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## **Creating an Enabling Environment for the Social and Solidarity Economy through Public Policies in Durban, South Africa**

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Promoting SSE through Public Policies:  
Guidelines for Local Governments

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## Acronyms

<b>BBBEE</b>	Broad-based Black Economic Empowerment
<b>BRICS</b>	Brazil, Russia, India, China, South Africa
<b>CBDA</b>	Cooperative Banks Development Agency
<b>CCMA</b>	Commission for Conciliation, Mediation and Arbitration
<b>CDP</b>	Cooperative Development Plan
<b>CFI</b>	Cooperative Financial Institutions
<b>CIPIIC</b>	Companies Intellectual Property Commission
<b>CIS</b>	Cooperatives Incentive Scheme
<b>COFISA</b>	Cooperative Financial Institutions of South Africa
<b>CPAS</b>	Community Participation and Action Support
<b>CSE</b>	Centre for Social Entrepreneurship
<b>DCCI</b>	Durban Chamber of Commerce and Industry
<b>DDG</b>	Deputy Director-General
<b>DSBD</b>	Department of Small Business Development
<b>DSD</b>	Department of Social Development
<b>DUT</b>	Durban University of Technology
<b>eTMM</b>	eThekweni Metropolitan Municipality
<b>ETU</b>	Education and Training Unit
<b>GDP</b>	Gross Domestic Product
<b>GPSE</b>	Green Paper on the Social Economy
<b>GSEF</b>	Global Social Economy Forum
<b>IDC</b>	Industrial Development Cooperation
<b>ILO</b>	International Labour Organisation
<b>KZN</b>	Kwa-Zulu Natal
<b>M&amp;E</b>	Monitoring and Evaluation
<b>NACFISA</b>	National Association for Cooperative Financial Institutions of South Africa
<b>NACSA</b>	National Apex Cooperative of South Africa
<b>NCASA</b>	National Cooperative Association of South Africa
<b>NGO</b>	Non-governmental organisation
<b>NPC</b>	Non-profit company
<b>NPI</b>	Non-profit institution
<b>NPO</b>	Non-profit organisation
<b>SANACO</b>	South African National Apex of Cooperatives
<b>SARS</b>	South African Revenue Services
<b>SEDA</b>	Small Enterprise Development Agency
<b>SEFA</b>	Small Enterprise Financial Agency
<b>SME</b>	Small and medium-sized enterprises
<b>SSE</b>	Social and solidarity economy
<b>SSEOE</b>	Social and solidarity economy organisations and enterprises
<b>UKZN</b>	The University of KwaZulu-Natal
<b>UNRISD</b>	United Nations Research Institute for Social Development
<b>ZAR</b>	South African Rand

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## Summary

An enabling environment for the social and solidarity economy (SSE) largely depends on policy co-construction with stakeholders, and their commitment to implement policy across all levels of government, especially at the local level. The city of Durban is emerging as an exemplar for creating an enabling environment for the SSE to flourish through the co-construction process of policy making with relevant stakeholders and the implementation of these policies in a consultation process.

Through the eThekweni Metropolitan Municipality (eTMM)<sup>1</sup> in the province of KwaZulu-Natal (KZN), the city experienced success in establishing an enabling SSE environment by means of its Cooperative Development Plan (CDP). Together with partners and stakeholders<sup>2</sup>, the CDP delivered a model that serves as a tried and tested example to be replicated all over South Africa.

Following various socio-economic challenges, the country experienced a proliferation of SSE entities, and active<sup>3</sup> registered SSE entities now represent between 16% and 18% of the total of all active registered enterprise entities of all sectors of South Africa. Within the national SSE landscape, the KZN province is a stronghold, accommodating 32% of all registered cooperatives and an estimated 20% of non-profit organizations (NPO) including social enterprises in South Africa.

Apart from enabling policies at the national level, important factors of the provincial government's success in the development of cooperatives for the eTMM area (Durban) lie in this local government's commitment to constructing and implementing the policy with the cooperation of all stakeholders.

The eTMM's CDP provides administrative and technical assistance and training to improve SSE performance and sustainability. The eTMM's assistance includes, but is not limited to:

- converting municipal work streams in areas such as cutting grass, cleaning, maintenance and others into worker cooperatives;
- providing hands-on training in response to identified needs;
- enhancing cooperation between SSE entities by using events such as business fairs as networking platforms;
- engaging stakeholders such as universities, the Small Enterprise Development Agency (SEDA), the Durban Chamber of Commerce and Industry (DCCI) and other relevant government departments to meet the demand for cooperatives' training programmes across all areas of operation and governance;
- providing specialized technological skills training;
- targeting worker cooperatives in eTMM which had newly converted to this status to equip them with the skills and resources for procurement;
- assisting cooperatives in completing administrative and bureaucratic documentation to approach cooperative banks within the area and/or government agencies as formal entities allowing them to access capital and services;
- providing assistance for day-to-day challenges experienced by cooperatives such as member conflict and means to overcome challenges related to proximity, such as problems caused by the distance between cooperative members and transportation costs to bring them together;

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<sup>1</sup> The eThekweni Metropolitan Municipality (eTMM) is the local government headquarters located in the city of Durban, responsible for representing Durban and other surrounding towns. Therefore, in this study we use Durban and eTMM interchangeably.

<sup>2</sup> Stakeholders such as government departments, Small Enterprises Development Agency (SEDA), the Durban Chamber of Commerce and Industry (DCCI) and local universities.

<sup>3</sup> Statistics were obtained from the Department of Social Development (DSD) and from the Department of Small Business Development (DSBD)'s unit for Companies Intellectual Property Commission (CIPC) of all active and inactive enterprises, including enterprises in the SSE. Only statistics for active and compliant enterprises were considered valid.



- gathering data from conferences and workshops for monitoring and evaluation.

The eTMM and other stakeholders jointly and/or separately assist the SSE by:

- making annual grants available to non-profit organizations including social enterprises;
- consulting with and engaging informal traders in various projects;
- improving access to markets through marketing, linking SSEs to retail markets and by opening doors and negotiating on behalf of SSEs;
- enabling access to the Cooperatives Incentive Scheme (CIS) providing start-up capital and equipment to a maximum of ZAR 350,000<sup>4</sup>per cooperative;
- gaining access to business incubation services through the eTMM's incubator at its Durban office as well as through two local universities' on-campus incubator facilities.

One of the “burning policy issues” facing SSE organizations and policy makers is that of policy synergy relating to the constitutions and principles of SSE organizations, that is, the autonomy of cooperatives on the one hand and the labour laws of South Africa on the other hand. All levels of government are turning their attention towards resolving this challenge.

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<sup>4</sup> USD1 = ZAR 16.58 (September 2020)

# 1 Introduction

Durban is one of the cities in South Africa where the social and solidarity economy (SSE), and in particular cooperatives, play an important role in local government planning and the realization of a more inclusive economy. The eThekweni Metropolitan Municipality (eTMM), is the local government headquarters located in the city of Durban, responsible for representing Durban and other surrounding towns. Therefore, in this study we use Durban and eTMM interchangeably. The Durban case study illustrates how SSE policy development can create an enabling environment in which the SSE can flourish. The paper also explores SSE policies amidst the social and economic context and its impact on the implementation of policies at all levels of government.

The term SSE is increasingly being used to refer to a broad range of organizations that are distinguished from conventional for-profit enterprises by two core features. First, they have explicit economic *and* social (and often environmental) objectives. Second, they involve varying forms of cooperative, associative and solidarity relations. They include, for example, cooperatives, mutual associations, NGOs engaged in income generating activities, women's self-help groups, community forestry and other organizations, associations of informal sector workers, social enterprise and fair-trade organizations and networks. In this study, Durban's associations for the informal sector workers are also included in SSE (UNRISD 2016) (Utting, P 2016).

This paper introduces the experience of the local government; the eThekweni Metropolitan Municipality (eTMM), headquartered in Durban, as well as the experiences of SSE stakeholders between 2015 and 2019.

## 1.1 Durban as a research site

Durban (Zulu: *eThekwini*, from *itheku* meaning "bay/lagoon") is the third most populous city in South Africa—after Johannesburg and Cape Town—and the largest city in the South African province of KwaZulu-Natal (KZN).

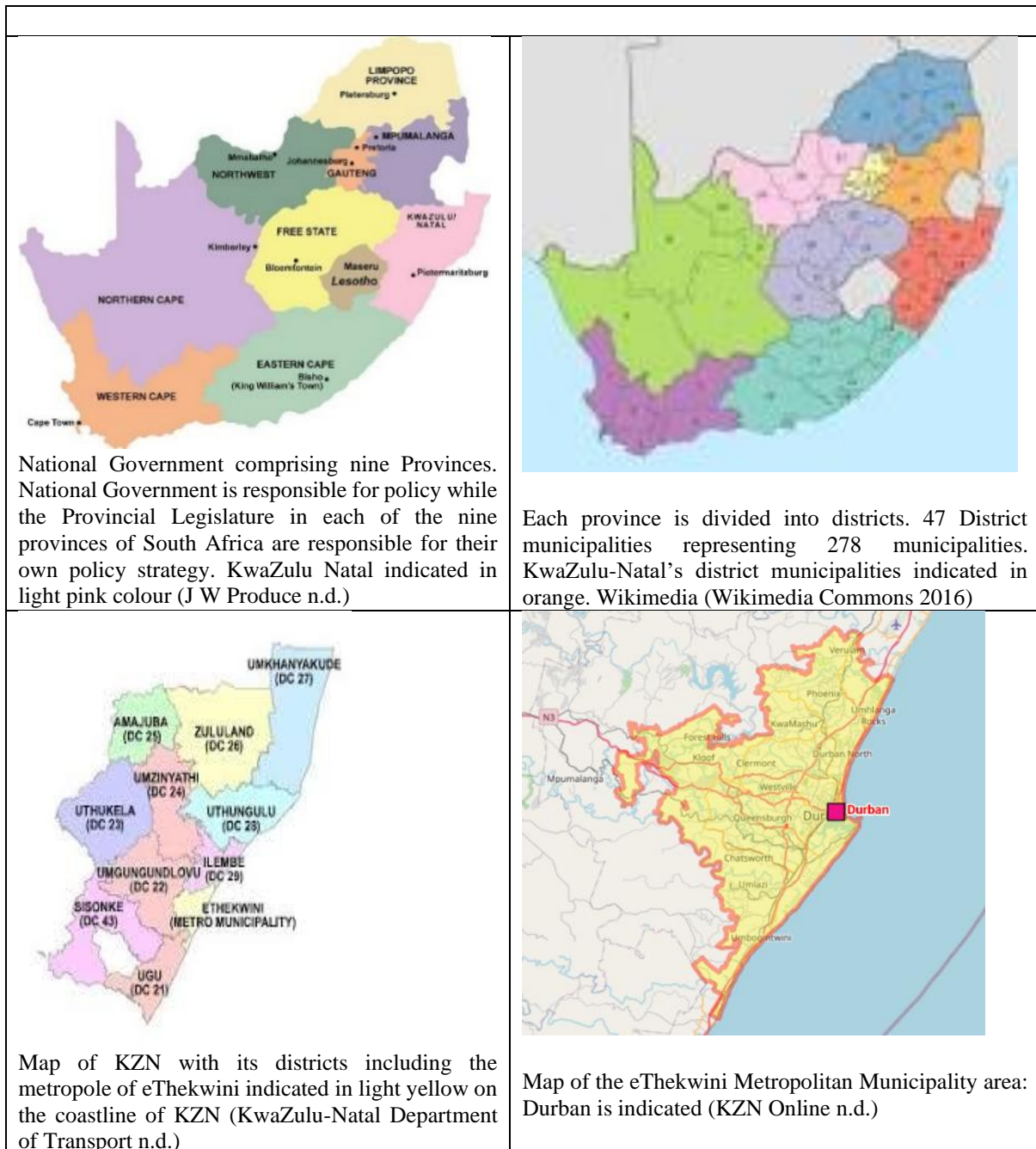
The eTMM headquarters are located in Durban and has a total population of around 3.44 million inhabitants, making the combined municipality one of the biggest cities on the Indian Ocean coast of the African continent. It is the second most important manufacturing hub in South Africa after Johannesburg.

To understand the context of the research site, a solid understanding of the three levels of government, and how Durban and the eTMM fits in, is required:

- **National Government:** Laws and policies are approved by Parliament which is made up of the National Assembly and the National Council of Provinces .
- **Provincial Legislature:** There are nine provincial governments made up from elected members. Strategies are approved by the Legislatures. Each province develops a Provincial Growth and Development Strategy that spells out the overall framework and plan for developing the economy and improving services. The provincial legislature of KwaZulu-Natal is therefore relevant in this study.
- **Local Government:** In South Africa, a metropolitan municipality such as eThekwini of which Durban forms a part executes all the functions of local government for a city or conurbation. There are eight such metropolitan municipalities in South Africa. This is in contrast to areas which are primarily rural, where the local government is divided into district municipalities and local municipalities.

The maps in Figure 1 illustrate the physical areas of jurisdiction of the different levels of government.

**Figure 1: Images of the physical areas governed by the different levels of government**



## 1.2 Methodology

This qualitative case study aims to explore the experience of the eTMM, and in particular, the city of Durban in the design, implementation and evaluation of public policies for the SSE during the period 2015-2019. Legal frameworks, supporting organizations, development plans, programmes and finance, marketing, advocacy were identified as key themes to the study.

The research objectives were achieved through adhering to the three phases of the case study (Yin 2003).

- The commissioned case study included the themes identified by UNRISD. The paper draws on semi-structured interviews conducted between August – November 2019 with parties important to the case study and identified themes. Using the University of Pretoria's online

library, the search for scholarly literature related to the SSE in the eTMM did not identify any previous such research. An abundance of documents related to policy provided by the interviewees as well as documents and information obtained from websites informed the literature review and resonated with previous research on policies for the SSE in South Africa (Steinman 2011) (2017).

- The figure below illustrates the data that informed the preparation, collection and analysis phase of the study.

**Figure 2: Multiple Sources of Data**

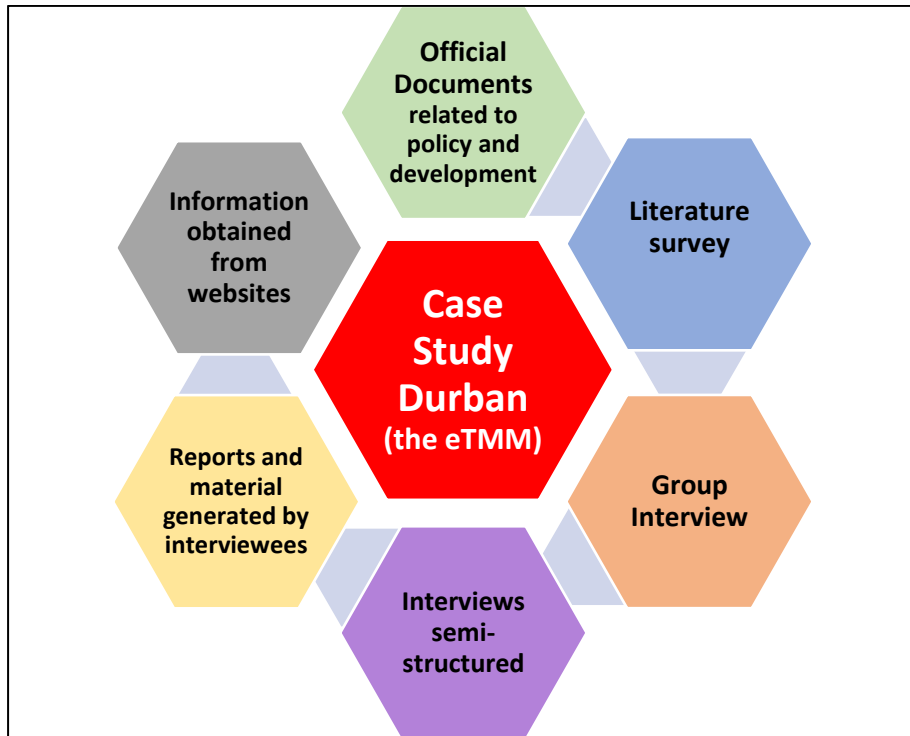


Figure produced by author.

The investigation and analysis were conducted in accordance with the themes provided by UNRISD and adapted where required to suit the case study.

## 1.3 Limitations and delimitations of the study

### 1.3.1 Limitations

Limitations refer to circumstances over which the researcher had little or no control.

- Availability of the interviewees proved to be difficult and some interviews were changed at short notice and/or had to be conducted using Voice Over Internet Protocol whenever the person was available.
- Studies and literature about the SSE in Durban and the eTMM are non-existent, hence the extensive use of other data as set out in Figure 1.

### 1.3.2 Delimitations

Delimitations refer to the boundaries of the study, controlled or selected:

- The obvious delimitation is the physical area of research. While the study was intended for Durban, Durban forms part of the eTMM and this led to the greater area and local authority of the eTMM and Durban to be inclusive of one another.
- There is no reliable data available on the number of SSE organizations and enterprises (SSEOE) operating in the eTMM or Durban, but data for the province of KwaZulu-Natal (KZN) is available. Although the eTMM on a regular basis, through their website and other means, invite SSEOEs to register, the reach of these message and invitations is limited due to various challenges such as access to internet and information. This paucity of reliable statistics around numbers and types is echoed by researchers who undertook a study of small and medium-sized enterprises (SMEs) (Soni 2015).

## 2 Overview of the SSE Sector in South Africa

The inability of the state to reduce rising unemployment figures and accompanying poverty levels is in all probability responsible for the rise of the SSE in South Africa. This observation was supported by a prominent NPO leader (Gastrow 2019), and the service delivery protests in 2019 which took place across South Africa were also a reason for the growing number of SSE entities.

For the purpose of planning and policy development, it is imperative to obtain a better insight into the size of the SSE, sectors in which the SSE is active, the historical roots and its relation to the informal economy. The SSE comprises different organizational forms which will be discussed in the following sub-sections.

### 2.1 Non-profit organizations

A non-profit organization (NPO) is defined in the NPO Act 71 of 1997 (as amended) as: “A trust, company or other association of persons established for a public purpose and the income and property of which are not distributable to its members or office-bearers except as reasonable compensation for services rendered”.

Types of non-profit organization:

- non-governmental organization (NGO);
- community-based organization ;
- voluntary association ;
- faith-based organization ;
- non-profit company (NPC);
- trusts registered with the Master of the Supreme Court under the Trust Property Control Act 57 of 1988;
- any other voluntary association that is not-for-profit (Department of Social Development (DSD) n.d.).

A total of 485,405 NPOs are registered with the Company Intellectual Property Commission (CIPC) and Department of Social Development (DSD) in South Africa.

