CHAPTER ONE

INTRODUCTION AND GENERAL ORIENTATION

1.1 INTRODUCTION AND BACKGROUND OF THE STUDY

The post-apartheid South African government is grappling with challenges aimed towards economic redistribution, poverty alleviation and the improvement of the quality of life for the citizens. These challenges are being addressed with economic emancipation polices which include the utilisation of cooperatives as a Local Economic Development (LED) initiative for fighting poverty and unemployment. South Africa is experiencing a rapid growth in the development of cooperatives. For example, statistics show that in 1994 South Africa had about 1400 cooperatives. The majority of these cooperatives were mainly white agricultural cooperatives which contributed to the national Gross Domestic Product. In fact these agricultural cooperatives played a crucial role in modernising agriculture. South Africa today boasts over nineteen thousand formally registered cooperatives. The statistics available from the national Registrar of cooperatives show a rapid increase in the number of formally registered cooperatives between 2005-2006 immediately after the new Cooperatives Act (No.14 of 2005) came into being. The major growth of cooperatives has taken place in the rural parts of South Africa. The highest density of rural cooperatives is concentrated in the province of Kwazulu- Natal.
The Amathole District Municipality (ADM) is in the Eastern Cape Province and is a home to about 1.7 million people. This district has seven local municipalities and has a vibrant and thriving urban economy mainly concentrated in Buffalo City Municipality (East London, King Williams Town, Mdantsane and Bhisho). A core economic sector of the Amathole District economy includes manufacturing which made up of automotive, textile, pharmaceutical, electronics and food-processing industries. The automotive industry has strong linkages into activities such as component parts, industrial textiles and leathering tanning. Employment in Amathole is concentrated in East London which accounts for (72%) percent of the district’s formal employment and about (42%) percent of the district population. Outside of this urban based economy are many small towns and villages managed through the other seven municipalities; Amahlathi Municipality (Carthcart, Stutterheim and Kei Road; Great Kei (Komga, Kei Mouth, Hagga-Hagga, Morgan’s Bay and Chintsa), Mbhashe (Dutywa, Willowvale, Elliotdale), Mquma (Butterworth, Nqamakwe, Centane), Ngqushwa (Peddie, Hamburg), Nkonkobe (Seymour, Fort Beaufort, Alice, Middledrift), and Nxuba (Bedford, Adelaide).

The Eastern Cape Province is rated as one of the poorest in South Africa. The Amathole District includes the large parts of the former Ciskei and Transkei, homeland areas which means the district has large gaps poverty and unemployment within its borders. These few former homelands falling under Amathole District Municipality had a narrow or no development, taking place over a number of years. This has translated
ADM experiencing high levels of poverty across the district (IDP review, 2009-2010). According to Census report (2001) ADM is having a population which is mostly rural and living in low social economic conditions with high levels of poverty, illiteracy and unemployment rates. Those in employment earn incomes which are low and the majority of the jobs are in the low pay and low semi-skilled sectors (CoGTA, 2012).

These high levels of poverty and unemployment have led to high dependency of households on aid and social grants. Very little or no disposable income amongst the residents of ADM coupled with increased levels of poverty and unemployment has resulted in a lack of access to basic services for households. Hence it is from this background that poverty establishes itself in various forms and dimensions in the communities. However, what is very common to all poor communities is the fact that they have limited opportunities for economic development and have thus become trapped in a poverty circle (Tickamyer, 1990: 25). Hence, poverty is seen as a multi-faceted phenomenon and everyone’s view and experience of poverty is a little different, based on the type of poverty that overcomes in that locality.

Cooperatives play an increasing and significant role in helping people to find solutions on how to move out of poverty by tapping their own resources, knowledge and strengths. Cooperatives contribute in developing the local economies where the poor live through their unique and strong linkages with the community (South African LED Network, 2012). Moreover, cooperatives enable poor people to have their voices
heard in addition to improving their daily working and living conditions. Because cooperatives are democratic organisations and owned by those who use their services, cooperatives are an ideal instrument to empower the poor. Cooperatives are participatory, responsive to local needs and able to mobilise communities and help particularly the vulnerable groups within the communities.

The national and provincial governments promote cooperatives as a type of business entity and a means to get informal economic sector involved in and benefitting from the formal economy. The South African LED Network (2012) states that, the focus in Local Economic Development (LED) is to develop cooperatives that aggregate buying power and generate opportunities for collective marketing.

1.2 MOTIVATION OF THE STUDY

Acknowledging the fact that there are high rates of unemployment, poverty and lack of basic and supplementary income for most residents in the Amathole District Municipality, the researcher decided to undertake this study entitled, “Assessing the role of Cooperatives in Poverty Alleviation in Amathole District Municipality” to address the challenges highlighted above. Cooperatives can be seen as means through which jobs can be created, poverty can be eradicated and economic development can be promoted. The study is quite feasible since there are high prospects of improving economic development through cooperatives. The researcher hopes that the recommendations and findings of the study will help the responsible and respective
beneficiaries to fully utilise cooperatives towards economic development and above all, improving the lives of citizens.

1.3 STATEMENT OF THE PROBLEM

Most people residing within the areas of Amathole District Municipality are vulnerable to poverty due to high level of unemployment in their societies. This high level of poverty among the Amathole District Municipality’s communities arises as a result of low levels of education, lack of technical skills, lack of market opportunities, prevalence of diseases, lack of Small Micro-Medium Enterprises (SMMEs), lack of funding, lack of access to infrastructure as well as economic and social vulnerability. The need for improved social welfare and access to better infrastructure, which is regarded as a basis of addressing poverty, has led the introduction of cooperatives in the communities by the Department of Trade and Industry (DTI). This has been done to create jobs and minimise poverty. Moreover, beside income these communities are not equipped with educational training on how to operate cooperatives. It is in this regard that the study therefore, seeks to assess the role of Cooperatives in Poverty Alleviation in the Amathole District Municipality.

1.4 RESEARCH QUESTIONS

- Does the Amathole District Municipality have cooperatives in place?
- What are the obstacles inhibiting the growth and development of cooperatives in Amathole District Municipality?
What can be done in the management of cooperatives in order for them to play a pivotal role in Poverty Alleviation?

1.5 OBJECTIVES OF THE STUDY

The objectives of the study are to:

- Establish if there are cooperatives existing and operating in the Amathole District Municipality in the Eastern Cape Province.
- Explore the obstacles hampering the development of cooperatives in Amathole District Municipality.
- Recommend mechanisms and ways through which cooperatives can be utilised as a tool for poverty alleviation.

1.6 SIGNIFICANCE OF THE STUDY

Cooperatives play an important role in promoting job creation and boasting the local economy. The municipality should make a good start to sustainable local economic development. Municipalities should play the leading role in ensuring that there is sustainable economic advancement and development in their areas of jurisdiction. In essence a municipal entity is responsible for improving local economies by the creation of employment, income redistribution and socio-economic development, hence alleviating poverty in the process.
This study is important ability to assess the role played by cooperatives in poverty alleviation in the Amathole District Municipality. It is anticipated that the findings of the research will assist the government, the members of cooperatives, officials, Non-Governmental Organisations, and citizens. The recommendations will ensure the various stakeholders in policy-making consider rethinking policy making and in relation to the utilisation of cooperatives for poverty alleviation. Citizens will benefit on reduced poverty levels and employment creation. The government will get some advice from the findings of the study which should be used to change around poverty alleviation strategies, cooperative development, and policy making in general.

The cooperatives themselves will also benefit from the study, they will survive and grow in expanding on how on to handle finances, manage business and expand in scope thereby benefiting more poor residents and citizens. The study encourages Local Economic Development and the implementation of developmental policies which could be used as strategic frameworks designed to serve as a guide in all departments, thereby leading to sustainable development and effective service delivery. The study will also assist management officials and Non-governmental organisations in ADM to identify and rectify weaknesses in promoting cooperatives development strategy. It is, finally, hoped that the study may provide a springboard for other researchers interested in forming a cooperative to explore further the body of knowledge arising from this study.
1.7 DELIMITATION OF THE STUDY

The purpose of establishing a study is to make more convenient and dedicated. Due to logistical constraints when visiting the cooperatives within the Amathole District Municipality (ADM) in the Eastern Cape, the study was delimitated to the ADM. The focus was on cooperatives as one of the tools that can be used to alleviate poverty.

1.8 LIMITATIONS OF THE STUDY

Limitations are factors that influence the conclusions and deductions and generalisations in a study. Firstly, there was a limitation of time since the researcher conducted the data collection over the period of five months although the entire study took two years. The deductions in the study were based on the views of the respondents which could be influenced by the researcher. Although the research had limitations as highlighted in this section, this did not affect the validity and reliability of the findings.

1.9 PRELIMINARY FRAMEWORK OF THE STUDY

Chapter one provides an introduction to the study and background to the study. It also provides the problem statement, research questions, objectives, significance of the study, and delimitations of the study and definitions of key terminology that was used in the study.
Chapter two provides conceptual and theoretical framework for cooperatives in the Amathole District Municipality. The relevant cooperatives legislative framework was discussed.

Chapter three outlines the research design and methodology, which covers the procedures of how the study was conducted and the methods that were used to gather information from the participants. It concludes by clarifying the data analysis techniques.

Chapter four deals with data presentation, analysis and interpretation and provides criteria for the analysis and the actual analysis.

Chapter five is the final chapter in which conclusions and recommendations are drawn by the researcher.
1.10 CONCLUSION

This chapter has briefly outlined the introduction, the background of the study and has presented the significance for undertaking the study. The objectives, purpose, problem statement and the research questions have been described. The need for improved social welfare and access to better infrastructure was identified as the major cause of poverty. Hence, the study sought to assess the role of cooperatives in poverty alleviation in the Eastern Cape the case of Amathole District Municipality. The following chapter provides a detailed literature review.
CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The previous chapter introduced the study, the background and the context, the research problem, research objectives, research questions, significance of the study to assess the role of cooperatives in Amathole District Municipality, its extent and also the effect that cooperatives has in the Amathole District Municipality. Chapter one concluded by delimiting the study and defining the key concepts and terms within the context of the study. The current chapter will review literature related to cooperatives and poverty eradication.

This case study on cooperatives is set in a rural South African context. In investigating whether the cooperatives have contributed to the positive change in the socio-economic conditions of the local people, one will need to look at the various approaches poverty alleviation. The literature review looked at how cooperatives were led and managed in different countries. Other important matters that were reviewed include the role of government and the relevant legislation or policy related to cooperatives, problems facing cooperatives and also some success stories.
Aitchson (1998: 58) defines literature review as a systematic search of published work to find out what is already known about the intended research topic and its purpose is to establish the need for the research. It also serves the purpose of familiarising the researcher with the latest developments in the area of study. Literature review is a body of text that aims at the critical points of the current knowledge and or methodological approaches (wikipedia.org).

2.2 POVERTY IN SOUTH AFRICA

Poverty eradication has always been one of the focal points of the South African government since the advent of democracy in 1994 and still remains one of the top priorities of the present government. According to the survey by the South African Regional Poverty Network (2012) approximately (57%) percent of the South African population live below the poverty income level. To address the scourge of poverty across the country, the government initiated the drafting of the Compressive Anti-Poverty Strategy in July 2007 and in June 2008 established the war on Poverty (WoP) National War Room (Unit) in the Presidency under the leadership of the Deputy President.

According to the (DRDLR, Strategic Plan 2011: 15); “The improvement of lives of rural communities remains high on government’s agenda, it is therefore befitting that our government has placed much needed emphasis on job creation”. The New Growth Path provides strategies for job creation, and as such, the department of rural
development and land reform will contribute by ensuring that job creation strategies and programmes are developed with particular bias towards rural areas. The plan seeks to create 500,000 jobs must be created in the rural sector over the next ten years. Land is a catalyst for poverty alleviation, job creation, food security and entrepreneurship. The department has therefore taken a conscious decision to recapitalize all distressed land reform projects and to provide support for emerging farmers and rural communities.

“It is envisaged that this intervention will ensure production discipline, as well as contribute to job creation and national food security”. The department has adopted a developmental approach to the settlement of restitution claims, in line with the principles of CRDP. The department of rural development and land reform is currently developing two separate Green Papers, one on rural development and the other on land reform agrarian transformation. These will respectively, articulate and elaborate on how South Africa will achieve effective rural change and equitable access to, and sustainable utilization of land” (DRDLR, Strategic Plan 2011-2014: 19).

The Eastern Cape Provincial Government (ECPG) has embarked on an ambitious initiative to encourage and develop as an alternative form of enterprise and social organisation that will gradually grow to become a significant component of the province’s political economy”. This is consistent with the broader national designs of an equitable economic development envisioned in a number of policies and programmes,
inclusive of the Cooperatives Act (No. 14 of 2005), related legislation and regulations, the national cooperatives development programme led by the Department of Trade and Industry (DTI), as well as the Accelerated Shared Growth Initiative of South Africa (Asgisa) (Eastern Cape Cooperative Baseline Study, 2011: 6).

