

CO-OPERATIVES DEVELOPMENT

MDDA

21 May 2015



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Small Business Development
REPUBLIC OF SOUTH AFRICA



- Definition of A Co-operative
- Co-operatives Development Background
- Co-operative Principles and Values
- Current Situation of Co-operatives in South Africa
- Sector Spread of Registered Co-operatives
- How to form and register Co-operative
- The Co-operative Incentive Scheme (CIS)

A *co-operative* is an **autonomous association** of persons **united voluntarily** to meet their **common economic, social and cultural needs** and aspirations through a **jointly owned** and **democratically controlled** enterprise.

- Primary cooperatives - Minimum 5 persons
- Secondary cooperatives - Minimum 2 primary cooperatives
- Tertiary cooperatives - Minimum 2 secondary cooperatives



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- On 5 December 2001, Cabinet agreed that the mandate for co-operatives development be transferred from Department of Agriculture to the dti
- Government seeks to create an enabling environment for the development and growth of sustainable co-operatives in all sectors of the economy.
- Since the enactment of the Co-operatives Act, No. 14 of 2005 (being amended), there has been a phenomenal rise in the number of registered co-operatives. According to CIPC, more than 100 000 co-operatives have been registered in all sectors to date.



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- Were adopted by the ICA in 1995;

The universal principles of co-operation are as follows:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for community



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- **Voluntary and Open Membership:**

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

- **Democratic Member Control:**

Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.

- **Members' Economic Participation:**

Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.

- **Autonomy and Independence:**

Co-operatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the co-operative's autonomy .

- **Education, Training and Information:**

Co-operatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of co-operatives.



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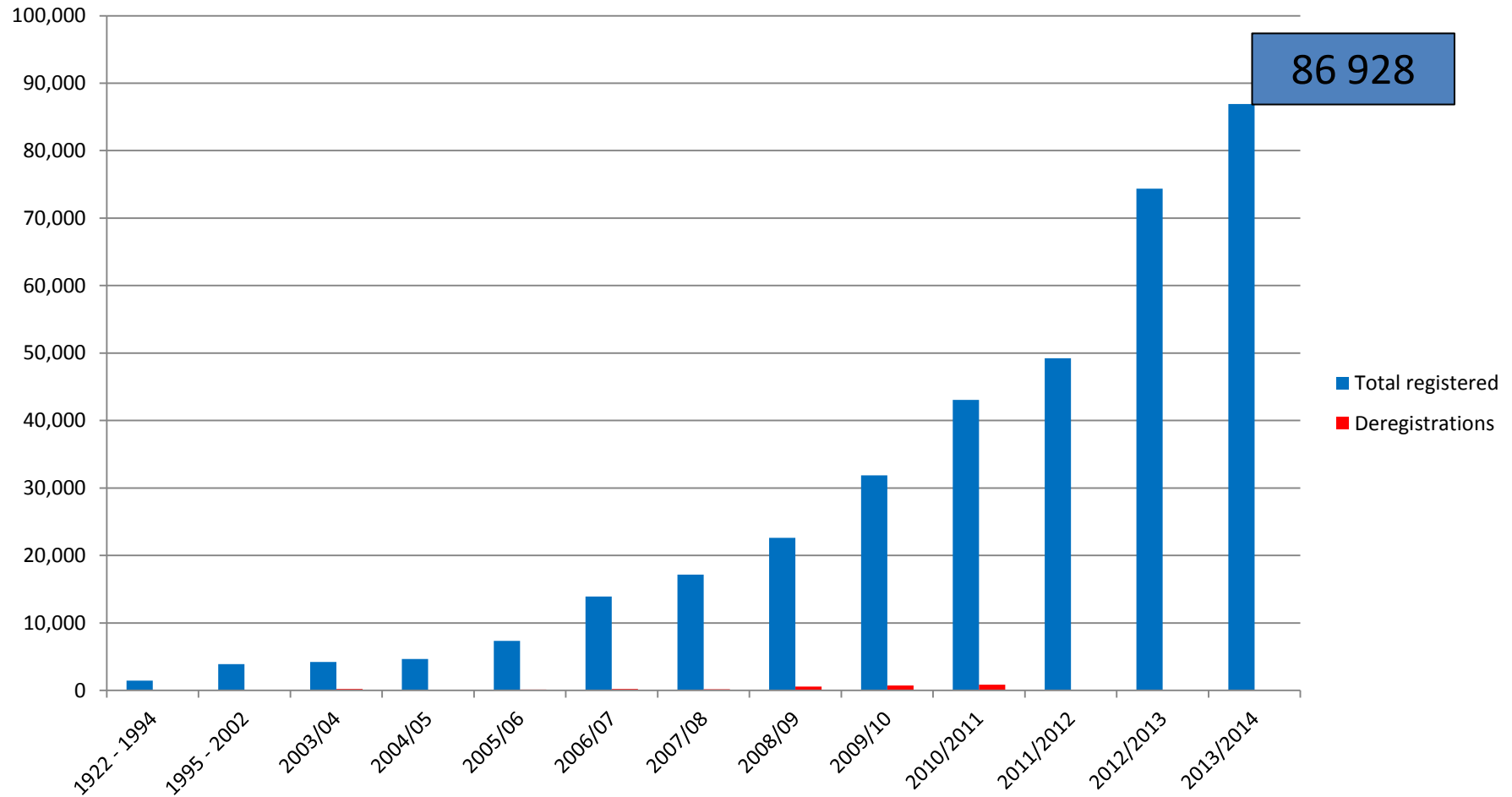
- **Cooperation among Cooperatives:**