Social enterprises are not yet a legal entity, but their existence cannot be denied even in the absence of specific legislation. The draft Green Paper for the Social Economy (GPSE) (see Box 1) acknowledges social enterprises together with the alignment of the SSE policies under one umbrella policy. However, that the legislation for social enterprises and the umbrella policy for the SSE should not be dealt with in one green paper as they constitute two separate issues. Social enterprises should not be on the back on the intended policy for the Social Economy, but a separate green paper needs to be developed. Although there is no common definition of social enterprises yet, the following definition emerged from a study commissioned by the ILO about creating an enabling environment for social enterprises in South Africa: “*A social enterprise’s primary objective is to ameliorate social problems through a financially sustainable business model, where surpluses (if any) are principally reinvested for the stated purpose*”

(Steinman 2010). However, social enterprises currently exist as NPOs, NPIs (Non-profit Institutions), for-profit companies or “hybrid enterprises” which is a combination of two or three of the following organizations: an NPO, a for-profit enterprise and/or a trust.

## 2.2 Cooperatives

Cooperatives are defined in the South African Cooperative Act, Act 14 of 2005 (as amended) as “an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organized and operated on co-operative principles”.

This Act enables the registration of primary cooperatives, secondary cooperatives, tertiary cooperatives and national apex cooperatives. Without limiting the number and variety of different forms of cooperatives, a cooperative registered under the terms of this Act may be, but is not limited to:

- housing cooperatives;
- worker cooperatives;
- social cooperatives;
- agricultural cooperatives;
- cooperative burial societies;
- financial [services] cooperatives;
- consumer cooperatives
- marketing and supply cooperatives; and
- service cooperatives

(Government Gazette 2005).

There are 166 844 cooperatives registered in South Africa.

## 2.3 The Informal Economy

According to Statistics South Africa (Stats SA)’s April – June 2017 Quarterly Labour Force Survey , 2,689,000 South Africans reported working in the informal sector (Hodgson, et al. 2018). However, this figure is growing and, according to the Forbes Africa it is claimed that about three million people—approximately 18% of all employed persons (16.53 million)—are in the informal sector (Forbes Africa 2019). Local government has a constitutional obligation to facilitate economic growth at the municipal level to develop a supportive and facilitative regulatory and policy environment for informal trade in South Africa. According to an interview with the Durban Chamber of Commerce and Industry (DCCI 2019), ten informal trader associations are members of the DCCI and they represent 53,000 traders, a likely estimate given that in the 2009-2010 census, 49,739 street traders were recorded in the city of Durban (LRC Legal Resource Centre 2016). This figure is not inclusive of the whole of the eTMM.

Durban has its own unique blend of informal economy. The eTMM has a market area where informal traders sell Indian spices, foods and materials, which are very popular among tourists. Community Tourist Organizations take tourists on trips to experience the city of Durban as well as more impoverished communities adjacent to Durban. *Spaza shops* are small shops where one can buy food, groceries and clothing which operate from a residential home and are mainly found in the poorer areas of Durban and the eTMM area, providing a subsistence income for many. Taxi Associations also constitute an important part of the informal economy, which regulate a section of public transport using mini-buses. They are particularly important for the South African economy as they provide affordable transport for the masses.

## 2.4 *Stokvel*, burial societies and mutuals

Traditionally, a *stokvel* is a pooled savings scheme, whereby members opt in to join a savings club or society, and each member contributes a set amount of money every month. These savings can be used

to buy groceries for Christmas at the end of the year for each member. Another option is based on a predetermined rotation, where each member receives a lump sum pay-out at a specific time of the year.

A burial society can be regarded as a mutual; a mutual belongs to its customers or policy holders. A burial society provides funeral cover for family and adult dependents featuring low premiums, financial advice, fast pay-outs, and family support services for a set amount every month. The burial society will also provide transport for mourners (members of the society) at funerals. The burial society is often underwritten by a large insurance mutual.

## 2.5 The size of the SSE and its scope of operations

The total number of people employed in the SSE is estimated at 500,000 by the GPSE (Economic Development Department 2019). However, this estimate underestimates the number of SSE organizations and enterprises (SSEOs), particularly small sized SSEOs. For instance, the law requires cooperatives to have at least 5 members and those with less than five members cannot be counted. Non-profit Organizations (NPOs) as well as Non-profit Companies (NPCs) are required by law to have at least 3 board members who may be contingency workers for the NPI; over and above employees and volunteer workers. However, the SSE lends itself ideally to volunteer work as well as contingency work (also known as the gig economy) because of its dependence on contract workers for projects. There could be NPOs and NPCs with less than three board members but more than 3 employees which cannot be counted in these statistics. This leads to an underestimation of the number of SSEOs.

More relevant statistics to registered non-SSE and SSE entities can be obtained from the Department of Small Business Development's (DSBD), division Companies Intellectual Property Commission (CIPC) and from the website of the Department of Social Development (DSD) (Department of Social Development 2019). These statistics relate to the number and type of entity and whether the entities are active, inactive or, in the case of the NPIs registered with DSD, fulfil or not fulfil the necessary criteria. This is the first time that the size of the SSE has been determined in terms of active registered SSE entities in comparison with those of the non-SSE.

**Table 1: Statistical data related to the number of entities for the SSE and non-SSE**

Entity Type		A	A%	B	B%	C
		Total Registered Entities (Active & Inactive)	% of total for all entities	Total Active Registered Entities in A	% of total Active entities per B3	% of Entities active per type
	Total CIPC non-SSE Enterprises	6 410 540	93%	1 902 544	83%	30%
	SSE Enterprises DSD and CIPC	485 405 <sup>5</sup>	7%	386 968 <sup>6</sup>	17%	80%

<sup>5</sup> Total calculated as follows: CIPC total number of registered SSE entities is 259,690 & DSD total number of Non-profit Institutions (NPIs) also referred to as Voluntary Associations is 225,895.

<sup>6</sup> Total calculated as follows: CIPC number of active registered SSE entities is 217,253 & DSD total number of compliant NPIs is 169,895 (the Department of Social Development estimates that 56,000 NPIs are non-compliant and therefore regarded as inactive).

<b>TOTAL CIPC DSD</b>	6 895 945	100%	2 289 692	100%	N/A
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Source: Authors' figures based on data by DSD and CIPIC. December 19, 2019. *For more detail, see Annex A: [The Statistics for Registered SSE-entities and non-SSE entities by CIPIC](#)*

- Of the **6,410 540** non-SSE entities registered with CIPC (Companies Intellectual Property Commission), only **30%** are active while **80%** of all SSE entities totaling **485, 405** (registered with CIPC and DSD) are active. [Non-compliant NPIs registered through the Department of Social Development (DSD) are treated as inactive]<sup>7</sup>.
- Accordingly, the SSE entities account for **7%** of all registered entities but **17%** of the total of all **active** registered entities (non-SSE and SSE entities). The non-SSE active entities account for the remaining 83%.

The explanation widely shared is that a large percentage of non-SSE enterprises are inactive because of the existence of “shelf companies” (pre-registered companies for sale through various offices such as attorneys, accountants, and business consultants). The impact on the total number of non-SSE companies on the real economy is therefore misleading although a large number of inactive non-SSE companies remain a reason for concern.

Furthermore, the figures as outlined in Table 1 above do not represent the contribution of the SSE entities to the Gross Domestic Product (GDP), nor the country’s employment opportunities. The estimates of the contribution of the SSEs to GDP in the Draft Green Paper on Social Economy (GPSE) are, by its criteria for SSE, not accurate. There is a need to compare “apples with apples” and the SSE is different to mainstream businesses and therefore needs to be measured differently. The fact that almost 80% of all registered SSE entities are active is indeed an indication of the success of the SSE in South Africa.

These figures in Table 1 focus the attention on the real contribution of the SSE in the South African economy. Therefore, a new narrative is emerging regarding the importance of the SSE in job creation and the alleviation of poverty.

There is a lack of reliable data on the scope of SSE’s operation at the national level. The eThekweni Metropolitan Municipality (eTMM) did a survey on cooperatives in the municipal area and established that the dominant sectors include construction (24.4%), cleaning services (18.9%), catering services (12.2%) and agriculture (11.1%). The construction sector here includes house building, house renovation, plumbing, roof maintenance, tiling, plastering, bricklaying, carpentry and ceiling (eThekweni Metropolitan Municipality(d) n.d.). In general, social enterprises and NGOs are considered to operate where social needs adopt a focus on prominent interventions such as pre-school education and care, HIV/Aids, hospices, youth development domestic violence, poverty alleviation and care for disabled persons, the blind and/or deaf.

### 3 Making Synergies at the National Level

In order to study the local government policy implementation for the SSE in terms of the eTMM, it is important to understand the environment: policy cascades from national level, to the provincial level and then to the local level to form the ideal “value chain<sup>8</sup>”. Each level of government and the concerned stakeholders add value in each stage from design to implementation and evaluation. For instance:

- National Government develops policies;

<sup>7</sup> Statistical analysis by author based on figures provided by the Department of Small Business Development’s Companies Intellectual Property Commission (CIPC) attached as [Annex C](#).

<sup>8</sup> A value chain normally refers to the process or activities by which a company adds value to an article, including production, marketing, and the provision of after-sales service. In this instance “value chain” is a metaphor for the way in which all levels of government add value to create an enabling environment for the SSE.



- the Provincial Legislature develop strategies (a broad plan for all the municipalities to follow) to achieve the objectives and goals of the legislation;
- Local Government develops the implementation strategies (often just referred to as “strategy”), or guidelines which are localized, detailed and practical plans on how the provincial strategy would be applied in a specific local and cultural contexts (Interview with Ms. Smangele Manzi, the Director: Cooperatives Area 2 in the Department of Economic Development and Tourism of KZN).

An enabling environment for the SSE is closely linked to supportive policies and even more importantly, the ability to identify synergies across all levels of government and between stakeholders to make a difference at the local level through effective policy instruments such as co-construction. Therefore, a synergistic relationship at all levels of government together with stakeholders within the SSE are a prerequisite for success in strengthening capacity across all levels and subsequently in promoting SSE.

The relationship between the various levels of a government are constitutionally defined as showing cooperation with one another in mutual trust and good faith by assisting, supporting and consulting one another, coordinating their activities and adhering to agreed procedures. The South African Constitution acknowledges that “the three spheres of government are distinctive, interdependent and interrelated”, meaning that the three spheres of government are autonomous, but they cooperate in decision-making, budgets, policies and activities, especially cross-cutting issues related to policy, programmes, strategy and in setting up guidelines. This is being undertaken through the Inter-governmental Relations Framework Act passed in 2005 (Education and Training Unit n.d.).

These relationships of cooperation are mainly dependent on elected officials, policy makers and those involved in fostering the relationship between those levels of government. Thus, while there are many pockets of excellence and champions (individuals who commit to and take responsibility for the implementation of a project or policy), there are, unfortunately, also examples of failure at the implementation stage in the SSE in South Africa (Steinman 2017). These challenges lead to policy amendments from time to time such as the amendment subjecting cooperatives to labour laws with unintended consequences dealt with later in this study.

In general, national government introduces legislation, liaises with and guides the Provincial Legislature who in turn, liaise with the local government (Ndumo 2019).<sup>9</sup> Over the years, the South African government has taken some key measures to support the SSE. This support was enabled through legislation, public policies, programmes and constitutional reforms. The single most important direct legislation relating to the SSE, which was enacted over the last few years, is the Cooperatives Act of 2005 (Act No. 14 of 2005) as amended in 2013.

Other important laws in the local government context and specifically relating to the SSE are:

- The Trust Property Control Act (Act 57 of 1988) which provides for the control of property as many trusts are indicated as charitable.
- The NPO Act of 1997 (Act No. 71 of 1997) (as amended in 2000 and 2012) provides for the establishment of an NPI with the Department of Social Development, which is ideal for smaller, community-based associations.
- Preferential Procurement Policy Framework Act of 2000 (Act No. 5 of 2000) which recognizes cooperatives and small businesses so that they can receive preferential procurement as part of Enterprise Development<sup>10</sup>.

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<sup>9</sup> During the interview, Mr. Ndumo provided the researcher with various presentations compiled by him at conferences and of some presentation authored by his colleagues for maximum accuracy in reporting. Therefore, a blend of these presentations/documents and the interview notes is being used.

<sup>10</sup> Enterprise development is a combination of Preferential Procurement, Supplier Diversity, Supplier Development and Enterprise Development programs to service business needs. It is part of the Broad-Based Black Economic Empowerment policy to advance economic transformation in South Africa.

- The Health Act of 2003 (Act No. 61 of 2003) further enables the creation of cooperatives in the health sector.
- Cooperative Banks Act of 2007 (Act No. 40 of 2007) led to the establishment of cooperative banks in South Africa.

The Companies Act of 2008 (Act No. 71 of 2008) (as amended in 2011) did away with the type of non-profit company called a “Section 21 Company” and established the “non-profit company (NPC). A blend of the above-mentioned laws indeed empowers the SSE at many levels as will be revealed by this study. In addition, an emerging policy to regulate the SSE is taking shape in the form of a Draft Green Paper that, within the context of this study, requires special attention.

***Box 1: The Draft Green Paper on the Social Economy<sup>11</sup>***

The Draft Green Paper on the Social Economy (GPSE) (Economic Development Department 2019) needs special attention as it is a Draft Green Paper and not a policy as of yet—it is being co-constructed, but nevertheless constitutes an important element for the development of SSE in South Africa. It must be understood against the backdrop of existing challenges facing the SSE. The document was co-constructed and discussed in South Africa with various stakeholders such as individuals with certain expertise or academics, trade unions and well-known social enterprises, cooperative representative bodies and a number of government departments for the purpose of consultation with stakeholders.

It is against this backdrop that the city of Durban, through cooperation with the eTMM, welcomed the Social Economy National Consultation Conference in Durban, South Africa, where a first draft Green Paper on the Social Economy in South Africa was launched on 25 February 2019.

In South Africa, the process of making a law in many cases starts with a discussion document, otherwise known as a Green Paper. This document is usually drafted in the ministry or department (in this instance sponsored and commissioned by the International Labour Organization [ILO]) providing guidelines to inform the development of policy. It is then published so that all stakeholders can participate and provide input.

The Green Paper may later become a White Paper when there is a certain level of consensus amongst stakeholders. The Economic Development Department will draft the White Paper and submit it to the relevant parliamentary committees for guidance (PMG Parliamentary Monitoring Group n.d.).

There are contentious issues that will influence the progress of the document to a White Paper on the SSE. The introduction for instance touches on the different definitions and descriptions that have resulted in an environment where there is no definitive and all-inclusive understanding of the social economy. Whether the proposed definition will be accepted by parliament is still up for discussion because the process of consultation is still ongoing. Therefore, the GPSE will follow the usual procedures and interrogation before it could be signed into an Act which could take years.

Based on national legislations, the government establishes integrated strategies or frameworks. For instance, the national government’s Integrated Strategy on the Development and Promotion of Cooperatives (the Cooperative Strategy) set out an implementation framework for the Cooperatives Development Policy of 2004 and the Cooperatives Act, No. 14 of 2005, as amended in 2013. This strategy ensures that government, through the utilization of various partnership models, engages in joint initiatives with all relevant stakeholders, to holistically promote a strong, viable, self-reliant,

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<sup>11</sup> For more info, read ***Annex Erreur ! Document principal seulement.:*** [Additional Reading: Public Policies, Programmes and Constitution Reforms](#); and ***Annex Erreur ! Document principal seulement.:*** [The Final Draft Green Paper on the Social Economy](#)

autonomous and self-sustaining cooperative movement in the country (Department of Trade and Industry(a) 2011). The strategic vision is outlined in the Cooperative Strategy with the aim of promoting cooperatives, formulating strategic pillars, programmes and an implementation plan. The Strategy provides indicators that will be utilized to measure progress and performance in respect to the implementation of the strategy and overall development of cooperatives in South Africa (J. Ndumo 2018).

## 4 Coordination Between the eTMM and Other Government Levels

### 4.1 Government levels above eTMM

As of 31 December 2019, there were 166 844 cooperatives in South Africa. 32%, the highest number of all the provinces, of these cooperatives are in KZN even though it is only the second largest province in terms of population.

*Table 2: Total amount of cooperatives in each province*

Region	Number of cooperatives	Percentage (%)
Western Cape	5,160	3.1
Eastern Cape	25,097	15.0
Northern Cape	2,574	1.5
Free State	10,092	6.0
Kwa-Zulu Natal	52,806	31.7
North West	10,250	6.1
Gauteng	30,885	18.5
Mpumalanga	13,347	8.0
Limpopo	16,633	10
Total	166,844	100 %

Source: Author's figures based on data from Department of Social Development, 2012.

Data on the spread of non-profit organizations (NPOs) and non-profit companies (NPCs) registered with CIPC per region is not available, however the earlier report (Department of Social Development 2012) can be used as a benchmark where the distribution represents the demographics of each province with Gauteng second (20%) to Kwa-Zulu Natal (32%).

#### 4.1.1 The importance of a "driver" of the growth of cooperatives in KZN

In the South African context of the SSE, when it comes to the implementation phase, good and carefully designed policies may fail. One reason for this is that once a policy is constructed, it requires people or a person of influence to commit to it and take responsibility to coordinate its implementation and make resources available. The growth of cooperatives in KZN, according to Mr. Ndumo, was for instance influenced by the then Premier of KZN, Dr Zweli Lawrence Mkhize, in office from 6 May 2009 until 22 August 2013. He played a key role in the establishment and development of cooperatives in the province and can be viewed as the driving force in the promotion of policies for cooperatives in KZN.

Dr Mkhize studied the cooperative sector models from many countries, and this strengthened his belief that the economy should be inclusive. He believed that a thriving small business- and a vibrant

cooperative sector combined within a supportive environment would ensure regional and national prosperity and a more inclusive economy<sup>12</sup>.

Under the leadership of Dr Mkhize, the Provincial Treasury targeted items for preferential procurement for cooperatives and awarded tenders to cooperatives in all the districts of KZN. Dr Mkhize gave cooperatives the same importance as Small Business Development and established the necessary infrastructure, such as a bank (Ithala Bank) to provide financial support for the cooperatives at the regional and local level. Ithala is a development finance corporation and one of KZN's primary drivers of economic development and a strategic enabler of support for the province's historically disadvantaged communities (Mkhize 2012).

#### *4.1.2 Strategy development KZN provincial legislature*

The provincial cooperative development strategy, however, is mainly drawn from national policy. The sustainability of the intervention, the resources, the relationships between all the stakeholders (provincial and local governments, private sector, government agencies such as SEDA) and risks (such as non-performance by municipalities) are considered and incorporated into the strategy.