The RDS has been developed to give effect to a national and provincial political mandate as well as Provincial Growth and Development Plan (PGDP) and the Medium Term Expenditure Framework (MTEF) for 2009-2014 for the Eastern Cape Province. The strategy is the main thrust of one of the pillars of the PGDP, the Agrarian Transformation and Rural Development Pillar (MTEF, 2009:12). The RDS seeks to align and effectively coordinate all policy interventions in order to ensure that the strategy draws from, and is aligned with all major policy frameworks from across all spheres of government, including such frameworks as the Provincial Strategic Framework (PSF) the national Medium Term Strategic Framework, the Provincial Growth and Development Plan, the War on Poverty, Comprehensive Rural Development Programme, Local and Regional Economic Development Strategy, Industrial Strategy Municipal Integrated Development Plans (IDPs), as well as the Expanded Public Works Programme (EPWP). It is envisaged that cooperatives play a significant role in the implementation of the Rural Development Strategy (RDS). While there are many in the province, the majority of cooperatives provide only subsistence for their members. The strategy emphasizes cooperation both at the level of production, but most importantly at the level of distribution (RDS 2008:9). The white
paper on local government (1998) defines developmental local government as local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.

2.3 Definition of terms

2.3.1 Cooperative

A cooperative is an autonomous association of persons united voluntarily to meet their economic, social and cultural needs and aspiration through a jointly owned and democratically owned enterprise. According to Kanyane (2009:1125), the word cooperation is derived from the Latin word *co-operari*, meaning to work together. A cooperative can therefore generally be described as an organisation which is formed and exploited by and on behalf of the very members, who also provide the raw materials or are buyers of the final product including the services (Van Niekerk, 1982:45-46). A cooperative is a business that belongs to all the members, owned by the members and managed by their elected representatives, even if they enter into agreements with other organisations, they must make sure that their members keep control. All the members benefit from this business, they all contribute to services and products equally.

A review of the literature indicates that a cooperative is a business, although of a particular type (coopfin.org). A cooperative is a private business organisation that is
owned and controlled by the people who use its products suppliers or services (sf.ucdavis.edu/coops). Authors like Robinson (1993:11) describe a cooperative in a manner that distinguishes it from other forms of ownership whilst concurring that it is just another form of ownership. He describe it as “distinguished from other forms of public or private organisation in that they are democratic structures owned and controlled by their members”. He notes furthermore that “they provide a legal framework through which a community can maintain ownership over local resources while providing a service to members and to the local community” and that “The fundamental objective of a cooperative is to make the needs of members the driving force of the organization” (Robinson, 1993:11).

The International Cooperative Alliance (2007) defines a cooperative as 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. Cooperatives are usually understood to be either an agricultural form of business or a state-driven welfare intervention.

2.3.2 Poverty Alleviation

Poverty alleviation is any process which seeks to reduce the level of poverty in a community, or amongst a group of people or countries (UNDP, 2002). Poverty alleviation can be defined as the state of human beings who are poor that is, they have little or no material means of surviving, little or no food, health care, education and
other physical means of living and improving one’s life. Or it can be caused by the lack of necessary funds to survive (for example people that are jobless).

2.3.3 Developmental Local Government
Developmental local government is local government committed to work with citizens and groups within its community to find sustainable ways to meet their social and material needs to improve their quality of life (White Paper on Local Government, 1998).

2.3.4 Local Government
In terms of Local Government: Municipal Systems (Act 32 of 2000) local government is a corporate body or entity within the local sphere of government exercising legislative and executive functions as authorised by the relevant legislation within a geographical area defined by the Local Government Municipal Demarcation Board. It is established to promote essential services, such as housing, water sanitation and improvement of infrastructure for the local community.

2.3.5 Local Economic Development (LED)
Local Economic Development is essentially a process in which local governments and or community based groups manage their existing resources and enter into partnership arrangements with the private sector or with each other, to create jobs and stimulate economic activity in an economic area (Blakely, 1994:16).
2.4 LEVELS OF COOPERATIVES

The cooperatives Act, (No. 14 of 2005) classifies cooperatives into the following categories:

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

- A secondary cooperative means a cooperative formed by two or more primary cooperatives to provide sectoral services to its members, and may include juristic persons.

- A tertiary cooperative means a cooperative whose members are secondary cooperatives and whose object is to advocate and engage organs of state, the private sector and stakeholders on behalf of its members, and may also be referred to as a cooperative apex.

Prakash (2003:06) identified factors that enhance the impact of such cooperatives that are also relevant to others, trained, professional and motivated staff, enlightened, dedicated, selfless leadership and comprehensive programmes for members’ education and information. Lack of education can lead to situations where cooperatives fear the unknown.
In South Africa, for example, many cooperatives fear that South African Revenue Services (SARS) compliance will put them in debt, and as a result, the cooperatives do not apply for tax clearance (as prescribed by law) and this renders them unable to do business with government. Further problems are caused by lack of leadership in the cooperatives, lack of innovations on the part of the cooperatives, and the fact that the cooperatives do not come together to form a secondary cooperatives for the sake of supplying goods and services, even when they struggle to do that as individual cooperatives with limited capacity. All these challenges tend to result in little positive impact on the standards of living of members or the communities in which the cooperatives are located.

2.5 PRINCIPLES OF COOPERATIVES

The principles of cooperative are also the universally accepted guidelines by which cooperatives put their values into practice. Other associations or formations should not be misconstrued as cooperatives if they do not subscribe to the following principles:

2.5.1 Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination (DTI, 2004: 9).
2.5.2 Democratic Member Control
Cooperatives 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 cooperatives members have equal voting rights (one member-one vote) and cooperatives at other levels are also organised in a democratic manner (DTI, 2004: 9).

2.5.3 Member Economic Participation
Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited return on member capital, if any surpluses are allocated for any or all the following purposes, developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible. Cooperatives are seen as benefiting members in proportion to their transactions with the cooperative and supporting other activities approved by the membership (DTI, 2004: 9).

2.5.4 Autonomy and Independence
Cooperatives 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 cooperative autonomy (DTI, 2004: 9)
2.5.5 Education training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public particularly young people and opinion leaders about the nature and benefits of co-operation (DTI, 2004: 9).

2.5.6 Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures (DTI, 2004:10).

2.5.7 Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members. Values, principles, ethics and business competence constitute the cooperative advantage for members and for the communities in which they operate. Cooperatives set industry standards by putting into practice their values and ethics. However the study will thus, seek to show the link based on the significance, strengths and weaknesses of cooperatives and why do they fail and how to make them sustainable (DTI, 2004: 10).
2.6 DIFFERENT TYPES OF COOPERATIVES

Cooperatives are basically classified according to their type rather than their economic activity. Below is the clarification of the types of primary cooperatives found as outlined in the Schedule 1 of the Cooperatives Act (No. 14 of 2005).

2.6.1 Worker Cooperatives

The purpose of these cooperatives is to provide their members with work by operating an enterprise. These cooperatives are owned by their worker members, meaning that they are the collective owners, obtain jobs and control the management and administration of their enterprise. However, this is the most difficult of all cooperatives because of the conflicting desires of members or workers for higher wages and also to retain income in the business. Worker cooperatives are best suited to all economic sectors, for example brickmaking, construction, sewing, bread baking and bead making.

2.6.2 Financial cooperatives

These cooperatives offer banking services (savings, credit and investment) and insurance services to their members. They are owned and are used by their members. Examples of existing financial services cooperatives include Savings and credit cooperatives (SACCO’s), also known as credit unions and village banks and burial societies who largely remain informal. These types of cooperatives are spread across
the country and currently being targeted for regulation under the Cooperatives Banks Bill of the National Treasury.

2.6.3 Consumer cooperatives

These cooperatives provide their members with goods and services for their personal use. They are owned by the consumers of the goods sold by the cooperative and can work in various sectors. They can range from small purchasing groups (such as buying clubs or stokvels) to large supermarket type organisations. An example of a consumer cooperative includes Pretorium Trust Cooperative, with thirty thousand members in Pretoria. These cooperatives are meant to buy in bulk and thereby ensure discounts on goods that would otherwise be more expensive if bought in small volumes.

2.6.4 Housing cooperatives

These cooperatives provide housing and allied services to their members and are owned by the users or members of the cooperative. They can represent interesting options for converting public housing and integrating low middle income communities on well-located land. Examples of housing cooperatives are Newtown Housing Cooperative in Johannesburg, with 351 housing units for its members, and Amalinda Housing Cooperative in East London with more than 200 housing units for members. Key partners to work with include the South African Cooperative Housing Association (SAHCA), which has been consulted in the process of developing this strategy.
2.6.5 Agricultural cooperatives

These cooperatives produce, process and market, their members’ products and services directly to the market. These are called marketing and supply cooperatives and are normally established by farmers for themselves. Others may also sell the input necessary to their members’ economic activities (such as agricultural supply cooperatives). Historically, these have played a key role in the development of commercial farming in South Africa. The National Cooperatives Association of South Africa, NCASA, published a baseline Study on cooperatives in South Africa, which provides the following overview of cooperatives (cooperatives.org.za).

**Figure 2.7: Statistics of cooperatives in South Africa**

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Co-ops</th>
<th>Primary</th>
<th>Secondary</th>
<th>Pre-Primary</th>
<th>Pre-Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>KZN</td>
<td>254</td>
<td>105</td>
<td>3</td>
<td>121</td>
<td>4</td>
</tr>
<tr>
<td>Gauteng</td>
<td>54</td>
<td>32</td>
<td>3</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>198</td>
<td>47</td>
<td>5</td>
<td>92</td>
<td>4</td>
</tr>
<tr>
<td>Western Cape</td>
<td>62</td>
<td>37</td>
<td>1</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>86</td>
<td>30</td>
<td>3</td>
<td>37</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>654</td>
<td>251</td>
<td>15</td>
<td>280</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: NCASA Baseline Study: March 2002

Those identified as cooperatives are registered as such with the Registrar of Cooperatives. ‘Pre-cooperatives’ are cooperatives that are not formally registered. The survey included five provinces, and pre-cooperatives were identified on the basis of
referrals and word of mouth. (99%) percent of these cooperatives were identified as worker cooperatives rather than user cooperatives.

Total membership of these cooperatives totalled 56 501 with the bulk of membership being in financial services cooperatives, and agricultural cooperatives. The conversion of existing businesses to cooperatives as part of worker buyouts to save jobs has not been much of a feature in South Africa, although NEHAWU did negotiate for worker cooperatives of retrenched workers to receive the out-sourced contracts for cleaning and other services following retrenchments at tertiary institutions; and the conversion of Magwa Tea to a cooperative is South Africa’s only example thus far of conversion to a cooperative in the context of privatization (cooperatives.org.za).

2.8 OBJECTIVES OF COOPERATIVES

Different countries have different purposes for cooperative formation. In the South African context, the purpose of the Cooperatives Act, (No. 14 of 2005) Chapter 2 states that:

(a) Promote the development of sustainable cooperatives that comply with cooperative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy;
(b) 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 cooperatives in terms of this;

(c) Enable such cooperative enterprises to register and acquire a legal status separate from their members;

(d) 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 cooperatives. When asked about the promotion of cooperatives at an International Labour Conference (2001), countries responded in different ways,

- The Argentineans saw that the problem of unemployment required that national governments devote attention to the promotion of cooperatives.

- The Mexicans believe a new instrument (referring to cooperatives) might be an alternative way of creating jobs, and could promote cooperatives and encourage discussion and enactment of laws and regulations which apply to them.

- The purpose of the Cooperative Companies Act in New Zealand is to allow cooperative owners to conduct business on a mutual basis, where they engage in cooperative activity".
The Indians saw the purpose of their National Cooperative Development Act as the provision for the incorporation and regulation of a corporation for the purpose of planning and promoting programmes for the production, processing, marketing, storage, foodstuffs and certain other commodities on cooperative principles and for matters connected with.

2.9 THE ROLE OF MANAGEMENT IN SUPPORTING COOPERATIVES

Throughout the world, various government departments have attempted to undertake the role of agents to strengthen cooperative institutions. Evidence shows, however, that in many cases governments were unable to perform effective, sustainable and timely support and monitoring; an issue raised by Adams and Vogel, (1990) cited in Requejo (1997). The limited success of government support and monitoring may be attributed to poor government co-ordination, problems of political patronage, corruption, weak enforcement procedures towards delinquent borrowers, and inconsistency of government policy.

In addition, when the government is too closely involved, the sense of ownership and joint responsibility of members is generally lost (Requejo, 1997). As a result, cooperatives remain grant dependent despite the many initiatives taken by government and this applies also to South Africa. The government’s efforts to assist the cooperatives is fragmented and neither organised nor integrated.
2.10 THE ROLE OF COOPERATIVES IN RURAL DEVELOPMENT

According to the South African Integrated Sustainable Rural Development Strategy (ISRDS, 2000:02), 'rural' is characterised as an area where “populations are spatially dispersed. Agriculture is often dominant, and sometimes the exclusive economic sector and opportunities for resource mobilisation are limited”.

The Strategy further states that South African rural areas are where are “characterised by high levels of poverty. Approximately seventy percent (70%) of South Africa’s poor people live in rural areas, and about seventy percent (70%) of the rural residents are poor. Their incomes are constrained because the rural economy is not sufficiently vibrant to provide them with remunerative jobs or self-employment opportunities”.

Their cost of living is high because they spend relatively more on basic social services such as food and water, shelter, energy and education, transport and communications service (ISRDS, 2000:06).

The situation at rural level needs to be changed by way of improving the living conditions there and hence countries introduced the term rural development’ to address the socio-economic conditions of rural populations that are largely poor. Rural Development should be the focus of development in the “rural population by emphasizing the enhancement of productivity levels in the rural areas”.

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Jayalakshmi (2009:15) describes rural development as the “process of improving living conditions, providing minimum needs, increasing productivity and employment opportunities and developing potentials of rural resources through integration of spatial, functional and temporal aspects”.

