



# Rural Development Conference 2011

## Cooperatives: A Vehicle for Rural Economic for Rural Economic Development and Poverty Eradication ?

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# Contents

- Development of Cooperatives in South Africa
  - Defining the Cooperative Concept
  - Principles of Cooperatives
  - Development of the Cooperative Movement in South Africa
  - Levels and Types of Cooperatives
- Case Study
  - Project Description
  - Value Proposition
  - Mission
  - Vision
  - Design / Concept
  - Stakeholder Analysis Matrix
  - Work Breakdown Structure
  - Roles and Responsibilities
  - Major Challenges
  - Critical Lessons
- Meeting Some of the Challenges through Development Bank of Southern Africa and the Development Fund

# Development of Cooperatives in South Africa



A PRACTICAL EXPERIENCE

# Defining a co-operative concept

- An autonomous association of persons
- United voluntarily
- To meet their common economic, social, and cultural needs and aspirations
- Through a jointly owned and democratically-controlled enterprise

# Principles the co-operative concept

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation amongst co-operatives
- Concern for community

# Development of the Co-operative Movement in South Africa

1 of 2

- A means to participate in the main stream economic developments and rebuilding the social fabric by rural communities
- In 2004 the Co-operative Policy covering all types and sectors of co-operatives was developed and adopted by the Minister of Trade and Industry
- The Co-operative Development Act was promulgated in 2005
- The country witnessed about 2 766 new co-operatives being registered, representing a 66% growth
- Between 2005 and 2010 the number of co-operatives grew to just less than 32 000

# Development of the Co-operative Movement in South Africa

2 of 2

- There are strong linkages with the development of co-operatives to the agricultural sector but their growth has been diversified to other areas
- The majority are concentrated in two of the nine provinces of South Africa, i.e. Kwa-Zulu Natal at 38% and Eastern Cape at 19%
- Agricultural co-operatives is still the dominant sector comprising 25% of all co-operatives, co-operatives are now active in not less than 20 sectors of which 17% is in the services sector, 12% in trading, 6% each in Textiles and Clothing as well as construction and 5% in manufacturing

# Levels and Types of Co-operatives

## Levels of Cooperatives

- A primary co-operative
- A secondary co-operative
- A tertiary co-operative

## Types of Cooperatives

- Agricultural co-operatives
- Workers co-operative
- Financial services co-operative
- Consumer co-operatives
- Purchasing co-operatives
- Housing co-operatives

# CASE STUDY



# Project Description

- The Makhado Municipality governs the Entabeni area in Limpopo.
- The Limpopo LED strategy has prioritized Beekeeping as an area of high importance.
- The project will be developed in three phases.

# Value proposition

- To contribute towards the establishment of a sustainable community that is self-sufficient
- Production and sales of high quality eucalyptus honey
- Skills development within the identified community directly through structured learning
- Promote business development and sustainability within the beekeeping industry in Limpopo.

# Mission

- To create medium to high skilled permanent jobs within the Mphephu community
- Long – term skills development programme for technical, management and financial skills
- Create opportunities to generate permanent incomes per household for the community as well as equity generation