The custodianship of cooperatives is vested with the national Department of Small Business Development (DSBD), but when it comes to the provinces, "everybody does as they please" according to Ms. Smangele Manzi<sup>13</sup>, referring to various differences in interpretation of the law, mandates by government departments and agencies. Different provincial government departments also run cooperative programmes and are involved in interpreting and drawing their strategy from the provincial strategy.

At the local level, the municipalities draw on the provincial strategy and develop an implementation plan and provide feedback for the Provincial Legislature. Sister departments<sup>14</sup> at the provincial level have their own implementation strategies and foci. Therefore, it is both desirable and essential that all stakeholders receive training on the provincial strategy to avoid diverse policy interpretations putting the principles of cooperatives at risk, resulting, for instance, in pseudo-cooperatives (Manzi 2019).

#### *4.1.3 Autonomy of the cooperatives vs labour laws*

During their interviews, both Mr. Ndumo and Ms. Manzi referred to the issue of achieving policy synergy between cooperative principles and constitutions and the labour laws of South Africa. A major problem is that the Commission for Conciliation, Mediation and Arbitration (CCMA) does not understand cooperative principles when it comes to labour laws even though they are applicable to worker cooperatives. For instance, the cooperative's constitution can terminate the membership of those who are absent at meetings. However, CCMA disregards this constitution and reinstates the membership of those members according to labour laws. Another problem is for instance the salary of members: cooperative members often decide not to take salaries in the start-up phase. Labour laws are applicable to cooperatives as well and therefore although members can choose against receiving a salary as an autonomous decision, this decision can be thwarted if only one member decides against it. The conundrum is whether the autonomy of cooperatives is at stake. Is it possible or practical for a member

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<sup>12</sup> Mr. Ndumo's interview material is subsequently blended with information obtained from the website referring to Mr. Mkhize's State of the Province address in 2013

<sup>13</sup> Ms. Smangele Manzi, the Director Cooperatives Area 2 in the Department of Economic Development and Tourism at the Kwa-Zulu Natal Provincial Legislature

<sup>14</sup> "Sister departments" are those departments within the same cluster. For instance, a department dealing with economic development will promote cooperatives while a department dealing with social development will do the same for a project to empower women in rural areas.

of cooperatives to not to be subject to South African labour laws? The interviewed persons, Ndumo and Manzi, explained this as a point of conflict and a reason explaining cooperative failure in some instances.

The fact that the CCMA commissioners are not trained and sometimes do not understand the principles of cooperatives results in them treating the disputes as issues of just labour and not in terms of the cooperative's constitution and their principles.

## 4.2 Policies and institutions of the eTMM

### 4.2.1 Capitalizing on existing policies and institutions

The eTMM developed an implementation plan—which they refer to as a strategy—for cooperatives. With this plan they create synergies with other legislation acts. One of the main approaches to creating synergies was capitalizing on existing policy documents, frameworks and acts. For instance, in the case where eTMM shaped procurement policy targeting cooperatives through the Broad-based Black Economic Empowerment (BBBEE)<sup>15</sup> Act, in particular when they procure services such as grass cutting and cleaning.

Similarly, the enterprise development aspect of the BBBEE Act is utilized to approach corporations for engagement in cooperative enterprise development and therefore companies such as Tongaat Hulett, Unilever and Engen are linked to cooperatives in the value chain.

#### ***Box 2: The Broad-based Black Economic Empowerment and Cooperatives***

BBBEE is achieved through ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development (Corporate Social Responsibility).

Enterprise development is an inexpensive way to implement BBBEE, but it is not often seen as an option. Big companies offer operational assistance to small, black-owned enterprises as part of enterprise development and this is also a core component of the SA Government's BBBEE strategy and globally recognized as an effective way of reducing poverty.

The eTMM engages companies to assist cooperatives through their enterprise development programmes.

To build cooperatives' capacity, the eTMM officials responsible for the cooperatives programme engaged the South African Revenue Services for support to train cooperatives about tax compliance. They also approached the Small Enterprise Development Agency (SEDA), which provides country-wide funding, to establish a virtual incubator for cooperatives in Durban in partnership with the eTMM<sup>16</sup>.

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<sup>15</sup> BBBEE – Broad-based Black Economic Empowerment is a government policy to advance economic transformation and enhance the economic participation of Black people (African, Coloured and Indian people who are South African citizens) in the South African economy.

<sup>16</sup> 72 incubators have already been established all over South Africa by the DSDB through the Incubation Support Programme (ISP) to develop incubators and create successful enterprises with the potential to revitalize communities and strengthen local and national economies. There are different types of incubators. A virtual incubator is a "walk-in" incubator with a hotdesk, training areas and meeting facilities for cooperatives and prospective clients.

#### 4.2.2 Principles underpinning strategies and implementation plans

The eTMM follows the following policy principles in constructing the strategy and implementation plan such as the eThekweni Cooperative Development Plan for 2019:

- Establishment of cooperatives should be a bottom-up approach through mobilization of people to start cooperatives.
- Some items of procurement are set aside for cooperatives.
- There should be a timeframe for cooperative assistance determined by government and the cooperative should be treated as a normal business in terms of assistance.
- The government should encourage cooperatives to mobilize the resources available within their communities.
- The integration of provincial and local cooperative development support is a crucial principle underlying the development of cooperatives.
- The government officials should have a thorough and informed understanding of cooperatives and cooperative principles.
- The government should support but not control cooperatives.

The eTMM together with stakeholders such as the DCCI and the World Bank developed a strategy to promote economic development for the whole city. It established the eTMM's Economic Development Incentive Policy which aligned with South Africa's national policies and strategies. The policy aims to reduce obstacles to investment, foster an investor-friendly environment and facilitate local and foreign investment (World Bank 2015) (Interview with Nuthan Maharaj<sup>17</sup>).

The Cooperative Act (as amended) aligns seamlessly with other enabling acts and policies aimed at alleviating poverty which is a strength of the eTMM. This accounts for both the establishment of an economic development incentive policy to advance investment and the development of cooperatives in the city of Durban within the eTMM.

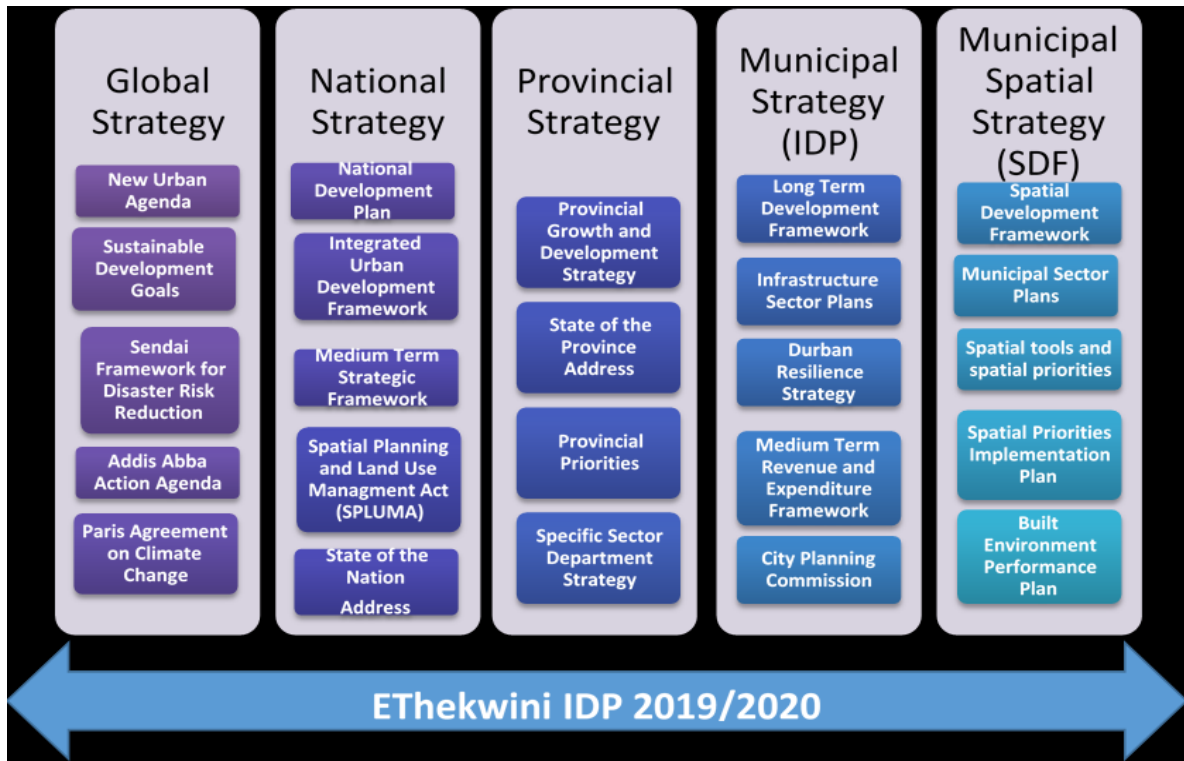
The Inclusive Development Plan (IDP) is another initiative relevant to SSE development in eTMM. The IDP provides opportunities for the development of the SSE within a broader context of eTMM development. IDP includes elements to enhance the development of cooperatives and the Cooperative Unit of the eTMM is aware of this. Therefore, officials could design and implement projects for cooperatives within a bigger developmental context (Maharaj 2019).

The synergistic nature of the Inclusive Development Plan (IDP) is illustrated in Figure 3.

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<sup>17</sup> Dr Maharaj is a Senior Professional Planner for Policy, Strategy, Information & Research Department eThekweni Municipality: Economic Development and Investment Promotion Unit and was interviewed on 6 September 2019.

**Figure 3: Inclusive Development Plan 2019/2020**



Source: eThekweni Municipality, 2019a.

## 5 Key Stakeholders

Key stakeholders involved in creating synergies for SSE promotion include various actors at different levels of government. They form part of an enabling ecosystem in which the SSE can flourish. They include but are not limited to national government departments and agencies such as the DCCI, provincial administration, the municipality itself, universities, banks, SSEOEs and for-profit enterprises. In this section we focus on the most influential stakeholders. It should be noted, however, this does not mean that actors which are not mentioned here are less important and/or insignificant.

### 5.1 National government departments and agencies

National and provincial government departments and agencies are important stakeholders. Some of them were established to provide support to the SMEs to which many cooperatives belong. The examples are: Small Enterprise Development Agency (SEDA) and Small Enterprise Finance Agency (SEFA). Some agencies like SEDA have a local branch office in Durban and provide services to small enterprises including cooperatives and social enterprises. Industrial Development Cooperation (IDC) is an interesting example which shows the shifting focus of industrial development from for-profit enterprises to SSEOEs. A donation from the government of Belgium in 2014 played a significant role in shifting the focus of IDC to the development of the SSE in South Africa.

There are other government departments and agencies which have taken interest in the SSE and therefore are involved in training in SSE, for example compliance with various laws, providing funding for instance for the establishment of business incubators, presenting programmes and/or opportunities. They include but are not limited to: the Department of Social Development, the Department of Economic Development, the Department of Trade and Industry, the Department of Small Business

Development, South African Revenue Services and the Departments of Arts and Culture, and of Tourism.

Various organizations and associations representing or facilitating SSE at the national level play a significant role in the development of cooperatives (Parliamentary Monitoring Group 2018). They are:

- National Apex Cooperative of South Africa (NACSA): its mission is to unite, represent and capacitate cooperatives by harnessing knowledge and technology for radical socio-economic transformation and sustainable development. To fulfil this vision the strategic goals are financial, human capital, market development, lobbying, capacity building, knowledge resources and organization building.
- South African National Apex of Cooperatives (SANACO): established in 2008, It was initiated by cooperatives in the country, and the department that was given the mandate for cooperatives Department of Trade Industry felt that it was not so productive dealing with each cooperative individually, and that a cooperative body needed to be established where cooperatives can fall under one umbrella body.
- National Cooperative Association of South Africa (NCASA): aims to foster values of co-operation in society, and seeks to facilitate the consolidation, building, and development of cooperatives as autonomous, democratic, self-reliant and member-based organizational and enterprise forms.
- The National Association for Cooperative Financial Institutions (CFI) of South Africa (NACFISA): is the representative body which provides support to Cooperative Financial Institutions (CFIs), including registered Cooperatives Banks in term of Cooperative Banks Act (40) 2007 and other CFIs registered with Cooperative Banks Development Agency (CBDA) and permitted to offer financial services.
- Cooperative Banks Development Agency (CBDA): The CBDA was established in terms of Cooperative Banks Act, No. 40 of 2007; and report directly to the minister of Finance and housed within National Treasury (NT).
- Cooperative Financial Institute of South Africa (COFISA): COFISA assists communities that require financial intermediation as an alternative to using loan sharks and assists them in establishing cooperative financial institutions.

## 5.2 The eThekweni Metropolitan Municipality (eTMM)

In 2002, the eTMM launched a programme aimed at alleviating poverty and unemployment.<sup>18</sup> The municipality subsequently identified procurement as a priority solution for economic development. Enterprise development was also a very important aspect of BBBEE and preferential procurement was one of the pillars of enterprise development (Interview with Mbuyiselwa Ngobese<sup>19</sup>).

Within the context of this programme, the Community Participation and Action Support unit (CPAS) (the predecessor to the current custodian of the cooperative development plan) was given a mandate to promote and manage the Cooperative Development Programme within the eTMM. The principles underpinning its mandate were: participation, action and support. The task was aligned with the key priorities of eradicating poverty since it supported those living below the poverty line to become part of the mainstream economy through the establishment of cooperatives. As a result of the CPAS initiative, 96 cooperatives were formed with an average of twenty members each, resulting in approximately 720 people in business and/or employed. CPAS is currently the custodian of the non-profit organizations and community-based organizations.

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<sup>18</sup> This section is based on interviews with Mr. Mbuyiselwa Ngobese, Business Development Facilitator and Ms. Nonhle Memela, the Programme Manager, both within the Department of Economic Development of the eTMM.

<sup>19</sup> Business Development Facilitator in the Business Support, Tourism and Market Unit tasked with cooperatives.



The Business Support Tourism and Market Unit is the current custodian of the Cooperative Development Programme. Its strategy was adjusted to go beyond the 96 CPAS-formed cooperatives to include all cooperatives in the eTMM.

Specific objectives of the programme are:

- promoting the equality of cooperatives through enterprise development, preferential procurement and skills development;
- assisting cooperatives' participation in training programmes provided by the eTMM aimed at increasing their productivity;
- contributing to the sustainability of cooperatives through various interventions and trainings to increase their capacity and connect them with possible clients as well as assisting them with compliance;
- contributing to sustainable development of cooperative members' communities—for instance, cooperative members can run soup-kitchens or participate in events to benefit the poor and vulnerable members of the community. Together with informal traders the cooperatives were instrumental in assisting the Durban Chamber of Commerce and the eTMM with disaster management during floods by distributing donations, such as blankets to the communities.

(eThekweni Metropolitan Municipality(b) 2019)

To achieve its objectives, the eTMM interacts with influential stakeholders such as the Durban Chamber of Commerce and Industry (DCCI), the provincial and national departments of Small Business Development, Economic Development, Tourism, Environmental Affairs, Social Development, Education, SEDA, SEFA, Industrial Development Corporation (IDC), South African Home Loans, and private firms such as Hulett's, Eskom (still in the negotiation phase) and Nedbank for financial literacy training, the basics of managing finances income and expenditure and basic terminology. The relevant Bargaining Councils see to it that different workers within the SSE are not exploited (Interview with Ms. Memele, see footnote 16).

### **5.3 The Durban Chamber of Commerce and Industry (DCCI)**

The Durban Chamber of Commerce and Industry (DCCI) exists as a non-profit company under the Companies Act 71 of 2008, with a proud legacy as the oldest and largest metropolitan Chamber in Africa.

The mandate of the DCCI requires it to lobby and advocate on behalf of its members by addressing and identifying pertinent issues and forwarding them to appropriate forums. The DCCI recently launched a new portfolio under their membership which had not been represented, namely the informal economy. A significant section of the SSE, namely social enterprises and informal traders' associations have already established forums under the auspices of the DCCI. These benefit the SSE, too, such as the DCCI's business practitioners, through robust strategic engagements with stakeholders, drill down into issues and provide experience-based insights to resolve problems. These forums provide insight to the common challenges faced by the business communities, including SSE enterprises. The DCCI also identifies key opportunities that can be created by enabling a resilient and conducive business environment whereby all business forms, including the SSE can benefit.

While they do not have a portfolio or forum for cooperatives and *stokvels* yet, it is envisaged that cooperatives can and will follow suit of social enterprises and informal traders' association in the future. In fact, cooperatives can access the tools available through the DCCI such as training in the running of an enterprise and assistance with compliance through legal services.

The DCCI signed on several informal trade associations whose membership totals approximately 53,000. During the 2019 floods when businesses were asked to assist communities affected by the flood,

they bought goods and food from spaza shops<sup>20</sup>. The informal economy is empowered to assist with such initiatives in their communities and the Non-Profit Forum forms part of the DCCI's 20 Forums. Businesses are also encouraged to donate financial resources and to procure through SSEOEs for disaster relief.

The DCCI is increasingly acknowledging the importance of the SSE and including the sector in its operations to the benefit of the SSE.

## **5.4 Academic institutions in the eTMM area**

A growing number of academic institutions, namely universities, are not only teaching and researching SSE, but also exploring ways of facilitating the SSE. In the eTMM area, teaching, researching and incubating SSE are the main activities in which academic institutions play a key role. For instance, Durban University of Technology (DUT) has a directorate for Social Entrepreneurship and a virtual incubator for social enterprises which are sponsored by SEDA. It delivers services and training to social enterprises and they also have a Social Enterprise Forum where social enterprises can meet, network and form value chains. The University of KwaZulu-Natal (UKZN) has created several spaces for SSE in partnership with both public and private sectors. Firstly, it created the Local Economic Development Champions Alumni Network which is a platform where KZN's social entrepreneurs can regularly network, share resources and enhance collaborations. It is the latest deliverable development from the partnership between the KZN Economic Development, Tourism and Environmental Affairs Department and the University of KZN (UKZN(a) 2018). Secondly, it established the UKZN InQubate (a virtual incubator). In collaboration with UNZN InQubate, the College of Agriculture, Engineering and Science embarked on a highly strategic project with the Dube Trade Port Corporation in the development of one of its business zones, and the Dube AgriZone aimed at benefitting cooperative farmers (UKZN(b) n.d.). Thirdly, it established a diploma course in Cooperative Management at UKZN Richards Bay Campus. This programme is one of the first accredited academic diplomas in this field. It aims to equip students with the skills and knowledge required to qualify them for employment as managers and supervisors of small and medium-sized cooperatives. Graduates will be able to manage the operations of cooperative organizations, and mobilize resources from members of cooperatives for growth and wealth generation. They also acquire broad-based business management skills. Career opportunities include: cooperative management, cooperative training and educational specialists, cooperative promoters/advisors, cooperative auditors, credit officers for micro-financing and project development officers with NGOs (UKZN(c) Richards Bay n.d.). The graduates often work as interns at cooperatives but according to those interviewed at the eTMM, this arrangement is unsatisfactory as interns prefer to work with cooperatives in a corporate or advisory context rather than setting up and establishing cooperatives themselves.