Different individuals and countries have used different approaches to rural development. Rural development is viewed in different ways by different people. Petrin (1994:1), for example, sees entrepreneurship as a strategic development intervention that could accelerate the rural development process. He notes that, “The entrepreneurial orientation to rural development accepts entrepreneurship as the central force of economic growth and development, without it other factors of development will be wasted or frittered away” (Petrin, 1994:39).

India’s approach to rural development was aimed at provision of job opportunities to rural communities in order to raise their income. This was done by involving a number of programmes like poverty alleviation programme, Integrated Rural Development, development programmes for women and children. Those programmes were designed to achieve the fundamental objectives namely the creation of socio-economic infrastructure necessary for rapid development of rural areas, and increasing income of individual rural people by providing productive jobs (Jayalakshmi, 2009:21).
“The Japanese did not focus on rural development but on agricultural development and the improvement on agricultural productivity. Japanese approaches are mostly centred on technical transfers, such as construction of irrigation facilities and the introduction of new farming technique”. The agricultural approach alone was not sufficient; as a result methods such as the non-agricultural income generation and capacity building for farmers were used (jica.go.jp).

The present strategy for cooperatives is South Africa is not directly linked to its Rural Development Strategy (ISRDS). For example, the rural development strategy only refers to community based income generating projects where it acknowledges that “many opportunities available to rural communities are productive in nature and involve the generations of income for individuals or groups” (2000:53).

2.11 ROLE OF THE STATE IN SUPPORTING COOPERATIVES

Cooperatives in many countries, especially in the developing world, rely considerably on the support given by the state, but this has not been the case in all countries. In Brazil for example, for proper monitoring of cooperatives, the cooperatives were allowed to work independently of government.

Raquejo (1997:4), notes that cooperatives received functional and administrative autonomy and began operating independently and outside of the government guidance
during the early 1990s. As a result of the government withdrawal from the supervision of cooperatives, state cooperative organisation became the supervisory body.

Whilst research shows that state initiated cooperatives had succeeded, it also acknowledges that they often result in less sustained existence of those cooperatives and that it is important that individual skills and material contribution, and a need for cooperating for marketing and supply purposes must be the cause for forming a cooperative. The government need to guide and mentor cooperatives through the process of registration, training and reporting mechanisms. Monitoring and evaluation of cooperatives is also seen as a role that should be played by government.

Adams and Vogel (1990) as cited in Raquejo (1997:04) note that “various governments attempted to undertake the role of monitoring agents to strengthen cooperative institutions, in particular agricultural cooperatives. Evidence shows, however, that in many cases governments were unable to perform effective sustainable and timely monitoring”.

Over the past years, the South African government, through the DTI, has conducted a study on cooperatives and the final report was released in February 2009. On the support of cooperatives the study says that “the general history of cooperatives has shown that the major sources of support for cooperatives in all most countries, both developed and developing, is the state” (2009:5). It is further stated in the report
(2009:07) that “cooperatives have the potential to and can contribute to lifting whole
groups of people out of poverty”

In South Africa, the cooperatives strategy is led by the government and the DTI fully supports the cooperatives, as do other organs of state. The strategy is, however, not without its challenges. The present structure of co-coordinating cooperative support in South Africa is at national and provincial levels. Both the strategy and legislation fails to put the co-ordination at the local level where the cooperatives exist and where they go for support and mentoring. This is an issue that should be addressed to allow local cooperatives to reach their full potential.

2.12 ILLITERACY AND TRAINING

A poor level of education is the main reason behind the failure of many cooperatives. Illiteracy remains the stumbling block towards proper management and understanding proper procedures. The respondents acknowledged this and some went so far as to mobilise the educated youth to be part of their project, even if as a manager and not as a worker.

The extension of Adult Basic Education and Training (ABET) programmes to the rural areas may be one way to address illiteracy among older members of the cooperatives. Coupled with illiteracy is the shortage of youthful population as part of the groups. Another important challenge faced by cooperative is the lack of training in critical
areas, such as how the cooperatives function, business management skills, financial management and general administration. Training was not done on important aspects such as cooperative formation and principles, marketing, business planning and general business skills. Without these skills, the cooperatives are destined to fail.

Raquejo (1997) noted that when the levels of education of both managers and members are weak, it is not uncommon to find cooperatives with weak and incompetent leadership, poorly defined managerial objectives, arbitrary decisions and a lack of sound and reliable accounting and controlling. The most common problem on the cooperatives is their weak level of education (1997:04). In this study this shows that levels of literacy remains the stumbling block.

2.13 EXPECTATIONS OF COOPERATIVES

Duffey and Wadsworth (2001) commented on the role of cooperatives and what they are. They note that “members provide sufficient financial support so (that) the cooperatives can operate”. Expanding on what is expected from the members, they argue that “The success of a cooperative hinges on the commitment of its members. They must be committed to using it, controlling it and financing it” (Duffey and Wadsworth, 2001:10). This justifies the fact that the cooperative organisation is a member owned organisation for the benefit of the members and must be financed largely by the members themselves.
Hanson (2002:25) concurs, noting that “members are the backbone of a cooperative. They organise it to serve their needs. Their support, through patronage and capital investment, keeps it economically healthy”. Beside the financial support, there are other factors that may impact on the work of cooperatives, these are:

- Trained, professional and motivated staff
- Enlightened, dedicated and selfless leadership
- Comprehensive programmes for members’ education and information (Prakash, 2003).

2.14 PROBLEMS FACING COOPERATIVES
Das et al (2006:2) note that “the cooperative credit system of India has the largest network in the world and cooperatives have advanced more credit in the Indian agricultural sector than commercial banks”. A total of (80%) percent of cooperative structures in India in are agricultural cooperatives, and of that (60%) percent are credit cooperatives. The United Nations concurs; “credit cooperatives can be positioned as part of a country’s overall poverty reduction strategy by providing financial resources to those who do not have access to them” (United Nations, 2008: 1).

In a presentation by Timothy Woods, in the college of Agriculture at the University of Kentucky on Cooperative Development, he mentioned the following as challenges facing cooperative Access to capital, cost of member and public education, investment in democratic processes and limit in scope of operations. Cooperatives are only as
good as their members ask them to be. If members do not have enough capacity to raise capital, government is generally expected to provide financial support to the cooperatives. In some parts of the world, the cooperatives themselves form credit cooperatives.

It is not only the financial support that is important. Raquejo (1997), notes the lack of financial monitoring as a particular challenge facing cooperatives. In a discussion on problems and challenges facing a group of crafters, Binion and Ely (2000:12) noted that, “Crafts producers had problems and frustrations, such as: Lack of market contact.

Craft producers who live in isolated rural areas often have limited access to markets. Some of the common problems faced by cooperatives include:

- **Lack of access to supply sources** - the same isolation that separates many craft producers from potential markets also restricts the availability of supplies needed to produce their crafts.

- **Lack of business training** - training in craft production may be handed down from one generation to another or learned through a technical school or university, but the training a producer needs to become a successful business person is not always available”. These problems compelled such groups of crafters to form cooperatives.
Mather and Preston (1990:16) noted that cooperatives are subjected to the same conditions as other businesses, but added to that are the limitations that relate directly to their inherent nature of being cooperatives. These authors indicated that particular problems facing cooperatives include the following:

- Production control members’ production could not be controlled because their basic role is viewed as marketing the available supply.

- Unequal remuneration patterns- referring to this type of cooperatives, the writers note that “frequently incentives are lacking, problems occur in decision making and dissatisfaction results from the distribution of net income” (1990:17).

- Price fixing- cooperatives could not fix prices because of their inability to control production. They are compelled to use the prices as used in the market whether it would be to their disadvantage.

- Market power- Not all cooperatives acquire the leadership and financial abilities to deal effectively with other firms in the market place (1990:19).

- Influence on process and services- When a cooperative is first organised, the general tendency is for gross margins of firms serving the area to narrow and prices for supplies decrease after a few years members tend to forget the situation that prompted them to form a cooperative (1990:20).
• Frailties of human nature- some of the members and directors may not be trained enough and may lack information; some have little realistic knowledge about business activities or how effectively their cooperative is operating or what it can be expected to accomplish.

• Decisions by large numbers- sometimes discussions that involve a large number of people could lead to delays in the flow of information and delays in action. The boards of directors do not have authority to make major decisions.

• Member attention and support- not all members have the commitment and will and that may greatly limit a cooperative’s ability to fully develop its potential. Monitoring and evaluation of the cooperatives, and which agency should assume this responsibility, pose a further challenge. The keys to success for cooperatives are viewed by many writers as the following:-

  o Leadership ;
  o Assess all of your risks ;
  o Planning strategically , and
  o Member, board, and manager communication.

2.15 THE SOUTH AFRICAN COOPERATIVES POLICY FRAMEWORK

In responding to the general objectives of cooperatives establishment, the South African government, through the Department of Trade and Industry (DTI), has
launched a cooperative development strategy (2004-2014) which identified the following objectives:

“Ensure the existence of strong, viable, self-reliant, autonomous and self-sustaining cooperative enterprises. Ensure that cooperatives are making a meaningful contribution to economic growth, employment creation, social and cultural development and income generation”.

The South African cooperative strategy recognises the potential of cooperative enterprises in creating and developing income generating activities and sustainable decent employment; developing human resource 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 (South African Cooperative Strategy, 2004:1).

Concurring with Jayalakushmi (2009:14), the cooperative strategy also identified as set of objectives which amongst them is ensuring that cooperatives are making a meaningful contribution to economic growth, employment creation, social and cultural development and income generation. What is evident here is that cooperative
formation is meant to create competitive and viable enterprises that will help contribute to economic growth and development.

In its Preamble, the Cooperatives Act (No. 14 of 2005) recognises and re-affirms government’s commitment in providing a supportive legal environment to enable cooperatives to develop and flourish. The Act also confirms the government’s intention regarding cooperatives, including provision of targeted support for emerging cooperatives and, more especially, those owned by blacks. The purpose of the Act therefore is promotion of cooperatives in order to increase the number of economic enterprises operating in the formal economy.

The Act also mentions the importance of effective co-ordination and reporting mechanism across all spheres of government through a specific department. The strategy further affirms the government’s commitment to integrate support for cooperatives in addition to the Small Medium and Micro Enterprises (SMMEs). The strategy reads, “the government will also endeavour to strengthen existing structures at local and provincial level to deal with cooperative enterprises” (RSA Cooperative Strategy, 2004:10).

In terms of the Eastern Cape Rural Development Strategy (also referred to as “Ilima Labantu”), cooperative development is included as one of the strategic interventions as a necessary approach towards the vision of sustainable growth and development
for improved quality of life. The cooperatives are envisaged to play a major role in the implementation of “Ilima Labantu” (meaning “people cooperatively at work”). The strategy states, that “it should emphasise cooperation both at the level of production, but more importantly at the level of distribution, consumer cooperatives, buying cooperatives and processing and beneficiation” (Eastern Cape Rural Development Strategy, 2010:49).

2.16 LEGISLATIVE FRAMEWORK IMPACTING ON COOPERATIVES AND POVERTY ALLEVIATION.


The Constitution of the Republic of South Africa, (1996) section 24 and 27 establish the framework for the implementation of the Comprehensive Rural Development Programme (CRDP). Section 24 of the Constitution states that everyone has the right to an environment that is not harmful to their health or wellbeing and to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that prevent pollution and ecological degradation, promote conservation and secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.

The Constitution of the Republic of South Africa (1996) mandates local government to provide democratic and accountable government for local communities. Ensure the
provision of services to communities in a sustainable manner, promote social and economic development, promote a safe and healthy environment, and encourage the involvement of communities and community organisations in the matters of local government.

The Constitution of Republic of South Africa 1996 enshrines the rights of all people in our country to dignity, equality before the law, freedom and security. It affirms our rights to freedom of religion, expression, culture, association and movement, as well as our political, labour and property rights. The Constitution commits government to take reasonable measures, within its available resources, to ensure that all South Africans have access to adequate housing, health care, education, food, water and social security.

2.16.2 Development Facilitation Act. (No. 67 of 1995)

The main objective of this Act is to introduce extraordinary measures to facilitate and speed up the implementation of reconstruction and development programmes and projects in relation to land. It further makes provision for the establishment of development tribunals in provinces which have the power to make decisions and resolve conflicts in respect of land development projects.

2.16.3 White Paper on Reconstruction and Development

The Reconstruction and Development Programme (RDP) is a policy framework for integrated and coherent socio-economic progress in South Africa. It seeks to mobilise
all our people and our country’s resources towards the final eradication of the results of apartheid. Its goal is to build a democratic, non-sexist future and it represents a vision for the fundamental transformation of South Africa by developing strong and stable democratic institutions ensuring representativity and participation ensuring that our country becomes a fully democratic, non-racial and non-sexist society creating a sustainable and environmentally friendly growth and development path. Cooperatives are part of the RDP because they further the goals of RDP policy since they address socio-economic emancipation of the communities which partake in them.

2.16.4 Accelerated Shared Growth Initiative South Africa (ASGISA)
Accelerated Shared Growth Initiative South Africa (AsGISA) is a national initiative that was launched by former Deputy President Phumzile Mlambo Ngcuka in February 2006. The core objectives of AsGISA was to halve poverty and unemployment by 2014. AsGISA also seeks to reduce unemployment, poverty and skills shortage as well as challenges faced by cooperatives, SMME’s, civil society, and macro-economic issues. The joint initiative on priority skills acquisition (JIPSA) was established a month later to address scare and critical skills needed to meet AsGISA objectives. AsGISA informs cooperatives development since cooperatives are a poverty alleviation tool.
2.16.5 Green Paper on Rural Development and on Land Reform and Angrarian Transformation (gazetted by May 2011).

