

SPEAKING NOTES/REFERENCE POINTS

**First Lady
Dr May Mashego-Mkhize
Event: CO OPERATIVES WORKSHOP
Date 10 JULY 2009
Venue: Parkside**

The workshop comes shortly after this province was given the opportunity to host two major events:-

1. International Co operatives Conference on the 24th February - attended by delegates from all over the world.
2. International Co-operatives Celebration Day and Exhibition on the 1st July - co ordinate by the Department of Trade and Industry.

Pre Budget Roadshows and Co operatives

The presentation of the Provincial Budget has always been regarded as the highlight of the year.

Most importantly, prior to the budget day, government consult widely to ensure that the budget addresses the needs of the people. Members of cooperatives have always commented and offered suggestions on how taxpayers' money should be spent.

Government always welcomed their advices and I am hopeful that cooperatives will continue to use their democratic rights in many more years to come.

No doubt, the 15 years of democracy have been challenging but very fulfilling at the same time. Very challenging in a sense that, government inherited the economy in disarray with the majority of South Africans prevented from participating meaningfully in the economy of the country.

Despite this, it's been very encouraging and fulfilling to see increasing number of communities becoming active participants in the reconstruction and development of this province.

The transition to power in 1994 signaled the new struggle - the struggle for economic liberation. Under new dispensation, the democratic government adopted an approach that seeks to encourage partnerships in the implementation of programmes that will

ensure the entry of people from previously disadvantaged communities into the mainstream economy.

One such partnership was the formation of **cooperative movements** across the province, working with municipalities and other government departments. With government having committed itself to halve poverty and unemployment by 2014, cooperatives became the engines for job creation.

Started with a small budget, the turning point was between April 2006 and January 2007 when the province's public entity, Ithala disbursed R89, 157 million in loans to cooperatives across the province. For the same period, Ithala disbursed R191, 246 million in loans, assisting 203 SMMEs with 1536 jobs created.

The next few years will be challenging, especially in terms of strengthening and sustaining cooperatives. Through Economic Development Department, Education Department and the University of Zululand, government has put in place training programmes focusing on marketing, financial management and accounting. The main aim is to ensure that members of cooperatives are equipped with skills needed in order to compete effectively in the market.

Most importantly, government has realized that another effective way of growing and sustaining cooperatives is to make their products accessible to the private sector; the national and international markets.

International experience: There is a region in Italy called Emilia Romagna and a town called Bologna where cooperatives are making a huge difference. Co-ops provide jobs that don't go off-shore, and they support the quality and economy of local food, the arts, and social services.

In Bologna, if you're looking to buy a house or some groceries - co operatives are there to provide service. If you need a **day centre or an old age home** for your parents - social co operatives provide this type of service. Co operatives in these regions serve tourists by providing entertainment and are involved in the production of cheese and wine.

Co ops provide services to the middle class who are looking for **life insurance or a reliable, local bank**. Equally, they serve the poor who are looking for work.

Others sell houses to the community at 15% below market price since there is no need to generate profit for shareholders. They incorporate the most energy-efficient design and selection of materials in home construction, including widespread use of solar panels.

More recently "social cooperatives" are taking the place of government bureaucracies and for-profit businesses, providing services in ways that are compassionate, flexible, and deeply rooted in concern for the well-being of those typically excluded by society.

The scale of the cooperative economy is extraordinary. In the town of Imola, near Bologna, 60 percent of the economy is in the cooperative sector. More commonly in this region, the co-op sector accounts for around 30 percent of the economy.

African experience: In Kenya, people do not have to flock to towns because economic activity takes place in the villages in rural areas. Development takes place at village level. Kenyans do not form long lines seeking employment because cooperative development has allowed them to have stable incomes from their cooperative activities.

One major issue which Kenyans have been successfully in addressing is access to finances. Coops bank opened in 1994 and is a fully fledged commercial bank that services all sectors of the economy. The coops bank is currently the 4th largest bank in Kenya, servicing seven 7 million cooperatives.

It has 54 branches, countrywide and it is fully IT centralized. This year about 20 branches are going to be opened in 2009 creating more employment on top of 1967 existing jobs. This bank offers loans to coops when they need them. The coop will save money and then the bank will give them three times what they have saved as a loan e.g. for school fees.

KwaZulu Natal experience: Many companies such as Clover here in South Africa started as a cooperative more than 100 years ago. Clover, company headquartered here in KZN, now boasts a turnover of R4,3 billion and a staff complement of 6 210. Clover collects some 30% of South Africa's milk and processes it in 13 factories and distributes its range of well-known dairy and related products through 23 national distribution depots and 7 large agents.

The cooperative programme enterprise lends itself well to our South African values of Ubuntu. Experience has shown that when a development model is in harmony with a people's dominant cultural value system it stands a very good chance of succeeding. Although the programme faced teething problems at the beginning, we are optimistic about the future because we have laid the foundation.

From 2005 to date, FET collages in KwaZulu Natal have trained more than 7000 cooperatives. With an average of 11 people forming cooperatives, this translates to about 77 000 people who now have basic skills on how to run a business.

As the province, we view this as a major challenge hence we have launched many programmes aimed at ensuring that bridging the gap between the rich and the poor.

One such initiative is the cooperative programme which we started with an initial investment of R110 million. Cooperatives allows members of the community to come together to help themselves in producing or offering services to other members of the community and other markets which government is currently creating.