## **5.5 Private sector**

Examples of private sector involvement include donations from companies or corporations to non-profits and/or social enterprises, as well as procurement from SSEOEs. A host of companies use enterprise development and corporate social responsibilities allocations for taxation purposes, but also as a means to be actively involved in their communities. The funds are mainly made available to non-profit organizations (NPOs) and in a few cases for cooperatives.

# **6 Policies and Institutions to Promote SSE**

Co-construction has been increasingly emphasized as a key principle of designing and implementing policies for SSE. In South Africa, participation in policy design through multi-stakeholder dialogue for

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<sup>20</sup> A spaza shop is an informal shop within a residential area and usually run from home.

most policies is very good. Not only because it is required in terms of government policy, but extra-parliamentary stakeholders also demand to be involved in the process of policy formulation and all the expected processes and procedures. As consultation with communities and key stakeholders are key to policy formulation, South Africa has some of the best social and economic policies (Steinman, 2017).

Civic participation is dynamic, but the drive to implement policies is not always sustained (Steinman, 2017). Implementation of the policies needs to be undertaken with the same drive and spirit in which the co-construction of these policies took place. Accordingly, the eTMM serves as an important benchmark for other local governments in South Africa as they sustained the consultation and co-construction of policy through to the implementation level.

This section deals with the policies and insitutions providing support to the SSE through means such as planning, promoting, marketing and financing. In a nutshell, how and what are all the stakeholders' contributions to promote the establishment of SSE enterprises and enhance its operations and sustainability. The various stakeholders identified in the previous section jointly through co-construction process or individually add value to or assist the SSE through planning, rolling out programmes, promoting, marketing the sector and linking them to finance or even financing them.

In the eTTM, a draft policy is presented to the community for input through public consultation with the SSE. The business community and every organization or individual that could contribute was invited. The outcomes of these consultations and the subsequent policy was undertaken through a workshop with the elected members of the city council; presented to the Executive Committee of the eTMM for recommendations, and then presented to the council for final approval during October 2015 (Memele 2019).

The eTMM views the Cooperative Development Plan within the context of four strategic pillars which are applied in various ways to provide the operational support for the cooperatives as set out in Figure 4. With this framework, the eTMM provides operational support to the SSE with the programme and a division dedicated to cooperatives while social enterprises and NPOs receive grants from the Community Participation and Action Support (CPAS) unit of the eTMM. Together with SMEs, these organizations also have access to the business incubator of the eTMM. The incubator has been established in partnership with the Small Enterprise Development Agency (SEDA)<sup>21</sup>.

Community organizations receive funding from eThekweni Municipality to continue their work. NPOs such as women abuse support groups, early childhood development centres, organizations for the disabled, feeding schemes and youth missions all receive the same set amount from the municipality.

The Business Support Tourism and Markets unit dealing with cooperatives also has a team of Informal and Retail Markets dealing with informal sector enterprises. The key functions of this team are to:

- provide a management service in accordance with council policy and within National, Provincial and other legislation to trading in public spaces;
- identify new and existing areas for management, upgrading and development for recommendation to the council and their funding sources;
- provide community consultation service with relevant stakeholders on behalf of Council;
- provide a related public enquiries service;
- identify, implement and monitor support programme and opportunities;
- initiate and provide policy documents related to all street trading issues in the council.

(eThekweni Metropolitan Municipality(c) n.d.).

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<sup>21</sup> This section is based on interviews with two officials, Ms. N Memele (Programme Manager) and Mr. M Ngobese (Business Programme Facilitator).

**Figure 4: Presentation Cooperatives Development Plan**



Source: Memele, n.d. (used with permission).

Instead of this four pillar framework, we examine policies and institutions to promote SSE through a framework which includes the areas of Promotion and Marketing; Financing; Planning; Training and Capacity Building; Incubation; Scaling-up and Networking; and Monitoring and Evaluation. In particular we analyse the policies and institutions in these areas with a focus on major players in policy design and implementation.

## 6.1 Promotion of SSE and marketing its goods and services

### 6.1.1 The eThekwini Metropolitan Municipality (eTMM)

In order to roll out the Cooperative Strategy the eTMM made use of a consulting company going to every corner of the city to inform the public of the Cooperative Strategy and to identify cooperatives which can play a major role in realizing the goals of the Strategy. The consulting company under the supervision of the eTMM consulted all stakeholders including the cooperatives' clients, small business, and different government departments. The sole purpose of the invitation was to listen to and discuss how cooperatives can be promoted and improved with these stakeholders. The eTMM also utilizes consulting companies to reach out to corporations and give them an overview of the eTMM's commitments to develop the SSE.

As a marketing strategy, the eTMM provides opportunities for cooperatives to showcase their products and services. The eTMM also facilitates cooperatives' access to local, national and international markets. For instance, the eTMM helped cooperatives to capitalize on opportunities from the well-established mainstream retail concerns in South Africa such as food, clothing and an international car manufacturer.

The Business Support Programme<sup>22</sup> focusing on small business enterprises including SSEOs aims to create an enabling environment for business enterprises and the SSE. The programme includes interventions of a technical and non-technical nature. Technical interventions would, for instance be directed at specific skills such as keeping record of cashflow or address an agricultural technique that could benefit the enterprise and so on. Non-technical interventions include training programmes on a variety of topics relating to compliance, life skills, access to finance, entrepreneurial skill development through training sessions, seminars and mentoring and coaching. An example is training in “pitching” for business. The enterprises engage in a “Dragon’s Den” challenge to assist small enterprises and SSEs in pitching their services or goods.

Another challenge is related to the difficulty of SSE accessing retail outlets. Due to existing relationships between big corporations and suppliers which have consolidated over many years, small businesses and SSEOs could not access retail outlets. Through the Business Support Programme, a platform was created to establish links between large enterprises and small enterprises including cooperatives. This platform contributed to transferring technology, knowledge and skills from large enterprises to small business enterprises including SSEOs and cooperatives. As such, successful business linkages involve much more than matching activities between large and small enterprises. In this context, the purpose of business linkages is for small enterprises and the SSE to learn to position themselves among medium and large organizations, identifying specific areas where they can become suppliers for large companies or even partner with them to deliver specific services. In the eTMM region, exhibitions and fairs have also been used to encourage networking. Specifically, the Durban Business Fair is a prime example of where business linkages are forged between large enterprises, sectorial cooperatives and small enterprises by marketing and exhibiting their services or goods together or collectively. The Durban Business Fair takes place quarterly and the eTMM monitors the results, such as how many cooperatives sell products and whether their customers remain loyal. The eTMM also approached potential buyers such as SPAR stores, one of the largest retailers in the country, on behalf of these SSEOs and other enterprises in order to help them to sell their goods and services to them.

Furthermore, in the case of cooperatives, the eTMM created a platform for bulk buying to effect larger discounts influenced by and similar to the purchasing strategy of Somali traders in South Africa<sup>23</sup>. This is part of the enterprise development service provided by the eTMM to assist cooperatives in becoming more sustainable.

Some procurement items are targeted to cooperatives by using the BBBEE amendment as approved by the eTMM by giving preference to black-owned enterprises and cooperatives. Preferential procurement is a priority solution for economic development and therefore preferential procurement is an important pillar of Enterprise Development .

The cooperatives receive long-term contracts as opposed to tendering competitively for a contract as long-term contracts are intended to be a stepping-stone towards the sustainability of cooperatives. To date eTMM secured 540 cooperatives and spending is estimated at approximately ZAR 100 million.

As part of promoting and marketing small businesses and the SSE, the Cooperative Development Unit actively communicates with various stakeholders ranging from municipal councillors and officials, government to government agencies such as SEDA, Ithala Bank and the cooperatives. The Unit disseminates information on such issues as the development strategy, national support services and programmes, the eTMM specific support services and market or business opportunities. This dissemination of information can be achieved through letters or the distribution of documents; training,

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<sup>22</sup> The Business Support Programme includes the Cooperative Development unit, The Community Participation and Action Support as well as the Informal Economy and Retail units at the eTMM.

<sup>23</sup> In the previously disadvantaged communities, Somali citizens have small stores usually on the residential premises called “spaza” stores. They are very effective and club together and do bulk buying resulting in their prices being competitive. This method is being upheld as a “best practice” in South Africa and universities, entrepreneurship centres and others train local traders to be more competitive.

capacity building and information distribution; workshops; fairs/flea markets; road shows; email messages; cell-phone SMS.

Another unit within the Business Support Programme playing a significant role in facilitating access to market is the Informal Trade and Retail Unit. According to the eTMM the management and development of informal economy, especially street trading and retail markets, involve the declaration of management zones<sup>24</sup>, demarcation of trading areas, issuing of permits, organizing traders into area committees that feed into citywide forum, and the ongoing collection of rentals. This also requires that municipal bylaws be enforced, and that the unit engages in conflict resolution where the interests of residents, traders and the formal economy come into conflict. Retail and flea markets, business incubators/hives have been set up to provide support for these emerging entrepreneurs in the informal sector.

### *6.1.2 Durban Chamber of Commerce and Industry (DCCI)*

The DCCI encourages its members to make use of SSE services for disaster management purposes as their local proximity enables them to reach communities with goods and foods in a crisis. The DCCI further encourages the SSE to engage with social problems and link them to members who may want to assist in addressing these problems.

The eTMM links, through the DCCI, the cooperatives directly to business clusters, for example manufacturing and chemical businesses. The mentoring programme of the DCCI is very effective according to the officials interviewed. Members of the DCCI would volunteer to mentor for instance cooperatives or start-ups to assist them towards sustainability if it is requested.

The DCCI's mentoring programme provides the SSEOs with an opportunity to gain more knowledge and new skills, for example craft and design which concern cooperative businesses. Many SSEOs receive tailored support from a range of experts in design, production, business, marketing, branding and craft-specific technical expertise. Mentoring is delivered one-on-one or in group settings.

The DCCI took a major step towards organizational inclusiveness by acknowledging the contribution of informal traders and allowing associations of informal traders to become members. This increased help available from SSE to local communities during disasters, notably the 2019 floods.

The DCCI actively promotes the SSE in general and specifically in a newspaper article. The Chief Executive Officer of the DCCI, Palesa Phili, said that the DCCI believes that through pro-active coordination, local companies can now assist NPOs in making a more significant impact on the communities they serve. To this end, local companies can provide the necessary funding to allow the NPOs to focus on building and scaling up programmes that empower communities to develop and flourish. Business is encouraged to lend their expertise to NPOs, who often struggle with organizational and financial planning issues. The DCCI encourages businesses to engage with NPOs in a manner that adds value and is both resourceful and creative in order to support them in their missions, and in keeping with the DCCI's vision to be in business for a better world (Phili 2019).

The NPO Forum of the DCCI promotes the work of NPOs (DCCI 2019). The NPO forum holds talks for businesses on topics such as creating and improving linkages and opportunities between businesses or scaling up them up. The DCCI is building a database of the NPOs which will be valuable for businesses, should they require their services and interventions.

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<sup>24</sup> These are demarcated zones of trading for a sector such as informal traders. Key levers for change are management zones within which decisions about regulation can take place, committed area management teams, a flexible space which can house management and meetings of stakeholder groups, and specialised support mechanisms.

### ***6.1.3 Small Enterprise Development Agency (SEDA)***

SEDA has offices in every province to develop small enterprises. Through provincial and district offices SEDA promotes SSE by providing financial and non-financial services. In doing this SEDA fulfils the mandate of national government which is to promote the establishment of cooperatives in the regions.

The SEDA Durban office in collaboration with universities and other stakeholders has an impact on the marketing of cooperatives through their training programmes or by introducing them to government assistance. However, their impact is minimal in as far as the actual marketing of the SSE is concerned and it is an area that has room for improvement.

### ***6.1.4 Universities***

Both the Durban University of Technology and the University of KwaZulu-Natal (UKZN) provide training and encourage students to explore opportunities get employment in SSEOs or to set up their own. The UKZN Diploma in the Management of Cooperatives elevates the status of cooperatives to a unique business type and this academic qualification is an indication of wider acceptance of cooperatives in general.

### ***6.1.5 Apex organizations***

APEX associations such as SANACO are raising awareness about cooperatives. SANACO acts as a representative body for the cooperative movement, ensures that the right policy environment exists to enable cooperatives to grow and prosper, and provides information related to legislation, financing and training opportunities for cooperatives. Similarly, all other SSE stakeholders, associations and apex bodies are actively involved in promoting the SSE.

## **6.2 Finances and access to finance**

### ***6.2.1 The eThekweni Metropolitan Municipality (eTMM)***

While commercial banks declare that they assist any enterprises including SSEOs, there is little flexibility and a clean credit record is required. For instance, cooperatives are required to have a minimum of five members, each with their own credit record. However, it is highly unlikely to have a clear record for all five and therefore private and commercial banks are reluctant to provide cooperatives with access to financing. Unlike government-funded organizations, there is no leniency from private and commercial banks.

Large corporate funders have definite preferences as to what and whom they support financially. An example is the Anglo-American Fund, a large private sector fund, which prefers to engage with non-SSE enterprises. Mondi Paper, a large national corporation, have engaged significantly with the communities close to where they operate, and as a result, local communities where they are active are working more effectively.

However, there are many non-financial services available, including financial literacy training. The eTMM assists cooperatives in obtaining the necessary funds by helping with application, compliance, and training on how to pitch and market their cooperatives and even go with them to obtain funding from SEDA, Small Enterprise Finance Agency (SEFA), Ithala Bank and others.

### ***6.2.2 Small Enterprise Development Agency (SEDA)***

SEDA's offices in Durban provide business development and support services for cooperatives, amongst others, through its national network, in partnership with other players in the small enterprise support space. SEDA also implements programmes targeted at business development in areas prioritized by the government, such as cooperatives.

SEDA has set up incubators across the country and provides non-financial services in the form of training and linking SSE enterprises to funders or creating partnerships. They also advocate for an increase in the number of cooperatives participating in the supplier development programme as part of the wider programme for Enterprise Development<sup>25</sup>. SEDA is also working towards increasing the number of cooperatives participating in trade facilitation and exhibitions both locally and internationally by linking them to the appropriate units within the DSBD.

The Cooperatives Incentive Scheme (CIS) is a grant which finances registered primary cooperatives whose objective is to improve the viability and competitiveness of cooperative enterprises by lowering their cost of doing business through an incentive that supports BBBEE. The maximum grant that can be offered to one cooperative entity is ZAR 350 000. A cooperative enterprise can apply for multiple activities provided that the cumulative grant awarded to the enterprise does not exceed the maximum grant offered.

### 6.2.3 *Small Enterprise Financial Agency (SEFA)*

SEFA provides finance to all enterprises as well to the SSE. There have been a few instances where cooperatives had been referred to SEFA.

SEFA provides the following type of loans:

- **Bridging loans** – short-term loans provided to business owners in order to finance working capital needs such as stock purchases, operating overheads etc. The duration of the loan is up to one year.
- **Term loans** – a loan of a specific amount with a specified repayment schedule, amount and interest rate. These are typically used to finance assets with a medium to long-term lifespan, such as machinery, vehicles, office equipment etc. Term loans may also be used to finance expansion or acquisitions. The period for term loans ranges from one to five years (SEFA n.d.).

### 6.2.4 *Organizations, associations and stakeholders*

NACFISA provides and capacitates financial services for cooperatives in South Africa. NACFISA is the representative body tasked by members to represent and provide support to Cooperative Financial Institutions (CFIs)<sup>26</sup>. NACFISA's vision is to build a strong, viable national association for CFIs of choice which is nationally and internationally recognized.

## 6.3 Planning

### 6.3.1 *The eTMM*

The roles and responsibilities of stakeholders are set out in a document by the eTMM designating the eTMM's Business Support, Market and Tourism Unit as responsible for the overall management of cooperatives' development in the municipal area. In this capacity, the unit assists in the registration of cooperatives, monitors and updates information on the cooperatives' progress and provides opportunities for them to showcase their products and services. It also facilitates access to finance and provides business information and tools. Thus, it enables networking sessions for cooperatives and SMEs, and facilitates SSE's access to local, national and international markets. All these activities are systematically articulated in the plans the eTMM makes ahead for a five-year period. The planning in

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<sup>25</sup> This programme forms part of Enterprise Development to help enterprises take advantage of the Preferential Procurement policies through training in skills and requirements for suppliers by the different corporates.

<sup>26</sup> Cooperative Financial Institutions (CFIs) include Cooperative Banks and other CFIs registered with the Cooperative Banks Development Agency (CBDA) and permitted to offer financial services to their members.



respect of cooperatives for the Business Support, Tourism and Market Unit's Cooperative Development Programme has the following projects and activities planned for 2019-2023:

**Table 3: Introduction to the Cooperative Development Plan**

NO.	Projects/Activities
1.	Create awareness: Capacitate cooperatives in legal registration of cooperatives in all sectors. Regional presentations.
2.	Registration of cooperatives in the Central Municipal Database and the Cooperative Development Programme database.
3.	<ul style="list-style-type: none"> <li>• Implementation of the Cooperative Development Strategy.</li> <li>• Coordination of cooperatives development sub programmes.</li> <li>• Access to business information and mentorship programme.</li> <li>• Access to finance.</li> <li>• Access to markets.</li> <li>• Incubation process.</li> <li>• Cooperative contracts.</li> </ul>
4.	Training / workshop of municipal officials about the functioning of cooperatives.
5.	<ul style="list-style-type: none"> <li>• Assisting in the establishment of the cooperatives in all various sectors.</li> <li>• Facilitating the formation of structures in each sector.</li> <li>• Assisting in the establishment of the secondary cooperatives.</li> </ul>
6.	Establishing of the Manufacturing Cooperative Incubator and managing daily operations of the incubator.
7.	Participating and contributing to local and global cooperative engagements: <ul style="list-style-type: none"> <li>• International Cooperative Alliance</li> <li>• BRICS Countries</li> <li>• Coordinating cooperatives' development programmes and facilitating ongoing networking sessions for cooperatives.</li> </ul>
8.	Training to be provided to cooperatives on an ongoing basis: (technical and non-technical skills) <ul style="list-style-type: none"> <li>• Cooperative governance.</li> <li>• Compliance with the South African Revenue Services (SARS) and all forms of taxation as well as compliance with the Company Intellectual Property Commission (CIPC).</li> <li>• Business administration.</li> <li>• Leadership skills.</li> <li>• Business planning.</li> <li>• Health and safety.</li> <li>• Financial management and bookkeeping.</li> <li>• Basic computer training.</li> <li>• Conflict resolution.</li> <li>• Quality control.</li> <li>• Customer care.</li> <li>• Technical and specific subjects/skills.</li> <li>• Tendering skills.</li> <li>• Herbicide applicator.</li> </ul>
9.	Stakeholder relations: <ul style="list-style-type: none"> <li>• Ithala.</li> <li>• National Empowerment Fund .</li> <li>• ABSA.</li> <li>• Standard Bank.</li> <li>• Development Bank of South Africa .</li> <li>• Small Enterprise Funding Agency (SEFA).</li> <li>• Department of Trade and Industry.</li> </ul>

	<ul style="list-style-type: none"> <li>• Department of Economic Development, Tourism and Environmental Affairs .</li> <li>• Small Enterprise Development Agency (SEDA).</li> <li>• The Department of Small Business Development.</li> <li>• Department of Labour.</li> <li>• Department of Public Works.</li> <li>• SARS.</li> <li>• Bargaining Council.</li> <li>• Transnet.</li> <li>• Construction Industry Development Board.</li> <li>• International Labour Organization (ILO).</li> <li>• The International Cooperative Alliance (ICA), cooperatives global network.</li> <li>• Private Sector Organizations.</li> </ul>
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Source: Table produced by author with information from interview with Memele, n.d.

