategies and assist in the mobilisation of appropriate interventions.

It should be noted that monitoring and evaluation of the projects is continuous implementation review function to provide the main stakeholders with early indications of progress or lack thereof in the achievement of objectives and outputs. The monitoring team (that will be the Municipal Business Unit members or any established group for such a task) should make use of the following project specific tools and indicators presented in the following table.

**Table 19: Projects Monitoring and Evaluation**

| Strategic Programmes                                      | Projects   | Key Performance indicators                            | Means of verification   |
|---|--|---|---|
| 1. A creation of a conducive policy and legal environment | Facilitating people to form co-operatives                                  | Facilitation workshops                                | Attendance register,<br>Minutes of the meetings,<br>List of potential co-operatives |
|   | Legal registration of co-operatives  | Co-ops legally registered                             | List of registered co-ops with CK numbers   |
|   | Registration of Co-operatives in the Central Database                      | Co-ops registered on the Central Database             | Registration number for all registered co-ops                                       |
|   | Assisting in the establishment of the secondary co-operatives              | Secondary co-ops established                          | Registration certificates of the secondary co-ops                                   |
|   | Assisting in the establishment of the co-operative wholesales              | co-operative wholesales established                   | Physical address and ERF for the wholesalers  |
| 2. Building of a supportive institutional system          | Facilitating the establishment of the co-operative development association | co-operative association established                  | Attendance registers, Minutes, MOU signed   |
|   | Training of officials on the functioning of co-operatives                  | officials trained on the functioning of co-operatives | Attendance registers, certificate of attendance                                     |
|   | Provision of the co-operative helpline                                     | co-operative helpline provided                        | Number of calls made, received, etc   |
|   | Rehabilitation of the underperforming co-operatives,                       | underperforming co-operatives rehabilitated           | Rehabilitation programme document, list of rehabilitated co-ops                     |

| Strategic Programmes   | Projects  | Key Performance indicators  | Means of verification                           |
|--|---|---|---|
|  | The coordination of all co-operatives development activities.   | co-operatives activities coordinated                              | Coordination programme report                   |
| 3. Provision of capacity building and skills development for co-operatives | Train co-operatives on the functioning of co-operative business | co-operatives trained on the functioning of co-operative business | Attendance registers, certificate of attendance |
|  | Train co-operatives on SARS, VAT, UIF and CIPC compliance       | co-operatives trained on SARS, VAT, UIF and CIPC compliance       | Attendance registers, certificate of attendance |
|  | Train co-operatives on Business administration and management   | co-operatives trained on Business administration and management   | Attendance registers, certificate of attendance |
|  | Train co-operatives on Financial management                     | co-operatives train on Financial management                       | Attendance registers, certificate of attendance |
|  | Train co-operatives on Human resources management               | co-operatives trained on Human resources management               | Attendance registers, certificate of attendance |
|  | Train co-operatives on Conflict resolution                      | co-operatives trained on Conflict resolution                      | Attendance registers, certificate of attendance |
|  | Train co-operatives on Quality control                          | co-operatives trained on Quality control                          | Attendance registers, certificate of attendance |
|  | Train co-operatives on Customer care                            | co-operatives trained on Customer care                            | Attendance registers, certificate of attendance |

| Strategic Programmes   | Projects   | Key Performance indicators                                      | Means of verification  |
|--|--|---|--|
|  | Train co-operatives on Technical and specific subjects/skills  | co-operatives trained on Technical and specific subjects/skills | Attendance registers, certificate of attendance  |
|  | Train co-operatives on Tendering skills  | co-operatives trained on Tendering skills                       | Attendance registers, certificate of attendance  |
| 4. Provision of support services to co-operatives and addressing poverty | To encourage co-ops to get involved in various sectors: green economies, tourism sector, transport sector, construction sector, manufacturing sector, financial services, and import and export trade. | To co-ops encouraged to get involved in various sectors         | Attendance register, Minutes of the meetings, List of potential co-operatives involved in green economies, tourism sector, transport sector, construction sector, manufacturing sector, financial services, and import and export trade. |
|  | Assisting Co-operative to venture in export especially in BRICS countries and in Africa  | Co-operative assisted to export to BRICS and Africa             | Attendance register, Minutes of the meetings, List of potential co-operatives exporting to BRICS and Africa  |
|  | Assisting co-operatives to participate in special economic zones (SEZ),  | Co-operative assisted participate in SEZ                        | List of co-operatives involved in SEZ  |
|  | Facilitating access to finance,  | List of all available fund developed,                           | Minutes of the facilitation and support meetings,  |