Co-operatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures

- **Concern for Community:**

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

Co-operative registrations since 1922



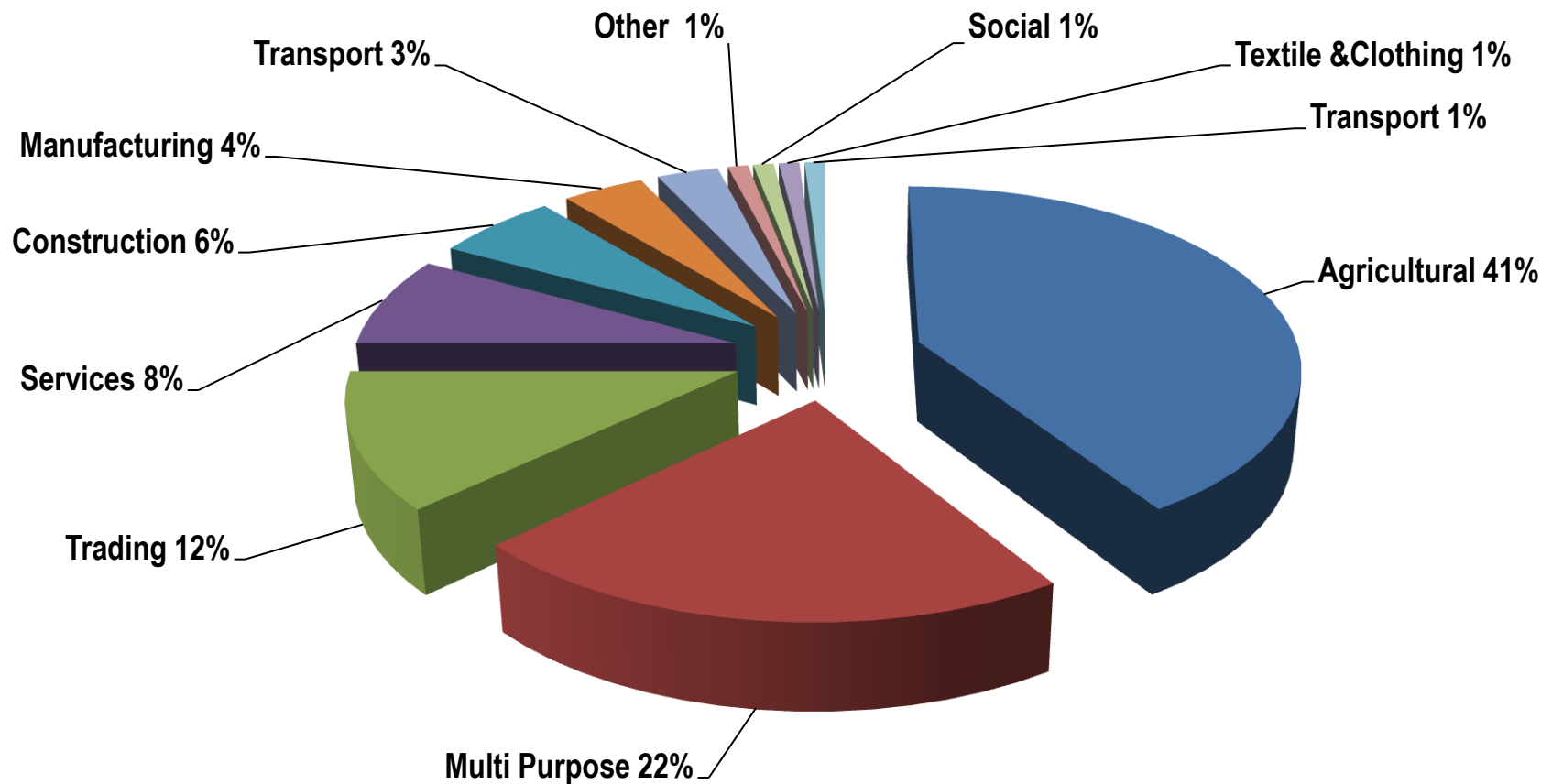
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Kinds of registered co-operatives

