

**Co-operatives Conference:
Keynote address by the Minister of Trade and Industry, Mandisi Mphahlela
14 March 2005**

"Empowerment has been an important notion in co-operative theory; the original intent of co-operatism was to empower individuals by bringing people together to achieve something they could not do alone."

Quote, author unknown

Today we have reached an important milestone in locating co-operative enterprise development in its rightful place in the economy. Internationally we have seen how co-operatives are an important part of many economies and the contribution they make to society. In developed countries we see examples of high successful co-operative grocery stores, marketing co-operatives, buying co-operatives, financial co-operatives and producer co-operatives. Co-operatives clearly offer a viable form of enterprise in any economic system and are not, as some might argue, a form of enterprise that comes exclusively out of socialist economies. The attraction of a co-operative is the more democratic approach to owning and managing the enterprise, the sharing of profits, the sharing of responsibility, and the sharing of risk.

Over the past 50 years many African intellectuals and leaders have put forward the notion that African society is ideally suited to working in co-operatives, and as African countries gained their independence so we saw many attempts at co-operative development, particularly in the agricultural sector. There have been successes and failures, and we need to learn from these experiences so that we do not repeat the mistakes of others.

In the context of the social structure of many South African communities, we would support the notion that co-operatives could be a very successful form of enterprise in our country. While formal co-operatives have up until now been predominately in the agricultural sector, we all know of people who are involved in "projects" or "stockvels", which in their own way are co-operatives. Our challenge is to grow this concept in our country, integrate it into existing mainstream economic activities, and use co-operatives as a means to tackle some of the challenges that are facing our country.

Those who are from the townships or rural areas would be aware of how people are able to mobilise resources, which are put into productive activities as well as community activities such as burial societies. What is important is how we can use these resources to develop our communities, and grow these initiatives and plug them into the mainstream economic life of our country.

Government Support for Co-operatives

The development of co-operatives has consequently become a critical component of the government's strategy to grow our economy and create an economy that has broader participation by all South Africans. The effects of globalisation and the restructuring that the South African economy has gone through during the past eleven years has unfortunately pushed a number of people, particularly unemployed and unskilled workers, into what we now refer to as the second economy. The second economy also includes many people who have never had access to the formal first economy and survive through a number of informal income generating activities.

It is incumbent upon all in our society to ensure that as our economy grows, and as we develop as a country, that we do not leave those in the second economy behind. Nor can we allow the increasing wealth in our society to only benefit a few. These issues came through very strongly in President Mbeki's State of the Nation Address and by the Minister of Finance in his budget address a few weeks ago, when he spoke about the government adopting pro-poor policies.

Government therefore envisages an enhanced role for co-operatives in addressing the issue of support to the second economy as well as increasing the participation of poor people in our economy.

Globalisation has created immense opportunities and wealth for countries and people, yet those who do not have the skills to participate are often left out of the benefits of globalisation. It is therefore a priority that we address the skills development in our country, and increase the participation of those in the second economy, because South Africa will never be able to sustain the growth that we desire without having greater numbers of people participating in our economy.

Growth and Development summit

Support for developing co-operatives has received backing from the major economic and social players in our economy. The important role of co-operatives and the potential that they have in contributing to our economy was one of the outcomes of the Growth and Development Summit (GDS), and the outcome of discussions in Nedlac.

The GDS made a commitment to support co-operatives because of their potential to:

- a. Create and develop income-generating activities and sustainable, decent employment.
- b. Develop human resource capacities.
- c. Increase savings and investment.
- d. Improve social and economic well-being.
- e. Establish and expand a viable and dynamic distinctive sector of the economy that responds to the social and economic needs of the community.

The GDS and later the Nedlac task team established to deal with priority areas recognised that a supportive policy framework and other support measures were required to realise the potential of co-operatives. Co-operatives are one of the critical mechanisms that will help us deal with the reality of the second economy.

