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DECLARATION:

In accordance with Rule G5.6.3, I hereby declare that the above-mentioned treatise/ dissertation/ thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

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ABSTRACT

Despite the efforts by government to support and direct resources and institutions to address high levels of poverty through co-operative programmes, the Eastern Cape Province remains one of the poorest provinces in the country. Even in the relatively more prosperous Cacadu District in the western portion of the Province, the socio-economic landscape is punctuated by pockets of acute poverty. In order to support government policies to promote co-operatives as a means to address past exclusions from the agricultural sector, as well as to promote socio-economic development in one of its poorest local municipalities, the Cacadu District Municipality has been implementing a support and mentoring programme to agricultural co-operatives in the Ikwezi Local Municipality. Furthermore, Ikwezi was selected because it has the highest concentration of co-operatives in the region supported by the District Municipality and by other Sector Departments from the National and Provincial Governments. The relationships between the support that is provided by Cacadu District Municipality to co-operatives and the extent to which supported co-operatives harness these advantages to grow and sustain their enterprises, forms the cornerstone of this research. As such, the hypothesis that will be tested reads as follows: *The government support provided by Cacadu District Municipality to co-operatives in its area of jurisdiction has resulted in the growth and sustainability of the co-operative enterprises.* The literature review considers the significant role that co-operatives play in local economic development. It provides a historical overview of co-operatives, as well as the policy framework on co-operatives in South Africa. The role of Cacadu District Municipality with regards to co-operatives and local economic development is reviewed, as well as its co-operative support and mentorship programme. An overview of the socio-economic profile of the Ikwezi Local Municipality and the agricultural co-operatives in the area concludes the literature review. The research approach is based on a mixed method between the qualitative and quantitative research families, with a bias towards the qualitative approach. The study placed more emphasis on the data gathered from individual co-operative businesses and the personal experiences of individuals involved in the co-operative sector. This approach requires qualitative techniques such as interviews and observations. The internet was used as a source for the gathering of relevant data related to the stated research objectives. Other relevant

information is gathered through documents reviewed and case studies. The study used questionnaires to interview a sample of agricultural co-operatives in Ikwezi. The collected data was analysed and presented according to a set of themes that formed the basis for the analysis. The analysis provided insights into the background and history of the selected co-operatives, the challenges that they face to survive and the support that they require from government and other potential support structures. The analysis furthermore focussed on the perception of the members of the co-operatives of the impact – whether positive or negative – of the Cacadu co-operatives support and, in particular, its mentorship programme. The findings revealed that there was overwhelming support from the co-operative members for the intervention and mentorship provided by the Cacadu District Municipality. It became clear that accessing agricultural land and providing funding and inputs to emerging farmers and co-operatives is not enough. There needs to be a building and nurturing of an entrepreneurial spirit and business mentality accompanied by appropriate training and capacity building interventions for the co-operatives to become successful enterprises. This study reveals that this is possible given all the resources at the disposal of the state. In conclusion, the hypothesis that the support provided by Cacadu District Municipality to co-operatives in its area of jurisdiction has resulted in the growth and sustainability of the co-operative enterprises, was found to be valid.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This study focuses on the impact of the support given to co-operatives in South Africa, with particular reference to the impact of the support given by the Cacadu District Municipality in the Ikwezi Municipal area. An overview of the rationale of the study is highlighted, and some of the important policies as well as legislation in South Africa with regards to co-operatives are discussed. The research attempts, on the basis of the support and development of co-operatives provided by Cacadu District Municipality in its area, to determine the impact it is making in the growth and sustainability of these enterprises. The problem statement will highlight some of the issues that co-operatives face when responding to challenges related to the reduction of poverty and economic inclusion. It is under this section that the aims and objectives of the study will be articulated. This section will conclude by highlighting the research question as well as sub-questions of the study.

1.2 Rationale of study

Special measures to provide requisite support to co-operatives as part of the strategies and mechanisms for job creation in the South African economy were formally endorsed by the Presidential Growth and Development Summit, held in July 2013. In line with government's approach to co-operative development which is underpinned by the creation of a favourable legal, economic, administrative and institutional environment, the responsibilities related to the co-operative agenda is entrusted and delegated to the Department of Trade and Industries. It is in this department where the co-operative Enterprise Development Division is placed (Philip, 2003).

The 2004 Co-operative Development Policy for South Africa re-emphasises the fact that co-operatives are not government structures and entities but that government's role is to intervene through support measures such as creating favourable conditions for supply and demand dimensions in order to grow the sector and by ensuring that cooperatives are accessing the mandated development institutions and agencies and can effectively utilise the programmes put in place for their

development. Government positions at the centre of its economic policy the support and promotion of emerging economic enterprises with a view to utilise vehicles such as cooperatives to de-racialise economic participation and diversify the ownership of businesses, growing the size and strengthening the footprint of co-operatives through-out the length and breadth of South Africa. In dealing with co-operatives as an important variation of social and economic enterprise development, the policy gives effect to Government's approach to defining the co-operative enterprises as well as policy instruments that will be employed to achieve set objectives.

The policy takes into cognisance the low economic base from which co-operatives move from, including the existence, relevance and value of less formal, traditional co-operative type organisations. The policy views these nuances as important in the transformation of the 'informal economy' into legally protected work with full integration into mainstream economic life without necessarily destroying the identity of co-operatives. Therefore, government, from all its three spheres, endeavours to put policies, programmes and resources in place aimed at providing support interventions for co-operatives to create employment opportunities, benefit disadvantaged groups and ultimately lead to greater participation by women and black people in the economy.

The Co-operatives Act of 2005 instructs the creation of an environment which will promote the development of sustainable co-operatives that comply and are in line with co-operative principles, thereby increasing the number and variety of economic enterprises operating and participating in the formal economy. The fundamental objective of this Act is to promote equity in the formation and management of co-operatives through the structured and systematic effort for greater participation by black persons, especially those living in rural areas, with the majority being women, people living with disabilities as well as young people. The Co-operatives Act of 2005, therefore, provides a legislative framework which mandates and directs government to place co-operatives within the broad socio-economic transformation agenda of the country.

The Integrated Strategy on the Development and Promotion of Co-operatives, published in 2012 by the Department of Trade and Industry (the DTI), envisions a scenario where there is a growing, self-reliant, self-sustainable and integrated co-

operative sector, enjoying support from all stakeholders, making meaningful contributing to economic growth, reducing levels of poverty and adding value to employment creation efforts, as well as accelerating efforts to bring about economic transformation and an equitable society in South Africa. There are key measurable indicators and targets set by the Promoting and Integrated Co-operative Sector in South Africa 2012 – 2022 strategy document. These include, among others, the following:

- Growth in their value, number and contribution to South Africa's GDP growth rate;
- An increase in the number of jobs created within co-operatives;
- Improvement of capacity, management and technical skills among the co-operatives, to enhance their sustainability;
- An increase in co-operatives access to markets, information, business infrastructure, as well as financial and non-financial assistance, to achieve their sustainability.

Philip (2003) states that agricultural co-operatives in South Africa started in the 1910's and 1920's, and concentrated on the mobilisation and co-ordination of input supplies and the central marketing of production. It was through these common purposes and organisations of co-operatives that the establishment of processing co-operatives, such as the wine and spirit sector, began. These co-operatives assumed a powerful position in terms of lobbying for agriculture and grew into a strong monopoly around key agricultural sectors. This strength in the organised co-operatives sector in agriculture was made possible by the readily available access to finance through the government funded Land Bank. The Marketing Boards that regulated prices were effectively controlled by these co-operatives until the whole system was abolished after the 1994 democratic breakthrough.

It is at the centre of government's socio-economic agenda to position support to co-operative development as a key programme component of the Broad-Based Black Economic Empowerment (B-BBEE) strategy. This strategy is geared towards addressing the imbalances of the past and facilitating the equitable transfer of the ownership and control of economic resources to the majority of its citizens. The B-BBEE strategy is designed to encourage and support efforts by co-operatives and

other forms of enterprises that support black economic empowerment. In this way, co-operative enterprises will be able to gain ownership and asset control of economic activities in new and existing enterprises and make inroads into new sectors of the economy.

1.3 Problem statement

The research attempts, on the basis of the support and development provided by Cacadu District Municipality of the co-operatives in its area, and particularly in one of its local municipalities, Ikwezi, to determine the impact it is making to the growth and sustainability of these enterprises. The district municipality has until now not been able to ascertain and qualitatively and quantitatively measure the relevance and impact, either positively or negatively, it is making to co-operatives in the region.

The United Nations (UN), the International Labour Organisation (ILO), the International Co-operative Alliance (ICA), and many other social, economic and political commentators agree that the co-operative enterprise is designed and structured in such a way that it responds better to challenges related to the reduction of poverty and economic inclusion. Despite the efforts by government to support and direct resources and institutions to address high levels of poverty through co-operative programmes, the Eastern Cape Province remains one of the poorest Provinces in the country and the Cacadu district region is punctuated by acute pockets of poverty. Therefore, the relationship between the support provided by the Cacadu District Municipality to co-operatives and the extent to which supported co-operatives are harnessed and advantaged to grow and sustain their enterprises is the cornerstone of this research. To what extent are the co-operatives enabled to reduce poverty and identify economic opportunities for the benefit of their members? To what extent are these co-operatives enabled to improve the livelihoods of their members and create job opportunities? These are some of the key issues that this research attempts to unravel in order to inform better policies and strategies for co-operative development and support in South Africa.

