



# What is a co-operative?

THE CAPE TOWN  
TRADE UNION  
LIBRARY



# Contents

---

## **Chapter 1: What is a co-operative?**

Different types of co-operatives . . . . .	1
The origin of co-operatives . . . . .	4
The first co-operatives in South Africa . . . . .	6

## **Chapter 2: Principles of the co-operative movement**

Explanation of the principles . . . . .	8
Some advantages of co-operatives . . . . .	10

## **Chapter 3: Co-operatives in South Africa today**

Why are people starting co-operatives? . . . . .	15
What makes a co-op different to a capitalist business? . . . . .	18
Some of the problems faced by co-operatives . . . . .	19
Co-operatives and unemployment . . . . .	25
Co-operatives in post-apartheid South Africa . . . . .	28

## **Chapter 4: Getting started**

Pre-feasibility . . . . .	31
Feasibility study . . . . .	32
Start-up implementation . . . . .	34
Monitoring and evaluation . . . . .	35
Working with a service organisation . . . . .	36

## **Chapter 5: Conclusion . . . . .** 37

## **Appendix 1: List of organisations involved in co-operative development . . . . .** 39

## **Appendix 2: Cosatu's resolution on co-operatives . . . . .** 43

Two actors from the Sarmcol Workers Co-operative's play 'Bambata's Children' act out a scene from the play. The play is about the life of a South African freedom fighter and his wife and their family.



**Sarmcol Workers Co-operative's play, Bambata's Children**

**Co-operative Planning and Education (Cope)** is a non-profit development organisation which helps groups to set up co-operatives. Cope was formed in 1988. It is one of many organisations which can help you to set up co-operatives.

This booklet was put together by members of Cope, with the help of Paul Crankshaw (editing and layout), Leslie Lawson (photographs and interviews) and Sue Beattie (drawings).

## **Acknowledgements**

Cope is deeply indebted to Robert Berold for invaluable comments and contributions, to Alistair Ruiters for his contribution on the history of black co-operatives in South Africa, and to others who read and commented on the text.

# Chapter 1

## What is a co-operative?

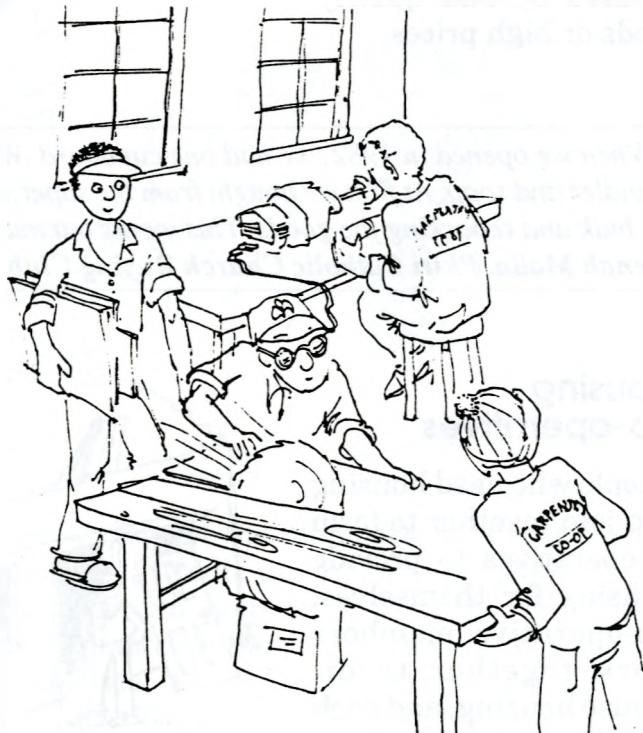
The word 'co-operative' means to work together for a common goal. A co-operative is a group of people who together own and control an organisation or a business for the benefit of its members. A co-operative is democratic, and so the members of the co-operative are responsible to each other. They work for themselves; and together they decide how to run the co-operative and how to share the profits.

### Different types of co-operatives

Not all co-operatives are the same. All sorts of activities can be done co-operatively; for example, how we work, how we shop, where we live, or how we save money.

#### Worker co-operatives

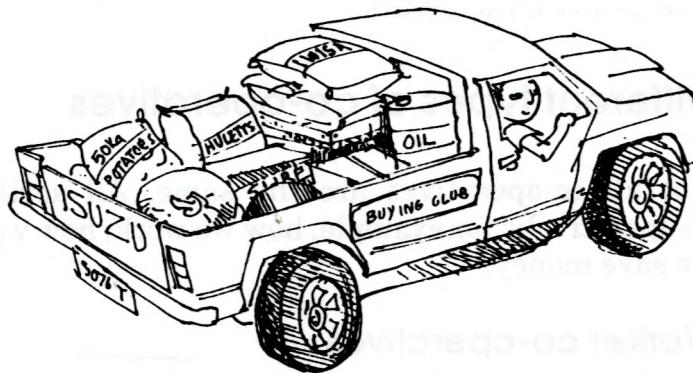
Worker co-operatives are businesses which are controlled and owned by all the people who work in them. The workers decide how the business is managed. They decide what to make, who to sell to and what to do with the profits they earn. Co-operative businesses are very different from other small and large businesses (see p.18).