Total number of Registered Co-operatives on 31 March 2014 : 86 924



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- Must have at least one meeting of interested parties
- Request documents:
 - CR 5 - Reservation of a name
 - CR 1 - Application form, Constitution
- A constitution is adopted and
- First directors are elected
- Application form accompanied by:
 - Constitution of the co-operative signed by the founder members;
 - A list of the founder members;
 - A list of the directors;
 - The prescribed fee or proof of payment thereof (R215).



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Co-operative registrations and issue of a certificate	21 working days from date of tracking of an application
Amendments to constitution of a co-operative	15 working days of receipt of an application
Changes to co-operatives details	10 working days of receipt of an application
Conversions	10 working days
Amalgamations	10 working days



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Various institutions, departments etc provide financial and non-financial support to co-operatives:

- The Small Enterprise Development Agency (SEDA)
Pre-formation and post-formation support services.
Business planning
training and mentoring
Business registrations
Access to markets
Access to finance
Access to information



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The main financial instrument currently available to primary co-operatives is the CIS:

- It is a 100% grant for registered primary co-operatives
- Its main objective is to improve the viability and sustainability of co-operative enterprises by lowering their cost of doing business.
- The minimum amount per co-operative is R10 000 while the maximum amount is R350 000*



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- It may be accessed in one application, or in a number of applications depending on what suits the individual co-operative.
- Payment is effected directly to the preferred (approved) service provider.



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- Technological Improvements
- Machinery, equipment and tools
- Commercial Vehicles*
- Infrastructure linked to the project (e.g. 3-phase electricity; boreholes, etc.)
- Working Capital*
- Business development services (e. g. feasibility studies, production efficiency and improvements)
- Working Capital (limited to stock whereby start-ups: 40% of qualifying activities applied for and expansions: max of R140 000)



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- Be incorporated and registered in South Africa in terms of the Co-operatives Act, No. 14 of 2005 (being amended).
- Be emerging co-operative with majority black ownership
- Have projects/businesses in any of the different economic sectors*
- Adhere to co-operative principles
- Be owned by historically disadvantaged individuals
- Be biased towards women, youth and people with disabilities.



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- 1 Completed & signed Application Form
- 2 SARS Tax Clearance Certificate- Original & Valid
- 3 Detailed business plan
- 4 Co-operative resolution to apply for CIS grant
- 5 Three competing and comparable quotations
- 6 Copy of Co-operative Constitution signed by founder members
- 7 Directors' copies of CV's and certified copies of IDs
- 8 Copy of Co-operative registration certificate
- 9 Motivation letter for choosing higher quotation(s)
- 10 Motivation letter for submitting one quotation
- 11 Bank Statement for start-up (confirmation letter from the Bank)
- 12 Projected Financial Statement for (Start-ups)
Financial Statement for Expansions (Existing)



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Programmes aimed at co-ops development...

Sharing Grant funding for start-up co-ops: 100% formula – 10k to 350k

CO-OPERATIVE INCENTIVE SCHEME						
YEAR	NUMBER OF APPLICATIONS APPROVED	VALUE OF APPLICATIONS APPROVED	FEMALE MEMBERS	YOUTH MEMBERS	DISABLED MEMBERS	DISBURSEMENT
2005/06	12	R 2 928 030	14	7	1	R 0
2006/07	4	R 1 005 000	18	3	0	R 0
2007/08	16	R 3 362 515	29	9	1	R 0
2008/09	53	R 9 191 667	261	33	9	R 9 300 000
2009/10	204	R 39 872 957	733	105	16	R 34 000 000
2010/11	224	R 48 254 622	1 060	405	53	R 44 000 000
2011/12	182	R 48 088 035	820	233	15	R 49 097 000
2012/13	314	R 85 323 599	1 421	451	23	R 64 979 000
2013/14	243	R62 331 729	974	233	23	R 75 479 830
Total to date	1 252	300 358 154	5 330	1 479	141	R 276 855 830



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THANK YOU

COOPERATIVE ENTERPRISES BUILD A BETTER WORLD



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