The Green Paper is a tentative government report of a proposal without any commitment to action. The Green paper on land reform released by Rural Development and Land Reform Minister Gugile Nkwinti proposes a single reconfigured four-tier system of land reform. This will ensure that all South Africans, particularly rural black people, have reasonable access to land with secure rights to fulfil their basic needs for housing and productive livelihoods.

The Green Paper aims to create a new trajectory for land reform which attempted to break from the past without significantly disrupting agricultural production and food security, and avoiding redistributions that did not generate livelihoods, employment, and incomes. The green paper proposed a recapitalisation and development programme to ensure that all land reform farms are hundred percent (100%) productive. It focused on all land reform farms acquired through state funds since 1994, as well as small-holder farms privately acquired but where the new owners had no means of keeping them productive.

2.16.6 Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)

The Broad Based Black Economic Empowerment Act (BBBEE), (No. 53 of 2003), provides the framework for the promotion of black economic empowerment. The
objectives of this Act are to facilitate broad-based black economic empowerment, as well as to promote economic transformation in order to enable meaningful participation of black people in the economy (DOT Supply Chain Procedural, Manual 2008: 25).

Promoting cooperative enterprises is a key programme component of the Government’s Broad-Based Black Economic Empowerment (BBBEE) strategy that seeks to address the imbalances of the past and equitably transfer the ownership and control of economic resources to the majority of its citizens. The BEE strategy will, among other things, encourage and support efforts by cooperatives and other forms of enterprise that support broad-based economic empowerment, community trusts or groups, worker cooperatives, stokvels, burial societies, to assert ownership and control of economic activities in new and existing enterprises and break into new sectors of economic activity.

The government is committed to work with the cooperative to ensure that an increasing portion of the ownership and control of the economic activities is vested amongst cooperative enterprises (DTI, 2011:17). The Broad Based Black Economic Empowerment Act (BBBEE), (No. 53 of 2003), provides the framework for the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters. The objectives of this Act are to facilitate broad-based black economic empowerment and to promote economic

2.16.7 Promotion of access to information, (Act No. 2 of 2000)

This Act gives effect to Section 32 (b) of the Constitution (Access to information) by setting out how anyone can get access to information held by the state. By so doing, it promotes transparency and prevents government from operating in secret. Section 32 of the Constitution (1996) states that everyone has the right of access to any information held by the state and any information that is held by another person and that is required for the exercise of protection to any rights. In terms of its focus, the traditional approach in South Africa posits that the body of knowledge on Public administration comprises of public institutions and their functions.

In the past, the government was regarded as secretive and unresponsive to the needs of the people, leading to abuse of power and even violations of basic human rights. The Constitution (1996) provides in more than one section, that people have the right to access of any information held by the state. In so doing, it forces government to foster a culture of transparency and accountability, which enables, rather than disables, the public to protect and exercise their rights. The link between this Act and the cooperatives is that members must be given access to information on which departments they should register their cooperatives, so that they can be on the departmental database, where they can find resources as well as funding.
2.16.8 White Paper on Transforming Public Service Delivery (*Batho Pele*) 1998

In 1997 the Government adopted the White Paper on Transforming Public Service Delivery (*Batho Pele*) as a policy framework for the provision of services. The *Batho Pele* White Paper provided a policy framework and practical implementation strategy for the more efficient and equitable provision of public services. It was given justification by a number of legislative frameworks, principally the provisions of the Constitution, the Reconstruction and Development Programme (RDP) and Government’s macro-economic framework, Growth, Employment and Redistribution (GEAR). Therefore the *Batho Pele* principles are based on these fundamental cornerstones of legislation and brings the actual implementation thereof, closer to the people. It aims to serve, knowing our rights is in fact the very base from which *Batho Pele* is operationalised and cultivating a caring and serving culture from which we deliver services, will ensure that all citizens receive the services they are entitled to.

White Paper on Reconstruction and Development Programme (RDP).

2.16.9 Public Service Regulations (2001)

The Public Service Regulations (PSR) also advances the implementation of *Batho Pele* principles by providing regulations for the development of Service Delivery Improvement Programmes (SDIPs) by all departments. The PSR state the following with regard to service delivery improvement programmes, an executing authority shall establish and sustain a service delivery improvement programme for his or her
department, and an executing authority shall publish an annual statement of public
service commitment which set out the department’s service standards that citizens and
customers can expect and which serve to explain how the department will meet each
standards.

It is therefore expected from the executing authority to provide services with the best
value for money, to set measurable objectives for his or her department, optimally
utilise the department’s human and other resources and apply fair labour practices. To
permit oversight by the public and legislature, the executing authority shall publish an
annual report giving key information on her or his department.

2.16.10 Skills Development Act, (N\textsuperscript{o} 97 of 1998)
The Skills Development Act, (N\textsuperscript{o} 97 of 1998), sanctions the development and
improvement of skills in the South African workforce, thereby improving the quality of
life of workers, productivity in the workplace and the competitiveness of employers.
Section 2(1) (a) of this Act also permits for the development of the South African
workforce through the establishment of institutions and financial frameworks. The Act
seeks to encourage employers to use workplace as an active learning environment and
to provide opportunities for new entrants to the labour market to gain experience and to
improve the prospects of previously disadvantaged persons.
According to Van Dyk, Nel, Loedolff and Haasbroek as cited in Amos, et al (2004: 97), the Act seeks to encourage employers to use workplace as an active learning environment and to provide opportunities for new entrants to the labour market to gain experience and to improve the prospects of previously disadvantaged persons. Thus, it can be deduced that officials must provide education and training to the members of the cooperatives to gain experience and to develop their skills. For example (all members must receive business skills training) so that they can have information on how to manage resources.

2.16.11 Cooperatives Act (N° 14 of 2005)

This Act ensures that cooperatives have a legal status the same as that of a registered company, ensures that cooperatives are governed according to accepted standards of good governance, and it protect the members of the cooperatives by ensuring transparency and equality in the operations of the enterprise. Thus, a cooperative must comply with the rules for cooperatives as laid down in the regulations under the Cooperatives Act 2005) (N° 14 of 2005). Cooperatives Act (14 of 2005) provides a clear strategic approach of government with respect to the formation and simple registration of cooperatives, the establishment of cooperatives.

Advisory Board that ensures the development of support programmes to cooperatives by all spheres of government that spells out the role of Department of Trade and
Industry (DTI) is expected to play a leadership role and effective coordination as well as reporting on the development of cooperatives in the whole economy.

2.17 CO-ORDINATION AND INTEGRATION

In addition to these policies, the Intergovernmental Relations Framework Act (No. 13 of 2005) was formulated to ensure proper and effective coordination between government departments and agencies. The IDP becomes the principal planning document at a local level that integrates all governments’ programmes including the Local Economic Development initiatives of the municipality.

Municipalities also acknowledge the need for cooperative strategy development. With reference to bakery projects, the school nutrition programme is seen as an opportunity for cooperatives: The LED Plan (2009:07) states that “with the school nutrition programme taking shape, the bakery projects have easy access to the market with the excess going to the locality”. The Plan further states in its methodology that “Cooperative development can assist in growing the baking industry with the support from the Department of Education in terms of using local or ward based cooperatives for the supply of food to schools”.

The IDP process can play an important role in integration and co-ordination, also of promoting and supporting cooperatives. The IDP Guide Pack (2000) provides the following useful information: “Realising the objective of developmental local
governance is a challenging task for municipalities. Integrated Development Planning is a key instrument which municipalities can adopt to provide vision, leadership and direction for all those that have a role to play in the development of cooperatives. Municipalities must play a role in ensuring integration and co-ordination between the various sectors and cross-sectorial dimensions of development, to achieve social, economic and ecological sustainability”. The IDP serves as a useful tool for integration of all government programmes including the cooperative approach to development.

**2.18 CONCLUSION**

This chapter conceptualised the issues of cooperatives in ADM. It also focused upon the theoretical and legislative framework underpinning the study. The chapter reviewed the literature on cooperatives in rural development. It provided linkages of cooperatives with poverty and the latter is a cause for concern in this study. What is evident from this overview is that cooperative approaches to development can assist in the improvement of socio-economic conditions among poor communities, particularly those in disadvantaged rural areas. It is clear, however, that different authors and different countries have different approaches with regard to the role of the state, the factors enhancing the success of a cooperative and cooperative formation. The next chapter provides an account of the research design and methodology used in the study.
CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The first chapter introduced the study, its background and context, the research problem, the research question, research objectives and the significance of cooperatives in Amathole District Municipality. It concluded by clarifying concepts by defining them within the context of this study. Chapter two provided literature review on cooperatives and poverty alleviation.

Chapter three describes the research design and methods used in this study. The research design presents the methodology and methods used in this study. The methodology and method, outlines the research approach and instruments used to collect data respectively. The research design enables the researcher to use data collection techniques that suits the research problem.

The purpose of this chapter is therefore to outline and clarify the research design, the research paradigm adopted, the target population, the sample, data collection techniques used in the collection of data in this study, the rationale for choosing them and the challenges faced during data collection. The chapter concludes by outlining how the collected data was analysed, challenges faced during data collection and by pointing out what was covered in the subsequent chapter.
3.2 THE SURVEY AREA AND THE STUDY UNIT

The survey area was Amathole District Municipality in the Eastern Cape Province whose head office is in East London. The Amathole District Municipality has an estimated staff compliment of approximately 500 employees. Amathole district has seven local municipalities.

3.3 RESEARCH DESIGN AND METHODOLOGY

Research design is a plan of how one intends to conduct the research. According to Bless and Higson Smith (1995:63) research design is the planning of any scientific research from the first to the last step. They further define research as a programme to guide the researcher in collecting analysing interpreting and observing facts. In order to ensure the reliability and validity of data, the researcher design for the study included both qualitative and quantitative designs.

De Vos et al (2005:132) a research design is a plan or blueprint according to which data is collected to investigate the research hypothesis in the most economical manner. Strauss and Corbin (2000:1) writes that research methodology can be described as a specific process that seeks to provide answers to questions through a systematic approach with the support of credible data. It is a way to systematically value the research problem. The study adopted a mixed methods approach in order to assess poverty in its various dimensions. Mixed method research defined as the class
of research where the researcher combines both quantitative and qualitative research techniques, methods, approaches, concepts and language into a single study (Johnson and Onwuegbuzie, 2004:20). Integrating qualitative and quantitative approaches to development research can help yield insights that neither approach would produce on its own.

3.4.1 QUALITATIVE RESEARCH METHOD

In this study qualitative methods were used during the interviews with the ten (10) Municipal Managers. Fifteen (15) Municipal officials thirty (30) members of the cooperatives the researcher engaged the respondents whose responses were captured in English.

The researcher administered the interview based on the direct engagement with the respondents. The researcher designed the interviews and distributes them to the managers. In this study the researcher interviewed the municipal officials, and managers. The managers were asked to identify the roles that they play to ensure that the cooperatives are funded and registered on the departmental database. The managers were asked to explain what can be done by Managers for cooperatives to play a pivotal role in ADM.

Maree (2010:99) asserts that qualitative data analysis is based on an interpretative philosophy that is aimed at examining meaningful and symbolic content of qualitative
data. Lewis, Taylor, and Gibbs (2005) write that qualitative data is information gathered in a nonnumeric form. Mouton and Marais (1990:175) are of view that qualitative research is characterised by the fact that the researcher is trying to get to multiple meanings and interpretations rather than impose one dominant interpretation.

It is a way of collecting information on the knowledge, values, feelings, attitudes, beliefs and behaviours of the target population. The collection of information was based on cooperatives as an alternative approach to rural development or job creation and poverty alleviation. The data was gathered through open-ended question items on the self-administered questionnaires and the interviews were conducted. Neuman (2003:339) further stipulates that the qualitative approach does not manipulate numbers as is the case with quantitative research. In qualitative research, patterns of similarities and differences in the case or relationships are examined and general ideas and concepts are also used as tools for making generalisations.

### 3.4.2 QUANTITATIVE RESEARCH METHOD

In this study quantitative methods were used to provide numerical analysis of data. The researcher utilised questionnaire surveys. Quantitative methods were also used in the presentation of absolute data. According to Bless and Higson (2002:86), quantitative research method quantify data to record aspects of society. It makes collected data to be reduced to same numerical representation of what is being measured.
Neuman (2003:331) is of the view that it is an exploration that describes the phenomena under study in numbers and presents results using statistics and makes references about the population. In this approach the raw data was reorganised into a form which is suitable for computers and was presented in a chart and graph, interpreted to give meaning or results. In this study the researcher quantified data on the basis of gender, age, highest qualifications and marital status. Babbie and Mouton (2001:49) points out that the best way to measure the properties of phenomena is through quantitative measurement, which is by assigning numbers to the perceived qualities of things.

3.5 TARGET POPULATION

The study populations were municipal managers, municipal officials, and member of the cooperatives. In addition, twenty members were randomly selected in East London. Fifteen were officials from Amathole District Municipality and five were members of the community. These twenty members formed the sample of the study. Staff from the municipality and members of the community was targeted because of their knowledge on cooperatives in the Amathole District Municipality.

According to Mouton (1996:34) a population refers to a collection of objects, events or individuals having some common characteristics that the researcher is interested in studying. Bless and Higson Smith (1995:87) defines a target population as a set of elements that the researcher focuses upon and to which results obtained by testing the
sample should be generalised. Thus a target population is that group, usually people, from which the researcher require to draw conclusions. The research was based on a portion of the target population, thus a sample was selected.