## Consumer co-operatives

A consumer co-operative is made up of people who want to buy goods together in order to get a discount. This can be a cheap way of buying. Food, clothes, or any product that people need can be bought in bulk and divided into smaller amounts for the members of the co-operative. This enables the members to save money on what they buy.

The work of running the co-operative has to be divided up among the members. For example, one person may buy the goods, another may transport them and a committee of other members may keep the records. Consumer co-operatives can also give information to members about goods and services so that members will not be cheated by bad quality goods or high prices.

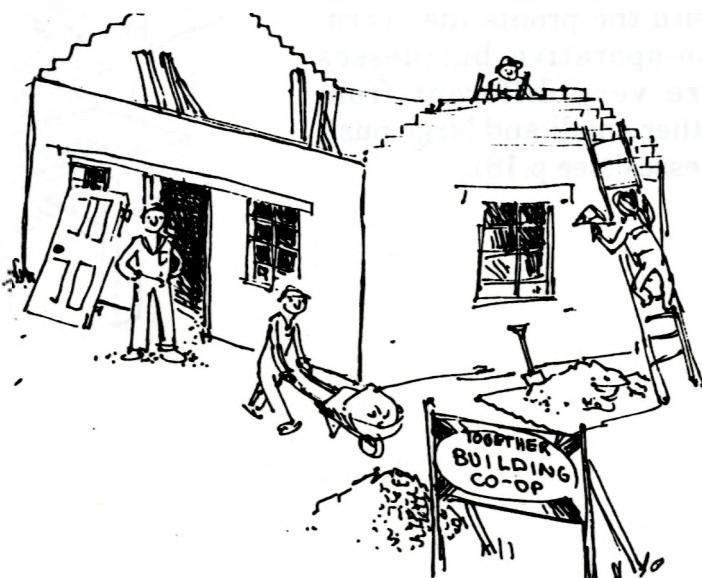


*"When we opened in 1982, we had one cupboard. We started with powdered milk, tea, candles and soap. At first we bought from the supermarkets, but later we started buying in bulk and repacking the goods. This works out much cheaper."*

**Lenah Maila, Phiri Catholic Church Buying Club**

## Housing co-operatives

People who need housing can join together to form co-operatives to provide housing for themselves. Co-operative members work together to organise housing, and each member pays a fair share of money towards the costs. Members of the co-operative then have an equal say in how their housing is controlled.



## Community businesses

These are co-operatives that are owned and controlled by a community. Membership of the co-operative is open to all those who live or work in the same area. The community co-operative could be run by a civic association to benefit the community. For example, a civic association could set up a transport co-operative for the use of all the members of the community. Other community businesses could be creches, housing co-operatives or services such as rubbish collection.

## Marketing co-operatives

These are co-operatives where people who make a product come together to sell those products through one organisation. For example, small farmers can come together to sell their mielies. Members of these co-operatives will often be individual owners of land or owners of private businesses. They might not be part of the same community groups. They just sell their products together.

## Credit unions

A credit union is like a stokvel or a savings society. The credit union provides members with a safe place to put their money. Credit unions can lend money to people at low interest rates. They encourage



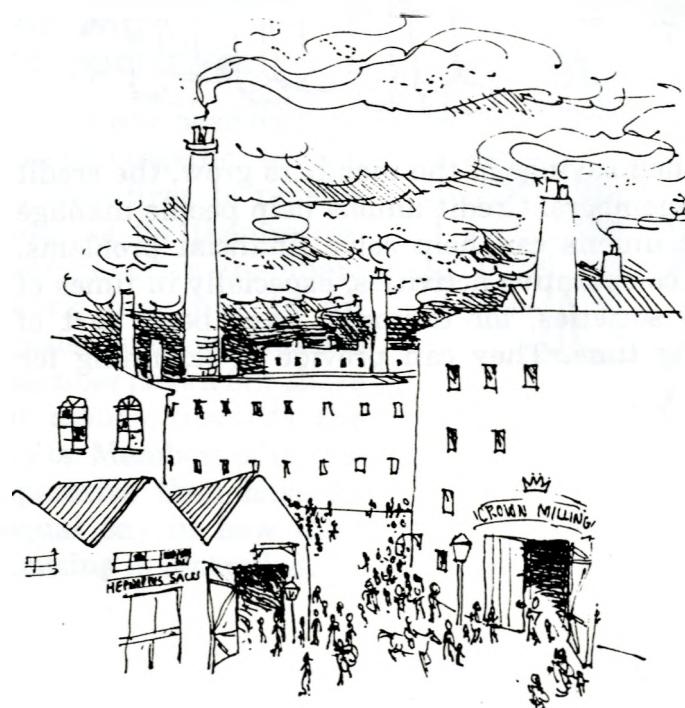
members to save. As the combined savings of the members grow, the credit union can offer loans to needy members. Credit unions help people manage their money effectively. Credit unions can help solve financial problems. Africans have a long history of co-operative activities, especially in times of hardship. Stokvels and burial societies, for example, have been part of community activities for a long time. They can provide a beginning for co-operatives and credit unions.