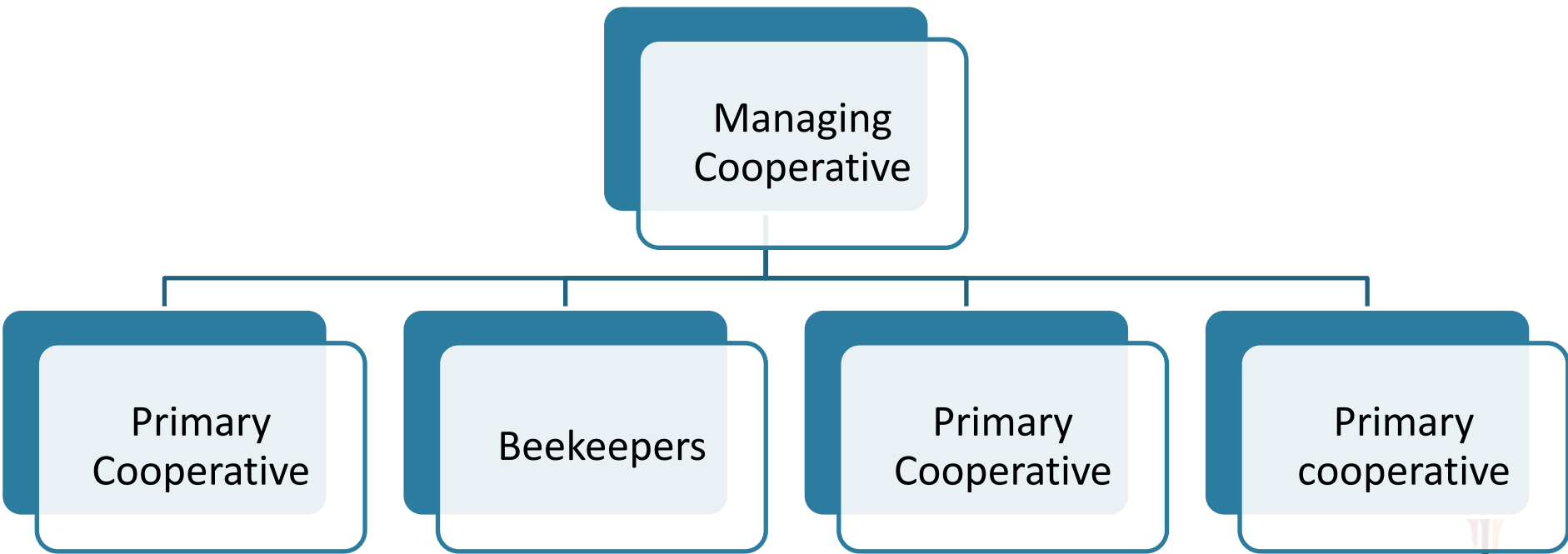


# Vision



To expand the success of this project throughout other areas within Limpopo, and other provinces within Southern Africa where beekeeping is viable while supporting the Mphephu community owned project to meet their long term development objectives identified as this project progresses.

# Design / Concept



# Governance Structure

- Programme/Strategic Management
- Phase Roll-out and Expansions
- Establishment of Funding Committee

Founding Committee  
**Executive Management Body**  
SAFCOL / DBSA / Desto

- Primary Wholesaler
- Agri-Advisor
- Project Sponsor
- Project Manager

Tertiary co-operative  
at least two secondary co-operatives.

- Primary Management
- Processing – Related Products
- Consolidator – Diversification
- Primary Cooperative Management
- Fair Price - Marketing

Secondary co-operative  
at least two primary co-operatives  
**Limpopo SAFCOL / DBSA Project**

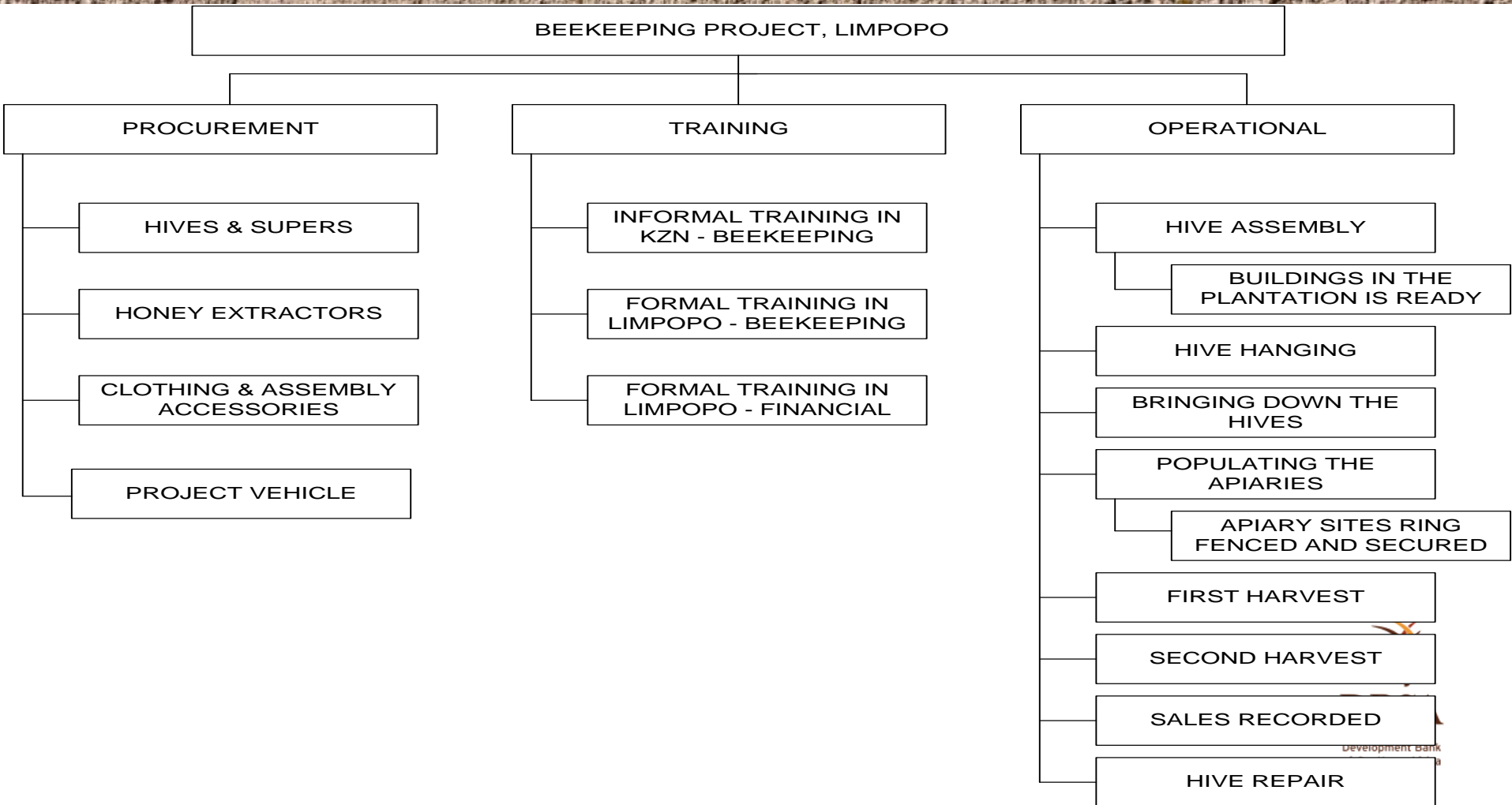
- Primary Supplier
- Bee Farming
- Processing & Bottling
- Supplier