Policy Achievements

This potential has been stifled in South Africa; and while our country has a long history of very successful co-operatives in the agricultural sector, support to co-operatives - like support to all forms of enterprise prior to 1994, was tainted by Apartheid policies. In recognising the potential of co-operatives to address some of the challenges of the second economy, the democratic government and its partners in Nedlac have spent a great deal of time formulating a new approach to co-operative development; this conference is the culmination of several years of work.

One of the significant changes that have taken place in our strategy to support and develop co-operatives is that the Department of Trade and Industry has taken over responsibility of this area from the Department of Agriculture. This shift has a given broader focus to how co-operatives are seen and how they can be used as an alternative form of enterprise in a wider range of industry sectors.

Some of the policy achievements of the dti in supporting co-operatives include:

* Ensuring that co-operatives now form part of our broader economic policy, which is to promote the development of a greater number of economic enterprises, and diversify the ownership, size and geographic location of these enterprises. This is in line with the ILO Recommendation adopted in 2002, which states that the adoption of special measures should be encouraged to enable co-operatives, as enterprises and organisations inspired by solidarity, to respond to their member,Ãs needs and the needs of society.

Other dti policy achievements include:

* Drafting of the overarching National Co-operatives Development policy. This policy informs the new Co-operatives Legislation and has a clear Implementation Plan; and,

* Drafting of the co-operatives legislation, which has included extensive consultation through workshops at a provincial and local level. These consultations gained momentum after our Draft Bill was gazetted in November 2003 and the public was invited to make inputs. The importance of extensive consultation in an area such as co-operatives cannot be underestimated, as it is many of the people with whom we consult that will play an active role in making our co-operatives policy work for the benefit of our people. Public hearings on the legislation are taking place from 15 - 18 March 2005 and the legislation should be finalised in April this year.

Support to the Co-operative sector

In drafting our co-operatives policy we have developed a number of possible support measures to grow this sector, these measures are clearly outlined in the final co-operatives development strategy, which is to be presented later today by Ms Maluleke, and will be presented at Nedlac and to other stakeholders in the near future. What is critical is that because of the overlapping needs of small businesses and co-operatives, we are able to utilise some of the SMME support mechanisms to provide assistance to co-operatives; co-operatives will however need additional forms of support. Importantly, co-operatives, where structured appropriately will also be able to benefit from our Broad Based Black Economic Empowerment legislation and processes, and they will therefore be able to benefit from the enterprise development activities that come out of the implementation of the sector charters. For example, co-operatives will now be able to find opportunities to form part of supply chains, this will promote them moving up the value chain.

Our policy and support initiatives for the co-operatives sector takes into consideration the wealth of international experience in this area. The dti funded a study tour for Nedlac constituencies to visit Japan, Kenya, Italy and Spain to learn about international practises in developing co-operatives, and the report on the major findings has been finalised and incorporated into the strategy. The participation of our international guests from Kenya, Italy and Switzerland in this conference, and the sharing of their experiences, will contribute to our knowledge of international good practice in co-operative support programmes and in the development of co-operatives.

Dti Programme Achievements

Programme director, the dti has not only been focusing exclusively on the policy and legislative issues in our support of the co-operatives sector, we also have established a Co-operatives Unit to look at the implementation issues. This unit is implementing an education campaign, forming partnerships, lobbying organisations, and is starting to promote the co-operatives sector as a viable alternative form of enterprise.

The education campaign is looking at conducting training in co-operative principles and practices at all appropriate levels of the national education and training system. So far the dti has developed more than 60 training manuals with the assistance of the ILO

guidelines, and we are in the process of accrediting some of the manuals with the Sector Education and Training Authorities (SETAs).

The dti co-operatives unit has also been given the mandate to elicit support from commercial banks and other key private sector service providers, so that they are more supportive of co-operative enterprises and are prepared to finance and service them. This will involve a great deal of hard work and the dti is prepared to allocate additional resources to this area as the need arises. The dti will also need to work in partnership with co-operative organisations such as the National Co-operative Association of South Africa (NCASA) so that we are able to achieve our goals.