1.4 Research question

This research is trying to answer the following questions:

- To what extent does the national and regional legislative environment enable co-operative enterprises to thrive?
- Are co-operatives viable vehicles for economic growth, job creation and enterprise development?
- Has the provision of support and development of co-operatives in the region resulted in sustainable business?
- What are the key challenges that co-operatives are experiencing in the Ikwezi area?
- Are the co-operatives dependent on government's support for their survival?
- Have co-operatives positively contributed towards the socio-economic needs of the communities that the district municipality serves?

1.5 Hypothesis

The government support provided by Cacadu District Municipality to co-operatives in its area of jurisdiction has resulted in the growth and sustainability of co-operative enterprises.

1.6 Aims and objectives

The aim of this research is to determine the impact and effectiveness of support to co-operatives provided by the Cacadu District Municipality in its area of jurisdiction, using Ikwezi Local Municipality as a case study. Ikwezi Local Municipality has been chosen because, as one of the nine local municipalities under the jurisdiction of the Cacadu District Municipality, it has the highest concentration of co-operatives in the region which are supported by the District Municipality and by other Sector Departments from the National and Provincial Governments.

The research objectives are to:

- Analyse and evaluate the current Local Economic Development (LED) strategies of Cacadu District Municipality;

- Evaluate the bases from which co-operatives are established in Ikwezi Local Municipality;
- Determine the dominant gender profile of co-operative members;
- Determine the education levels of members of these co-operatives;
- Ascertain whether the support provided to co-operatives has brought about personal business development;
- Evaluate whether the support given to co-operatives has effectively enhanced their sustainability and growth;
- Determine whether the support provided has impacted positively on the operations and functionality of the co-operatives; and
- Ascertain the kind of support that co-operatives most require from government.

1.7 Scope and scale of research

The scope and scale of the research will be limited to the following:

- Place: Ikwezi Local Municipality, semi-rural area
- Time: Since 2010
- Age: People of all ages
- Gender: Men and Women
- Ethical value: Has the support been consistently provided?
- Administrative issue: Were there any time delays?
- Policy aspect: Was the implementation of the programme beneficial?
- Innovation: Has models such as agricultural mentorship brought something new to the co-operative practices?
- Interest group: What is the involvement of white commercial farmers in this process?
- Class: Has a particular income group benefited from this programme and to what extent has it created business owners?
- Ethical Issues: Cacadu District Municipality and Ikwezi Local Municipality will be approached to solicit permission to undertake the research in their areas and to consult their policies, strategies and reports. The beneficiaries (participants) will also be officially communicated with and their approval

requested before being involved in this research study. There will be no under- 21 year olds involved in the research. Other vulnerable groups such as the sick, infirm and old people will not participate in the study. No prisoners will be involved. Privacy, anonymity and confidentiality of data will be highly preserved and the information and people involved will be treated with respect and dignity.

1.8 Research methodology

The overall research approach of this study will be based on a mixed method between qualitative and quantitative research families. Quantitative research is empirical research that is characterised by the data which is presented in the form of numbers, whereas qualitative research is also empirical research which is characterised by data that is not presented in the form of numbers. Both methods have merits and are relevant for the kind of research that was undertaken.

The study will be biased towards and put more emphasis on the data gathered from individual co-operative businesses and personal experiences of individuals involved in the co-operative sector. This will require qualitative techniques such as interviews and observations. The study will also use questionnaires as a research method as they fall under quantitative techniques (Baxter, Hughes & Tight, 2006).

1.9 Data collection methods and instruments

The research study will use the following sources for the collection of data:

- Interviews
- Books from the library
- Government white papers and legislation
- Academic journal articles
- Case studies

1.10 Conclusion

This research study is structured into five chapters. At the beginning of every chapter a brief introduction is provided and the chapter concludes with a short summary. In Chapter 1 the general introduction to the study is provided which entails background information to the study. The background information enables the research to explore the key questions that led to this investigation. The aims and objectives are outlined in this chapter as well. The research proceeds to Chapter 2 where an in-depth literature review is undertaken. Chapter 3 deals with the research methodology. One of the critical sections of the study is Chapter 4 which deals with the analysis of the data in detail and illustrates the methods that are used in the interpretation of the data. Chapter 5 is the last section of the study. As this chapter concludes the research study process it will provide recommendations arising from the strength of the findings for other researchers to contend with.

CHAPTER 2

Literature Review and Theoretical Framework

2.1 Introduction

A review of literature concerning co-operatives, focusing more specifically on the impact of support given by the Cacadu District Municipality in the Ikwezi Municipal area, is provided. This will include an outline of what is understood to be a co-operative. A brief historical background of co-operatives is also explored. The global perspectives on co-operatives will also be highlighted as well as the link between co-operatives and the Millennium Development Goals (MDG). An overview of what the South African Legislative Framework entails with regards to co-operatives will be supplied, followed by an exploration of the concept and how it is implemented. The researcher also outlines what the role of the Cacadu District Municipality with regards to co-operatives and local economic development is. Lastly, the research question and related sub-questions are addressed, detailing the impact of the support given to co-operatives by the Cacadu District Municipality in the Ikwezi Local Municipal area.

2.2 What is a co-operative?

According to the International Co-operative Alliance (1995), a co-operative is a group of people who constitute an autonomous association, bound together voluntarily with the main aim of meeting their common challenges related to social, cultural and economic needs and with the aspiration of forming and belonging to a jointly owned and democratically controlled business entity. When two or more primary co-operatives merge to form one entity they constitute and become a secondary co-operative. The main purpose of a secondary co-operative is to provide services at a bigger scale to its member co-operatives. Therefore, a secondary co-operative is designed to assist primary co-operatives with the view of providing effective and efficient services to its broad co-operative membership base (Department of Trade and Industry, 2004).

Zeuil and Cropp (2004) note that one of the definitions of a co-operative that has enjoyed wide recognition and acceptance is the one that was adopted in 1987 by the United States Department of Agriculture (USDA) which advocates and emphasises the elements of user-owned and user-controlled inherent in this form of enterprise hence the co-operatives phenomenon is based in its desire to create and offer benefits on the basis of these values.

2.3 Historical overview of co-operatives

Zeuil and Cropp (2004) argue that it is impossible to disconnect the historical development of co-operative movements from the social and economic forces that moulded them, given that the economic difficulties and grave social challenges were in the past and helped to shape co-operatives as we know them today. The existence of the social and economic forces that are often catalysts to the formation of co-operatives can be found in ancient records and archaeological artefacts which show the existence of co-operative formations even in early civilisations from as diverse parts of the continent as China, Greece and Egypt.

According to Zeuil and Cropp (2004) the celebrated fashioning of the modern co-operative movement is associated with and credited to the founders of the Rochdale Society which has its origins in 19th Century England. The success of co-operatives is linked to the Rochdale pioneers and the early European thinkers and organisers of co-operatives. These are the people who were responsible for devising and developing a set of guiding principles that formed the basis for the development of co-operatives through-out the world.

Jara and Satgar (2008) state that in the context of South Africa the historical development of co-operatives is strongly associated with, connected to and moulded by the history of colonial and segregationist Apartheid development planning and its doctrine. This reflected itself in the manner in which the society and the economy was organised. The social and economic conditions that were created by one of the biggest gold deposit discoveries in the Rand in 1886 necessitated the migration of people from the rural and hinterlands to the urban areas, giving rise to an urban population explosion. The migration of people to the mining towns created a huge demand for agricultural produce. The Pietermaritzburg Consumers Co-operative was the first co-operative to be formally established under the then Companies Act

and it was registered in 1892. The National Co-operative Dairies Limited followed suit in the early 1900s (Van Niekerk, 1998). The co-operatives that were formed until that stage were not guided, however, by any legal framework as it was non-existent (NEDLAC, 2008).

2.4 Globalisation and co-operatives

According to Al-Rodhan (2006), globalisation should be understood from its broadest form as it is not a simple concept that can be clearly located within a particular context and conjuncture or in a particular time and place. It is a complex phenomenon that has neither beginning nor end. Due to its sophistication it is naïve to view its application as being applicable to all people and in every situation and environment. Globalisation, fundamentally, is about economic integration. It facilitates the cross-pollination of countries' and nations' policies and creates an environment for accessibility, sharing and the acquisition of knowledge for people across the world.

Al-Rodhan (2006) argues that globalisation brings about cultural stabilisation and strengthens relations amongst nations, influencing the alignment of world political power relations and shaping international discourse. Globalisation is a global phenomenon re-engineering world processes. It is revolutionary in its nature and is a concept that mobilises and brings about global trade and markets that are not constrained by social and geo-political hold and control.

Hansen (2009), states that the emergence of globalisation as an international phenomenon has presented itself, in the context of co-operatives, as one of its serious challenges. It is indisputable that globalisation has exponentially gathered momentum over the last decade, notwithstanding that globally there have been financial crises and recessions with some parts of the world affected more than others. Therefore, the extent to which globalisation impacts various parts of the globe vary but the globalisation phenomenon and its effect will persist unabated.

Co-operatives, like other social and economic movements, have been impacted on by globalisation. Hansen (2009) contends that it can be argued that globalisation has facilitated the resolution of problems and challenges experienced by co-operatives in some areas. The exploitation of the unhindered flow of foreign raw

materials and production in the world serves as an integral part of business and enterprise development, especially as it relates to countless large co-operatives. It is a common feature that has been growing over the years to find foreign members involved in the operations of local co-operatives, as much as this practise has its own share of challenges. It is observed that in other areas structural problems are fundamental and they continue to plague the co-operative movements (Hansen, 2009).