For Mouton (1996:34) a population refers to a collection of objects, events or individuals having some common characteristics that the researcher is interested in studying. Bless and Higson Smith (1995:87) defines a target population as a set of elements that the researcher focuses upon and to which results obtained by testing the sample should be generalised.

3.6 SAMPLING AND SAMPLING METHOD

The sample for the study was composed of the management officials, the administrative officers or employees within the Amathole District Municipality (ADM) stakeholders and the community members. Kumar (2005:144) asserts that sampling is the process of selecting a few cases from a bigger group to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group, in other words a subgroup of the population in which a researcher is interested in.

Careful sampling was done in this study for the following reasons; sampling enables the researcher to study a relatively small section of the population and still be able to gather data representative of the whole, gathering data on a sample is less time
consuming and less costly for the researcher, hence samples may produce more accurate data economically and it is feasible to use a sample because a complete coverage of the total population is seldom possible and all members of the population cannot be reached. To select the sample a non-probability sampling procedure was used. Kumar (2005:144) defines sampling as the process of selecting a few people from a bigger group to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group.

According to De Vos et al (2005:201) non-probability sampling is a sampling procedure whereby the odds of selecting a particular individual are known to the researcher because one does not know population size of the members. In this research, the non-probability sampling techniques were used, specifically, purposive judgmental sampling and snowball sampling. The objective of choosing a sampling procedure is to select a sample that is representative of the population from which they are drawn.

3.6.1 Snowball Sampling
Snowball sampling was used in this study. One municipal manager was used by the researcher as a single case and it was through this chain manager that the researcher was able to identify other managers. Baker (1988:159) writes that snowball involves approaching a single case that is involved in the phenomenon to be investigated in order to gain information on other similar cases.
3.6.2 Simple Random Sampling

Kumar (2005:169) for a sampling to be called a random sample. It is imperative that each element in the population has an equal and independent choice of selection in the sample. Random sampling was used to identify the twenty members who formed the sample of the study. In this study the researcher distributed the questionnaires to the respondents randomly. The researcher picked the respondents to be included in the sample by way of a simplified procedure whereby every member of the population had an equal chance of being included in the sample.

3.7 DATA COLLECTION METHODS

In this study, two sources of data were used, that is, primary and secondary sources of data.

3.7.1 Questionnaires

The researcher distributed questionnaires to the fifteen (15) municipal officials, ten (10) managers from the municipality, and thirty (30) members of the cooperative. A questionnaire was used as a form of data collection for the four cooperatives. The questionnaires were administered in two parts. With regards to the first part, the researcher issued the questionnaire to the manager for distribution to other respondents. All respondents were given a week within which to complete their questionnaires.
The second part involved the collection of the completed questionnaires by the researcher from the respondents. This was done so as to check whether all questions had been answered and also to seek further clarification on other areas that had not been properly responded to. According to Kumar (2005:126) a questionnaire is a method used for collecting data by means of written questions which calls for responses on the part of the respondent.

3.7.2 Interviews

The researcher conducted face-to-face interviews with ten (10) managers, and fifteen officials from the municipality. The conversations with thirty (30) members of the cooperative were conducted in the form of semi-structured and unstructured interviews. These interviews were conducted in the form of brief conversations during the day and on one-on-one basis. It was initially planned to use a tape recorder to record the interviews, but the members became suspicious and this device was abandoned. The conversations were thereafter treated as casual conversations where none of the responses was directly recorded. A notebook was used by the interviewer to make a few notes and summarises.

The content of the conversation after the interview had taken place. The interviews were conducted formally, in a focus group composed of cooperative members. The interview dates were scheduled prior to the visit and each group together with the researcher honoured the dates, place and time. The majority of the members were
present. The notebook was used to assist in recording the information. The interviews took the form of both structured and unstructured interviews.

In structured interviews “the researcher ask a standard set of questions and nothing more” (Leedy and Ormrod, 2005:184). The interviews used semi-structured type of interviews to get more information and to clarify some points. In this type of interview the researcher followed the standard set of questions with one or more individually tailored questions to get clarification or probe persons reasoning” (Leedy, and Ormrod, 2005:184).

The respondents were allowed to speak out without being interrupted, unless the interruption comes from the member of the cooperative themselves. The interviews were aimed cooperatives at establishing whether the services rendered by the ADM were meeting the expatiations of the ordinary people. In addition the interviews also wanted to establish why do cooperatives fail and how to make them sustainable. Lastly the interviews were meant to establish whether managers were playing their roles in making cooperatives sustainable. Bless, Higson Smith and Kagee (2006:98) explain that the interview is a method in which interviewer obtains responses from a subject in a face-to-face encounter or through a telephone call or electronic means.
3.8 SECONDARY SOURCES OF DATA

Secondary sources of data such as the cooperatives Act (14 of 2005) provides a clear strategic approach of government with respect to the formation and simple registration of cooperatives. The establishment of a Cooperative Advisory Board that ensures the development of support programmes to cooperatives by all spheres of government that spells out the role of Department of Trade and Industry (DTI) is expected to play a leadership role and effective coordination as well as reporting on the development of cooperatives in the whole economy.

The Government Gazette was consulted during the data collection process, strategic plan 2011-2014, the Department of Trade and Industry (DTI) regulations for cooperatives and 2011 budget and policy speech by Minister Nkwinti, G.E (Member of Parliament) were consulted. These data sources helped the researcher to come up with a more focused understanding of incidences of cooperatives within the Amathole District Municipality (ADM).

3.9 ETHICAL CONSIDERATION APPLICABLE TO THE STUDY

The following ethical issues were observed by the researcher during the data collection process: Before conducting the research, the researcher asked for the permission to conduct the study from the municipal manager of the Amathole District Municipality in East London. After the granting of the permission to conduct the research, the
researcher was referred to the line managers who in turn introduce the researcher to the research participants.

During this meeting with the research participants, the researcher advised the research participants that their participation was on a voluntary basis and that they were free to withdraw from the study at any time should they wish to do so. Furthermore, the researcher highlighted that the information that was to be given by the research participants was going to be treated confidentially and that such information was purely for academic purposes. Furthermore, the researcher highlighted that the information that was to be given by the research participants was going to be treated confidentially and that much information was purely for academic purposes and would not be made public.

After briefing the participants on their right prior to, during and after the study the researcher administered informed consent forms to the participants where upon the participants voluntarily signed to indicate that they were willing to take part in the study without any pressure from management. Following the signing of the consent forms the researcher acknowledged the research participants for expressing their willing participation in the study and that their right to anonymity and confidentiality will be accorded to them in relation to the treatment and handling of their responses.
3.10 DATA ANALYSIS PLANS

This is a process of interpreting and making sense of what respondents would have said about the topic under investigation. Data analysis is also the process of bringing order, structure and meaning to the mass of collected data. Mouton (1996:108) describes data analysis as involving ‘breaking up’ the data into manageable themes, patterns, trends and relationships. In this study both quantitative and qualitative data analysis methods were used. Content analysis was used to analyse the data to obtain an in-depth meaning of the data gathered in the study. Denzin and Lincoln (2000:15) explain that content analysis allows for thick description in the analysis of data. This can be facilitated through thematic organisation. The themes then ground the arguments presented in the discussion. Hence, De Vos et al (2005:218) point out that the purpose of analysis is to reduce data to an intelligible and interpretable form so that the relations of research problems can be studied tested and conclusions drawn. The data collected was coded and categorised in order to see their patterns and interrelatedness. This allowed for a comprehensive analysis, interpretation and discussion of collected data.

Against this backdrop, the analysis of data enabled the researcher to present data in chapter four. According to Kruger (2005:219) a data display is a systematic visual representation of information which enables the user to draw conclusions about qualitative material collected through different methods. Data displays are methods or tools of qualitative analysis which aim to provide a descriptive explanatory framework
of the investigation. Data display formats are always driven by explorative research questions or the development of concepts which are often in the form of codes. In line with Leedy and Ormrod (2001:290) data was presented in terms of the research problem.

According to O’Sullivan and Rassel (1989:295) collected data must be organised and presented in a way that will be most useful to the intended audience. Similarly, Kumar (2005:248) contends that the main purpose of using data-display techniques is to make the findings clear and easily understood. Therefore, and to this end, in this study text, tabular and graphic presentations were used to present data. Graphical presentation was chosen since it made it easier to see the pertinent features of a set of data and graphs could be constructed for every type of data, that is, qualitative or quantitative. As such, graphs were used in this study because they presented data in a way that was easy to understand, interpret and interesting to look at (Kumar, 2005:252). Questionnaire items were categorised into themes and then coded so as to reduce the amount of data to manageable and understandable texts. This also made it easier to compare repeated information by respondents and to identify patterns that need further investigation.

3.11 CONCLUSION

This chapter presented the research design, data collection methods and the data analysis techniques. It also gave an outline of the selection of the participants and the
criteria that was used in identifying the respondents. Mainly the chapter outlined the methodology that was used by the researcher during the data collection and data analysis stages of the study. Data collection methods such as interviews and questionnaire were used. Interviews were held with ADM managers. Questionnaires were distributed to ADM managers, municipal officials within the municipality, and members of the cooperatives. The researcher is of the opinion that the methodology used to collect data provides a true reflection of the information required. In the next chapter the study addresses the data analysis.
CHAPTER FOUR

DATA ANALYSIS

4.1. INTRODUCTION

This chapter deals with the processing of collected data into acceptable form including the analysis. According to Mouton (1996:108) data analysis is the process of bringing order, structure and meaning to the mass of collected data, making sense of what respondents would have said. Both qualitative and quantitative data analysis methods were used. In this study the coding procedure was used to reduce the information into different themes and patterns.

Hence Bless and Higson Smith (2002:137) are of view that data analysis process allows the researcher to generalise the findings from the sample used in the research, to the larger population in which the researcher is interested in. To that end, the purpose of this chapter is to present, analyse and interpret the data collected from the respondents sampled in the ADM.
4.2 QUANTITATIVE DATA ANALYSIS

The selected respondents were used by the researcher to present the larger population just like any empirical study. Not all distributed questionnaires were received as planned by the researcher. Fifty-three out of fifty-five respondents completed and returned their questionnaires. This gives a response rate of (96%) percent.

Table 4.1: Questionnaires distributed and received

<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>Distributed</th>
<th>Received</th>
<th>Response Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Managers</td>
<td>10</td>
<td>10</td>
<td>100%</td>
</tr>
<tr>
<td>Municipal Officials</td>
<td>15</td>
<td>13</td>
<td>87%</td>
</tr>
<tr>
<td>Members of the cooperative</td>
<td>30</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: on illustration based on sample data

The selected respondents were used by the researcher to represent the larger population. Not all distributed questionnaires were received as planned by the researcher. Some respondents had busy schedule to complete filling in the questionnaires, others had to attend meetings and conference. Fifty-three (53) out of fifty-five (55) respondents completed and returned their questionnaires. It can be deduced from the table below that the response figures for questionnaire one was hundred percent (100%), questionnaire two was eighty-seven percent (87%), questionnaire three was hundred percent (100%).
This shows that the total number of respondents used was fifty-five (55) and that fifty-three (53) respondents returned their completed questionnaires showing a total response rate of ninety-six percent (96%). According to Bailey (1982:165) a response figure of at least fifty percent (50%) should be sufficient for analysis of the data, a figure of sixty percent (60%) can be seen as “good” and a figure of seventy percent (70%) can be seen as “very good” and 90% can be seen as excellent. It is clear from the above that the research had an excellent response rate result for interpretation.

4.3 DEMOGRAPHIC DETAILS OF THE RespondENTS

The following diagrams show the gender, age, marital status, level of education and ethnic group of the respondents.

4.3.1 Distribution according to Gender

Figure 4.1: Gender Distribution of members of the cooperatives
The respondents used by the researcher consisted of both males and females. Within the respondents that returned their filled questionnaires, a great gender disparity was observed in that, only twenty (25) respondents were males out of fifty three (53) respondents from the ADM. This shows that twenty-eight (28) respondents were females. This then translates to forty-one percent (41%) of male respondents and fifty-nine percent (59%) of female respondents within the municipality. It is clear from the above that the municipality still needs to address the issue of gender equity. Members of the cooperatives showed that three (3) respondents were females out of five (5). This then translates to fifty-three three percent (53%) percent of the community members were females. And fifty four percent (54%) of the community members were females, and forty-six percent (46%) of the community members were males. Therefore the study had fifty- four (54%) of females and forty-seven percent (47%) were males. However, a cooperative being a social development agency should play an active role in advocating for gender equality, since women have been active in development work, they should play a central role in development.

The cooperative can be a venue to improve women’s social status and economic conditions and thus, cooperatives should promote women’s empowerment by integrating gender concerns and formulating a strategy that would address gender issues.
4.3.2 Distribution according to Age

**Figure 4.2: Age Distribution**

The age of the respondents indicated that they were all matured with the highest age range being 50+ years and 21-29 years being the lowest age range in the age distribution. Seventeen percent (17%) of the respondents had ages that ranged from 50+ years, twenty-two percent (22%) of the respondents ranged from 40-49 years; thirty-three percent (33%) of the respondents had ages ranging from 30-39 years, while twenty-eight percent (28%) of the respondents ranged from 21-29 years. Only seventeen percent (17%) of the respondents ranged from 50+ years.