## The origin of co-operatives

Co-operatives first started in England 150 years ago. This was during the time of the industrial revolution which brought many social, economic and political changes. Before the changes, most people worked on the land to make a living; in the industrial revolution, factories grew.



**Peasants were gradually forced to leave the land.**



**They went to work in factories in the towns.**

Many peasants were forced off the land, and had to work in the factories and mines to earn money to buy food. Their wages were very low and the conditions of work were very bad. Poor people formed co-operatives to help themselves in their struggle against poverty and exploitation. Co-operatives now exist in most countries throughout the world.

**In the towns, conditions were very poor.**



The **first co-operative** was set up in the small town of Rochdale in England in 1844. Twenty-eight weavers formed a society called the Equitable Society of Rochdale Pioneers. The society wrote the co-operative principles which have become the principles of all co-operatives world-wide.

The 28 workers, who were poorly paid, tried to get more for their money by opening a co-operative shop. After saving enough money to open a shop and buy the first stock, the shop opened.

The shop bought foodstuffs wholesale in big quantities and sold them to the members of the society at cheaper prices than other shops. Each member helped in the running of the shop.

The Rochdale pioneers succeeded in building up a successful co-operative by using some of the money which members saved to buy more stock and make the shop work well.

## The first co-operatives in South Africa

The first recorded co-operative in South Africa was the Salt River Trading Co-operative, started in 1909. It was a consumer co-operative started by railway workers, because of high prices and because most shops were owned by whites. At first only members could buy from the co-operative but later it began selling to the public. It lasted for about 20 years.

Before 1930 there were not many black co-operatives. The government made it difficult for them to work. There were lots of rules and regulations, e.g. they could not set up shop within a five-mile radius of a white shop. Also, many of the white wholesalers refused to sell to black co-operatives and shops. In the 1920s a trade union, the Industrial and Commercial Workers Union tried to start some co-operatives but they were not successful.

White co-operatives were formed in the 1920s and 1930s and received a lot of help from the government. They were started when many Afrikaners had been forced to leave the farms because they could not compete with larger farmers. Along with blacks who had been forced off the land by the 1913 Land Act, they came to the cities to look for work in the mines and factories. Both groups were very poor. With the help of the government, Afrikaners brought their money together and formed banks, insurance companies, marketing co-operatives and consumer co-operatives. Co-operatives helped poorer Afrikaners move into



An example of a white farmers' co-op set up by the state



industry and commerce. They also helped strengthen the Afrikaner landowners. For example, the Cape Winegrowers or Ko-operatiewe Wynbouers Vereniging (KWV) was made up of farmers who came together to market their wine and buy seed and machinery together.

Between 1930 and 1950 many Black consumer and credit co-operatives were set up. This was a reaction to high prices during and after the depression as well as serious shortages of goods during the Second World War. There are many examples of successful co-operatives that operated during this period such as the Western Native Township Trading Co-op, the Umgungundhlovu Trading Co-op, the Athlone and District Co-operative, the Natal Bantu Co-operative (which had its own magazine and organised winter schools to promote education), and the Masizakhe Co-operative. All these co-operatives were formed by the members themselves. At the same time the government tried to organise credit co-operatives in the Transkei. These were not very successful. People did not want to join them because of the government's involvement. People did not trust the government.

The early black co-operatives did not have the funders and service organisations which exist today, to help them. They also often elected management committees who made most of the decisions while the rest of the members were not involved. Many co-operatives now try to be as democratic as possible, with all the members taking part in making decisions.

It is important for us to know that South Africa has a history of co-operatives, many of which succeeded under very difficult conditions.

## Chapter 2

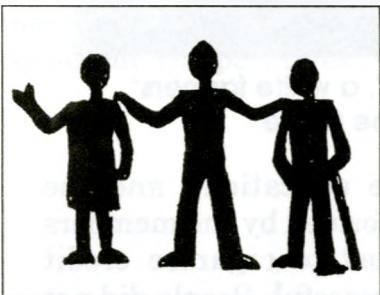
# Principles of the co-operative movement

---

Some organisations have a charter or manifesto. This explains briefly what the organisation does and what it believes in. Co-operatives also have a kind of charter or set of principles. These principles are: open membership, democratic control by members, limit to the amount of money which can be paid out on shares, fair sharing of profits, education of members and co-operation with other co-operatives. These principles were decided on by the first co-operatives, and all co-operatives around the world today are guided by them.