2.5 Millennium development goals and co-operatives

According to Birchall (2004), the United Nations Millennium Declaration together with its goals outline fundamental issues that must be addressed and reversed if the global community is serious and committed to a new world order that is characterised by a more peaceful, prosperous and just world. Therefore, the United Nations Millennium Declaration and its goals laid a strong foundation for these noble principles and implore all the nations of the world to embrace and live by them. The Millennium Development Goals (MDGs) constitute the main development agenda of the world today with multi and bi-lateral organisations, governments and civil society focussing on and working towards finding innovative ways to achieve the goals and targets set for 2015 (Birchall, 2004).

The Millennium Development Goals (MDGs) and targets are a product of and arise from the Millennium Declaration signed in September 2000 by 147 Heads of State and governments representing 189 countries. This global commitment was further strengthened by agreements that were signed by member states at the 2005 World Summit (UNDP, 2010). The goals and targets are as follows (UNDP, 2013):

1. To eradicate extreme poverty and hunger
2. To promote universal primary education
3. To promote gender equality and empower women
4. To reduce child mortality
5. To improve maternal health
6. To combat HIV/AIDS, malaria and other diseases

7. To ensure environmental sustainability

8. To develop a global partnership for the development

According to the International Labour Organisation (2015), co-operative enterprises are inherently value and principle driven organisations. They are positioned to be sustainable and can be viewed as participatory forms of businesses. The co-operative businesses are more concerned with job security as they strive to pay competitive wages whilst at the same time driven by a need to provide improved working conditions. The options available to co-operative enterprises such as profit sharing and distribution of dividends are geared towards promoting additional income for its members. Through these schemes co-operatives are able to invest in their communities by providing much needed facilities and services such as schools and clinics.

The International Labour Organisation (2015) observes that co-operatives are inclined to instil democratic values and knowledge and these enhance and increase opportunities for social cohesion to be realised. Notwithstanding business challenges experienced during the times of economic downturn, co-operatives have proven to demonstrate strong elements of resilience during periods of economic upheavals (International Labour Organisation, 2015).

Birchall (2004), states that co-operatives are very useful economic tools to pull people out of poverty due to the fact that they are prone to create job opportunities for members of their communities and generate flow of income streams in a sustainable way. Co-operatives work for their members as all the income and profits are ploughed back to the members through mechanisms such as patronage funds based on the investments and contributions that people have made to the business. Therefore, co-operatives ensure that growth is achieved equitably (Birchall, 2004).

2.6 South African legislation on co-operatives

According to Jara and Satgar (2008), the new Co-operatives Act of 2005 is a culmination of the review process of the old Co-operatives Act of 1981 which began in 2000. The new Co-operatives Act of 2005 took cognisance of and draws lessons learnt during the development of the co-operatives during the Apartheid period. The Act takes into account the post-Apartheid era that gives rise to more diverse needs

and the necessity of the growing members of the co-operatives. When the Co-operatives Act of 2005 was drafted it also took into consideration the invaluable inputs from the ILO's Recommendation 193 adopted in 2002 (Theron, 2005). The new Co-operatives Act differs in many respects with the old Act of 1981 in the sense that the old Act was characterised by a narrow agricultural and marketing focus. The new Act was founded on the basis of international standards and underpinned by universal principles as core values characteristic of co-operatives operating under the auspices of the International Co-operative Alliance (ICA). This is a distinguishing feature and a "Statement of Identity" for co-operatives under the ICA (NEDLAC, 2008).

2.6.1 Co-operatives Act (No 15 of 2005)

According to Urban-Econ (2013), the Co-operatives Act was designed and crafted to replace the Agricultural Co-operatives Act of 1991 with the view to accommodate all issues related to co-operatives. The development, registration and formalisation of co-operatives were the main purpose behind the Co-operatives Act. The Act was geared to deal with all matters related to the development and functioning of co-operative enterprises. Key among the issues that the Co-operatives Act of 2005 set to achieve were the following:

- Ensure that the international co-operative principles are recognised and implemented in the Republic of South Africa,
- Enable co-operatives to register and acquire a legal status separate from their members,
- Facilitate the provision of targeted support for emerging co-operatives, particularly those owned by women and black people (Urban-Econ, 2013).

The Department of Trade and Industry (2005) states that the act also intends to achieve the following:

- Promote the development of co-operatives that comply with co-operative principles, thereby increasing the number and variety of economic enterprises (emerging) operating in the formal economy

- Encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises, to register co-operatives in terms of the Co-operatives Act, 2005
- Enable such co-operative enterprises to register and acquire a legal status separate from their members
- Promote equity and greater participation by black persons, especially those in rural areas, women, persons with disabilities and youth in the formation of , and management of co-operatives
- Establish a legislative framework that preserves a co-operative as a distinct legal entity
- Facilitate the provision of support programmes that target emerging co-operatives, specifically those co-operatives that consist of black persons, women, youth, disabled persons or persons in the rural areas and that promote equity and greater participation by its members
- Ensure the design and implementation of the co-operative development support programmes by all the agencies of national departments including but not limited to Khula, National Empowerment Fund (NEF), National Productivity Institute (NPI), Small Enterprise Development Agency (SEDA), Industrial Development Corporation (IDC), South African Qualifications Authority (SAQA), South African Bureau of Standards (SABS), Council of Scientific and Industrial Research (CSIR), Public Investment Corporation (PIC), Development Bank of Southern Africa (DBSA), South African Local Government Authority (SALGA) and Sector Education and Training Authorities (SETA's), and compliance with uniform norms and standards prescribed by this Co-operative Act 2005
- Ensure the design and implementation of the co-operative support measures across all spheres of government, including delivery agencies, and adherence to a uniform framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness
- Facilitate the effective co-ordination and reporting mechanisms across all spheres of government through the central conduit of the Dti (Department of Trade and Industry).

2.7 South African national policy on co-operatives

The Co-operative Development Policy of 2004 was developed to enhance government's efforts in promoting economic policies that are geared towards the re-positioning of emerging economic enterprises (Urban-Econ, 2013). At the heart of the Policy is the drive to ensure diversification of the enterprises in South Africa. The Policy envisions the development and empowerment of these entities being demonstrated by their ownership, operations, and services rendered as well as the size and location of the co-operatives. According to Urban-Econ (2013), in a sense the Co-operative Development Policy is particularly interested in the successful formation and promotion of these emerging businesses and in providing an environment and support systems conducive for their growth. Hence the small, medium, micro and survivalist enterprises are the most prioritised by the Policy (Urban-Econ, 2003).

The Department of Trade and Industry (2004), contends that the co-operative movement can play a catalytic role in social, economic and cultural relations in South Africa, especially if it remains and maintains its self-reliance and self-sustainability. Therefore, a viable, dynamic and autonomous co-operative movement is poised to achieve many of economic benefits, and even more so if it remains relevant to its members by providing effective and efficient services to them.

Urban-Econ (2013), states that the Co-operative Development Policy is relevant for all spheres of co-operatives in any of the economic sectors. In the policy a distinction is made between emerging co-operatives and established co-operatives, with emerging co-operatives receiving more importance than the established co-operatives (Urban-Econ, 2013). The policy puts emphasis on the emerging co-operatives as they are considered to be the co-operatives in more need of support. The Co-operative Development Policy therefore aims at promoting emerging co-operatives such as SMMEs and creating an enabling environment in which they are able to compete and become sustainable businesses (Urban-Econ, 2013).

According to USDA (2004) agricultural cooperatives can be classified into three broad categories based on their main activity, namely marketing cooperatives (which may bargain for better prices, handle, process or manufacture, and sell farm products), farm supply cooperatives (which may purchase in volume, manufacture,

process or formulate, and distribute farm supplies and inputs such as seed, fertilizer, feed, chemicals, petroleum products, farm equipment, hardware, and building supplies), and service cooperatives (which provide services such as trucking, storage, ginning, grinding, drying, artificial insemination, irrigation, credit, utilities, and insurance) (USDA, 2004).

According to the Department of Agriculture, Forestry and Fisheries (2012), in South Africa the origin of agricultural cooperatives is associated with the Afrikaner nationalist movement which mainly saw the development of three types of cooperatives:

- Marketing cooperatives for the distribution and sale of agricultural produce
- Supply cooperatives for inputs such as seeds, fertiliser and livestock
- Processing cooperatives that turn products into higher value products for both human and animal consumption.

The Department of Agriculture, Forestry and Fisheries (2012) highlights that there were 54 461 registered cooperatives in South Africa as of 31 January 2012. Many of these, 47% to be precise, are agriculture cooperatives, followed by service cooperatives at 37%. In terms of the vision for growing smallholder farmer cooperatives, government has identified the development of agriculture and rural development and has also embarked on land distribution and restitution as central to its efforts of reducing poverty and unemployment, particularly in rural South Africa. Agricultural cooperatives are viewed as labour intensive with the potential of creating job opportunities (Department of Agriculture, Forestry and Fisheries, 2012).

The Department of Agriculture, Forestry and Fisheries (2012), states that the main challenge or constraint facing these cooperatives is lack of demand for their products owing to poor market access or inaccessibility of lucrative national and international markets. In view of this, government intends on creating an incentive scheme or fund to facilitate the establishment of secondary marketing cooperatives as vertical structures. It is envisaged that these types of cooperatives will facilitate both economies of scale and scope. They will also facilitate cost reduction with respect to logistics, administration and marketing of produce (Department of Agriculture, Forestry and Fisheries, 2012).