This clearly suggests that youth are active participants in cooperatives and that cooperative activity in the form that dominates in the Eastern Cape is attractive to young people. Research into youth cooperatives in South Africa carried out by
Umsobomvu Youth Fund suggests that the challenges faced by youth cooperatives are similar to those faced by other cooperatives. Support measures for cooperatives in sectors that will attract both out-of school youth and youth with tertiary qualifications should be developed. However youth participation should be promoted not only in youth-only cooperatives, but also other cooperatives.

4.3.3 Distribution according to Ethnic Group

The respondents used in this study composed of one ethnic group which is black Africans only. This means that all the fifty- three respondents were blacks. This then translates to hundred percent (100%). There were no respondents from the other ethnic groups, that is, whites, coloureds and Indians.
4.3.4. Distribution according to Marital Status

As shown in figure 4.2 above, five people (5) out of fifty-three (53) respondents indicated that they are single. This then translates to a total of nine percent (9%). Ten people (10) out of fifty-three (53) are married. This then translate to a total of eighteen percent (18%). Ten (10) people out of fifty-three (53) are widowed. This then translate to a total of eighteen percent (18%). Ten people out of fifty-three are divorced. This then translate to a total of eighteen percent (18%). This means that many people within the cooperatives are matured, have responsibilities, have their own families, are married, the others were married before.
The education levels of the respondents ranged from matriculation (Matric) to PhD degree level. Twenty-nine (29) percent of the respondent had Matric. Fifteen percent (15%) of the respondents had Diplomas. Twelve percent (12%) of the respondents had Junior Degrees. Fifteen percent (15%) of respondents had Honours’ degree. Nine percent (9%) of respondents had Masters. Twenty percent (20%) of the respondents had PHD. This means that many people had matric, the human resource section under the skills development unit should motivate the officials to further their studies, and the municipality has a duty to supply the employees with bursaries (research objective number two).
Based on the figure 4.6 above, twenty-eight (28) out of fifty-three respondents were managers this then translates to fifty-three percent (53%). Fourteen (14) out of fifty-three respondents were municipal Officials, this then translate to twenty-six percent (26%). Fourteen (14) out of fifty-three respondents were members of the cooperatives, this then translates to twenty-six percent (26%). This means that there are many skilled managers within the municipality.
4.4 The provision of services to the citizens

4.4.1 Employees perception

Based on the Figure 4.7 above, fifty-three out of fifty-five of the respondents were satisfied with the services rendered by Amathole District Municipality. This translate that ninety percent (90%) of the respondents were satisfied. And ten (10%) percent of the respondents confirmed that they are not satisfied with the services rendered by Amathole District Municipality. They confirmed that the processes, procedures of how to operate cooperatives are not clear to them as citizens.
4.4.2 Employees opinion on funding of cooperatives

Based on the employee's opinion, the researcher had noticed that some of the problems that made the cooperatives not to grow were the lack of funding. Twenty (20%) percent of the problem that the members of the cooperatives had mentioned is that the municipality is failing to honour its promises of funding, and hence, people end up struggling for funding to an extent that they end up spending the little they have on the cooperatives. Eighty percent (80%) of the respondents confirmed that they were satisfied with the way that cooperatives are funded. People who were previously disadvantaged were given preference especially women's, some respondents felt that the municipality is doing a good job (research objective number two).
4.4.3 Are citizens benefiting from the cooperatives?

Thirty-five percent (35%) of the respondents confirmed that they were not benefiting from these cooperatives, because the unemployed or self-employed people are the ones that ought to benefit. Sixty five (65%) of the respondents are benefiting from these cooperatives. The respondents felt that there is an improved service delivery, and also the South African citizens are benefiting from these cooperatives in terms of improving the living conditions of our communities because jobs are created for the needy. Obstacle on the viability of cooperatives, few people are benefiting, there is a need to improve on the viability so that greater number of people can benefit (research objective number two).
4.4.4 Challenges faced by cooperatives.

Figure 4.10 Distribution according to challenges faced by cooperatives.

Ninety-five percent (95%) of the respondents from the members of the cooperatives confirmed that they are faced with the lack of awareness of their business potential among government and the general public, lack of experienced field advisors, high illiterate rates and poor conditions among rural women, lack of leadership as well as inadequate participation in the organization and economic affairs of their agric-cooperatives. Five percent (5%) of the respondents felt that if the government can work together with the Department of Trade and Industry (DTI), Department of Economic Development and Environmental Affairs (DEDEA), Amathole District Municipality in improving the working conditions of, the professional management skills
of those who provide advisory services to the members of the cooperatives (research objective number two).

4.4.5 Opinion on whether respondents are satisfied with the services rendered

Figure 4.11 Distribution according to opinion on satisfaction of respondents

<table>
<thead>
<tr>
<th>Opinions on satisfaction of respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
</tbody>
</table>

Sixty five percent of the respondents confirmed that they are satisfied with the services rendered by the municipality. Thirty five percent confirmed that they are not satisfied with the services rendered by the municipality. Therefore the researcher sees that, there is a need for cooperative formation to access government funding, sound financial management, management of receipts, payments, bank accounts, financial record keeping in order to monitor the use of grant funds (research objective number three).
4.4.6 Opinion on the fair treatment of cooperatives by the department

Figure 4.12 Distribution according to opinions on the treatment of cooperatives.

Fifty three percent of the respondents confirmed that they are treated in a fair way. Forty seven percent confirmed that they are not satisfied with the services rendered by the municipality. The ADM cooperatives are in place, the municipality knows how many cooperatives that are operating. The municipality had an updated database that classifies according to sectors of cooperatives, the municipality know how many cooperative falls under each category for example agriculture, farming, piggery, sewing, bakery and construction (research objective number one).
4.5 QUALITATIVE DATA ANALYSIS

De vos et al (2005:33) writes that the purpose of conducting a qualitative study is to produce findings. Patton (2002:432) further states that qualitative analysis transforms data into findings. This involves reducing the volume of raw information, sifting significance from trivia, identifying significant patterns and constructing a framework for communicating the essence of what the data reveals. Hence, De Vos et al (2005:33) views qualitative data analysis as a search for general statements about relationships among categories of data.

This section of the analysis outlines the views of the management, officials, members of the cooperatives, and community members represented by the municipal managers, officials, members of the cooperatives and the selected members of the public in the Amathole District Municipality. The respondents within the municipality had the same set of the similar questions and were summarised according to similarity of opinions. The researcher utilised three different types of questionnaires, and there was another one which had different questions targeted on the ADM manager, municipal officials, members of the cooperatives and members of the citizens within the municipality to gain more information on the services rendered by the Amathole District in East London.
4.5.1 Mechanism to improve Rural Development Cooperatives

Data gathered from the employees of ADM indicated that, awareness campaigns, within the municipality must be done, in order for the citizens to be aware of the cooperatives and how to register on the municipal database. So that the municipality can determine how many cooperatives do they have, and also to know how many existing cooperatives, and how many those that are not operating and they must state the reasons of why, what is the cause of the failure for those that do not exist.

4.5.2 Challenges faced by cooperatives in Amathole District Municipality

Data gathered from the respondents indicated that one of the biggest challenges to cooperatives is the lack of awareness, it means that the ADM must provide the cooperatives with technical, financial management, farming, project management and business skills training, this might be due to lack of training that the employee can be equipped with skills. Most of the cooperatives in the Amathole District do exist with lots of potential and the members are well developed but they did not know how to handle their finances. Some cooperatives have a challenge of lack of funds. Others have a challenge of lack of livestock and equipment, some cooperatives do not have their own building, and some have a vision of becoming a well-recognised business.

To be recognised by everyone nationwide but they are having a challenge of lack of funding. Some cooperatives are registered, and they exist but they did not receive their Companies and Intellectual Property Registration (CIPRO) certificates. The other
challenge is the hiring of cars to transport the members and art craft to career
display exhibition, festivals and workshops and they have to pay for the transportation. The
majority claimed that the municipality has loop holes in service delivery. This might be
due to lack of training and development of employees. This suggests that lack of
training among the employees in the ADM may lead to ineffective services being
delivered to the citizens. Hence, employees need more continuous training to improve
their skills, and to gain more insight and improve their knowledge.

4.5.3 What must be done to improve the funding of cooperatives in the ADM?
Data gathered from the ADM managers, municipal officials, and members of the
cooperatives indicated that there must be a thorough analysis and feasibility study to
ensure that the services to be acquired is really required to be done solely to benefit
certain people.

4.5.4 Perceptions on services rendered By the ADM in the Eastern Cape
Province
A questionnaire was distributed to the stakeholders representing the citizens to
evaluate their perceptions on the service rendered by ADM. A minority of the
stakeholders indicated that they were satisfied with the services rendered by the ADM,
while the majority contradicted with this opinion. Members of the public also suggested
that services must be rendered equally, there must be transparency and a good quality
service should be rendered. According to this survey the researcher conducted the
study for the four cooperatives within the ADM which are, Seven Stars Dairy, Sisonke bakery, Injinga and Nomzamo Cleaning Services. Seven Stars Dairy is a secondary cooperative made up of seven local primary cooperatives which are (producing milk), Sisonke Bakery is a primary cooperative which is (baking bread), Injinga Timber is (producing coal, cutting of wattle tree) and Nomzamo Cleaning Services (provide cleaning services at the University of Fort hare in Alice campus). Seven Stars, Sisonke and Injinga are cooperatives that are located in the mountains of Keiskammahoek area, and they fall under ADM. These cooperatives are good example of how cooperatives can survive through the application of unique values and principles and attributes of collectively owned enterprises in their daily economic life.

4.5.5 Challenges faced by cooperatives in ADM

Most of the cooperatives within the ADM are faced with lack of funding, training, lack of proper building, lack of financial, business and administrative skills, appropriate timber processing skills and capital equipment. There was also an issue of the bad state of roads, poor state of bridges, (absence of electricity in the houses which are part of the complex, therefore this means that houses cannot be used for commercial purposes). There is also a lack of a clear understanding of the structure and functioning of the dairy markets. Payment delays from government departments are also affecting the viability of cooperatives. Some members complained that there are no securities in the building hence these cases of burglary (research objective number two).
According to Cooperatives for Transformation (2010:97) recommend that consideration has to be given, to develop a pre-registration tool (a checklist) of crucial tasks for aspirant co-operators and cooperatives. Such a tool seeks to assist with feasibility assessment and business planning of cooperative concept. Preregistration seeks to encourage self-organising and also to advise the cooperatives on where and how to get advice even before registration. In short, with a basic feasibility assessment and pre-registration cooperative business plan the cooperative would be in a better position to go forward more productively after registration such that various negative possibilities can be mitigated. Education about the importance of registration and making registration accessible in the municipality needs to be seriously considered. This might mean asking the registrar of cooperatives to devolve registration powers, under the Cooperatives Act (No. 14 of 2005) down to the district municipality to assist with the registration process.

Government funding streams like grants need to build in exit strategies. There are various government departments and government linked institutions, as well as, local government actors that have streamed finance into cooperatives. This has been managed in a top-down way and most importantly without a clear exit strategy being agreed to with the cooperatives. This has tended to blur state-cooperative relationships, in some instances.
4.6. CONCLUSION

This chapter presented and analysed the data that was collected from the management officials represented by the ADM managers, municipal officials, and member of the cooperatives. The administrative employees and the stakeholders representing the citizens were also the respondents in the study. The study used both quantitative and qualitative data. Coding enabled data to be reduced into different themes. Data was presented in pie charts and was analysed. The researcher thus made use of a technique called pie chart analysis for purposes of displaying numerical data. The main objective of this was to present data in a way that was easy to understand and interpret. The results suggested that service delivery in the Amathole District Municipality should be improved to promote effective service delivery to the citizens. The next chapter provides the conclusions and the recommendations that the Amathole District Municipality may need to consider so as to improve staff training and development for effective service delivery and also to attempt to change the moral attitudes, by focusing on mechanisms to a funding of cooperatives.
CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

Poverty, infrastructural backlog and illiteracy are amongst the most serious factors that inhibit growth of cooperatives in Amathole District Municipality. The present socio-economic challenges facing the poor, particularly in rural areas, encourage people to form cooperatives even if there is no demand for their produce in the marketplace. They do so for the sole purpose of attracting government funding so that they could get something to eat while government funding is still available. If cooperative formation is not intended to provide only short-term incomes, then the entire mechanism to guide, manage and support cooperatives need to be re-examined. In this chapter, general conclusions are drawn and recommendations made based on the critical issues revealed in the study.

5.2 SUMMARY OF THE FINDINGS

The researcher is of the view that, it is of paramount importance to state the specific conclusions from previous chapters. The dissertation consists of five chapters. The first chapter of the study dealt with the introduction to and orientation of the study. In the introduction of the study the researcher raised the following critical issues such as unemployment, economic redistribution, lack of basic and supplementary income and poverty alleviation. Hence the researcher decided to undertake this study entitled, “Assessing the role of cooperatives in poverty alleviation in ADM to address the
challenges above. The objectives of the study were duly achieved by the research since the prevalence of cooperatives in ADM was assessed and found out to be high. In the second chapter relevant literature was reviewed, poverty in South Africa, conceptual framework for cooperatives, poverty alleviation, levels of cooperatives, principles of cooperatives, different types of cooperatives, objectives of cooperatives, the role of management in supporting cooperatives, the role of cooperatives in rural development, the role of state in supporting cooperatives, illiteracy and training, expectations of cooperatives, problems facing cooperatives, the South African cooperatives policy framework and the legislative framework impacting on cooperatives.