Primary co-operative  
at least five people  
**All the different projects in the provinces**

# Stakeholder Analysis Matrix

<b>Power</b>	<b>High</b>	<b>Keep Satisfied</b> <ul style="list-style-type: none"><li>• Mphephu Community</li></ul>	<b>Manage Closely</b> <ul style="list-style-type: none"><li>• SAFCOL</li><li>• DBSA</li><li>• Beekeepers</li></ul>
	<b>Low</b>	<b>Monitor (Minimum Effort)</b>	<b>Keep Informed</b> <ul style="list-style-type: none"><li>• DESTO</li></ul>
		<b>Low</b>	<b>High</b>
	<b>Interest</b>		

# Work Breakdown Structure



# Roles and Responsibilities

<div style="text-align: center;">Assignments</div> <div style="text-align: left; padding-left: 10px;">Change Control Activities</div>	SAFCOL Executive: E D	DBSA Manager: PMU	SAFCOL Snr. Manager: Projects	DBSA Programme Manager	Project members	Mphephu Community	Service Providers	Change Control Board	
Identification and proposal of changes	X	X	X	X	X	X	X		
Preparation of Change Request Form			X						
Assessing proposed change.			X						
Evaluation of change with regards to scope, schedule, cost and quality			X					X	
Recommendation of corrective actions.			X						
Approving/rejecting proposed change.			X						
Adjust plan and baselines.			X						
Communication of changes to affected stakeholders.			X						
Manage project according to new plan.			X						

# Major Challenges

- Institutional vehicle to drive some of the partnerships
- Capacity to service partnerships and networks
- Limitations of provincial spatial planning processes and constraints this places on local development
- The design and implementation of a rural programme / policy should be based on an integrated economic region rather than sectoral or municipal boundary
- Implementation mechanisms, capacity and skills
- Project design and implementation