2.8 Cacadu District Municipality and co-operatives

According to the Integrated Development Plan (2012-2017) the Cacadu District Municipality (CDM) is the largest (58 243 km²) of the six District Municipalities in the Eastern Cape Province. The district is situated in the western portion of the province, bordering the Western Cape, Northern Cape and two other District Municipalities in the Eastern Cape, namely Chris Hani District Municipality and Amathole District Municipality (Integrated Development Plan, 2012-2017). The district forms the agricultural hinterland of the Nelson Mandela Bay Municipality, which includes the port city of Port Elizabeth.

The District consists of nine local municipalities (Category B Municipalities) and three other portions that are National Parks, namely Addo Elephant National Park, the Tsitsikamma National Park and Camdeboo National Park (Integrated Development Plan, 2012-2017). These parks are managed by the South African National Board.

The district has the largest number of Category B municipalities in the country. The district wholly borders the Nelson Mandela Metropolitan Municipality (NMMM), and consequently, land access to the NMMM is via the CDM (Integrated Development Plan, 2012-2017). The nine local municipalities in the CDM are Blue Crane Route, Ikwezi, Makana, Ndlambe, Camdeboo, Sundays River Valley, Baviaans, Kouga, and Kou-Kamma (Integrated Development Plan, 2012-2017).

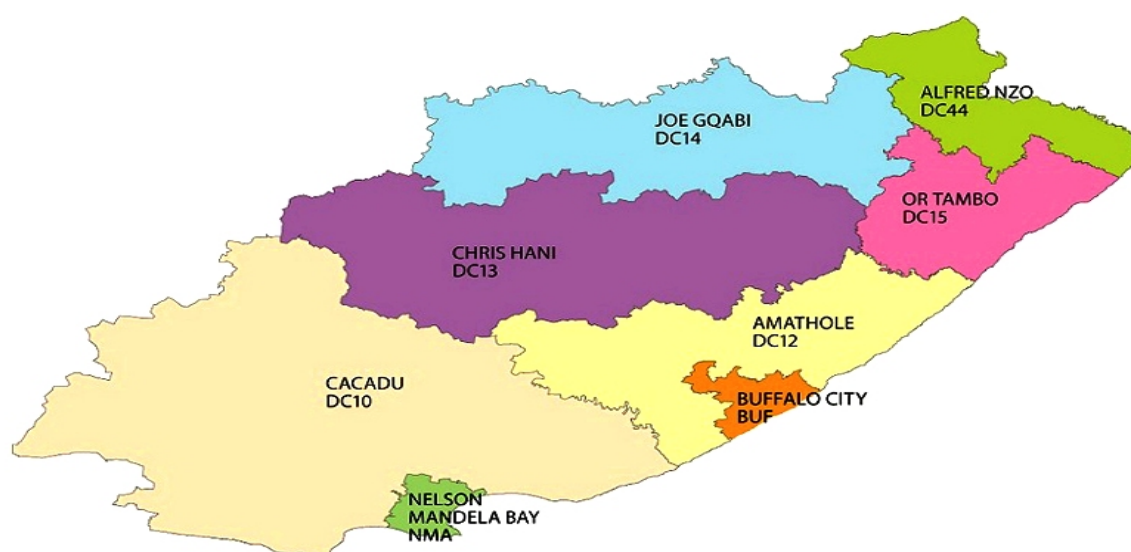


Figure 1: Map of the Eastern Cape Districts

Source: Eastern Cape Provincial Department of Human Settlements, 2013.

According to the Cacadu District Municipality (2011) the district has experienced a period of sluggish economic and demographic growth. Major challenges have included a period of consistent agricultural decline, the large geographic extent and sparse population of the district, aggravated by migration to larger urban nodes, growing inequality and poverty and lack of municipal capacity (Cacadu District Municipality, 2011). There are a number of objective factors that suggest that much stronger growth than has occurred over the past decade is possible (Cacadu District Municipality, 2011).

Cacadu District Municipality (2011) states that the CDM approach is structured around seven core strategies based both on the review of international trends in rural regeneration strategies as well as a reflection on the experiences of CDM and other agencies in promoting development in the region. The seven strategies are mentioned below. The researcher will focus on the first and second strategies:

1. Increasing agricultural income
2. Investing in natural capital
3. Broadening economic participation
4. Developing the skills base
5. Improving connectivity and utility infrastructure
6. Regenerating core towns
7. Building local and regional networks

2.8.1 Increasing agricultural income

According to the Cacadu District Municipality (2011) agriculture remains the single strongest economic driver in the district. The starting point for rural development is to find ways of increasing agricultural income. This is of course firstly a product of the drive of farmers individually and collectively (Cacadu District Municipality, 2011).

Cacadu District Municipality (2011) states that there are a number of ways in which farmers can be supported to increase the value of agricultural output, these include:

- Growing national and international markets for agriculture. This may involve the establishment of a marketing body or through destination and product marketing.

- Facilitating investments in local and regional agro-processing plants to increase product demand and improve prices. Investment in agro-processing plants is a key driver of both increased production and higher income in many agricultural sectors.
- Investing in research and knowledge sharing to improve the quality and resilience of crops and livestock.
- Supporting local and regional food systems that keep wealth in rural communities.

The Agricultural Sector, as a key but declining driving force in the economy of the district, indicates a strong ‘boom – bust’ cycle.

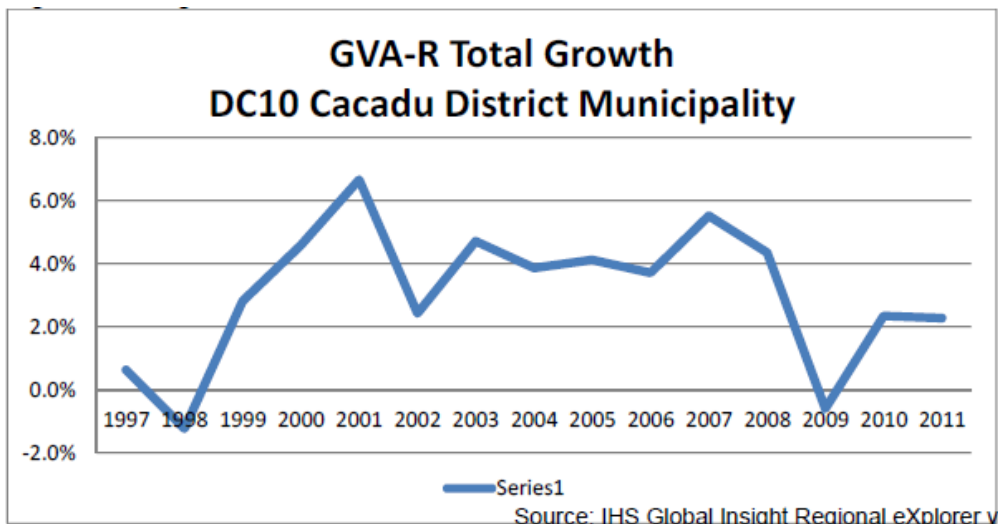


Figure 2: Agriculture Annual Growth

Source: *Cacadu District Municipality Agricultural Mentorship Programme, Wendt 2013.*

2.8.2 Cacadu District Municipality Agricultural Mentorship Programme

According to Wendt (2013) the objective of the agricultural mentorship strategy is to set up and implement a system of a structured long-term skills transfer from successful, commercial farmers to emerging farmers in order to enable them to convert their farms into sustainable businesses.

For this purpose, a mentor is contracted to develop not only the production related skills but also address management, financial and marketing skills of the beneficiaries of a selected project, working with the beneficiaries for at least 8 hours per week on the farm over a period of approximately 3 years, depending on the

complexity of the commodity produced and the original skills level of the beneficiaries (Wendt, 2013).

Wendt (2010) further shows that the Agri-SETA embarked on a process to implement mentorships in the primary agricultural sector with the view to:

- Support and enhance sustainability of skills development,
- Contribute in a meaningful manner towards the sustainability of farming ventures,
- Contribute in a coherent manner toward initiatives such as Agri-BBBEE and ASGISA.

This mentorship program aims to:

- Provide guidance to the emerging/ small farmer to a level where the farming venture is a healthy, self-sustainable business
- Provide the emerging/ small farmer with a holistic farm experience (Wendt, 2010).

The above will be achieved by (Wendt, 2010):

- Making funds available for the funding of mentor activities,
- Guiding the emerging/small farmer on the technical, as well as financial/ business aspects of a farming business,
- Transferring of technology, knowledge and experience to the emerging/ small farmer,
- Guiding the mentor on how to structure his/her involvement/activities to the maximum benefit of the mentee.

Wendt (2010) states that since CDM and the Local Municipalities do not have the capacity to provide mentorship for emerging farmers, they are completely dependent on external service providers. In respect to the mentorship itself, currently the best option seems to be for projects to benefit from the knowledge, experience and structures of local, established commercial farmers and their organisations (Wendt, 2010).

According to the Integrated Development Plan (2012-2017), in as much as emerging farmers have acquired some basic agricultural skills or some have undertaken training in agriculture, the most glaring weaknesses are around the areas of skills required to manage a farm or co-operative as a business. Due to the fact that in most cases emerging farmers do not have the necessary skills and knowledge to manage their farms properly they are bound to make mistakes, in the process deteriorating crucial assets and input such as infrastructure, land and stock.