Chapter three provided an account of the methodology used in this study. Both quantitative and qualitative methods were used. The chapter further described the sampling procedures used to select the respondents and to ensure representativeness, dependability and relevance of the data obtained from the target group. Questionnaires and interviews were used to collect data for analysis. Confidentiality and consent were observed as ethical issues amongst others.

Chapter four looked at the presentation, interpretation and analysis of the data gathered from the target population. Both quantitative and qualitative analysis methods were used. The coding procedure was used to reduce the data into different themes. In the analysis process the researcher made use of a technique called pie chart analysis.
for the purpose of displaying numerical data. After analysing the data, the researcher came up with the following conclusions:

The cooperative sector in Amathole District Municipality grown since the dawn of democracy in 1994. The government has seen cooperative development as an interventionist approach in the fight to address socio-economic imbalances in the country. At the same time the government is also seen as one of the inhibiting factor in the cooperative development in South Africa because of its uncoordinated assistance.

From the research, it has become apparent that formation of cooperative is thus seen by many to be critical in addressing the socio-economic challenges facing ADM and South Africa at large. Cooperatives are depicted as the engines of employment creation, poverty reduction and income generation at rural areas. Despite the role that cooperatives play in South Africa, cooperatives still experience a number of challenges.

These challenges are, amongst others, lack of knowledge about the cooperative, lack of access to finance, lack of access to markets, lack of business skills and lack of infrastructural facilities. In order to address the challenges facing the cooperatives, the government mandated a number of state departments and parastatals to fund and provide the necessary support to cooperatives to ensure their sustainability (research objective number two).
The findings of this study suggest that cooperatives can indeed play a vital role in the socio-economic development of poor rural villages. Cooperatives create self-employment and sometimes also temporary employment. Cooperatives contribute to household livelihoods by providing some income and food for the families. They also provide space and time for socialisation.

On the other hand, the research has drawn attention to the fact that the returns on government investments in cooperatives are low. There are many reasons for the failure of the cooperatives, but one of the contributing factors is the lack of a coordinated approach by all the government departments and agencies to not only fund the cooperatives, but to provide business skills training, market research and product development. Equally as important is the need to carefully monitor and evaluate the cooperatives that receive government funding to ensure that the funding is effectively applied and that taxpayers’ money is not wasted.

Adams and Vogel, (1990), quoted in Raquejo, 1997 was earlier quoted as noting that “various governments attempted to undertake the role of monitoring agents to strengthen cooperative institutions. Evidence shows, however, that in many cases municipalities were unable to perform effective sustainable and timely monitoring”. This is confirmed by the findings of this report and Amathole District Municipality acknowledges the lack of monitoring that should go beyond mere financial grants.
5.3 RECOMMENDATIONS

Based on the critical issues raised in respective chapters. The following recommendations are made for the cooperatives in the Amathole District municipality.

a) **Need for cooperative formation to access government funding.**

It is unfortunate, but understandable in poor societies, that the drive for cooperative formation is to access government funding. A true spirit of cooperation should rather focus on the objectives of a group of people that prefer to work together to produce and market goods communally.

The type of cooperative should be based on the expertise of the members and be suited for the local conditions and local demand. In rural areas these may be to provide beadwork for the tourist market, or more commonly, based on the farming, agricultural, poultry, sewing tracksuits, piggery, brick lying, art craft, baking bread, finance cooperatives and jewellery making experience of the members. In his work on agricultural cooperatives, Prakash (2000:04) made a similar recommendation, when noted that in poor rural communities, ‘farm produce must be the basis for seeking group action’
b) **Education, training and information**

The low education levels and high rates of illiteracy among most rural cooperatives necessitate the need to introduce adult basic education and training for the members. Cooperative meetings can then function not only as a centre of work and socialisation, but of education as well. Municipality needs to revisit procurement practices for cooperatives to encourage capacity building and diversification. Without such thrust the cooperatives easily get locked into dependency relationships.

c) **Need for sound financial management**

Financial management capacities have to be developed. These will cater for the management of receipts and payments, bank accounts, and focus on the importance of keeping financial records. Without sound financial record keeping the members will be unable to monitor the use of grant funds or of their incomes and expenditure, which will inevitably lead to financial ruin.

d) **Need to create a web of knowledge and support for cooperatives.**

The cooperatives themselves must create a web of knowledge and support for cooperatives as showed in figure 5.1. The proposed web depicted was based on the problems identified in the study the web provides and lists some of the issues a cooperative may need to thrive and grow. Cooperatives themselves must know where to source certain information, as dependency on others does not build the capacity of the members and over time deepens dependency (research objective number three).
e) Empowering poor rural villages through government donor funding.

The study has shown, however, that most cooperatives are interested mainly in obtaining government donor funding. Poor levels of education and literacy may prevent members from understanding the need for non-financial support. The web model will highlight various areas in which support may be required.
f) Improved access to financial services

The members should make a concerted effort to obtain information on non-financial forms of support for cooperatives from the government and others organisations. Members should be pro-active and approach the local offices of government departments for information on what they can offer the cooperatives.

g) Need for Government Agencies to assist cooperatives

These may also be sources of information on the government agencies and Non-Governmental Organisations (NGOs) that can assist in providing the cooperatives with non-financial training and support, which may include feasibility studies, market research and product development that are required to underpin viable business plans.

h) Leadership and Management

According to the principles of cooperatives the group should have an Executive with five members acting as Chairperson, Deputy Chairperson, Secretary, Deputy Secretary and Treasurer. The cooperative’s five-member committee meets once a week and regular general meetings would be called with all the members. This is the main platform for democratic control and decision making. Minutes of the meetings clearly reflect how the cooperative functions and how decisions are taken. Minutes of the meetings should be kept by the Secretary and are available on request.
The researcher had noticed that some of the minutes were not kept, members are unskilled, some of the members do not even have a business plan, CIPRO certificates, and some of the members have never been trained on the principles of the cooperatives. Failure to have a business plan means that there is no planning and this has been a major contributory factor to the failure of the project. It is often said that ‘failing to plan is planning to fail’. The cooperatives should encourage volunteers and young people from the village to join and become members of the cooperatives. These members should be trained by the other experienced members of the cooperative (research objective number two).

i) Adequate monitoring and evaluation

Financial planning is poor and no records are kept of the expenditure incurred and income earned. When an income is realised and expenditure incurred, only verbal reporting is done to members without proper written detail. The subsidiary groups, that is, baking, sewing and gardening, all have banking accounts in which they bank the surplus money left after the raw material have been bought.

A portion of the remainder is shared amongst the beneficiaries. The cooperative as a unit does have a banking account, but there are no funds in it. The researcher had noticed that there is a lack of cooperation and coordination among the different spheres of government. It is clear that there has been inadequate monitoring and evaluation of the use of the grant funding by the donors. When members were not
earning a sufficient income, they resorted to using the remainder of the grant from the government departments to pay themselves a monthly stipend. Had the newly acquired capital been used, as was intended, for purposes of increased production, the cooperative would have generated enough revenue to allow the members to earn a living. These were undoubtedly major contributing factors in the inability of the members to earn decent incomes.

**j) Developing a directory of cooperative support**

The municipality should consider developing a directory of cooperative support organisations, mentors or trainers in the Eastern Cape and online training resources available for cooperative self training. Such a directory to be shared with the cooperatives and can be linked to a possible training fund. Moreover, cooperatives themselves can be empowered with the information to strengthen their web of support (research objective number three).

**5.4 CONCLUSION**

The results show that cooperatives may impact positively on the socio-economic conditions in rural communities. These results further show that with government’s commitment to working with cooperatives, they can yield greater returns for the people, the government and the nation as a whole, but with more co-ordinated and targeted support cooperatives may in time make a greater distribution to both their immediate areas and the economy of the country.
Some of the contributions that cooperatives can make are employment creation, income generation, as well as better socio-economic living conditions for themselves, families and general welfare of their operational communities. Cooperatives are therefore may be a supplement suitable to larger agricultural or LED programmes to eradicate poverty in the rural villages. In order to reach their objectives to advance socio-economic development in the rural areas, cooperatives may, however, need targeted intervention from government. Currently, as the study shows, government programmes are uncoordinated and assistance to cooperatives consists almost entirely of grant funding. This diminishes the true objectives of cooperatives and encourages dependency on donor funding for their survival. Targeted intervention may include support from government to create captive markets through preferential tendering until cooperatives are able to provide employment and create sustainable incomes through the consistent production of goods, which, over time, will assist cooperatives to move away from dependency.
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Books


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103

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*White Paper on Reconstruction and Development Programme* (*RDP*)


**Online Resources.**


Journals


Market Research to establish the feasibility of launching a micro-enterprise lending scheme in the Chris Hani District of the Eastern Cape Province’; prepared for the Eastern Cape Development Corporation by Vulindlela Development Finance Consultants, June 2003

National Cooperative Association of South Africa (NCASA) Baseline Study: March 2002
ANNEXURE A:

LETTER OF ACCEPTANCE
31st October 2012

TO WHOM IT MAY CONCERN

This is to confirm that Ms B. Vellerm full-time student at University of Forthare studying Masters in Public Administration has visited our office at Amathole District Municipality conducting a research, with the topic: Assessing the role of Cooperatives in the ADM District.

Information has been provided to her, and we cordially invite her to the 5th District Cooperative Indaba on the 5th-7th December 2012. With the Theme: Impact of the support provided by the municipalities and government to cooperatives. The event started in 2008 and it has become an event that will be hosted annually by the District with intention of strengthening co-operatives development and also building a stronger co-operatives movement. The event attracts people all over and beyond the District Municipality. Its purpose is to create a platform for information sharing and networking amongst stakeholders involved in co-operatives and co-operatives businesses. The programme flows directly from the objectives set on the Integrated Development Plan, where it states that the ADM wants to create an enabling environment from business to thrive and therefore the Co-operatives Indaba is one of the strategies to achieve the said objective. All stakeholders and external cooperatives will be invited to share success stories with the Co-operatives within the Amathole District.

Wish her a success in her studies and future endeavor.

Kind Regards

Ms Nokubonga Nono Cibi
Amathole Senior SMME and Cooperatives Development Officer
ANNEXURE B:

AMATHOLE DISTRICT MUNICIPALITY

MAP
Amathole District Municipality Map

Source: http://www.africon.com
ANNEXURE C:

QUESTIONNAIRE GUIDE

FOR MANAGERS
General Overview

Cooperatives are registered with the registrar of cooperatives in the Department of Trade and Industry (dti). Prior to 2005 cooperative registration was guided by the Cooperatives Act of 1981 and a new Cooperatives Act was promulgated in 2005. The new Act significantly broadens the agricultural and marketing focus of the 1981 Act and has been informed by international standards and universal principles defining cooperatives. In this study, most of the cooperatives are registered with the registrar of cooperatives and these registrations are almost equally distributed between the two Cooperatives Registration Acts (1981 and 2005), having been registered under the 1981 act and 30.0% registered under the 2005 act. It is a great concern that 34.5% of cooperatives do not know which act they are registered under, or did not answer this question. The high number of cooperatives that do not report which act they are
registered under indicates limited of knowledge of the 2005 act and the requirements of re-registration. Hence the researcher decided to conduct the study to determine how many cooperatives that are existing, operating and what are the challenges faced by cooperatives in the Amathole District Municipality in Eastern Cape Province.

**Respondents**

This Questionnaire guide has been prepared for the participation of municipal manager Officials, and the members of the cooperatives.

**Guidelines**

Please note that the information gathered during this research was handled in a responsible manner within the confines of research ethics.

**Process**

The researcher administered the questionnaire guide based on the direct engagement with respondents.

**Communication**

The researcher engaged the respondents in English and all responses were captured in English.
Disclaimer

This questionnaire guide has been prepared for a research project undertaken to fulfil the requirements of a Bachelor of Administration Degree (Masters) in Public Administration at the University of Fort Hare.

Your participation will be greatly appreciated

B. Vellem, University of Fort Hare.

NB. Questionnaire for Managers

PART 1: BIOGRAPHICAL DATA

Please tick with the letter X in the appropriate box

1.1. Gender

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
</table>

1.2. Age

<table>
<thead>
<tr>
<th>21-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60+</th>
</tr>
</thead>
</table>

1.3. To which ethnic origin group do you most closely belong?

<table>
<thead>
<tr>
<th>Black African</th>
<th>White</th>
<th>Coloured</th>
<th>Indian</th>
<th>Prefer not to say</th>
</tr>
</thead>
</table>
1.4. Marital status

<table>
<thead>
<tr>
<th>Single</th>
<th>Married</th>
<th>Divorced</th>
<th>Widow</th>
</tr>
</thead>
</table>

1.5. Highest qualifications obtained

<table>
<thead>
<tr>
<th>Matric</th>
<th>Diploma</th>
<th>Junior degree</th>
<th>Honours</th>
<th>Masters</th>
<th>PhD</th>
</tr>
</thead>
</table>

1.6. Position

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PART: 2

THE PROVISION OF SERVICE TO THE CITIZENS

2.1 Are you satisfied with the services rendered by the Amathole District Municipality in dealing with cooperatives in the Eastern Cape?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

(Please motivate your answer)

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2.2 In your opinion, do you think cooperatives are treated in a fair way in your Municipality?

Yes  
No  

(Please motivate your answer)

2.3 Are you as a citizen able to benefit from the cooperatives?

Yes  
No  

(Please motivate your answer)

2.3.1 What must be done to improve the challenges faced cooperatives in Amathole District Municipality?
2.3.2 In your own view, how can these challenges be minimized?