| Strategic Programmes | Projects  | Key Performance indicators                                      | Means of verification  |
|----------------------|---|---|--|
|                      |   | List of co-operatives in need of fund developed                 | Approved application forms; Funds database document                  |
|                      | Provision of mentorship programme   | Mentorship programme developed; Co-ops provided with mentorship | Mentorship programme document ;List of mentors                       |
|                      | Refer co-operatives to the Line Departments   | co-operatives referred to the Line Departments,                 | Reference letters, SLA with line departments                         |
|                      | Provision of available business equipment   | Co-ops provided with required and available equipment;          | Quotations for equipment provided                                    |
|                      | Facilitating networking sessions for co-operatives  | Co-operative networking sessions facilitated                    | Attendance register, Networking programme                            |
|                      | With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend on co-ops on yearly basis | Audit undertaken  | Audit Report   |
|                      | Facilitate access for small businesses to the ten set aside products from the DTI:  | Co-operatives accessing set aside products                      | Invoices, SLA, etc.  |
|                      | To lobby for the revision of the bottlenecks caused by the current supply chain   | Lobbying process developed                                      | Workshops and meetings organised; attendance registers, agenda, etc. |



| Strategic Programmes | Projects  | Key Performance indicators   | Means of verification                                    |
|----------------------|---|--|--|
|                      | management regulations in line with the principles of radical economic transformation               |  |  |
|                      | Formulation of co-operative committes   | Co-operativces committees formed.  | Co-operativces committee documments;<br>List of members. |
|                      | Redefine alignment with municipal department, sector departments and agencies                       | Alignment with municipal department, sector departments and agencies formed. |  |
|                      | Audit to identify active and non-active co-operatives   | Audit undertaken.  | Audit Report   |
|                      | Skills audits   | Audit undertaken.  | Audit Report   |
|                      | Online and physical platform where cooperatives can submit challenges and access information        | Sytem created  | Sytem created  |
|                      | Identification and the release of strategic land.   | Land identified to be released.  | Land allocation  |
|                      | Provision of funding for tools of trade.  | Funding obtained.  | List of funded co-operatives                             |
|                      | Facilitation of co-operatives in rural area and the formulation of partnership with trabal leaders. | Co-operatives formed   | List of co-operatives formed                             |

## 11. ANNEXURE

### 3.2. MSUNDUZI MUNICIPALITY – CO-OPERATIVEERATIVES QUESTIONNAIRE 2017

Good day I am.....from Urban-Econ Development Economic consultants. We are conducting a research study on behalf of Msunduzi Local Municipality investigating the problems and development opportunities pertaining to co-operatives. Would you please beso kind to answer the following questions for me. This should only take 5 minutes to complete.The information will be kept confidential and will not be made available to any outside personor organization.

|                             |                  |  |
|-----------------------------|------------------|--|
| Name of interviewer         |                  |  |
| Date of interview           |                  |  |
| Name of co-operativeerative |                  |  |
| Name of Interviewee         |                  |  |
| Business contact details    | Tel /Cell        |  |
|                             | Email            |  |
|                             | No of Members    |  |
|                             | Physical Address |  |

1. How long has your co-operative been operating for?

|               |   |
|---------------|---|
| < 1 year      | 1 |
| 1 to 3 years  | 2 |
| 4 to 6 years  | 3 |
| 7 to 10 years | 4 |
| > 10 years    | 5 |

2. What work/service is your co-operative doing (to be filled by the Interviewer)?

| Sectors                                       | Specification |
|---|---------------|
| Agriculture                                   |               |
| Tourism                                       |               |
| Construction                                  |               |
| Business trade                                |               |
| Transport and communication                   |               |
| ICT   |               |
| Manufacturing                                 |               |
| Mining  |               |
| Catering and Accommodation                    |               |
| Finance and business services                 |               |
| Community, social and other personal services |               |

## Msunduzi SMME Strategy Report

3. What is the general level of education in your co-operative?

| Education         |   |                     |   |
|-------------------|---|---------------------|---|
| No Schooling      | 1 | Secondary Education | 3 |
| Primary Education | 2 | Tertiary Education  | 4 |

4. Where does your co-operative get most of its contracts/markets from?

| Clients               | Specific Department |
|-----------------------|---------------------|
| National government   |                     |
| Provincial government |                     |
| Municipality          |                     |
| Private Sector        |                     |
| Others                |                     |

| 5. Does your co-operative understand the tender process? |    | 6. Does your co-operative needs a training on how the government tenders work? |    |
|--|----|--|----|
| Yes  | No | Yes  | No |
|  |    |  |    |

5. Over the past twelve months, what has been your co-operative general/average Growth?

|                |   |
|----------------|---|
| Expanding?     | 1 |
| Stay the same? | 2 |
| Declining?     | 3 |

6. What challenges stop you from expanding your co-operative?

|   |  |
|---|--|
| 1 |  |
| 2 |  |
| 3 |  |
| 4 |  |

7. Finally, what suggestion can you make for the municipality to improve its co-operative development programme?

|   |  |
|---|--|
| 1 |  |
| 2 |  |
| 3 |  |
| 4 |  |

**THANK YOU FOR YOUR PARTICIPATION**

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