This does only can cause collapse in the enterprise but also threatens food security in the long run. The Mentorship Programme implemented by CDM is intended to complement the short-term training and skills gap that exists by ensuring that all the knowledge gained and skills acquired by emerging farmers is harnessed through hands-on coaching and guidance so that they can be correctly and appropriately applied in a manner that responds to their local conditions (Integrated Development Plan, 2012-2017).

2.9 Ikwezi Local Municipality and co-operatives

According to the Ikwezi Local Municipality IDP (2012-2017), the Ikwezi Local Municipality falls within the Cacadu District of the Eastern Cape Province and has a population of 11 523 with an estimated 2 579 households. The Municipal area has four wards and comprises an area of 4,562.72 km². Jansenville is the primary urban area and economic hub, Klipplaat is a secondary service centre, Waterford a small rural node and Wolwefontein a tiny railway siding settlement (Ikwezi Local Municipality IDP, 2012-2017).

The Ikwezi Local Municipality is, according to the Institute for Co-operatives Development (2012), characterized by poor socio-economic conditions. The low economic growth rate coupled with low income leads to low affordability levels. On average the level of services compare relatively well with that of the district and the level of vulnerability in the Ikwezi area has decreased slightly from 1996 to 2007 (Institute for Co-operatives Development, 2012). Income levels within the municipal area are very low considering that 48.3 percent of the economically active population does not generate an income (Institute for Co-operatives, 2012). The remaining 25.7 percent are employed with only 28.2 percent earning an income of more than R601.00 per month.

According to the Cacadu District Municipality IDP (2012-2017) the districts major employer is Trade (which includes retail and tourism), followed by Agriculture and then Community Services (which includes government). The Employment Rate was 83.09 percent in 2011 in the Cacadu District Municipality and 75.65 percent in the Ikwezi Local Municipality (Eastern Cape Socio Economic Consultative Council, 2012). Furthermore, according to the Eastern Cape Socio Economic Consultative Council (2012) the poverty rate in the Cacadu District Municipality was 37.39 percent in 2011 and 51.10 percent in Ikwezi Local Municipality. Municipal planning needs to focus strongly on local economic development and job creation initiatives, which will enable the community to generate an income (Institute for Co-operatives Development, 2012).

2.10 Conclusion

Literature has indicated the importance of co-operatives and the significant role that they play in Local Economic Development. The historical and global context with regards to co-operatives has also been highlighted. The Millennium Development Goals and their link with co-operatives have also been indicated. The South African Legislation and National Policy highlighted some of the importance of co-operatives in the country and much focus was given on the Cacadu District Municipality and its support on co-operatives in the Ikwezi Local Municipality.

CHAPTER 3

METHODOLOGY

3.1 Introduction

The insight into the approach that is applied to investigate and explore the research problem is provided in this chapter. In this chapter an attempt is made to explain the sequence and the nature of actions to be undertaken in order to implement the research effectively. The chapter also provides rationale for the course of action to be pursued.

In this chapter the researcher will indicate and expound on the type of methodology that will be employed during the process of conducting this research study given that there are different methods available to researchers to conduct researches. In this section of the research report an explanation will be provided on the research design as well as the type of data methods that will be utilised. This chapter delves into the types of data analysis that will be carried out. It will outline the methods of data interpretation that are selected and expand on the analysis of the qualitative research. The qualitative research method will take the form of thematic and content analysis.

3.2 Research design

The qualitative research design method will be used in this research study. Terre Blanch, Durrheim and Pointer (2007), contend that a research design is the articulation of the strategic framework of action that facilitates the alignment between the research questions and the application of the research process or the execution. The research design is a plan that illustrates and guides the processes and steps to be followed in the course of collecting and analysing the data so that the research remains focussed on the attainment of the research objectives. What distinguishes this type of research from other forms of observations is that the nature of observation is informed by a developed design and plan for the type of observation to be undertaken.

Mouton (2001), asserts that a research design is a well thought through plan of action or a blue print at the disposal of a researcher who intends to embark in a research plan. Therefore a research design, as a point of departure, formulates the research problem on the basis of an articulated end product' provides logic and rationale for the research study. Collis and Roger (2003) argue that irrespective of the paradigm that you will be pursuing in your research, positivist or phenomenological, there will invariably be a combination of qualitative and quantitative inputs in the data generating processes.

According to Babbie and Mouton (2001), qualitative research attempts to study human action from the insider's perspective. Qualitative research becomes a detailed study with an in-depth description and enquiry and a direct quotation capturing participant's personal perspectives and experiences (Absolom, 2005). Qualitative data research is a method of research that is primarily concerned with the participant's feelings, opinions and beliefs as well as stories, accounts and subjective understandings (Matthews & Ross, 2010).

Babbie and Mouton (2001), advocate that at the heart of qualitative research is an endeavour to study human behaviour and action from the perspective of the insider. Qualitative research is characterised by extensive and in-depth exploration of the research question informed by intensive inquiry and capturing of respondents and participants' direct personal experiences and perspectives (Absolom, 2005). In essence, people's sentiments, feelings, perceptions and beliefs are what the qualitative research method is primarily concerned with. The individuals and groups reflections and stories form the basis to the understanding of the subjective interpretations (Matthews & Ross, 2010).

According to Skelton (2001), researchers have to acknowledge that, we are not neutral, scientific observers, untouched by the emotional and political contexts of places where we do research. We are amalgams of our experiences... part of our honesty and integrity as researchers must be based upon considerations about ourselves, our personalities and our identities and what role they might play in our research.

Cronje (2011) asserts that it is imperative to get to understand the researcher's belief and his or her world view so that one is in a position to understand whether the research is more concerned with the abstract or with concrete facts. Once these positions are established it should be easier to locate the research within an appropriate paradigm.

McRoy, quoted by de Vos, Strydom, Fouché and Delport (2005), contends that the qualitative research paradigm is characterised by a need to draw perceptions, experiences and to measure the reflections from those involved in the research. The qualitative research method is distinguished by its 'enquiring mind' and by delving into social dynamics with the view of collecting information related to the interaction of people, between people and the human behaviour exhibited thereon. Therefore, de Vos *et al.* (2005) concludes by arguing that due to the richness of qualitative research, it offers a wide range of designs to be chosen by those who have elected to undertake this form of research.

Welma, Kruger and Mitchel (2005), state that the researcher is able to get data of greater depth under the qualitative research method. It should be viewed more as an approach rather than a specific design or a set of mechanical techniques. Van Maanem (1979) advances that the qualitative method should be perceived and treated as an overarching phrase covering a wide range of interpretive techniques, which strives to explain, unpack, interpret and make sense of the meaning of naturally occurring phenomena in the social world. Qualitative methodology is fundamentally a descriptive form of enquiry, hence the application of qualitative field studies are best suited for the description of groups, small communities and institutions (Welma, Kruger & Mitchel, 2005).

One of the defining qualities of qualitative research is that it is presented in a descriptive form or language as opposed to numbers. The significance and appreciation that the respondents attach to their environment and world view are what the researcher is curious to understand in qualitative research. On the basis that this is a qualitative research study, the researcher will actively explore and use interactive studies as well as interactive design applicable to the study. It must be highlighted that the data collected from the case studies will be directly related to the research question and sub-questions. The interpretive research method is selected

for the purpose of this study as an appropriative research paradigm meeting the requirements of the study.

Terre Blanche, Durrheim and Painter (2007) contend that interpretive research methods are methods that are designed to explain and interpret the feelings expressed by people, including their experiences in social and human terms rather than through categorisation, measurement and qualification. The participant nature, rather than observation oriented discourse, constitutes the frame of reference for an interpretivist paradigm.

3.3 Data collection techniques

Matthews and Ross (2010) advocate that data is the representation of facts that have been collected together to be analysed and from which there is propensity to draw conclusions. Secondary sources such as government policies and strategies, books and academic journal articles sourced from the library, along with other academic papers sourced from the internet, will constitute the bulk of the data that will be collected for this research study. The data that will be collected will also be drawn from research documents and private sector research papers related to co-operatives.

Matthews and Ross (2010) further state that any data that has been produced by other people and is available for the researcher to use is regarded as secondary data. In this research study, secondary data will constitute most of the information that will be collected. It is in this context that articles, databases and other relevant sources of data and information will inform and contribute to the qualitative method of this study. Similar research has been undertaken before by other researchers hence this study will utilise secondary resources. It is, however, imperative to highlight that the researcher will be highly circumspect and selective in the selection of information as the appropriateness, relevance and credibility of the information is crucial to the attainment of the objective of this proposed research study.

3.3.1 Document review

The document review exercise will concentrate on the study, scrutiny and analysis of any relevant written material and information which deals with the phenomenon being researched. The study on document reviews will be focussed and aimed at a

wide range of media databases such as information sourced from government white papers and pieces of legislation, books, articles, newsletters, newspapers, magazines and journal articles, and papers written to communicate with the general public (Matthews & Ross, 2010). The document review exercise becomes effective and of value when the method of data collection is developed in such a way that all relevant form of documents and data are properly studied and analysed so that the research provides credence to a scientific research discourse (de Vos, Strydom, Fouché & Delport, 2002).

The document review exercise needs to be reliable and valid so that it can be tested and scrutinised using more than one method. It should conform to and enable the comparison of relevant documents with other written information or data that is collected from various articles. Thereafter, the documents and information should withstand scrutiny and tests when subjected to similar documents and data found at two or more points in time (de Vos *et al.*, 2002).