To date, employment created and other benefits of the cooperative sector in KwaZulu Natal

- R163 154 871.62 from 2005 until 2007
- R13 million for training (2007/08)
- R200 million for funding (2007/08)
- 9 404 jobs created in the following sectors: catering; furniture; textiles; services (2005-2007)
- 450 jobs created in 2007/08
- 6761 cooperatives trained by FET Colleges (2005-2007)
- 3500 cooperatives trained (2007/08)
- 1175 cooperatives funded of which 823 are operational and remaining failed (2005-2007)
- 1500 cooperatives funded (2007/08)

The cooperative movement provides an excellent opportunity for the private sector to participate in the broadening of the participation of the majority of our people in the mainstream economy. Private sector can do this by providing mentorship programmes for cooperatives and also by enabling young people to acquire much needed entrepreneurship skills.

The Current Status of Co-operatives in SA

The post-1994 democratic Government of the Republic of South Africa has since 2000 accelerated various development programmes to address the urgent twin issues of increasing economic empowerment and reducing poverty amongst various sections of the population in a sustainable manner.

The Government is, therefore, implementing a number of strategic interventions to create employment, increase household incomes, mobilize savings, and improve the overall welfare of the people. Some of these Government strategic interventions and programmes include, but are not limited to, small, medium and micro-enterprises (SMME's), Broad-Based Black Economic Empowerment (BBBEE), and Co-operatives.

In 2004 the Government approved the Co-operative Development Policy for South Africa. This policy is anchored on internationally recognized Co-operative values and principles of, among others, democracy, equality and equity.

This policy is an important milestone for SA because it seeks to correct the discrimination and disempowerment created by decades of the co-existence of a dual Co-operative Movement with highly developed Co-operatives owned by white people that benefited from massive Government support and weak Co-operatives owned by black people that did not receive such support. The implementation of the Co-operative policy is expected to be within the framework of the Co-operative Development Strategy of SA of 2004, the Co-operative Act of 2005, and the Co-operative Banks Act that was enacted in September 2008.

The Status of Co-operatives in KwaZulu Natal

Overall, the total number of cooperatives registered is approximately 17 000. Forty per cent (40%) of them are found in Kwa-Zulu Natal; 19% in the Eastern Cape and 10% in Gauteng provinces. The high concentration of cooperatives in these provinces is attributed to the availability of Government financial and non-financial support measures and the extent of procurement opportunities for cooperatives. In this regard, Kwa-Zulu Natal has managed to achieve high levels of performance and provides best-practices worth emulating by others.

Despite the passion and sustained Government support, many Cooperatives enterprises established in KZN between 2005 and 2007 are generally considered to be underperforming while many others have closed down their operations. For this reason, stakeholders are, on a continuous basis, seeking ways and means to ameliorate this situation.

Some of the recent key steps taken to strengthen Co-operatives in KZN include collaboration with service providers to offer professional backstopping to Government and Co-operative enterprises on the ground.

This collaboration resulted in the establishment and implementation of “The Strengthening Co-operatives Programme” with the University of Zululand from 2006 to date. This programme has produced significant results in terms of training of promoters and facilitators of Co-operatives, as well as the development of long-term academic programmes for capacity building in the Co-operative Sector.

The Government of KZN is now in the process of developing a comprehensive five-year Co-operative development programme that that will rehabilitate underperforming Co-operatives, promote and support Financial Services Co-operatives that are also known as savings and credit Co-operatives, establish a Co-operative training centre

and a Co-operative bank, strengthen and expand the scope of Co-operatives such as workers, clothing and textiles, agricultural marketing, and housing. This expanded programme will broaden the diversity of Co-operatives for the benefit of a broad spectrum of the population.

An aggressive and intensive training programme has already started within and outside this country to expose and train policy makers and promoters of Co-operatives in KZN as it prepares to implement this ambitious Co-operative programme in the next five years.

Current Institutional Arrangements in the Co-operative Sector

The current institutional set up in the Co-operative Sector in South Africa is still undergoing reform and development to provide a favourable environment for the emergence and growth economically viable Co-operative enterprises and a vibrant and sustainable Co-operative Movement.

Status of the Co-operative Movement

The majority of Co-operatives in SA and KZN in particular are at primary level, and there are few start-up Co-operative Unions. A Co-operative Movement is now being built from bottom-up comprising of sector-based Co-operative Unions and an apex Co-operative organization that will be the national and international representative of all Co-operatives in SA.

Capacity Building and Partnership Development

The Provincial Government of KZN is in the process of consolidating gains made from the implementation of its Co-operatives Programme to set up sustainable institutions, strengthen policy and its regulatory role, build capacity and generally to accelerate service delivery.

In this area, the Government is collaborating at provincial level institutions such as universities and tertiary institutions, banks, NGOs and Government Departments and agencies to accelerate service delivery to the Co-operative sector. At national level, KZN works closely with all line ministries and has particularly close working relation with the Ministry of Trade and Industry which is responsible for the development of Co-operatives in SA.

At regional level the province has established an excellent working relationship with the International Co-operative Alliance, the International Labour Organization, the Government of the Republic of Kenya and particularly the Co-operative College of Kenya.

The province plans to expand and maintain these partnerships and expects that, with time, development partners will play an increased role to support these initiatives.

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