The dti is currently developing appropriate offerings to provide institutional and financial support for the development of co-operatives. These offerings while not yet finalised will take the form of technical capacity building and will possibly include an incentive to assist start-ups. We envisage that this incentive programme and support measures will be aimed at building and assisting enterprises to mobilise savings, accumulate assets, and raise the initial working capital required, which will be easier as a collective rather than as individuals.

To guide the dti and ensure that our programmes and campaigns are in line with the overall needs of co-operatives, we will establish a Co-operatives Advisory Board. This will be an oversight body on all matters governing co-operatives development, and will be finalised once the Bill has been signed into an Act. This will be a significant step in strengthening the South African co-operatives movement.

Alignment with small business support initiatives

Another important aspect of strengthening co-operatives is ensuring that they receive appropriate capacity building. Earlier I spoke about the overlap in the developmental needs of SMMEs and co-operatives; such overlaps are in the areas of enterprise development, and training in skills such as marketing, management, cash flow, quality, etc. There are also overlaps in the area of access to finance. It is therefore necessary for us to ensure that there is alignment between the SMME support institutions and co-operative development organisations so that we are able to optimise our impact, and co-operatives receive the necessary support required in order to flourish.

The support that must be provided to co-operatives place a greater responsibility for effective delivery by institutions such as: Khula Enterprise Finance, the recently launched Small Enterprise Development Agency, and the micro finance Apex fund. The Apex fund in particular will have a key role to play in facilitating access to finance for co-operative enterprises that require micro-credit. We also envisage that the Apex fund will form partnerships with some co-operatives so that it is able to offer finance to a wider number of enterprises. The dti co-operative unit will need to ensure that this alignment takes place at an operational level.

Co-operatives will also be eligible to apply for the existing incentives that the dti has available for businesses, such as the Small Medium Enterprise Development programme, or the Black Business Supplier Development programme. Co-operatives will need to be made aware of the existing dti incentives and support instruments, and how to access these incentives.

Our approach is to try and make the business and social environment in South Africa more conducive for the development of co-operatives and other enterprises in the second economy. Lessons that we can learn from the experiences in India are that we need to tackle three pillars: firstly, training; secondly, the availability of projects for co-operative enterprises; and thirdly, the need to link the activities in the mainstream economy with the activities in the second economy. There is a critical role for the public

sector in each of these pillars. In addition, we need to look at how we can use the public sector to create opportunities for co-operatives, for example through state sector procurement.

CONCLUSION

To conclude, a strong autonomous, self-reliant and self-sustaining co-operative movement can play a major role in the economic, social and cultural development of South Africa. Co-operatives are able to contribute to the creation of jobs, income generation, resources mobilisation, and broad-based economic empowerment, thereby enhancing sustainable human development in South Africa. Resource mobilisation and the ability to increase levels of savings will be enhanced through co-operatives and by new legislation in the form of the Co-operatives Banks Bill, and the Dedicated Banks Bill. These pieces of legislation will allow for alternative forms of banking and create new opportunities for people to mobilise resources and save.

The dti is aware of the many challenges confronting co-operative enterprises and we envisage that our policies will create a business-enabling environment where co-operatives can thrive. The co-operatives model is ideal for unlocking entrepreneurship more especially in the rural areas and across the economy, due to its double strength of having a social and economic approach. Our support to this alternative form of enterprises will also be an important way to facilitate the integration of the second economy into the first economy. This integration is a crucial aspect of the government's vision 2014, which is to create a single economy in our country.

This National co-operatives conference will assist in reviewing our progress thus far in building a strong co-operatives movement in South Africa. And I hope that each and every individual attending this conference today, and each organisation represented here, will make a meaningful contribution to growing the co-operatives sector so that it is able to contribute towards employment creation, increasing levels of savings, economic growth, and poverty alleviation.