## 6.4 Training and capacity building

### 6.4.1 *The eThekweni Metropolitan Municipality (eTMM)*

The eTMM's Business Support, Market and Tourism unit, through structured plans on various information dissemination platforms, hosts a series of business development workshops for the business community in various areas in towns and rural areas. The shared information pertains to business development and marketing tools, business compliance and business finance. These workshops are assessed by means of "impact assessment" which entails a longitudinal evaluation related to the performance of the cooperative and the practical value of the programmes.

The Cooperative Development Plan (CDP) which is implemented by the unit facilitates training on the function of cooperative business, SARS, VAT, UIF and CIPC compliance, business administration and management, financial management, human resources management, conflict resolution, quality control, customer care, tendering skills and technical training. Cooperatives are invited to register for the training and the Cooperative Unit funds for instance SARS, the CIPC and others to undertake the training and/or funds experts within the municipality and other government departments to provide assistance. Training takes place close to where these cooperatives are clustered (for instance suburbs or towns) to avoid cooperative members having to travel. Training is conducted on demand or arising from information gauged through previous evaluation. The unit gains information through their interaction with the cooperatives when providing them with advice.

It also offers training on agricultural development through the provision of technical training in themes such as garden tools, agricultural seeds, agricultural information and advice, and provision of rain water tanks. Universities in the region are also involved in the training.

The CDP includes a needs assessment which evaluates whether further training is required or whether there are gaps in current training according to feedback from the cooperatives. Through the feedback, the unit recognizes what other business needs exist amongst cooperatives. These are then incorporated into the various programmes for further business development such as, sector specific workshops for cooperatives in different areas (eThekweni Metropolitan Municipality(d) n.d.).

Not all cooperatives in the eTMM benefit from training and capacity building support provided by other institutions, stakeholders and programmes such as CDP. Therefore there is a need for a central database to keep a record of cooperatives, provide support services and a method to trace cooperatives and monitor how successful they are.

### 6.4.2 *The Durban Chamber of Commerce and Industry (DCCI)*<sup>27</sup>

The DCCI recently launched a new portfolio for the informal economy which had not been represented before. Although they do not pay special attention to cooperatives and *stokvels*, these SSEOEs can be accommodated as the DCCI has a large NPO forum. In fact, all the sectors in the economy and in the Durban metropole area including SSE sector have access to the tools offered by the DCCI.

The NPO Forum of the DCCI (the organization has 20 Forums) is helping to solve social issues in the city. For example, one of these NPOs addresses crime in the central business district. Homelessness is one of the factors that impacts the local economy and volunteers from the NPO tackle this which is their social purpose. These NPOs are assisted to comply with governance issues and if they are registered, they can advance their work. The DCCI dedicates a whole training session to compliance and ensuring that the NPO constitution remains in place.

The provision of mentorship programmes to encourage informal traders to enter the formal economy is in a planning stage of DCCI and will be developed with the associations for informal traders.

### 6.4.3 *Small Enterprise Development Agency (SEDA)*

SEDA has six branches in KZN of which one is in Durban. This agency supports 13 incubators, one office co-located with another agency and another one co-located with another party. There are two mobile units and one info kiosk in the province.

SEDA facilitates the establishment and registration of primary cooperatives and then works with them on business development through a wide range of interventions. Cooperatives are targeted by SEDA for training them to give them the skills for effective and efficient budget management, human resource management. They also assist cooperatives by increasing financial support sourced from partners and targets and increase number of clients assessing technology transfer support. SEDA's five-day entrepreneurial training courses empower small business owners including cooperatives with the necessary skills to enable them to take their businesses to greater heights. They have a dedicated training unit, but sometimes offer programmes in cooperation with local universities and business schools. The following content is used to train small businesses and well as cooperatives:

- Marketing businesses effectively through market analysis while the five P's of Marketing – Product, Price, Promotion, Place, and People – are key marketing elements used to strategically position a business;
- Understanding, through training and mentorship, the importance of building a reputable business profile and using good governance as a marketing tool;
- Assisting through training and mentorship the maintenance of financial records and development of their business plans to attract finance from banks and other sources. Financial management includes the basic principles of income and expenditure, cash flow, and reading a balance sheet;
- Encouraging a customer care focus to retain customers through good service;
- Training and mentorship for report writing and business writing skills is of importance as many cooperative members have not yet acquired these skills;
- Assisting in the identification of areas of improvement in their businesses;
- Training for mentors and business developers to provide a service to small businesses and cooperatives;

(SEDA 2017)

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<sup>27</sup> This section is based on interviews with Mr. Lucian Naidoo (Manager: Marketing and Communications), Mr. Yolana Nagoor (Manager: Policy and Advocacy) and Ms. Nanana Sabela (Manager Enterprise Development) of the DCCI.

#### *6.4.4 Incubation*

Incubation is a business support process that accelerates the growth and successful development of start-ups and fledgling companies by providing entrepreneurs with an array of targeted resources and services. The services and offers are usually developed and/or managed by a business incubator manager and offered both in the business incubator and through its network of contacts. An incubator's main goal is to produce successful enterprises that will complete the program independent and financially viable. The incubator graduates have the potential to create jobs, revitalize neighbourhoods, commercialize new technologies, and strengthen local and national economies. Incubation seeks to establish SSEOs as operational economic entities.

Critical to the success of a business incubator is the provision of management guidance, technical assistance and consulting tailored to the needs of the enterprise. Business incubators also provide clients access to appropriate rental space and flexible leases, shared basic business services and equipment, technology support services and assistance in accessing finance (eThekweni Metropolitan Municipality, 2019a).

#### *6.4.5 eTMM*

The eTMM offers virtual incubation for the cooperatives and small businesses – cooperatives can use the space for business work, meetings and discussions about development in a professional working space. The eTMM arranges for meetings with clients at the virtual incubator and allows cooperatives to book a hot desk to work at. At the virtual incubator a cooperative member can be a professional businessperson and then return to the operational site. The incubator has not been in place for very long and therefore no reliable statistics are available yet. The virtual incubator is funded by SEDA.

#### *6.4.6 Small Business Development Agency (SEDA)*

SEDA's Business Incubator Programme is a three-year programme designed to strengthen technology commercialization and harness the entrepreneurship skills of the technology community in South Africa. While technology commercialization is mainly in the engineering and agricultural sectors and dominated by universities, both the UKZN as well as the DUT have incubators and there are dedicated agricultural incubators. Some of the biggest and most successful cooperatives in South Africa are in the agricultural sector.

#### *6.4.7 The universities*

Universities also establish incubators such as the Centre for Social Entrepreneurship (CSE) of the Durban University of Technology, and UKZN InQubate and the Dube AgriZone of the University of KwaZulu-Natal (UKZN). The CSE aims to develop social entrepreneurship within communities through mentorship and other innovative tools, for example courses for learning development strategies such as partnerships, mentorships and social entrepreneurship as a means of addressing social challenges and creating a fair and just society. The Dube AgriZone is an incubator project in partnership with the Dube Trade Port Corporation which aims to benefit cooperative farmers.

SEDA has been mandated to monitor and evaluate the progress of the granted institution such as the CSE of DUT. Before SEDA disburses any funds to the incubators they must fill in and submit the monitoring and evaluation template and report on all the key areas of performance as is done in the case of DUT's CSE. The grant of the SEDA to the incubator is capped at ZAR 10 million per annum and the partnership must be 60:40 or 50:50 and therefore grantees usually obtain a private sector sponsor for the 40% or 60% that need to be raised (UKZN(b) n.d.).

## 6.5 Scaling up and networking

### 6.5.1 Scaling up

Scaling up a business means setting the stage to enable and support growth in companies. It requires planning, funding and the right systems, staff, processes, technology and partners. It is important to note that connecting with other enterprises and networking enables this process of scaling up.

A few examples of success stories of cooperatives and SSE enterprises in the eTMM area can be found when analysing their ability to scale up. Scaling up cooperatives, however, remains the biggest challenge for the eTMM and mentoring is seen as one of the easier solutions.

According to the DCCI, over-regulation and extensive bureaucratic procedures in general prevent small business and cooperatives in scaling up. In some instances, however, local businesses including cooperatives suffer because the municipality does not enforce their own bylaws on informal traders. This is a huge problem affecting businesses paying tax and an urgent solution is being sought. The DCCI held monthly talks to find an appropriate level of regulation to scale up of SSEOs whilst reflecting their needs.

#### ***Box 3: Successful Examples of Scaling Up***

Eighteen women successfully run the AMgij mu Chemicals and Toilet Paper Manufacturing Cooperative in KwaMbotho, South of Durban. They effectively scaled up their operations to become serious players in the manufacturing field. The cooperative scaled up by successfully engaging government to support them and continuously improving their product.

Imbokodo Iyazenzela or “Women doing it for themselves” is a flagship programme of Ithala Development Finance Corporation which aims to create an enabling environment for female entrepreneurs who require access to finance and the resources to grow.

The diversification of their products and upscaled operations led to their success. In addition to cleaning detergents, plans are in the pipeline to scale up the cooperative to include lotions, perfumes and tissues (BusinessReport 2017).

### 6.5.2 Networking

The eTMM’s strategy to support the organization or networking of SSEOs is to integrate them in a value chain. Most cooperatives work in silos; they need to work together and there is a need to move forward in the value chain. For instance in agriculture: the primary cooperative does the planting and production, then there must also be a cooperative for storage, a cooperative for processing (e.g., fruit to fruit juice) and then for marketing and retailing and another for the distribution of products. There is a need to interlink the cooperatives for better effectiveness and sustainability and for this reason value chains must be created by connecting single SSEOs to one another.

The eTMM strongly promotes cooperatives working together, forming secondary and tertiary cooperatives as well as marketing themselves with private industry to grow enterprises.

DSBD argues that cooperatives must be encouraged to become members of apex cooperatives to enable better networking. For instance, associations such as SANACO, NCASA and others are excellent in networking cooperatives and setting up secondary and tertiary cooperatives within the sector and all cooperatives are encouraged to become members.

**Box 4: Networking through apex associations**

SANACO hosted the 2018 BRICS Cooperative Leaders meeting held at the Premier Hotel, Pretoria, South Africa; the 2013 BRICS Cooperative Leaders was held in Durban. Trade is indeed a key area of collaboration within and amongst BRICS countries. Main areas of cooperation between China to South Africa are that of mass production, the supply of agricultural products and raw materials. SANACO has been requested to facilitate the establishment of the permanent secretariat, but will first liaise with all stakeholders (SANACO 2018)

SANACO liaise with other stakeholders in the space by representing cooperatives at NEDLAC -the body bringing together the public and private sectors, government and the social sector) to discuss policies (SANACO 2018).

Local organizations working for SSE such as university incubators, social enterprises or local government working on networking services are also a good tool to provide a space for networking and enhance the capacity of SSEOs to network with each other.

For instance, the first Social Entrepreneurship Forum at the DUT serves as a platform for social entrepreneurs within the university and surrounding community to network and share best practices. They also inform the Centre for Social Entrepreneurship (CSE) of needs of social enterprises. This guides the CSE to develop relevant workshops and interventions to support these social enterprises. The CSE has also engaged in a partnership with LifeCo, another social enterprise to share knowledge and best practices. Similarly, the CSE has entered a partnership with Kohwa Holdings to develop commercial farming in rural areas of KZN. One of the projects involves the public-private partnership of Mthashana TVET College in Ulundi, the local municipality, Kohwa and the CSE in order to train unemployed youth graduates to become large scale commercial farmers. The CSE has initiated collaboration with the eThekweni Local Economic Department and the Dept of Economic Development to develop social enterprises in the area.

The Local Economic Development Champions Alumni Network is a platform where KZN's social entrepreneurs can regularly network, share resources and enhance collaborations – the result of the partnership between the KZN Economic Development, Tourism and Environmental Affairs Department and the University of KZN (Jumo, 2019). The Champions Alumni Network is an extension of the UKZN Graduate of School of Business and Leadership's Champions Programme which has an alumni base of 57 champions (UKZN(a) 2018).

Shifting Hope, Activating Potential Entrepreneurship (SHAPE) is a social entrepreneurship programme that draws on current societal technologies and aims to provide opportunities for social entrepreneurs for partnerships and business development support. The SHAPE Project is supported through a partnership between the University of KwaZulu-Natal (UKZN), eThekweni Municipality and the Durban Chamber of Commerce and Industry (DCCI) (eThekweni Metropolitan Municipality (e) n.d.).

## **6.6 Monitoring and evaluation**

### **6.6.1 The eTMM**

Monitoring and Evaluation (M&E) are necessary for the supervision and assessment of the implementation and/or impact of a variety of activities such as projects, funding, policy and legislation.

In the case of cooperatives, the DSBD together with agencies such as SEDA and SEFA conducts M&E at the national level. At the municipal level, the eTMM is under the process of undertaking their own M&E for cooperatives in their jurisdiction.

At the national level, the SEDA measures their success against goals set for the Key Performance Areas. Also the National Department of Small Business Development (DSBD) Cooperative Division undertook evaluations because the Cooperative Strategy identifies the need for the monitoring and evaluation on progress of the development of cooperatives undertaken on a national basis. It includes cooperatives in the KZN region and the eTMM area. The concentration of cooperatives in the eTMM area was found by this national level M&E but most M&E efforts remain in the planning stage at the eTMM. In 2015 the eTMM evaluated progress made by cooperatives through a stakeholder consultation with the cooperatives concerned. However the validity of the study can be called into question as results suggested that cooperatives were encouraged to raise “issues” rather than to provide a balanced assessment to allow accurate M&E, as issues must be synthesized with the reality on the ground. The evaluation (which they referred to as a public consultation process) should be regarded rather as the baseline on which the eTMM builds its future evaluation methodology.

Findings of the 2015 M&E are summarized in Figure 5:

**Figure 5: Public consultation process conducted in various regions**

BUSINESS OPERATIONAL ISSUES	BUSINESS DEVELOPMENT ISSUES	GENERAL ISSUES
<ul style="list-style-type: none"> <li>■ Lack of Networking between co-operatives and stakeholders;</li> <li>■ Losing members or members giving up;</li> <li>■ Lazy members who do not want to work;</li> <li>■ Members live far from each other and cannot attend meetings;</li> <li>■ Reluctance from members in paying their membership fees.</li> </ul>	<ul style="list-style-type: none"> <li>■ Limited access to financial assistance;</li> <li>■ Limited resources;</li> <li>■ Lack of access to information and skills</li> <li>■ Not getting enough profit;</li> <li>■ Difficult access to business premises;</li> <li>■ Difficult access to markets;</li> </ul>	<ul style="list-style-type: none"> <li>■ Co-operatives are being neglected,</li> <li>■ Government red tape on tender applications and approvals;</li> <li>■ Corruption &amp; favoritism inside the municipality;</li> <li>■ The strikes disrupt the smooth running of co-operatives.</li> </ul>

Source: Memele, n.d. (used with permission)

While some findings and recommendations in terms of the consultation are key challenges reflected in the national monitoring and evaluation exercise, some of these concerns are about the relationship between cooperatives and their members on the one hand and government bodies on the other. The public consultation informed the Cooperative Development Plan of the eTMM in which these problems are addressed through various interventions such as training and capacity building through the eTMM and their stakeholders. However, the Cooperative Development Plan only assesses the cooperatives in the initial stages of the intervention over a period of 12 months.

M&E has a better formalized tool and is now incorporated in the assistance programme such as the Cooperative Assistance Programme. The formalized framework with which the eTMM will monitor and evaluate the cooperatives in the programme for SSE such as the Cooperative Assistance Programme aims to :



- ensure that the correct milestones, as planned in the cooperative assistance programme are being achieved;
- act as an early warning system in cases where targets are unlikely to be achieved;
- provide regular information to all stakeholders on progress of the cooperative assistance programme and an informed basis for any reviews;
- ensure the continuous sharpening and focusing of cooperative assistance programme and assist in the mobilization of appropriate interventions.

Monitoring of cooperatives will be a continuous review function to provide early indications of progress or lack thereof in the achievement of objectives and outputs of the cooperative assistance programme.

Furthermore, to measure the impact from the provision of training, the trained cooperatives will need to be monitored in order to gauge the impact of the training. The following tools and indicators will need to be used in the monitoring process (constant implementation of monitoring and evaluation at the beginning of the financial year):

**Table 4: Monitoring and Evaluation**

<b>Monitoring and Evaluation: eThekweni Metropolitan Municipality blueprint:</b>			
<b>NO.</b>	<b>PROGRAMME</b>	<b>DESCRIPTION</b>	<b>MEANS OF VERIFICATION</b>
<b>1</b>	Creation of a conducive policy and legal framework	Facilitating people to form cooperatives	Minutes and attendance register
		Assisting cooperatives to register	Registration certificates
		Assisting the establishment of the secondary cooperatives	Registration certificates
		Assisting the establishment of the cooperatives in all sectors	Registration certificates
<b>2</b>	Building of a supportive institutional system	Organizing workshops for officials on the functioning of cooperatives	Workshop materials, attendance register
		The coordination of cooperatives development programmes and actions	Coordination of meetings for stakeholders and service providers
<b>3</b>	Provision of capacity building and skills development for cooperatives	Training cooperatives in: Supply chain management process/tendering skills General skills (Admin, finance, conflict resolution, customer care, management) Sector specific technical and specific skills	Certificate of attendance and completion
<b>4</b>	Provision and support services for cooperatives	Assessing cooperatives from each sector, defining their sectoral needs and providing them with the required equipment	Cooperatives acquiring working equipment, purchasing receipts and vouchers
		Facilitating cooperatives per sector and developing sector-based mentorship programme that will identify and link mentors to respective cooperatives	Listing mentors and their work schedules
		Facilitating access to export markets: Identifying cooperatives' products ready for export Identifying potential markets for the identified products Assisting and/or linking cooperatives to those existing markets (e.g. BRICS countries and Sister Cities)	Networking workshops Identifying export markets
		Assisting cooperatives to access all set-aside products	Facilitation session for set aside products
		Linking cooperatives to the Line Departments to access markets	Off-take agreements with large line departments
		Linking sector specific cooperatives to large companies within the special economic zones	Off-take agreements with large business from special economic zones where possible
		Rehabilitating underperforming cooperatives	Rehabilitation programme developed and rolled out
<b>5</b>	Cooperative infrastructure development and support	Completing the establishment of the cooperative incubator Running of the cooperative incubator	Incubator physical address Incubation management programme developed

Source: Table produced by author with information from Ranjega, 2019 cited in the eThekweni Metropolitan Municipality, 2019a.