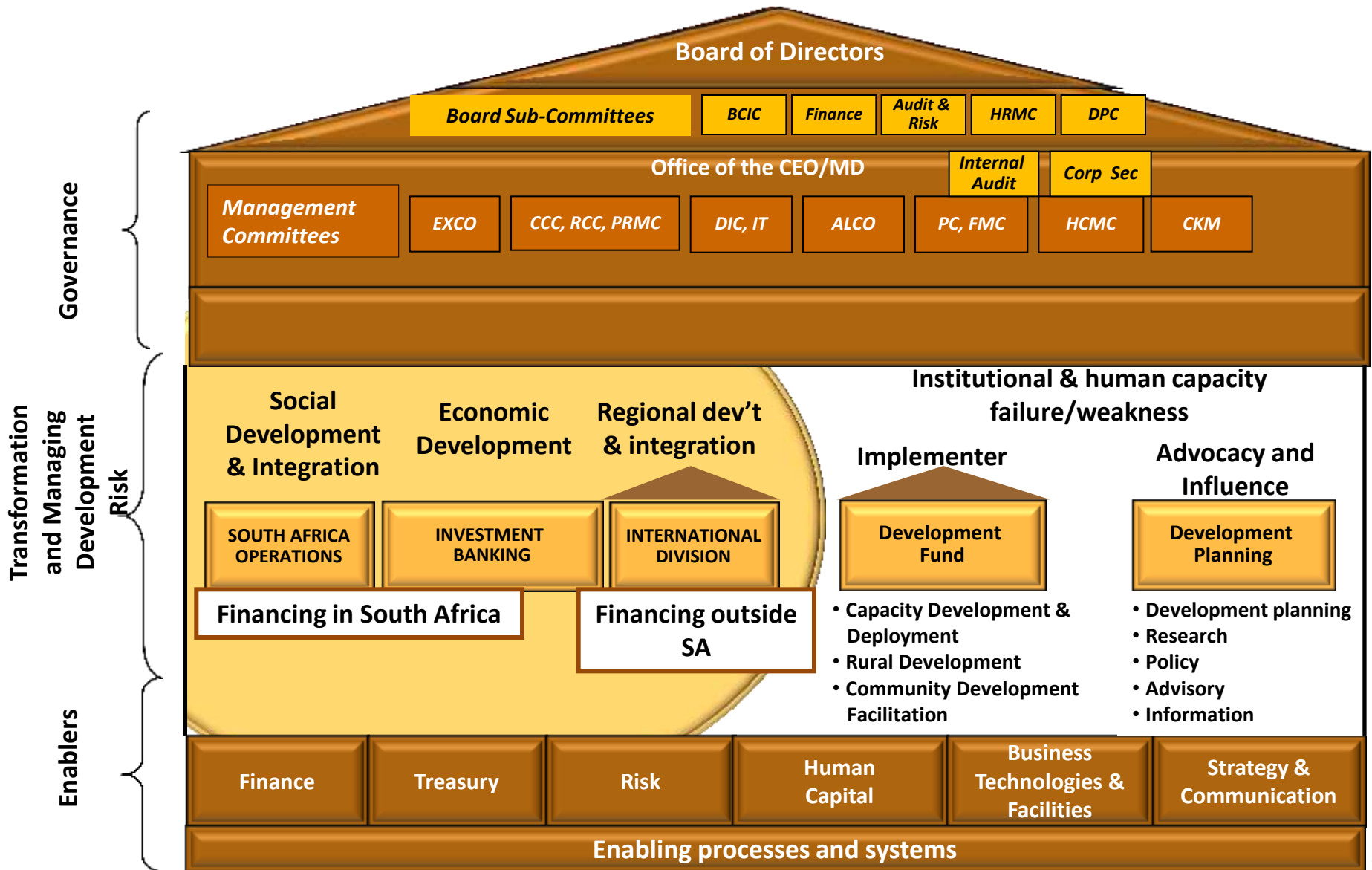
- Beekeeping Ownership / Community Empowerment
- Stipend / Allowances
- Social compact
- Project controls
- Hive Management
- Feasibility Study
- Communication
- Candidate selection
- Business Model
- Project planning
- Apiary setup
- Distribution of suitable forage for the bees
- Leadership capabilities of management committee

- Integration issues (Customary Practices)
- Managing the expectations on the ground
- Lack of individual commitment to the co-op as well as to the project deliverables by the community members involved on the project
- Mentorship
- Co-operative Structure
- Skills Audit
- Flowering patterns of GXC
- Lack of consultation in terms of decision making
- Lack of team cohesion in terms of a common vision being shared across different communities working on the ground
- Project Budget Control
- Risk Management

# Meeting the Challenges through the Organization of the Development Bank of Southern Africa and the Development Fund



# DBSA Organisational framework



# Development Fund Mandate

The Development Fund mandate is directly derived from the DBSA's five roles:

	DBSA	DF
Financier	Contribute to the delivery of basic services and economic growth through infrastructure funding	
Advisor	Build institutional, financial, technical and knowledge capacity for development	...focusing offerings and programs mainly on hands on institutional capacity building and technical advice
Partner	Leverage private, public and community stakeholders in the development process	...by crowding in public and private funds, and act as agent for managing donor funds
Implementer	Mobilise and link stakeholders, initiatives and resources for sustainable development solutions	...focusing programmes through capacity deployment for project implementation, operations and maintenance
Integrator	Originate, facilitate key and participate in key initiatives for building capacity and providing development solutions	...by social mobilisation of stakeholders towards sustainable development planning and facilitating innovation of replicable approaches

# DF MISSION, PRODUCTS AND SERVICES

Key strategic issue: *Institutional Failure/Weakness*

## DF Vision:

*“To be a leading catalyst in municipal capacity building in order to maximise the impact of development finance in South Africa”*