The advantage and benefit of undertaking a literature review is that it becomes affordable and easier when compared to the processes, logistics and resources that must be in place when conducting a comprehensive survey as in this case the researchers are not obligated to be in contact with the participants of the study. The document review therefore enables the researcher to explore occurrences and phenomena that happened in the past (de Vos *et al.*, 2002).

3.3.2 Validity and reliability

It is imperative that this research study ensures the reliability and validity of the findings that emerge from this process of research. The concepts of reliability and validity assist in the validation and creation to "...establish the truthfulness, credibility or believability of the research findings" (Neuman, 2006:188). The establishment and creation of dependability and consistency of data that has been collected is what reliability is concerned with. Neuman (2006), advances that there is a strong relationship between the two concepts of reliability and validity. For validity to be obtained, it is imperative that there is a strong existence of reliability as much as reliability may not necessarily guarantee the attainment of validity of the research study.

Maree (2012) advocates that for reliability to exist there must be consistency in all the processes that have been followed in the study, thus findings should remain the same and not vary depending on time and place or the person who is conducting the research. Validity is more concerned with the extent to which the measurements or tools employed to measure do indeed measure what is supposed to be measured. The corroboration of information by different independent sources strongly enhances the credibility of the information (Welman, Kruger & Mitchell, 2005).

3.4 Data collection process

The data collection process followed the below steps:

1. Document analysis: Analysis of government documents, policies, laws, strategies and reports.
2. Case studies.
3. Structured interviews: Formal structured instrument or protocol was used. A standard set of questions developed; Direct interaction between the researcher and participant or group.
4. Interactive fieldwork: Data will be collected and recorded while working with participants.
5. Audio recording: Audio recording equipment will be used to gather data.
6. Making notes and diary keeping.
7. Questionnaires.

3.5 Data analysis

In this research study qualitative data collected will be scrutinised and analysed using thematic and content analysis approaches. Matthews and Ross (2010) explain the thematic analysis as a process that involves working with raw data with a view to identify and interpret key themes while content analysis is understood to be the application of the analysis to the textual data. Content analysis can apply to data or can be used for data illustrations.

This research study will attempt and endeavour to highlight some very important aspects related to the research questions, such as the linkages between globalisation and the Millennium Development Goals with cooperatives as well as what the South African legislation and policy state about cooperatives. The

researcher will investigate the impact of support given to cooperatives by Cacadu District Municipality focusing specifically on the Ikwezi Local Municipality.

The interpretivist approach of analysis, which attempts to describe and explain the real experiences of people and their sentiments and feelings from a humane angle as opposed to quantification and measurement of these experiences and feelings, will be employed in this study (Skelton, 2001). In essence, the main purpose of using the interpretivist approach is to enable the research to provide a picture of co-operatives in the Ikwezi Local Municipality and whether the support of the Cacadu District Municipality has had some impact in the local space.

3.6 Conclusion

The researcher has attempted to outline the research methodology that will be pursued and applied in this study. As has been emphasised, the study will apply qualitative research methods using books, journal articles and a variety of databases including government policies and strategies collected and accessed from internet sources. This will assist the researcher in collecting all the relevant information and data related to the outlined objectives.

The collection of data will be sourced and extracted from document reviews and case studies. In the process of concluding the research study, the researcher will analyse the data and information and develop recommendations as a response to the research questions. Therefore, the interpretivist approach together with the secondary sources that will be used will be employed to highlight the impact of support given to co-operatives by Cacadu District Municipality, focusing specifically on the Ikwezi Municipal area. Lastly, the researcher will analyse the data and indicate the necessary recommendations, thereby concluding the study.

CHAPTER 4

RESULTS AND DISCUSSION OF FINDINGS

4.1 Introduction

The presentation of the data collected during the course of the research study process will be the focus of this chapter. The main thrust of this chapter, therefore, will be the analysis of the data that has been collected. The analysis of the data take into cognisance the research objectives articulated in Chapter 1 as well as the research methodology chosen and described in Chapter 3.

Chapter 4 of the research study will be using themes that are linked to the secondary questions of the research for the qualitative data analysis with the view and intention to provide responses to the research objectives.

This research is trying to answer the following questions:

- To what extent does the national and regional legislative environment enable co-operative enterprises to thrive?
- Are co-operatives viable vehicles for economic growth, job creation and enterprise development?
- Has the provision of support and development of co-operatives in the region resulted in sustainable business?
- What are the key challenges that co-operatives are experiencing in the Ikwezi area?
- Are the co-operatives dependent on government's support for their survival?

This chapter will present and discuss the findings in light of the themes and content analysis based on the secondary research questions. To this end the headings, which are themed according to the area of inquiry, will be used to give insight and respond to the secondary questions that the researchers sought to find responses to. The researcher interviewed seven cooperatives in Ikwezi Local Municipality, which are listed in Annexure B. The researcher conducted structured interviews with the 82 participants, and a questionnaire was used in terms of collecting the data as shown in Annexure A.

4.2.1 Theme 1: The extent of the national and regional legislative environment that enables co-operative enterprises to thrive.

Since the early 2000's, the South African government identified the establishment and management of co-operatives as one of the social and economic means that could be utilised to mobilise and integrate black people into the mainstream economy through greater participation, particularly of those people living in rural areas such as women, persons with disabilities and young people (Department of Trade and Industry, 2004).

The researcher has observed that from the wide range of interviews that have been conducted, and in line with government policies and interventions in the economy, the majority of the co-operatives in the Ikwezi area are formed and managed by women. Furthermore the researcher, guided by the research questions, wanted to establish the impact of support provided to these enterprises as to whether it really assists them in sustaining and growing their co-operatives. The researcher therefore attempted to establish whether the co-operatives receive support and what kind of support they receive from the Cacadu District Municipality and other government departments and agencies, and whether this is the kind of support they need to manage and develop their co-operatives successfully.

4.2.2 Theme 2: The impact of support and development of co-operatives in the region resulted in sustainable business.

Most of the co-operatives operating in the Cacadu District area and all those that were interviewed in the Ikwezi local municipal area are involved in primary agricultural production such as vegetables, poultry, piggery, cattle and goat farming. It became evident from the information gathered through the interviews that most, if not all, of the co-operatives in Ikwezi have received support in the past and currently not only from Cacadu District Municipality but also from the National Department of Rural Development and Land Reform as well as the Provincial Department of Rural Development and Agrarian Reform.

This support is particularly for farm infrastructure such as fencing, buildings for production and other inputs such as seeds, animal feed and medicine and includes funding allocations from the Department of Social Development. Members of

cooperatives in Ikwezi confirmed that they have received support in the past and some are existing beneficiaries:

“Support from government departments, social development and the municipality helped us with a piece of land where we operate as a project” (Fresh and Delicious Co-operative).

“I do not think we will be in a position to exist on our own without the involvement of the District Municipality and the departments” (Masithembe Co-operative).

“We attended trainings and receive financial support” (Jansenville Women Co-operative).

The majority of the agricultural cooperatives operational in the Cacadu District Municipal area and all those in Ikwezi that are supported by government are beneficiaries of the Land and Redistribution for Agricultural Development (LRAD), initiated by the Department of Land Affairs which was later called the Department of Rural Development and Land Reform. As much as the state has provided land for agricultural purposes, many of the respondents interviewed in Ikwezi felt that it was not enough for them to turn the farms into viable businesses.

When the researcher probed the participants further with a view of finding out whether the support they received is the kind of support they needed the following statements emerged:

“Training in business management and financial assistance from government. Because without these two things, we were not going to be successful or be where we are now” (Antec Primary Co-operative).

“Training in broiler production. Financial management training. Book keeping” (Bafazi Phambili Poultry).

“Team work and dedication. Without teamwork and dedication this project would have long been dead. Proper record keeping” (Uitkomst Mohair).

“Without the mentors provided to co-operative by Cacadu we would have struggled greatly” (Klipplaat Hydroponics).

“We are happy with the support given by government and working well with our mentor” (Antec Primary Co-operative).

“We need team work and business and business management training more” (Bafazi Phambili Poultry).

The sentiments expressed by the cooperative members from Ikwezi on the importance and benefits of support and training are echoed by the Sinethemba Beef Farm Project, an LRAD beneficiary from Mooiplaas about 45km from East London in the Eastern Cape Province. From this case study the Department of Land Affairs and the Department of Labour organised training on farm management, animal husbandry as well as on crop production based on their identified needs. When the beneficiaries were asked about the training they were very pleased, indicating strongly that the training had assisted them greatly and expanded and developed their knowledge on farming substantially (Human Science Research Council, 2003).

According to the Cacadu District Municipality’s Agricultural Mentorship Strategy (2013), at the heart of the programme is to ensure that a process is developed to implement a system that is characterised by a structured long-term skills transfer and development from experienced, seasoned commercial farmers to emerging farmers in order to ensure that their farms are transformed into sustainable businesses.

4.2.3 Theme 3: The key challenges that co-operatives experience in Ikwezi area.

As much as the co-operative members who were interviewed expressed satisfaction with the support received from government it became evident that the area of team work and working together as a unit is a challenge to almost all the co-operatives in Ikwezi.

When the participants were asked how many they were when they formed the co-operative, compared to the existing number of members and what has caused the discrepancies they said the following:

“When we started we were 18, and now we are 11 members left. People do not want to work without pay” (Fresh and Delicious Co-operative).

“This is difficult as we work and sacrifice our time without incentive or pay. Only 16 of us are left in the project and the other 9 members disappeared or got jobs elsewhere” (Bafazi Phambili Poultry).