PART: 3

Cooperatives

3.1 What is your view of cooperatives in Amathole District Municipality?
3.2 Which mechanism can be used to identify poverty alleviation in Amathole District Municipality?

PART: 4
MECHANISM TO COMBAT ADM COOPERATIVES

4.1 What is the role of managers in ensuring that cooperatives work effectively?

4.2 In your opinion what should be done to improve poverty alleviation in our communities?
4.3 In your own view, how can these cooperatives challenges be resolved?

PART: 5

GENERAL COMMENT.

4.4. Any other comment you would like to make regarding cooperatives, poverty alleviation, services rendered to you as citizens

Thank you for your cooperation

B. Vellem, University of Fort Hare.
ANNEXURE D:

RESEARCH QUESTIONNAIRES FOR

OFFICIALS
General Overview

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**Respondents**

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**Guidelines**

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Your participation will be greatly appreciated

B. Vellem, University of Fort Hare.

NB. Questionnaire for the officials.

PART 1: BIOGRAPHICAL DATA

Please tick with the letter X in the appropriate box

1.1. Gender

| Male | Female |

1.2. Age

| 21-29 | 30-39 | 40-49 | 50-59 | 60+ |

1.3. To which ethnic origin group do you most closely belong?

| Black African | White | Coloured | Indian | Prefer not to say |

1.4. Marital status

| Single | Married | Divorced | Widow |
1.5. Highest qualifications obtained

<table>
<thead>
<tr>
<th>Matric</th>
<th>Diploma</th>
<th>Junior degree</th>
<th>Honours</th>
<th>Masters</th>
<th>PhD</th>
</tr>
</thead>
</table>

1.6. Position

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PART: 2

THE PROVISION OF SERVICE TO THE CITIZENS

2.1 Are you satisfied with the services rendered by the ADM in dealing with cooperatives in the Eastern Cape?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

(Please motivate your answer)

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2.2 In your opinion, do you think cooperatives are treated in a fair way in your municipality?
2.3 Are you as a citizen able to benefit from the cooperatives?

Yes [ ] No [ ]

(Please motivate your answer)

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2.3.1 What must be done to improve the challenges faced by cooperatives in your municipality?

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2.3.2 In your own view, how can these challenges be minimized?

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PART: 3

Cooperatives

3.1 What is your view of cooperatives in your municipality?

3.2 Which mechanism can be used to identify poverty alleviation in the ADM?
PART: 4

MECHANISM TO COMBAT ADM COOPERATIVES

4.1 What is the role of managers in ensuring that cooperatives work effectively?

4.2 In your opinion what should be done to improve poverty alleviation in our communities?
4.3 In your own view, how can these cooperatives challenges be resolved?
PART: 5

GENERAL COMMENTS.

4.4. Any other comment you would like to make regarding cooperatives, poverty alleviation, and services rendered to you as citizens.

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ANNEXURE E:

INTERVIEW GUIDE FOR MEMBERS OF COOPERATIVES.
General Overview

One of the great challenges facing the South African economy is to increase the number and variety of viable and sustainable economic enterprises. We have a particular history that has brought about many interruptions in the development of enterprises. This has been particularly associated with our racial history and the destruction of wealth in black hands in both the rural and urban areas. This has adverse effects on income distribution, entrepreneurship and employment creation. Accordingly it is central to government’s economic policy that it promotes the development of emerging economic enterprises and diversifies the ownership, size and geographic location of those enterprises. This policy statement deals with an important
variant of economic enterprise, namely cooperatives and outlines the government’s approach to defining the cooperative enterprises as well as the policy instruments that will be utilized to achieve our objectives.

The policy statement deals with the promotion and support of developing or emerging cooperatives enterprises. These include small, medium, micro and survivalist cooperative enterprises. The support measures to grow this sector are clearly outlined in the cooperatives development strategy as an implementation framework. This policy statement should be read in conjunction with those on Small, Medium and Micro-enterprises and the Strategy on Broad Based Black Economic Empowerment.

A viable, dynamic, autonomous, self-reliant and self-sustaining cooperative movement can play a major role in the economic, social and cultural development of South Africa, through effective and efficient services extended by cooperative enterprises to their members. By doing so, cooperatives contribute to the creation of jobs, income generation, resources mobilization, and broad-based economic empowerment, thereby enhancing sustainable human development in South Africa.

**Participatory cooperative development policy formulation**

This policy is South Africa’s first explicit cooperative development policy. This document was drafted shortly after the adoption of the new Recommendation No. 193, which was adopted by the General Conference of the International Labour
Organization on 20 June 2002, with the delegation of the Republic of South Africa being one of the major driving forces in the process of formulating the new Labour Standard. The policy document is the result of an intense consultation process, which was initiated in 1997 with the establishment of a Cooperative Policy Task Team; the process involved the main stakeholders in South Africa’s cooperative development at the time. The responsibility for cooperative development was at that time with the National Department of Agriculture.

Among others, the Task Team organized altogether nine regional workshops and one national cooperative conference to discuss the main policy issues. This was followed by establishment of a task force by the cooperative development unit of the Department for Trade and Industry (the dti) that initially dealt with the process of transferring the responsibility for cooperative development from the National Department of Agriculture (NDA) to the dti. However, the participatory development of South Africa’s first Cooperative Development Policy document was later continued. The Government will continue to consult cooperative organizations as well as other stakeholders concerned, in the formulation and revision of legislation, policies and regulations applicable to cooperative development.

**Policy objectives and purpose of having an explicit cooperative development policy**
The Government believes that a clear, comprehensive, and widely agreed cooperative development policy, implemented successfully will create an enabling environment for cooperative enterprises which reduces the disparities between urban and rural businesses, and is conducive to entrepreneurship. Promote the development of economically sustainable cooperatives 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 cooperative sector so that it is better able to take advantage of opportunities emerging in national, African and international markets. 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 cooperatives in terms of this Act. Enable such cooperative enterprises to register and acquire a legal status separate from their members. Promote greater participation by black persons, especially those in rural areas, women, and persons with disability and youth in the formation of and management of cooperatives. Establish a legislative framework that will preserve the cooperative as a distinct legal entity.

Facilitate the provision of support programmes that target cooperatives specifically. Cooperatives that create employment or benefit disadvantaged groups. Improve communication between government and the cooperative movement. This policy also: forms the basis for the new Cooperative Act, defines genuine cooperatives for targeted support purposes, points to specific support measures and programmes to
support the development of a cooperative movement by all stakeholders serves as a reference for cooperative members by explaining why and how the Government supports cooperatives and by determining the relationship between the state, cooperatives, civil society and the private sector establishes a code of conduct for cooperative promoters by stating the basic principles to be respected and facilitates the basic policy issues relevant to all sectors.

Scope of the cooperative development policy

This Government cooperative development policy applies to all types and forms of cooperatives in all sectors of the economy. Hence, it also applies to so-called established cooperatives but the emphasis is on supporting emerging cooperative enterprises.

Emerging cooperatives:

These cooperatives have been identified as struggling for survival and lacking training. The type of support needed is that which will strengthen these cooperatives in the form of building their capacity, financial support and assistance with marketing. Some of these cooperatives will require support for expansion and modernizing their operations. Institutions like Ntsika can utilize their diagnostic tools to come up with holistic solutions for this sector. Support for this sector is mostly emphasized in the policy. Thus, the cooperative development policy and strategy focus on emerging cooperatives as an important, albeit needful, category of cooperatives that deserves special attention.
• **Established cooperatives:**

These are cooperatives that are mainly operating in agriculture and are, in the main, controlled by white South Africans. In the past, established cooperatives have been heavily supported by the state. After 1994, most of these cooperatives converted into private companies. Although this sector is also covered in government policy, the focus will mainly be on emerging cooperatives, mainly owned by black entrepreneurs. Both will benefit from specific support measures such as fiscal support and incentives, savings, credit and banking facilities, and external assistance that government will provide.

**Sectors of cooperative operation**

The Government recognizes that cooperatives may operate in *all sectors* of the economy. All sectoral strategies should include proposals for strengthening cooperatives in the sector. The Government is committed to ensuring that cooperatives have a stake in the overall economy by facilitating their expansion into areas in which they have never existed. Such expansions promote greater participation in economic activity, which constitutes a prerequisite for broad-based economic empowerment and greater equity.
Potential contributions of cooperatives to development

The Government acknowledges that a genuine, autonomous and economically viable cooperative movement and its membership have a vast development potential to create and develop income-generating activities and sustainable decent employment; develop human resources capacities and knowledge of the values, advantages and benefits of the cooperative movement through education and training; develop their business potential, including entrepreneurial and managerial capacities; strengthen their competitiveness as well as gain access to markets and to institutional finance; increase savings and investment; improve social and economic well-being, taking into account the need to eliminate all forms of discrimination; contribute to sustainable human development; establish and expand a viable and dynamic distinctive sector of the economy which responds to the social and economic needs of the community; and enhance broad-based economic empowerment, thereby assisting the Government in achieving the objectives of its micro-economic reform strategy, the IMS and the BEE.

The Government recognizes that the main purpose of cooperatives is to render services to members. Cooperatives contribute to the development of the nation or communities through the improvement of the socio-economic situation of their members. Whereas the development potential of cooperatives is in principle not different from the one of other types of enterprises, the double nature of cooperatives
(members are at the same time owners and users of their cooperatives) makes them more appropriate for specific population groups, geographical areas, sectors or situations. Hence, cooperatives possess an inherent special potential for socio-economic development.

**Cooperatives and the “informal economy”**

The Government acknowledges the existence, relevance and value of less formal, traditional cooperative-type organizations. It also acknowledges the important role of cooperative development in transforming the “informal economy” into legally protected work, fully integrated into mainstream economic life, however, without destroying their identity. Government should facilitate the establishment of cooperative networks of individual entrepreneurs or micro-enterprises through which certain economic functions are organized (for example net control stations operated jointly by independent taxi drivers organized as a cooperative). Cooperative model can enhance the small business competitiveness nationally and globally in accessing opportunities through its comparative advantage of economies of scale, synergies, increased bargaining power, joint innovation, member involvement, and stability.

**Cooperatives and specific targeted groups**

The Government acknowledges the specific potential of cooperatives, as enterprises and organizations inspired by solidarity, to respond to members’ needs and ensure greater black participation in the mainstream economy, especially persons in rural areas, women, persons with disability and youth. Government shall continuously
engage with stakeholders in the youth and women sectors to design appropriate support programmes. The Government shall also consider introducing support measures for the activities of cooperatives that meet specific social and public policy outcomes, such as employment creation and the development of activities benefiting disadvantaged groups or geographical areas. Special consideration in cooperative promotion shall be given to increase the participation of women in the cooperative movement at all levels, particularly at management and leadership level. Coupled with this, all available and future support programmes shall place particular emphasis upon emerging black cooperative enterprises.

Respondents

This Questionnaire guide has been prepared for the participation of municipal managers, officials, and members of the cooperatives.

Guidelines

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Process

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Communication
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INTERVIEW GUIDE: FOR THE MEMBERS OF THE COOPERATIVES

1. Does the ADM has cooperatives in place?

2. Are you as a citizen able to benefit from these cooperatives?

3. When was the founding of the cooperative?

<table>
<thead>
<tr>
<th>PERIOD OF ESTABLISHMENT</th>
<th>Please tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981 Act</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
</tr>
</tbody>
</table>

4. Does the cooperatives of ADM are registered?

<table>
<thead>
<tr>
<th>REGISTRATION OF COOP</th>
<th>Please tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered</td>
<td></td>
</tr>
<tr>
<td>Not Registered</td>
<td></td>
</tr>
<tr>
<td>Registration Not Confirmed</td>
<td></td>
</tr>
</tbody>
</table>

5. Does the cooperative have the constitution
### CONSTITUTION OF THE CO-OPS

<table>
<thead>
<tr>
<th>Please tick</th>
<th>Copy supplied?</th>
</tr>
</thead>
<tbody>
<tr>
<td>With constitution</td>
<td></td>
</tr>
<tr>
<td>Without constitution</td>
<td></td>
</tr>
<tr>
<td>Status Unknown</td>
<td></td>
</tr>
</tbody>
</table>

6. Do the cooperatives have the board of Directors?

<table>
<thead>
<tr>
<th>BOARD OF DIRECTORS</th>
<th>Please tick</th>
<th>Please write names below</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does not exist</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exists</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Status Unknown</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. In your opinion what should be done to improve poverty alleviation in our communities.

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8. What are the challenges faced by cooperatives?

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………………………………………………………………………………………………
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9. Does your cooperative belong to other cooperative association? If yes state name/s.

<table>
<thead>
<tr>
<th>MEMBERSHIP OF OTHER COOP ASSOCIATION</th>
<th>Yes/ NO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. What are the qualifications of the members

<table>
<thead>
<tr>
<th>MEMBERS EDUCATION LEVELS</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary Education (Grade 1-7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary Education (Grade 8-12)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tertiary Education-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Masters/ Honours</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Degree/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
No Formal Education

11. What type of training received by the members?

<table>
<thead>
<tr>
<th>MEMBERS TRAINING RECEIVED</th>
<th>Please tick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td></td>
</tr>
<tr>
<td>Farming</td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td></td>
</tr>
<tr>
<td>Business Skills</td>
<td></td>
</tr>
<tr>
<td>Financial Management</td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
</tr>
<tr>
<td>Other (specify)</td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your cooperation

B. F Vellem

University of Fort Hare