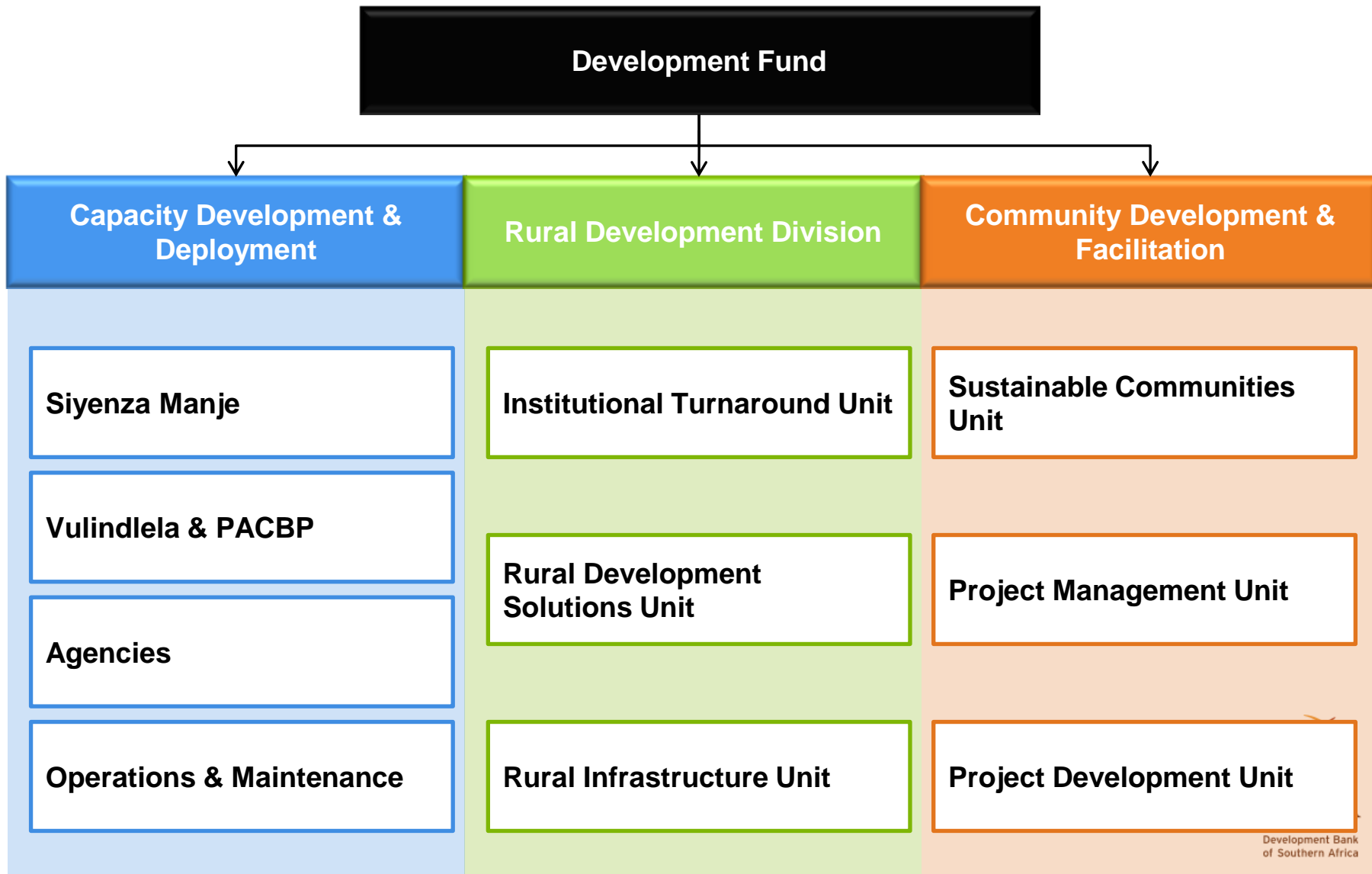
## DF Mission:

“To capacitate municipalities and communities for effective service delivery and economic development in order to improve the quality of life of people of Southern Africa”

## Products and Services:

- **Expertise:** Mobilisation and deployment of engineering, planning and financial experts to implement non-technical and technical infrastructure projects
- **Grant funding:** Provision/leveraging of grants to projects that build sustainable capacity in people, processes and systems at municipal or community level
- **Development facilitation:** Technical support and sharing of knowledge
- **Local economic development initiatives:** Development of local and regional economies by supporting catalytic projects; development and implementation of economic turnaround strategies

# DF OPERATIONS CURRENT STATUS





*CHANGE IS INEVITABLE*

*GROWTH IS OPTIONAL*



Development Bank  
of Southern Africa

*THANK YOU*