“We did not understand that we must make profit and grow the business before we can pay us some money. Half of our members have left the co-op” (Klipplaat Hydroponics).

These are some of the statements raised by the participants in the interviews. The size of the co-operative generally brings with it some challenges. The unrealistic expectations from the members of the cooperatives have made it very difficult for them to keep cohesion. This point is further noted from a case study of the Stanhope Farm Project in Stutterheim. The Stanhope co-operative started with thirty-two people on its list of beneficiaries.

However, due to the problems related to administration and the number of members there were internal interpersonal conflicts along with the fact that some members were not committing their time and labour to the project. One of the major problems was that some beneficiaries were not prepared to wait to make profit, consequently they dropped from thirty-two to twenty-three members who tried to hold on to the project (Human Science Research Council, 2003).

According to Zeuil and Cropp (2004) in most instances, both historically and currently, co-operatives are established in times and places plagued by economic stress and social upheaval. This assertion is confirmed by the perception, expectation and understanding by the co-operative members in their business. As much as the Cacadu District Municipality and government at large are making every effort to support the co-operatives in operating their enterprises as a business, the majority of co-operative members fail to appreciate this fact.

They do not understand that co-operatives, just like any business enterprise, have phases of development and maturity. They expect to be rewarded immediately. This situation is exacerbated by the fact that Ikwezi is one of the poorest areas in Cacadu District with a high poverty rate of 51.10 percent (Cacadu District Municipality IDP, 2012-2017).

The respondents were asked to site key issues they consider as challenges and hindrances to the development of their enterprises:

“Losing members. When we lost members we were left with low morale and felt no need to contribute to the project” (Uitkomst Mohair).

“Members not taking the project serious. Do not have finances to keep the project running and paying members” (Fresh and Delicious Co-operative).

“Some members have left the project because we are not getting paid. Not making enough profit for the project” (Bafazi Phambili Poultry)”

The feedback that was received by the researcher from the interviews on the key challenges and obstacles confronted by the co-operatives in Ikwezi in pursuit of their enterprise development objectives was the issue of a stable membership of beneficiaries to the co-operative. Members of a co-operative are bound together, united voluntarily to meet their shared common social, economic and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (International Co-operative Alliance, 1995). This fundamental objective appears to be absent from some of the beneficiaries of a co-operative.

This is supported by numerous accounts from respondents that the moment that their partners realise that there is no immediate financial benefit they leave the enterprise. What is also illustrated by this phenomenon is that these co-operatives are formed by people who are poor, therefore coming from a very low economic base, believing that the co-operative will immediately provide them with some form of financial relief to mitigate the hardship endured by their households.

Keeping members together in a co-operative is a big challenge for these entities. It is unfortunate that those who tend to leave the co-operatives are the ones who were playing an important role in the organisation and in some instances more knowledgeable than the rest. It can, however, be conversely argued that the members of a co-operative that are left behind are probably those who are fully committed to the project.

The fact that the large number of members who started the co-operative has been naturally trimmed down could also be a positive factor to the management of interpersonal relations, group dynamics and enterprise development. However, the researcher observed that most of the co-operative beneficiaries were left hopeless and disappointed by the non-participation of their colleagues in the project, as much as it could perhaps benefit the enterprise in the long term.

The other challenge which seems to be a major issue that was raised by almost all the respondents from the Ikwezi cooperatives was the financial support or the maintenance of cash-flow to enable the enterprise to operate optimally:

“Finances. We did not have much capital to keep the project running sometimes” (Bafazi Phambili).

“The most important thing is money. We cannot keep the project running with our own money; instead we need income from the project” (Klipplaat Hydroponics).

“Money is the only factor that is hindering our growth and development. If we can have enough money we can be successful because this business needs money to grow” (Fresh and Delicious Co-operative).

The researcher is of the view that the issue related to funding of co-operatives is at the heart of their survival. It emerged from the accounts of the respondents in Ikwezi that when they started the project most of them were unemployed with no assets, collateral or finances to contribute to the business. They were motivated and encouraged by government to organise themselves into these co-operatives with all the support and financial resources pledged by the state.

This situation places these co-operative enterprises in a very challenging situation as they struggle to keep materials and stock available all the time. In most instances they become survivalist and subsistence entities and struggle to keep the project running. The respondents contend that they are not in a position to make their financial resources available to the project when they are not certain about the income generation and cash-flows of the co-operative enterprise.

4.2.4 Theme 4: Co-operatives dependency on government's support for their survival.

It became clear from those co-operatives that are supported by Cacadu District Municipality that, notwithstanding the loss of members over a period of time, they managed to operate their co-operatives without allowing them to collapse. The researcher, in exploring this phenomenon of this degree of resilience, enquired from the participants whether they believed this was due to the impact of the Mentorship Programme implemented by the Cacadu District Municipality in its area since 2010.

"The Mentorship Programme taught us the business management side of our co-operative. Our co-operative would not be existing if we were not trained people for management skills, financial management and other technical skills" (Antec Primary Co-operative).

"When we started our co-operative, I had no clue of what this means except to know that the Department of Social Development is making funds available for us to buy stock. I am beginning to understand now that we are under the Mentorship Programme" (Uitkomst Mohair).

"The difficulty that as a co-operative we had at the beginning was that the departments were helping and giving us things that we wanted for the project. But the Mentor that we received from the district municipality helped us to do and think as business people. This is not easy as business takes time to make money to pay salaries" (Jansenville Women Co-operative).

"Without the Mentorship it would have been difficult understand the purpose and set goals for our project. As much as some members preferred to leave the project with this support there is light at the end of the tunnel" (Bafazi Phambili Poultry).

The picture that is given by participants is that of appreciation of the support provided by government departments as they would not have been in the position to pursue and drive their co-operatives without it. Without the support from the state most of these co-operatives would have struggled to survive until all the members saw no need and purpose for the project to exist. The role that is played by the District Municipality is highly commended by the participants as they believe that without the skills to manage the co-operative as a business and the skills to manage

each other as members of the project, they would have struggled to work together as a unit and focus on making their co-operative a viable enterprise.

It is also evident from the accounts provided by participants in this research that most, if not all, of these co-operatives emerge from a very low economic base, and even more so in the Ikwezi local municipal area. Hence, most of their seed funding and start up inputs are provided by government departments such as the Department of Social Development and Rural Development and Agrarian Reform.

The researcher is of the view that this has created a certain level of dependence on government support and funding, thus creating the idea in the minds of the co-operative members that there is an immediate financial benefit from the project. It is this expectation from some of the members of the co-operatives that has driven them away after realising that they are expected to work and sacrifice in order for their project to succeed.

The contribution that is made by the Cacadu District Municipality through its Mentorship Programme is highly commended and appreciated by the participants as a very necessary and effective tool which has helped them to gain the appropriate skills to manage and operate their co-operatives. The resources that are put in place by the government for the benefit and development of the co-operatives would not have been put in appropriate, effective and beneficial use without the use of mentors in these projects. As much as National and Provincial governments have supported and continue to support co-operatives with funding infrastructure and inputs, the knowledge and art of applying business principles in the management and operation of these co-operatives would have been lost without the Mentorship Programme.

The positive impact that the programme is making to the sustainability and, to a certain degree, the viability of these enterprises is highly commendable. The researcher is of a view that the Mentorship Programme and the mentors who have been deployed in these co-operative projects in Ikwezi have contributed largely in instilling business values and principles to the members and kept those left behind in the co-operative together.

Wendt (2013) contends that, under the Mentorship Programme, a mentor is contracted to develop and improve not only the skills related to production, but over a period of two to three years, also hone the business management, financial and marketing skills of the members, primarily depending on the skills level of the beneficiaries and complexity of the commodity produced by the co-operative.

4.3 Conclusion

This chapter presented the results of the study. This was done through the consideration of the research objectives as presented in Chapter 1. It looked at the qualitative interpretation of results based on the interviews of participants from Ikwezi as well as secondary sources. Many issues and challenges with regards to co-operatives were highlighted above, focusing on the impact of co-operatives support by the Cacadu District Municipality in the Ikwezi area. The next chapter focuses on the general conclusions of the study and recommendations emanating thereof.

CHAPTER 5

SUMMARY, LIMITATIONS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

The research attempted, on the basis of the support and development of co-operatives provided by the Cacadu District Municipality in its area, and particularly in one of its local municipalities, the Ikwezi local municipality, to determine the impact of the support is making in the growth and sustainability of these enterprises. In light of the findings presented in Chapter 4, this chapter assesses the validity of the researchers' position and hypothesis and discusses the implications of these findings for the conceptualisation, planning and practice in the public sector.

Furthermore, this chapter focuses on drawing conclusions based on the research findings for the support and development of cooperatives in the Ikwezi Local Municipality. In addition, the research question will be answered, the limitations of the study discussed as well as recommendations based on findings presented.

5.2. Overall interpretations of findings

It is evident from the literature that was reviewed in Chapter 2 that since the advent of the democratic government in 1994 the political and economic trajectory was set through a series of transformational pieces of legislation, policies and programmes with the strategic objective of redressing the past imbalances, particularly in South Africa's agricultural sector. Most of the co-operatives that find expression throughout the rural and semi-rural agricultural landscape are a consequence of government's commitment to alter the socio-economic imbalances brought about by the Apartheid economic system. The enterprises that were researched in the Cacadu District and Ikwezi local municipality are a product of this agricultural transformation agenda.