## **7 Conclusions and Recommendations**

### **7.1 Findings**

#### *7.1.1 The eTMM as catalyst*

The success in the development of cooperatives is first and foremostly by virtue of the role of the eTMM as a catalyst in co-constructing policies with all stakeholders. Apart from involving all the relevant line departments within the eTMM, all government departments are involved with cooperatives such as Agriculture, Social Development Economic Department, Tourism, Trade and Industry, Finance, as well as the DCCI, SARS, SEDA, SEFA, IDC and apex cooperatives. Streamlining and consultation with all stakeholders contributes to the success of the eTMM's determination to co-construct policies and the implementation thereof with them.

The major success with setting up worker cooperatives of the eTMM can be traced to the the city's conversion of their work streams in areas such as cutting grass, cleaning, maintenance and others into cooperatives work streams to drive the cooperative agenda. With contracts on the one hand and the enterprise development programme as well as the incubator on the other, these cooperatives can thrive and be part of the solution to reduce poverty in South Africa.

A motivated and enthusiastic Cooperative Development Plan facilitated the transition from work stream to cooperative and as such they have achieved a lot of success. In fact according to a publication by the International Labour Organization (ILO) this initiative has become quite popular all over the world, and has been able to preserve jobs through the creation of worker cooperatives (Delgado 2014).

#### *7.1.2 Custodianship*

The custodianship of cooperatives is problematic in certain instances. The national government DSBD is the custodian, but when it comes to the provinces, one of the interviewees contended that everybody "does as they please". Other government departments also run cooperative programmes and are also involved in interpreting and drawing their strategy from the provincial strategy, but this can put the principles of cooperatives at risk.

#### *7.1.3 Intergovernmental relationships*

The relationship between the various levels of government departments are constitutionally defined as cooperating "with one another in mutual trust and good faith by assisting, supporting and consulting one another, coordinating their activities and adhering to agreed procedures." There are prescribed channels of interaction cascading to all the levels of government.

#### *7.1.4 The Draft Green Paper on Social Economy (GPSE)*

The GPSE of South Africa still needs to follow the usual procedures and more consultation, interrogation and thought before a White Paper can be drawn up and signed into an Act after approval from the parliament. This process could take years and certain provisions in the GPSE require more interrogation and thought.

Separate consideration should be given to the long overdue issue of a bill recognizing and regulating social enterprises.

### *7.1.5 Synchronicity*

The eTMM synchronizes all legislation in a manner that would advance and promote cooperatives in the metropole. This opens up avenues for these cooperatives and ensures that assistance that could be provided to these cooperatives are maximized. Existing policy documents, frameworks and acts all have an impact on the implementation plan and therefore these acts, policies and papers form part of the strategies and implementation of Cooperatives Act of 2005 as amended.

### *7.1.6 Corruption*

Corruption is cited by some cooperatives as a problem in the eTMM. Government red tape on tender applications and approvals for formalization do not benefit the cooperatives. Corruption and favouritism within the municipality and strikes disrupt smooth running of the cooperatives. The eTMM is not clear whether there is an ombudsperson in place to address these issues.

### *7.1.7 The role of universities*

Universities are an important stakeholder in the cooperative space because they bring incubation, knowledge and training and are willing and able to cooperate with all other stakeholders, but the level of education of some members of cooperatives and their command of English is problematic when attending university programmes.

Furthermore, the diploma in Cooperative Management at the UKZN is an undergraduate diploma. Students who did the diploma often work as interns for cooperatives, but this arrangement it is not always successful as the interns do not necessarily start their own cooperatives or support the cooperatives after completion of the internship.

### *7.1.8 Marketing*

Marketing or access to markets remains a key issue and there are specific problems related to marketing. For instance, access to the corporate sector is not easy because of solidified relationships with service providers. There is not enough interest from the corporations, and it is difficult to get space in retail shops.

Marketing remains a major issue and helping the cooperatives gain access to markets is a challenge. The eTMM makes business linkages and strategic alliances with retailers and through the business support programme creates an enabling environment for the cooperatives. The eTMM wants to create a platform for bulk buying to effect larger discounts for cooperatives.

### *7.1.9 Procurement*

The eTMM practices target procurement for cooperatives and in doing so enables the building blocks for sustainability. Targeted procurement is a cornerstone of the eTMM's capacitation of cooperatives, and this takes place across the municipality. The Cooperative Development Unit provides administrative and technical assistance and training to help cooperatives perform better.

### *7.1.10 Non-financial support*

The eTMM provides a range of non-financial services to the cooperatives and helps them with registration and compliance for UIF, SARS and with the DSBD. It provides training such as financing and access to finance, in the principles of cooperatives, marketing, human resources and customer care.

SEDA provides training programmes and other non-financial services relating to compliance and registration and assists cooperatives in accessing finance through various agencies.

The DCCI also assists the SSE with compliance documents, provides legal assistance, does training and has a very large NGO Forum too. SSEOs can attend all the training and offerings provided to

all other members. Although the DCCI does not provide direct financing, this body links its members to financial institutions and corporations and encourages them to support the SSE. For instance, this enabled the SSE to play a role in disaster relief following recent floods.

The eTMM plans to improve cooperatives all year round through various services, an incubator, skills training and specific training for cooperatives and maintaining good relationships with all stakeholders. Through sustained efforts the eTMM creates a value chain for cooperatives in different sectors as there remains a need to link cooperatives amongst each other for better effectiveness.

#### *7.1.11 Incubation*

Incubation from the eTMM as well as the two universities delivers a valuable service in promoting and capacitating the cooperatives. Universities also have networking groups for the SSE and the UKZN has a Diploma in Cooperative Management.

#### *7.1.12 Connecting to the communities*

The DCCI plays an important role in connecting communities and the SSE for purposes of disaster management. Recently the associations for informal traders became members representing some 53,000 members. The DCCI encourages its members to make use of the services and goods produced by SSE.

The NPO Forum of the DCCI (they have 20 Forums) is helping to solve social issues in the city. For example, one of these NPOs addresses crime in the central business district. Homelessness is one of the factors that impact the local economy and NPO volunteers tackle this which is outlined as their social purpose. These NPOs are supported to enable them to attract funding.

#### *7.1.13 Advocacy by stakeholders*

Over-regulation and too much red tape in general prevents small business and cooperatives from scaling up.

According to the DCCI, local businesses suffer because the municipality does not enforce their own bylaws on informal traders who trade on the pavements and streets in front of the shops. This is a problem affecting businesses paying tax and an urgent solution for the informal trading sector needs to be found. This prevents regular shops from scaling up and also creates unfair competition. Informal traders often sell counterfeit goods which have a negative impact on businesses who sell the products and pay taxes.

The DCCI liaises with the eTMM as well as the provincial and national government on issues relating to the city of Durban.

#### *7.1.14 Financing*

Cooperatives face difficulty accessing finance from traditional banks as a minimum of five members in a cooperative are required and it is unlikely that all five will have clear credit records. Government funded organizations are more lenient as well as the Cooperative Bank, Ithala Bank, the IDC, SEDA, DSBD. The Cooperatives Incentive Scheme (CIS) is a grant for registered primary cooperatives. These grants are also linked to BBBEE. SEFA provides short-term bridging loans as well as term loans for cooperatives and small businesses.

However, SEDA provide finances for the structures to provide services, namely the incubators. In this case SEDA finances the incubator for the eTMM as well as the local universities. Cooperatives network amongst themselves to work together, form secondary and tertiary cooperatives so that they can market themselves and grow. This networking is encouraged by the eTMM.

Conflicts between members are increasing and pose a threat to the success of many of the cooperatives. Furthermore, it is noted that a lot of members are demotivated, and meetings are poorly attended.

Proximity challenges have been cited as a problem because of the distance between cooperative members and the cost of transport to gather. The Apex Cooperative of South Africa as well as the eTMM network with BRICS countries and local bodies represent cooperative members at local and international gatherings. Despite international cooperation there is limited enhancement of the livelihood of cooperatives through Fairtrade, in the case of Illovo.

#### *7.1.15 Labour laws*

There is a policy synergy problem in terms of the principles and constitutions of cooperatives and the labour laws of South Africa. The Commission for Conciliation, Mediation and Arbitration (CCMA) does not understand the cooperative principles when it comes to labour laws and consequently these laws are applicable in the case of worker cooperatives – which is problematic as it conflicts with the autonomy cooperative members have as business owners. While the labour laws are applicable to cooperatives (like any other businesses) too, it is also applicable to the members and therefore the autonomy of the members to decide, for instance, not to take a salary during the start-up phase can be thwarted. Furthermore, provisions in the constitution about absenteeism are discarded by the CMMA and members who fail to attend meetings get reinstated despite rules set out in the constitution. However, labour laws should apply to workers employed by the cooperatives as it will not affect the autonomy of the members.

In terms of policy, labour issues need to be resolved by acknowledging the constitution of cooperatives supreme in certain instances, for example attending meetings, cutting or forfeiting salaries of members during the start-up phase.

A majority of non-operational and operational cooperatives are experiencing human resource issues amongst members such as, non-participation of members into cooperatives, resignation of members and conflict amongst the members. This this leads to cooperatives operating with few members only or not at all.

#### *7.1.16 Operational challenges*

Lack of networking between cooperatives, losing members or poor commitment from them, are included in the operational challenges faced by cooperatives. Proximity sometimes creates difficulty in attending meetings and some members do not want to pay their dues.

Business development challenges centre around access to finance, limited resources, lack of access to information and skills, lack of cooperatives viability and access to markets.

## **7.2 Recommendations**

### *7.2.1 Supporting the SSE*

In Durban, the eTMM together with the other stakeholders can indeed be the benchmark for local authorities on how to support a vibrant SSE. The success of the eTMM in setting up and promoting cooperatives could be showcased throughout South Africa as an example of how a city can empower themselves by transforming work streams and clusters into cooperatives and contribute to reducing poverty.

### *7.2.2 Targeted procurement*

At a more basic level, work allocation to cooperatives through procurement, in areas such as cutting grass, cleaning and road maintenance services has preserved jobs through the creation of worker

cooperatives. This concept could be followed by many of the government departments and even corporations in South Africa.

### *7.2.3 Co-constructing policy with stakeholders*

The example set by the eTMM of policy co-construction for the SSE with important stakeholders such as the Durban Chamber of Commerce and Industry (DCCI), local universities, local government agencies and others can be replicated or serve as benchmarks for other South African municipalities.

### *7.2.4 The informal sector*

The city of Durban within the eTMM area and their role played together with the DCCI sets an example of how the informal sector plays a meaningful role in times of crisis such as when the area experienced floods. The relationship between the DCCI and the eTMM led to the informal sector becoming part of the larger tourist economy of the city of Durban and markets focused on the tourism industry for development.

The experience of the eTMM in this regard could be helpful to other local authorities in co-constructing municipal bylaws and relationships with this important sector.

### *7.2.5 Synchronizing cooperative principles and labour laws*

Problems around membership, cooperative principles and the labour laws of South Africa require urgent attention at an interdepartmental level. The Department of Small Business Development can, for instance, train officials in the Department of Labour and agencies such as the CCMA on cooperative principles to understand this business form as being different from a normal business to enable a broader understanding of cooperative principles. Policy must acknowledge the constitution of cooperatives as supreme in certain instances, for example attending meetings, cutting or forfeiting salaries of the members during the start-up phase.

### *7.2.6 Custodianship*

The custodianship of cooperatives is challenged. At the national level the DSBD is the clear custodian but at the provincial level there is more than one provincial department. While they tap into the provincial strategy, they also “do as they please.” This situation is untenable and custodianship on the provincial level needs urgent attention, and training of all stakeholders on cooperative principals is essential.

### *7.2.7 Resource Mapping*

Thorough resource mapping and market research the viability of the SSE entity can be determined. This exercise will also assist in determining the potential risks associated and how they can be managed (Ndumo, 2018).

### *7.2.8 Training to be coordinated*

Training contributes to the success of the cooperative. The training of cooperatives by the eTMM and by the Durban office of SEDA must be coordinated to maximize training particularly for cooperatives.

There remains an issue of morale and motivation, however. Introducing life skills programmes for cooperatives may assist in motivating despondent, lazy or less committed members.

### *7.2.9 Ombudsperson*

The services of an ombudsperson at the eTMM or a corruption hotline should be made available to cooperatives too so that the perception of favouritism and corruption at the eTMM could be addressed.

### *7.2.10 Conflict resolution*

It is recommended that the eTMM together with SEDA and the Company Intellectual Property Commission (CIPC) assist cooperatives with all matters pertaining to conflict resolution resource in lieu of the establishment of the Cooperative Tribunal as foreseen in the amended Cooperatives Act.

### *7.2.11 Proximity challenges*

Proximity problems for start-up cooperatives could be overcome through offering a rebate or special fare when using the public transport by the City of Durban.

### *7.2.12 Technology commercialization*

Cooperatives should be part of the fourth industrial revolution. Therefore the SSE should become more prominent in solving social problems by introducing schemes such as those related to youth entrepreneurship through various programmes involving technology and especially in the field of agriculture and technology commercialization which would be the next step in putting cooperatives in the forefront of the fourth industrial revolution.

### *7.2.13 The Green Paper for the Social Economy (GPSE)*

The GPSE may need more interrogation and workshopping with stakeholders so that it can transform into a White Paper. Once a White Paper, a parliamentary committee will hold public hearings and then the White Paper will be amended, debated and passed through parliament.

### *7.2.14 Legal entity for social enterprises*

The issue of social enterprises or enterprising non-profits to be regarded as a new legal entity in the SSE should be expedited and addressed separately as legislation in this regard is long overdue.



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## Annexes

### Annex A: Statistics for Registered SSE-entities and non-SSE entities by CIPIC

Total Companies Registered Per Type of Entity issued by Data Management Unit on Monday, January 20, 2020 at 10:55								
Company Statistics Report								
Registered between: 01/01/1800 and 31/12/2019				Active between: 01/01/1800 and 31/12/2019				
Close Corporation	2,691,487		2,691,487	Close Corporation	340,156		340,156	
External Company	6,729		6,729	External Company	1,760		1,760	
Limited by Guarantee	4		4	Limited by Guarantee	4		4	
Non-profit Company		93,086	93,086	Non-profit Company		51,092	51,092	
NPO External Company		81	81	Non-profit External Company		53	53	
Personal Liability Company	24,115		24,115	Personal Liability Company	15,281		15 281	
Primary Cooperative		165,138	165,138	Primary Cooperative		164,730	164,730	
Private Company	3,405,561		3,405,561	Private Company	1,543,301		154,301	
Public Company	22,769		22,769	Public Company	1,895		1,895	
Secondary Cooperative		1,294	1,294	Secondary Cooperative		1,288	1,288	
State Owned Company	142		142	State Owned Company	130		130	
Statutory Body	1		1	Statutory Body	1		1	
Tertiary Cooperative		91	91	Tertiary Cooperative		90	90	
Transvaal Ordinance	29		29	Transvaal Ordinance	13		13	
Unlimited	13		13	Unlimited	3		3	
<b>Totals Registered</b>				<b>Total Entities Active</b>				
	Non-SSE	SSE	TOTAL		non-SSE	SSE	TOTAL	
<b>SSE Entities</b>	6,410,540	259,690		<b>Non-SSE Entities</b>	1,902,544	217,253		
<b>Plus, Dept of Social Development</b>	0	225,715		<b>Plus, Dept of Social Development</b>		169,715		
	6,410,540	485,405	6,895,945		1,902,544	386,968	2,289,512	
<b>Remarks</b>								
<b>Figures as at 31 December 2019</b>								

<b>DSD = Department of Social Development. CIPC = Companies and Intellectual Property Commission of the Department of Trade and Industry</b>					
<b>DSD figures obtained from website as on that day. Inactive DSD is estimated at ZAR 56,000 as per ministry.</b>					
<b>SSE (CIPC and DSD = 485 405) as % of all registered entities SSE and non-SSE (6, 895 945):</b>			7%		
<b>SSE (CIPC and DSD = 386 968) as % of all <u>active</u> registered SSE and non-SSE entities (2, 289 512)</b>			17%		
<b>Percentage of all the non-SSE entities active (1 902 544 of 6 410 540):</b>			30%		
<b>Percentage of all SSE active (386 968) of the total 485 406 for SSE-CIPC&amp;DSD :</b>			80%		

Source: Data output from Companies and Intellectual Property Commission of the Department of Trade and Industry, 2019.

<b>Statistics: Cooperatives Per Region</b>		
<b>Region</b>	<b>Total</b>	<b>Percentage</b>
<b>1 Western Cape</b>	5160	3.09%
<b>2 Eastern Cape</b>	25097	15.04%
<b>3 Northern Cape</b>	2574	1.54%
<b>4 Free State</b>	10092	6.05%
<b>5 Kwa-Zulu Natal</b>	52806	31.65%
<b>6 North West</b>	10250	6.14%
<b>7 Gauteng</b>	30885	18.51%
<b>8 Mpumalanga</b>	13347	8.00%
<b>9 Limpopo</b>	16633	9.97%
	166844	100.00%

Source: Data output from Companies and Intellectual Property Commission of the Department of Trade and Industry, 2019.

## **Annex B: Policies and Legislation at the national level impacting the SSE**

The single most important direct legislation relating to the SSE, which was enacted over the last few years, is the legislation dealing with co-operatives. The Co-operatives Act of 2005 (Act No. 14 of 2005) was amended in 1998, 2005 and 2013.

### **1. The Co-operatives Act of 2005**

The Act provided for the formation and registration of cooperatives, the establishment of a Cooperatives Advisory Board, the winding up of cooperatives and matters connected therewith.