All the respondents that were interviewed confirmed that the farms and agricultural land that they use for their co-operative businesses have been made possible either through the land redistribution programme from the national and provincial government or through land that has been made available by the Cacadu District Municipality. Therefore, the agricultural land that has been made accessible to

people who would otherwise have had no means to purchase and secure these farms is the extent of the national and regional legislative environment that enables co-operatives to be initiated.

The study has shown that almost all the co-operatives that the researcher has visited and interviewed are dominated by women and they tend to be in full control of the business of the entity. The area of the Cacadu District Municipality is characterised as rural and its economy driven by agricultural industries. Women appear to be playing leading roles in rural initiatives, such as cooperatives. Ikwezi is not immune to this socio-economic set-up as women constitute the majority of these enterprises.

The study has demonstrated that the role that is played by government in the establishment and support given to co-operatives cannot go unnoticed. As much as the principle of farming and managing these co-operatives as being influenced purely by government on the basis of expected funding and support is flawed, it should nevertheless be supported by all stakeholders including local government, private sector and Non-Government Organisations (NGOs) to ensure sustainability of the co-operatives.

It has emerged very strongly from the research that co-operatives in Ikwezi are not established because like-minded and business inclined people saw an economic opportunity but because they are mobilised and encouraged by government departments to register co-operatives on the premise that funding and support will be made available to them. The lack of organic entrepreneurial spirit amongst the members of the co-operatives gives rise to government dependency for their survival.

The issue of a structured training programme for co-operatives came out very strongly from the research. The research has demonstrated that most, if not all, of the co-operatives in Ikwezi would never have survived without the training programmes and, in particular, the mentorship programme provided by Cacadu District Municipality. The beauty of the mentorship programme is that it is not a short-term or once-off intervention. It is based on a needs assessment of the commodity group and a two to three year structured mentorship plan is implemented.

From the accounts of the respondents the mentorship programme seems to complement well all other support and inputs rendered by other government departments. Notwithstanding the challenges that cooperatives in Ikwezi experience, the knowledge and skills that they gain through training interventions enable them to acquire better business skills as well as management and leadership skills. The investment in training and capacity building programmes for small enterprises and cooperatives will go a long way in turning these entities into viable business ventures.

The hypothesis, that the support provided by Cacadu District Municipality to co-operatives in its area of jurisdiction has resulted in the growth and sustainability of co-operative enterprises, may thus be considered to be supported by the findings of the research.

In turning the co-operatives into viable business enterprises, the study has shown that co-operatives made up of large numbers of members is not working. The research and other case studies have demonstrated clearly that the bigger a co-operative, the bigger the problems it is going confronted with. There is not a single co-operative in Ikwezi that has managed to keep its initial number of members in formation to a point where they are still functional.

This is a crucial point in the life of a co-operative. It is imperative that the number of members of co-operatives is kept to a functional minimum and that people are made to understand what it is that they are getting into so that only those who are interested and committed to the co-operative are enabled to participate.

The research study has also shown that some members of the co-operatives have very unrealistic expectations and that has created a lot of problems for co-operatives, hence the dwindling numbers over a period of time from the entities. The fewer the number of members in the co-operatives, the study has demonstrated, the better the management of business and interpersonal dynamics.

5.3 Limitations of the study

It should be noted that the Cacadu district municipal area is a 58 243 square kilometre area and travelling between co-operative projects located and dispersed throughout the length and breadth of Ikwezi local municipal area, some 346 km to and from Port Elizabeth, was a logistical challenge. The majority of the members of co-operatives and those who responded to the scheduled interviews were women whilst the researcher is a male.

The research has to take into account that the education and the general literacy levels of respondents are very low. Communication and translation barriers have been taken into cognisance.

The uniqueness of the study is noted given that it is based on a unique Mentorship Programme as a support and complementary intervention implemented by the Cacadu District Municipality. It is not a programme that is generally implemented by other District Municipalities and state organs. As a result, there were few case studies in which the research findings could be compared.

Most of the local municipalities, including Ikwezi, do not keep records and databases about the co-operatives operating in their areas. The process to collect information from local municipalities and government departments proved to be a challenge.

5.4 Recommendations

The National Department and Provincial Department of Rural Development should work very closely with the District and Local Municipalities in the land reform programmes to ensure joint and coherent planning for co-operatives.

Community members must not be encouraged to establish co-operatives simply on the basis that government is making financial support and resources available to them. Government should assist community members to identify an economic need to pursue via a co-operative to achieve, entrepreneurially, that objective.

Government departments, such as Social Development, Rural Development and Land Reforms, Rural Development and Agrarian Reforms and local governments, should prioritise in their budgets and planning processes the need for interventions that have been identified by the members of the community. It should not be the

other way round as co-operatives then develop dependency for their survival on government support.

Where a need has been identified for a co-operative to be established or the existing co-operatives to be supported, it is imperative that they are given training on business and enterprise development. It is therefore recommended that the goal setting and objectives of the enterprises, including the development of the constitution, are developed, understood and embraced by everyone before a co-operative is established and registered.

The Mentorship Programme has proven to be working well for co-operatives in advancing and developing business skills and imparting leadership abilities to contend with challenges related to business management and interpersonal relations and group dynamics. The Mentorship Programme should be an integral part of government at national and provincial levels in their support interventions. This will ensure that the agricultural land and inputs that have been delivered to the co-operatives yield the desired outcomes of turning co-operatives into viable business enterprises.

The continuous structured training of co-operative members on critical areas of development identified such as business management, financial planning and management, bookkeeping and record keeping, markets and marketing and sales, to name a few, cannot be over emphasised.

5.4 Conclusion

It is evident from the literature that the researcher has reviewed that co-operatives are seen as social and economic tools and vehicles that ordinary people can employ to extricate themselves from economic deprivation. The South African government has developed a myriad of legislations, policies and strategies to empower people who have been economically marginalised and excluded from the mainstream economy by placing, particularly rural communities and groupings, such as women, youth and people living with disabilities, at the centre of co-operatives movements.

The research has demonstrated that the implementation of co-operatives and small enterprise development can go a long way in addressing the social ills plaguing communities such as unemployment, poverty and inequalities if government as a whole can work in unison, cooperatively and in partnerships to complement each other's efforts.

It can be argued that most of the co-operatives that were researched and interviewed in the Cacadu District and Ikwezi local municipal area would not have survived without the medium-term and structured Mentorship Programme implemented by the Cacadu District Municipality.

Accessing agricultural land and providing funding and inputs to emerging farmers and co-operatives is not enough. There must be a building and nurturing of an entrepreneurial spirit and business mentality accompanied by appropriate training and capacity building interventions for the co-operatives to be successful enterprises. The study has shown that this is possible given all the resources at the disposal of the state.

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Annexure A

INTERVIEW PROTOCOL FORM

Date:

Time:

Location:

Interviewee:

INTRODUCTORY PROTOCOL

Thank you for your participation in this research. It is no doubt that your input will be valuable to this research. To complement note-taking, I would like to audio tape, with your permission, our conversation. All information will be treated with greatest confidentiality. Your participation is voluntary and you are free to stop at any time if you do not feel comfortable.

This interview is planned to last no longer than one hour. There are several questions I wish to cover during this time.

INTRODUCTION

You are a member of one of the co-operatives that Cacadu District Municipality has been supporting in Ikwezi Local Municipality. The whole research project is attempting, on the basis of support and development of co-operatives provided by Cacadu District Municipality in its area, and particularly in one of its local municipalities, i.e. Ikwezi Local Municipality, to determine the impact it is making to growth and sustainability of these enterprises. The District Municipality wishes to ascertain the appropriateness and the impact it is making to co-operatives in the region.

A. INTERVIEWEE BACKGROUND

1. How long have you been a member of the co-operative?

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2. What motivated you to be part of this group?

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3. What is your role (Chairperson, Secretary, Treasurer, etc.) within the enterprise?

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4. What is your highest level of education/schooling?

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1. Are you doing any other work other than the responsibilities of this co-operative?

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B. ENTERPRISE PERSPECTIVE

1. How many members of your co-operatives and how many were you at the time of your establishment? If there are members who have since left, what are the reasons?

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2. What kind of support you have received from Cacadu District Municipality? How long have you been getting this support?

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3. Can you describe in some detail what you have gained from this support, both as an individual and as a group? Is this experience similar to your expectations?

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4. What factors most helped/hindered growth and development of your co-operative? What were some challenges you faced in the project? Why?

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What activities gave you the most success in attaining your goals? Why?

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5. If you were to rank in the order of priority (1-5), the kinds of support you most need from government, what would they be?

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6. Closure

- Thank you to interviewee
- Reassure confidentiality
- Ask permission to follow-up

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ANNEXURE B

Ikwezi Local Municipality- Cooperatives

NO	Project Name	Business Type	Number of Participants	Description of products produced.
1	Fresh and Delicious Co-operative	Egg production	18	Eggs
2	Masithembe Co-operative	Stock Farming	6	Angora Goats, Boer Goats
3	Jansenville Women Co-operative	Manufacturing	8	Sewing and Clothing
4	Antec Primary Co-operative	Furniture Manufacturing	5	Coffee tables, Beds, Wardrobes, Couches, and Display units.
5	Bafazi Phambili Women Cooperative	Poultry	23	Eggs and Meat.
6	Uitkomst Mohair	Stock Farming	4	Angora Goat
7	Klipplaat Hydroponics	Farming	18	Tomatoes, Cucumber