#### **1.1. The Co-operative Amendment Act of 2013 (Act No. 6 of 2013)**

The purpose of the Cooperative Amendment Act of 2013 (Act No. 6 of 2013) is described as follows in the Act: “To amend the Co-operatives Act, 2005 so as to provide for the substitution and addition of certain definitions; to provide for associate membership of co-operatives; to provide for categories of primary co-operatives; to provide for the national apex co-operative; to provide for the annual submission of information to the registrar; to amend the accounting practices and requirements for co-operatives by providing for audit and independent review of co-operatives to provide for the payment of fees by co-operatives for the amalgamation, division, conversion or transfer of co-operatives; to provide for the voluntary winding-up of co-operatives by special resolution; to provide for the registrar to apply for a declaratory order in respect of the liquidation process; to provide for the Co-operatives Tribunal to order the winding-up of a co-operative; to substitute the Advisory Board with the Advisory Council; to provide for the establishment, functions and powers of the Co-operative Development Agency; to provide for the funding and financial management of the Agency; to provide for oversight and executive authority of the Agency; to provide for the establishment, composition and functions of the Co-operatives Tribunal; to ensure compliance with the principles of intergovernmental relations; to provide for intergovernmental relations within the co-operative sector; and to provide for the substitution of the long title of the Preamble; and to provide for matters connected therewith”.

(Government Gazette, 2013).

#### **1.2. Draft Regulations**

The Draft Regulations for the practical implementation of the Co-operatives Amendment Act of 2013 as well as the Principles of Good Governance for Co-operatives have been printed in Government Gazette numbers 39019 (regulations) and 39029 (Principles of Good Governance) for public comment.<sup>28</sup>

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<sup>28</sup> <https://www.saica.co.za/Technical/LegalandGovernance/Legislation/CoOperativesAct/tabid/2438/language/en-ZA/Default.aspx>



## **2. Co-operative Banks Act of 2007 (Act No. 40 of 2007)**

A further development on the legislation front was the Co-operative Banks Act of 2007 (Act No. 40 of 2007). The purpose of this act is described as follows in the Act: “To promote and advance the social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions; to promote the development of sustainable and responsible co-operative banks; to establish an appropriate regulatory framework and regulatory institutions for co-operative banks that protect members of co-operative banks; to provide for the registration of deposit-taking financial services co-operatives as co-operative banks; to provide for the regulation and supervision of co-operative banks; and to provide for the establishment of co-operative banks supervisors and a development agency for co-operative banks; and to provide for matters connected therewith” (Government SA, n.d., Cooperative Banks).

## **3. The National Development Agency (NDA) Act of 1998 (Act No. 108 of 1998) (as amended in 2003)**

This Act also has a bearing on the enabling environment for the SSE.

The NDA is a public entity, listed under Schedule 3A of the Public Finance Management Act (PFMA) of 1999 (Act No. 1 of 1999). Its mandates are to contribute towards the eradication of poverty and its causes by granting funds to civil-society organisations (CSOs); implement development projects in poor communities. The NDA has to strengthen the institutional capacity of CSOs that provide services to poor communities and promote consultation, dialogue and sharing of development experience between CSOs and the relevant organs of state. The NDA will also engage in debating development policies; and undertake related research and publications.

(Government SA, n.d., Social Development).

## **4. The National Youth Development Agency (NYDA) Act of 2008 (Act No. 54 of 2008).**

The NYDA is also instrumental in ensuring an enabling environment for the SSE to flourish. The NYDA was established to be a single, unitary structure and to address youth development issues at national, provincial and local government level. (NYDA, n.d.).

The focus on youth development is still high on the government’s and the NYDA’s agenda. The Youth Employment Accord was thus signed in 2013 and is a viable and meaningful approach to addressing the challenges of youth unemployment. As part of the Youth Employment Accord, the Economic Development Department (EDD) committed R3 billion in support of the growth of young entrepreneurs through the Industrial Development Corporation (IDC) and Small Enterprise Finance Agency (SEFA) (NYDA, n.d.).

## **5. The NPO Act of 1997 (Act No. 71 of 1997) (as amended in 2000 and 2012)**

The purpose of this act is to provide an environment in which NPOs can flourish and to establish an administrative and regulatory framework within which NPOs can conduct their affairs. The act repealed certain portions of the Fund-raising Act of 1978 (Act No. 107 of 1978). The South African government enacted the NPO Act of 1997 as part of the legal framework to create an enabling environment for the sector.

## **6. The Companies Act of 2008 (Act No. 71 of 2008) (as amended in 2011) is also relevant in allowing the SSE to flourish.**

A Non-Profit Company (NPC) in terms of the Companies Act of 2008 is the successor to the Section 21 company under the Companies Act of 1973 (Act No. 61 of 1973) which was also known as the incorporated association not for gain.

Every pre-existing company incorporated in terms of Section 21 of the Companies Act of 1973 is deemed to have amended its Memorandum and Articles of Association).

## **7. The Broad-Based Black Economic Empowerment (B-BBEE) Act of 2003 (Act No. 53 of 2003) (as amended)**

This Act significantly impacts on creating an enabling environment for the SSE.

While the legislation is aimed at black economic empowerment, it deals particularly with enterprise and supplier development (ESD). The B-BBEE codes benefit the SSE in that enterprise development is a central aim which ensures that big companies not only procure from small, black-owned businesses, but also assist them in growing their businesses so that they can play a meaningful role in the economy. ESD is designed to ensure that the economy is as inclusive as possible by ensuring that procurement spending is directed at promoting skills development and job creation (Tshaka, 2014).

The rise of business incubation programmes as part of ESD and the financial support ensure that skills gaps are addressed and a myriad of interventions to assist black entrepreneurs are available.

## **8. Other relevant national-level laws and regulations affecting civil society include:**

- The Constitution of the Republic of South Africa (Act No. 108 of 1996) (as amended)
- The Trust Property Control Act (TPCA) of 1988 (Act No. 57 of 1988)
- The Income Tax Act (ITA) of 1962 (Act No. 58 of 1962) (as amended)
- The Value Added Tax Act (VATA) of 1991 (Act No. 89 of 1991)

(The ICNL, 2015 cited in Steinman, S (2017)).

Several other legislations, although not aimed at the SSE, particularly enabled co-operatives to be formed. These include the Housing Act of 1997 (Act No. 107 of 1997) (as amended), the Social Development Act of 2011 (Act No. 3 of 2011), the Early Childhood Development Policy and the Preferential Procurement Policy Framework Act of 2000 (Act No. 5 of 2000) which recognise co-operatives and small businesses. The Health Act of 2003 (Act No. 61 of 2003) further allows for co-operatives in the health sector.

Among others, these policy instruments include:

- The National Industrial Policy Framework (NIPF);
- The Industrial Policy Action Plan (IPAP 2);
- The Accelerated and Shared Growth Initiative of South Africa (AsgiSA);
- The Women Empowerment Strategy (WES);
- The Regional Industrial Development Strategy (RIDS);

- The Integrated Strategy on the Promotion of Small, Medium and Micro-Sized Enterprises (SMMEs);
- The B-BBEE Strategy;
- The National Youth Economic Strategy;
- The Anti-Poverty Strategy;
- The Micro-Agricultural Finance Initiative of South Africa (MAFISA);
- The Black Business Supplier Development Programme (BBSDP); and
- The Export Marketing and Investment Assistance (EMIA).

Cited in Steinman, S (2017)

**Annex C: The Final Draft Green Paper on the Social Economy**

**Draft**  
**Green Paper on the Social Economy**

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**15 November 2019**

**Economic Development Department**

## GLOSSARY

Cooperatives	An autonomous association of persons united voluntarily to meet their common economic, social or cultural needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on cooperative principles (Cooperatives Act, 2005).
Cooperative Banks	Means a cooperative registered as a cooperative bank in terms of this Act whose members— <ul style="list-style-type: none"> <li>) are of similar occupation or profession or who are employed by a common employer or who are employed within the same business district; or</li> <li>) have common membership in an association or organisation, including a business, religious, social, cooperative, labour or educational group; or</li> <li>) reside within the same defined community or geographical area (Cooperative Banks Act, 2007).</li> </ul>
Community-Based Organisation	Informal non-profit organisations, typically based in the townships or rural areas and very close to beneficiary communities (Coetzee, 2018).
Cooperative Financial Institution	Co-operative Financial Institution is the umbrella term for member based deposit taking financial cooperatives, owned and controlled by their members who have a common bond and whose members choose to call themselves either a Credit Union, Savings and Credit Co-operative, Financial Services Co-operative and Financial Co-operative. These terms are often used interchangeably in the sector (Cooperative Banks Development Agency).
Expanded Public Works Programme	This is a national government Public Employment Programme aimed at drawing a significant number of unemployed people into productive work. The Programme is implemented across four sectors: Infrastructure, Social, Non-State, and Environment and Culture (Department of Public Works, 2019).
Foundation	A loose descriptive term for a set up specifically to give philanthropic donations to other organisations and causes. It is not a type of legal form in South Africa (Coetzee, 2018).
Green and White Papers	The process of making a law may start with a discussion document called a Green Paper that is drafted in the Ministry or department dealing with a particular issue. This discussion document gives an idea of the general thinking that informs a particular policy. It is then published for comment, suggestions or ideas. This leads to the development of a more refined discussion document, a White Paper, which is a broad statement of government policy. It is drafted by the relevant department or task team and the relevant parliamentary committees may propose amendments or other proposals. After this, it is sent back to the Ministry for further discussion, input and final decisions (RSA Parliament, 2019).
Non-Government Organisation	A non-profit organisation that operates independently of any government, typically one whose purpose is to address a social or political issue (Oxford Dictionary).

Non-Profit	One of the legal forms that can be selected by non-profit organisations in South
Company	Africa. Its founding document is a Memorandum of Incorporation (MOI) and it is governed by a Board of Directors. It is incorporated under the Companies Act and registered with the Companies and Intellectual Properties Commission (CIPC). It is possible to have a NPC either with members or without members (Companies Act, 2008).
Non-Profit Organisation	A trust, company or other association of persons - (a) established for a public purpose; and (b) the income and property of which are not distributable to its members or office-bearers except as reasonable compensation for services rendered (Non-Profit Organisations Act, 1997).
Non-Profit Trust or Charitable Trust	A trust can be established for private benefit or for a charitable purpose. 'Trust' means the arrangement through which the ownership in property of one person is by virtue of a trust instrument made over or bequeathed-  to another person, the trustee, in whole or in part, to be administered or disposed of according to the provisions of the trust instrument for the benefit of the person or class of persons designated in the trust instrument or for the achievement of the object stated in the trust instrument; or  to the beneficiaries designated in the trust instrument, which property is placed under the control of another person, the trustee, to be administered or disposed of according to the provisions of the trust instrument for the benefit of the person or class of persons designated in the trust instrument or for the achievement of the object stated in the trust instrument (Trust Property Control Act, 1988).
Philanthropy	An organisation distributing or supported by funds set aside for humanitarian purposes (Merriam-Webster, 2019).
Public Benefit Organisation	An accreditation provided by the South African Revenue Services to qualifying non-profit organisations. Defined in S30 of the Income Tax Act. It enables non-profit organisations to derive various tax benefits (Income Tax Act, 1962).
Public Employment Programmes	Interventions adopted across the world in various countries aimed at addressing economic and social challenges. Devereux (2002) indicated that public works programmes are intended to alleviate poverty through providing work opportunities to economically active people who are either unemployed or underemployed (Department of Public Works, 2019).
Social Enterprise	A social business or business venture that exists to address a social or environmental problem, earns a significant proportion of its income through the sale of goods and services, and uses its profits to fulfill its purpose (SE Green Paper, 2019).
Stokvels	Voluntary groups of natural persons [members] bound by a common cause who pool financial resources for the benefit of the group (National Association of Stokvels of SA, NASASA.co.za).

Voluntary association	According to Bamford (1982, p. 117), a voluntary association is "an agreement between three or more people to achieve a common object, primarily other than the making of profits", where this agreement may be written or verbal. In terms of legal personality, voluntary associations may take two forms, namely (Bamford, 1982):
	<ul style="list-style-type: none"> <li>• Corporate bodies under the common law, known as the "universitas" ; and</li> <li>• Non-corporate associations which remain unincorporated at common law</li> </ul>

## LIST OF ABBREVIATIONS

ABBREVIATION	FULL NAME
AI	Artificial Intelligence
CBO	Community-Based Organisation
CIPC	Companies and Intellectual Properties Commission
COGTA	Department of Cooperative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
DEA	Department of Environmental Affairs
DFI	Development Finance Institutions
DoL	Department of Labour
DPW	Department of Public Works
DSBD	Department of Small Business Development
DSD	Department of Social Development
DST	Department of Science and Technology
DTI	Department of Trade and Industry
EDD	Economic Development Department
EPWP	Expanded Public Works Programmes
IGAC	Inter-Governmental Advisory Committee
IOT	Internet of Things
KPAs	Key Performance Areas
MIT	National Union of Mineworkers' Mineworkers Investment Trust
NARYSEC	National Rural Youth Service Corps
NGO	Non-Government Organisation

NPC	Non-Profit Company
NPO	Non-Profit Organisation
NT	National Treasury
PBO	Public Benefit Organisation
POPCRU	Police and Prisons Civil Rights Union
QLFS	Quarterly Labour Force Survey
SACTWU	Southern African Clothing and Textile Workers Union
SARS	South African Revenue Service
SE	Social Economy
SEOs	Social Economy Organisations
VA	Voluntary association

## EXECUTIVE SUMMARY

- 1 The purpose of the Green Paper on the Social Economy is to provide a coherent approach towards the development of this sector which has been hampered by the lack of an overarching integrating policy position.
- 2 To create a common understanding of the Social Economy, the sector is to consist of: “economic activities that foster solidarity, social inclusion and cohesion as well as being driven by impactful social, community and environmental missions”.
- 3 To streamline and harmonize the growth of the sector, the following policy interventions are proposed:

*Table 1: Summary of Policy Focus Areas with associated Policy Interventions (PIs)*

Policy Focus Area 1: Legal and Regulatory Environment
<b>PI 1:</b> Define the composition of the Social Economy
PI 2: Formalise the term “social enterprise”
Policy Focus Area 2: Finance mechanisms
<b>PI 3:</b> Promote appropriate-to-context <b>investment and funding</b> mechanisms
PI 4: Promote impact reporting
Policy Focus Area 3: Access to Markets
<b>PI 5:</b> Identify and pilot opportunities in new and existing <b>value-chains</b> for Social Economy entities
<b>PI 6:</b> Promote practical, fit-for-purpose <b>capacity-building</b> initiative
<b>PI 7:</b> Promote hybrid business models suitable for <b>scaling and franchising</b>
PI 8: Build a “Buy Social” brand
Policy Focus Area 4: Social Innovation



**PI 9: Promote innovation** for social good

**PI 10: Implement a Whole-of-Government Social Economy website**

- 4 An Implementation Plan, with pilot sites in identified rural and township economies, for the policy, monitored through an M&E framework that focuses on three KPAs – integration, growth, and sustainability of the Social Economy – based on a “Beyond GDP” set of qualitative and quantitative indicators.
- 5 To ensure successful implementation of the policy, this Green Paper proposes the creation of two National Structures: an Inter-Governmental Advisory Committee (IGAC), with provincial and local municipality participation, and a Reference Panel; to steer implementation and support continued policy focus during implementation, respectively.

# THE GREEN PAPER

## INTRODUCTION

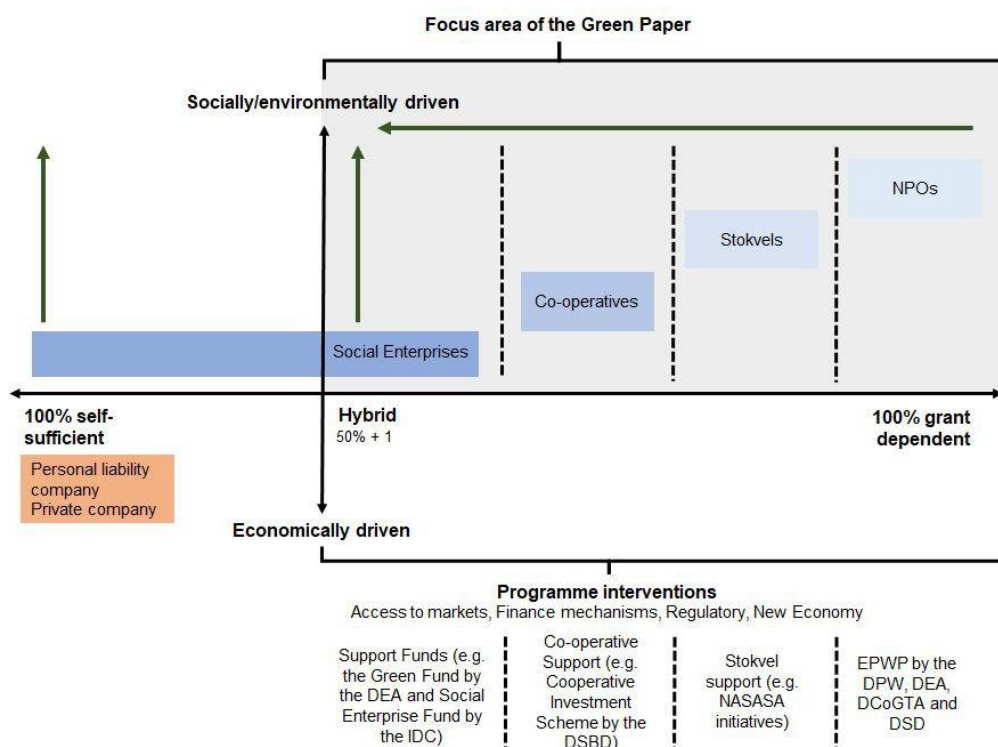
- 6 Since the 1980s, economic policy has been guided by the neo-liberal, market-led model. While this model has been able to reduce poverty, improve living standards, enhance productivity and decrease inequality between countries, it has been unable to ensure sustainability and inclusivity to all. There are sectors of society that remain under-served and under-serviced.
- 7 The Social Economy is positioned as a viable addition to the “standard” market economy. It has the potential to contribute meaningfully to addressing the following developmental challenges faced by the country, inter alia:
  - Poverty and inequality
  - High levels of unemployment, especially amongst young people
  - Weak ‘economic inclusion’
  - Social marginalisation
  - Climate vulnerability
  - Low levels of innovation
  - Uncoordinated social capital
  - State-dependence
  - Sluggish local development
  - Low numbers of small enterprises

## PROBLEM STATEMENT

- 8 Social Economy activities have occurred in South Africa for decades. Several public and private sector policies, frameworks and interventions have guided these activities and promoted the development of the Social Economy. However, the existing policy and legislative frameworks were developed without an overarching integrated policy position on the sector.
- 9 The lack of a common definition of the Social Economy has led to incoherent understanding of its potential to address the developmental challenges faced by South Africa and resulted in inadequate government support of the sector.
- 10 Through the Green and White Papers, government can facilitate a definitive, common understanding of the Social Economy, which would allow for the sector to receive tailored support and grow.
- 11 The Green Paper on the Social Economy aims to provide a coherent policy framework and will culminate in a White Paper.

## SOCIAL ECONOMY BOUNDARIES: DEFINITION AND SIZE

- 12 Currently, there is no common definition of the Social Economy, both locally and internationally. It is understood, though, that activities undertaken by Social Economy organisations have a distinct purpose to address social, societal and/or environmental challenges for the benefit of a group or community.
- 13 As per the National Social Economy Draft Green Paper Consultation Conference in 2019, the Social Economy is generally understood as a sector consisting of economic activities that foster solidarity, social inclusion and cohesion as well as being driven by impactful social, community and environmental missions.
- 14 Participation in the Social Economy is varied. Some organisations, such as small businesses and corporations, participate through the implementation of programmes or through separate registered entities. Other organisations, such as non-profit companies, trusts and co-operatives, participate directly and are formed with distinct and deliberate social goals in mind.
- 15 This varied nature of the Social Economy needs to be accommodated in its definition. Following multiple consultations and iterations, a spectrum descriptor is presented in Figure 1, where:
- 15.1 On the horizontal axis, organisations are differentiated in terms of the extent of their self-sufficiency or reliance on external funding.
- 15.2 On the vertical axis, organisations are categorised in terms of the strength of their social mission.



**Figure 1: Spectrum descriptor of the social economy, with programmatic interventions**

- 16 The part of the spectrum that this policy would cover, as outlined in Figure 1, is indicated by the shaded area.
- 17 The intention of the policy is to strengthen the eco-system of organisations created with a mission to resolve social, societal and/or environmental challenges, with the long-term vision of enabling their sustainable growth and development.
- 18 Current estimates suggest that the Social Economy contributes 4.5% (or around 735 000 jobs) towards employment in the country.
- 19 The lack, up to now, of a commonly known definition and set of indicators for the Social Economy means that the sector will continue to be challenging to measure, and any estimate is subject to debate.
- 20 The misalignment of the Social Economy with the current national accounts building blocks make the quantification of the Social Economy using traditional economic indicators such as employment and GDP challenging. Furthermore, due to the social good function that Social Economy exudes, its assessment cannot be only monetary-based and can benefit from qualitative assessment of the progress made.
- 21 Recognising that measurement is essential for the credibility and growth of the sector, a tailored, “Beyond GDP” approach to monitoring the Social Economy is required.

## **POLICY FOCUS AREAS AND INTERVENTIONS**

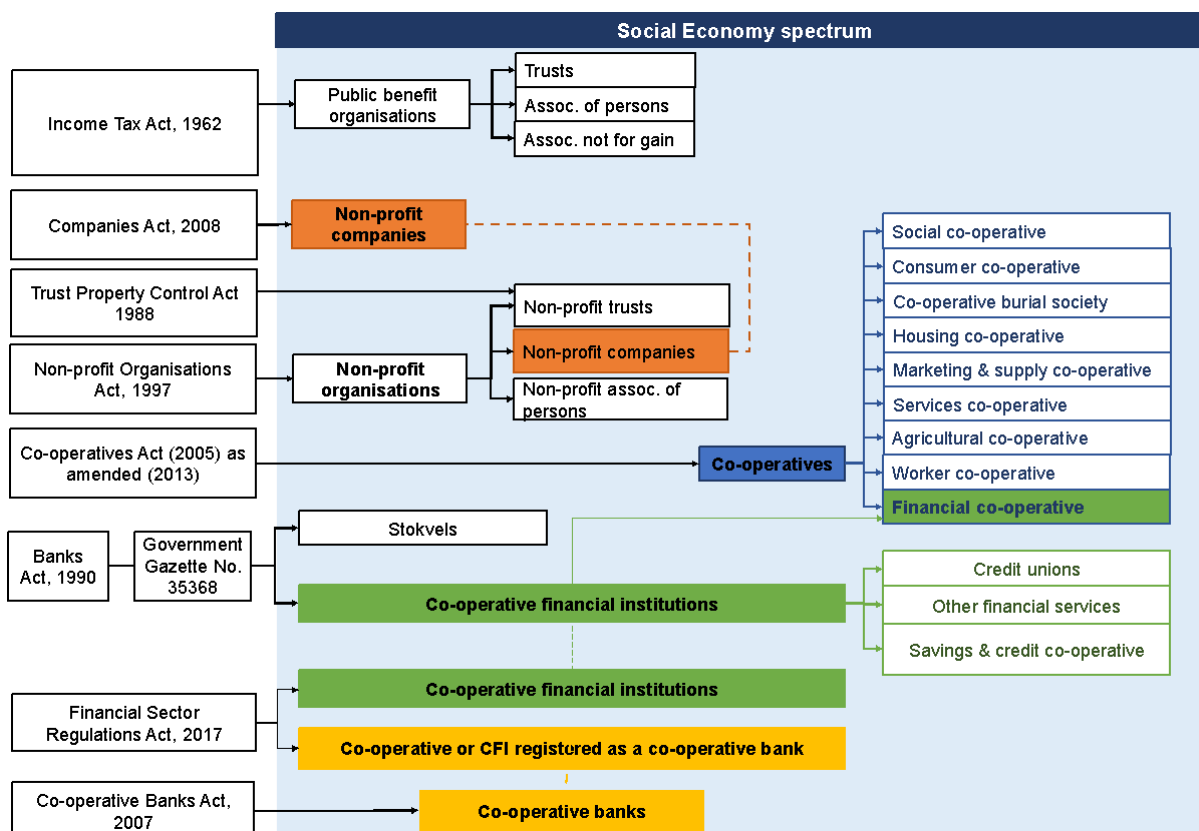
- 22 This section outlines the policy focus areas that will allow for sustainable growth of the Social Economy sector and identifies interventions that will facilitate such growth. The Policy Focus Areas which have been identified are:
  - 22.1 Legal and Regulatory Environment
  - 22.2 Finance Mechanisms
  - 22.3 Access to Markets
  - 22.4 Social Innovation

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### Legal and Regulatory Environment

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- 23 South Africa has legislation and regulatory frameworks that directly and indirectly impact the Social Economy. The Companies Act, the Non-profit Organisations Act, and the Co-operatives Act for example, provide some definitional clarity and effective legal structures for those specific organisations operating in the Social Economy.
- 24 An overview of laws and regulations applicable to the Social Economy is depicted below:



**Figure 2: Laws and regulations applicable to Social Economy organisations**

**Example of legislative interactions:**

The Co-operatives Act No. 14 of 2005 defines various forms and types of co-operatives, including financial services co-operatives. The Co-operatives Amendment Act No. 6 of 2013 substitutes the definition of financial services co-operatives with that of financial co-operatives, defining it as “a co-operative whose main objective is to provide financial services to its members”.

The Co-operative Banks Act No. 40 of 2008 provides for the definition of a co-operative bank as a “co-operative registered as a co-operative bank”. The Financial Sector Regulations Act No. 9 of 2017 amends this definition of a co-operative bank, defining it as “a co-operative or a co-operative financial institution registered as a co-operative bank”. The Financial Sector Regulations Act further provides for the definition of a co-operative financial institution, defining it as “a co-operative that takes deposits and chooses to identify itself of the name Financial Co-operative, Financial Services Co-operative, Credit Union or Savings and Credit Co-operative.”

25 Although the legislative framework applicable to the Social Economy is largely adequate, the fragmented nature of the definitions scattered through various legislative documents impedes the coherent approach to the sector’s development and growth. Furthermore, the existing laws and regulations do not provide a definition for a “social enterprise” type of an organisation and make some definitions, i.e. stokvels, public benefit organisations and co-operative financial institutions (CFIs), ambiguous.

26 Considering the range of existing legislation in South Africa, the policy interventions in

this Green Paper are not intended to add to the intervention-focused and sectoral measures that already exist, but rather to complement and connect them by creating a common understanding.

27 In line with the above, the following interventions are proposed to strengthen the legal and regulatory environment for the Social Economy:

27.1 **PI 1:** Define the composition of the Social Economy by:

27.1.1 Delineating Social Economy organisations in terms of social enterprises, stokvels, co-operatives and non-profit organisations, where:

- Non-profit organisations comprise trusts, non-profit companies and other associations of persons
- Co-operatives comprise of agricultural co-operatives, consumer

co-operatives, co-operative burial societies, housing co-operatives, marketing and supply co-operatives, services co-operatives, social co-operatives, worker co-operatives, and co-operative financial institutions (CFIs), where:

- **CFIs** mean a co-operative that takes deposits and chooses

to identify itself by use of the name Financial Co-operative, Financial Services Co-operative, Credit Union or Savings and Credit Co-operative

27.1.2 Publicise the Social Economy spectrum (Figure 2) supported by a glossary of definitions as an illustrative guide for navigating the Social Economy legislative environment.

27.2 **PI 2:** Formalise the term “social enterprise” by including the following definition into the legislative framework (i.e. the Income Tax Act No. 58 of 1962 and the Companies Act No. 71 of 2008):

27.2.1 A social enterprise is a “a business venture that exists to address a social or environmental problem, earns a significant proportion of its income through the sale of goods and services, and uses its profits to fulfil its social or environmental purpose”.

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## Finance Mechanisms

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28 As access to finance is repeatedly cited as an area of constraint for the Social Economy, this Policy Focus Area aims to ensure such access is inclusive and promotes accountability and accurate reporting on both financial and impact indicators.

29 Government should facilitate the development of finance mechanisms that allow Social Economy entities to access finance that is appropriate to their needs and constraints, while promoting transparent reporting both by lenders and lendees. Ensuring capital is available at a local level is key.

30 This facilitation is envisaged to be achieved through the following interventions:

30.1 **PI 3:** Promote appropriate-to-context investment and funding mechanisms by:

- 30.1.1 Encouraging patient venture capital and venture debt with longer lead times on returns and measurement of social and environmental returns, particularly at early stage
- 30.1.2 Facilitating dialogue engagements between public and private sectors to develop appropriate-to-context funding mechanisms such as early stage asset-backed lending, quick access to small funds, blended and collaborative funding models leveraging investments from the public sector and development finance institutions (DFIs), and Outcomes-Based Public and Private Sector Investing.
- 30.1.3 Supporting efforts to grow CFIs and co-operative banks as a mechanism to improve access to personal and business finance
- 30.2 **PI 4:** Promote impact reporting by:
  - 30.2.1 Improving standardisation of transparent reporting on financial and social impact performance of public and private investments
  - 30.2.2 Publicising social and environmental benefits derived from the Social Economy

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## Access to Markets

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- 31 Organisations in the Social Economy are often excluded from supply chains in public and private procurement, which jeopardises their sustainability and ability to make a positive contribution towards South Africa's developmental challenges.
- 32 This Policy Focus Area seeks to enable better access to private and public sector markets by identifying and exploring opportunities, building capacity within the social economy, as well as establishing a Social Economy mark.
- 33 The specific policy interventions recommended to improve market access for social economy organisations are:
  - 33.1 **PI 5:** Identify and pilot opportunities in new and existing value-chains for Social Economy entities by:
    - 33.1.1 Undertaking research and analysis of values chains within prioritised sectors, their entry barriers, and broader issues faced by new and existing entities
    - 33.1.2 Identifying opportunities within the prioritised value chains for Social Economy organisations and companies, and publicising these Social Economy projects
    - 33.1.3 Incubating, through close support, Social Economy projects within existing and new value chains, with a focus on rural areas and township economies – with local government participation
  - 33.2 **PI 6:** Promote collaborative, practical and fit-for-purpose capacity building initiatives to heighten participation across value chains by:
    - 33.2.1 Strengthening intermediary organisations that offer support to the Social Economy
    - 33.2.2 Providing management and leadership training programmes relevant to the Social Economy

- 33.2.3 Offering mentoring and twinning initiatives to facilitate practical knowledge and skills generation
- 33.2.4 Facilitating knowledge generation and knowledge sharing on local models that have worked, and not worked, in different local settings, historically and currently
- 33.2.5 Strengthening collaboration between the Social Economy and other entities to lessen isolation of entrepreneurs and facilitate knowledge sharing beneficial for both parties
- 33.2.6 Promoting and supporting the establishment of Communities of Practice – a coming together of entities or practitioners with similar interests, challenges or approaches to share lessons and experience
- 33.3 **PI 7:** Promote hybrid business models suitable for scaling and franchising by:
  - 33.3.1 Identifying existing successful social enterprises following a hybrid model and providing the support necessary for their growth and franchising
- 33.4 **PI 8:** Build a “Buy Social” brand by:
  - 33.4.1 In partnership with BrandSA, introducing a “Buy Social” mark to encourage other entities to support and actively participate in the Social Economy, and consumers to buy from local social enterprises and co-operatives

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## Social Innovation

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- 34 Social Innovation is defined as new responses to social needs and may be products, services or models addressing unmet needs more effectively.
- 35 Innovative Social Economy models may complement the work of the state by offering better delivery options by being closer to the problem, having faster response times, and being more flexible. They can draw from innovative thinking and business-like approach of the private sector rendering them more efficient and cost-effective than the state.
- 36 To enable Social Innovation, the following policy interventions are proposed:
  - 36.1 **PI 9:** Promote innovation for social good by:
    - 36.1.1 Using the existing incubation and innovation hubs to host Social Economy Ideas Festivals
    - 36.1.2 Providing seed funding and creating incubation spaces, and sites particularly in rural and township economies, for the sector to test innovative products, services, and business models
  - 36.2 **PI 10:** Implement a Whole-of-Government Social Economy website which:
    - 36.2.1 Promoting focuses on enabling e-access to information (information linked to the Policy Interventions discussed, as a starting point) and simplified, secure e-processes for establishing businesses and reporting aimed at reducing red-tape



## IMPLEMENTATION, MONITORING AND EVALUATION (IM&E)

- 37 The purpose of the Green Paper IM&E system is to facilitate government-wide adoption and implementation of the Social Economy policy with a pro-active approach geared towards support and development.
- 38 This needs to be accompanied by the following set of activities:
- 38.1 The development of an Implementation Plan for the policy, with pilot incubation sites identified within underserved rural and township economy.
- 38.2 Developing a Practice Note on outcomes-based public investment with National Treasury
- 38.3 Developing a tailor-made list of quantitative and qualitative indicators for a fuller and richer understanding of the status and growth of the Social Economy in South Africa
- 38.4 Developing an interactive database of organisations operating in South African Social Economy sector
- 38.5 Creating an electronic central information system with links to various Social Economy programmes and initiatives implemented by public and private sector
- 39 The responsibility for implementation of the White Paper will lie with two National Structures, namely the Inter-Governmental Advisory Committee (IGAC) and a reference panel, and government organisations operating in the Social Economy space. Table 2 outlines the composition of these structures, with their respective roles and responsibilities.

**Table 2: Composition, roles and responsibilities of National Structures**

National structure	Composition	Roles and responsibilities
IGAC	Department of Economic Development (DED), Department of Social Development (DSD), Department of Small Business Development (DSBD), Department of Rural Development and Land Reform (DRDLR), Department of Trade and Industry (the dti), Department of Co-operative Governance and Traditional Affairs (COGTA), Department of Science and Innovation (DSI)	<ul style="list-style-type: none"> <li>• Ensure that various government departments have view of the same Social Economy KPIs</li> <li>• Co-manage the Whole-of-Government Social Economy Website</li> <li>• Co-manage the Access to markets Value Chain Incubation sites in rural and township areas</li> <li>• Monitor the implementation of the Social Economy Policy</li> <li>• Compile integrated M&amp;E reports</li> <li>• Coordinate with the reference panel to share experiences among social partners</li> </ul>
Reference panel (12-month membership period)	Business labour, government, private sector, and local government	<ul style="list-style-type: none"> <li>• Serve as a sounding board for IGAC on the implementation of the policy providing experiences from the field and making recommendations</li> </ul>

- 40 The Green Paper M&E framework encompasses three Key Performance Areas (KPIs). These KPIs and their respective indicators are provided in Table 3.

*Table 3: M&E framework for the implementation of the Social Economy Green Paper*

KPA	Indicator question
KPA	<p>1.1 Has the guide on the Social Economy spectrum been developed and publicised?</p> <p>1.2 Has the legislative framework, i.e. the Income Tax Act and the Companies Act, been amended to include the social enterprise definition?</p> <ul style="list-style-type: none"> <li>● PI 1: Define the composition of the Social Economy</li> <li>● PI 2: Formalise the term “social enterprise”</li> </ul>
KPA	<p>Which of the following policy interventions have been implemented in the current financial year by a Department/s?</p> <ul style="list-style-type: none"> <li>● PI 3: Promote appropriate-to-context investment and funding mechanisms</li> <li>● PI 4: Promote impact reporting</li> <li>● PI 5: Identify and pilot opportunities in new and existing value chains for Social Economy entities</li> <li>● PI 6: Promote practical, fit-for-purpose capacity-building initiative</li> </ul>
	<ul style="list-style-type: none"> <li>● PI 7: Promote hybrid business models suitable for scaling and franchising</li> <li>● PI 8: Build a “Buy Social” brand</li> <li>● PI 9: Promote innovation for social good</li> <li>● PI 10: Implement a Whole-of-Government Social Economy website</li> </ul> <p>What actions have been taken by the Department/s to operationalise policy interventions targeted in the current financial year?</p> <p>why do these actions support economic inclusion, entrepreneurship, innovation, and/or environmental resilience?</p>

KPA	How many Social Economy entities have been created as a result of the actions implemented by the government organisations in the current financial year?
	To which extent have the existing Social Economy entities expanded their reach in the existing value chains as a result of the implemented actions by the government organisations in the current financial year?
Products	
KPA	What percentage of income do Social Economy organisations receive from external sources, i.e. donor-funding, government grants, etc. as opposed to internal generating income?
	How has the ratio between internal generating income and external funding changed year-on-year? Does it illustrate the increasing ability of Social Economy organisations to be self-sufficient?
	What practical examples can be provided to illustrate collaboration and co-operation of the Social Economy organisations with other sectors as a result of actions implemented by the government organisations?

## CONCLUSION

- 41 The Social Economy is a sector which consists of economic activities that foster solidarity, social inclusion and cohesion as well as being driven by impactful social, community and environmental missions.
- 42 While recognising the existing legislative and policy frameworks in South Africa, this Green Paper proposes a coherent national policy with regard to the Social Economy. A set of proposed Policy Focus Areas, with recommended policy interventions, are put forward – the aim being to support the sustainable growth of the Social Economy as an economic sector.