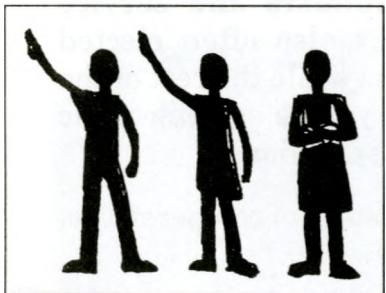
### Explanation of the principles

#### Open and voluntary membership



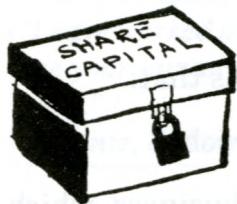
Membership of a co-operative should be open to anyone who wants to join. It would be against co-operative principles to refuse membership to a person because of their gender, ethnic group or religious belief. However, most co-operatives start small; sometimes it is not possible to accept new members because the co-operative can only operate successfully with a small number of members.

#### Democratic control



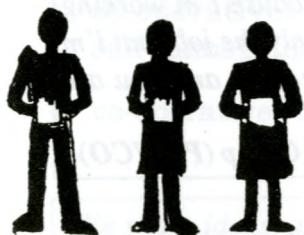
Everyone in a co-operative has an equal right to take part in decisions and has an equal right to vote. Co-operatives can elect certain people to perform special tasks. The people in these positions may take decisions themselves but they still have to answer to the members by giving regular reports. If they do not perform their duties well, then the membership can ask them to step down.

### Limited interest on share capital



People can start co-operatives by putting in some of their own money. This money is called **share capital**. Members invest in the co-operative to strengthen it and not for personal profit, so the interest they receive for it must be limited.

### Profits must be fairly distributed



The members of a co-operative decide how to share their profits. No member of a co-op should make money at the expense of any other member.

### Promotion of members' education



Co-operative principles must be kept alive in every co-operative. Members must be educated about how important this is. Education in co-operatives must also be general education which enables members to learn as much as possible.

### Co-operation amongst co-operatives



Co-operatives should co-operate and share experiences in a practical way with all other co-operatives, both locally and internationally, when this is possible.

## Some advantages of co-operatives

### Co-operative work is democratic work

Democratic work, where everybody participates equally, means that:

- ◆ members of co-operatives can have more control over their jobs;
- ◆ members of co-operatives can understand more about the business, which they would not learn if they worked for a boss.

The principle of democratic control by the members of a co-operative leads to members having control over all aspects of production.

*"I feel it is very, very nice to be a member of the co-operative. Because I'm working nicely, I'm controlling myself. I haven't got any boss - my boss is only the job that I'm doing. And then I've got a lot of time on my hands... There is freedom and you are responsible for your life."*

*Member of the Education Committee of the Phalaborwa Workers Co-op (PAWCO)*



Phalaborwa Workers Co-op

*"We are learning how to be our own bosses, with nobody standing behind us. The fine points are the same as at a factory, like regular hours, breaks, rules and regulations, a code of conduct, being productive and having a budget.*

*"I have worked in other places, but I prefer the co-op. You work for yourselves, and you use your initiative. Here, you get involved; it's quite different to working for a company."*

**Queenie, Eldorado Park Women's Co-op**

### **Co-operatives are owned by their members**

Ownership of a co-operative by its members means that:

- ◆ co-operatives can help workers to learn about production and planning;
- ◆ co-operatives can be a way of teaching other organisations about self-management;
- ◆ co-operatives can be a way of building worker control of the economy.

*"We share ideas, and there is nobody to boss us around. It is a better way of working. If we need an increase, we sit around the table and discuss it to see if there is enough money."*

**Jacob Magakwe, Brits Fencing Co-op**



**Brits Fencing Co-op: "this is a better way of working".**

**Co-operatives are concerned with the welfare and general education of their members.**

This means that co-operatives help to:

- ◆ develop the skills of their members;
- ◆ increase the general knowledge of their members;
- ◆ provide a better quality of working life for their members.

*"I have learnt a lot about how to work and live with people every day. We are like one family, not just people who work together. Every day we learn each other's weak points and strong points.*

*"There are also other reasons why working at this co-op is better than factory work. When I first came here I had a tiny baby, and I could bring him to work. So I didn't have to worry or pay for someone to look after him."*

*Amina, Eldorado Park Women's Co-op*

**Eldorado Park  
Women's Co-op:  
learning about  
people and work**



*"Here you learn more about people and work. Even though sometimes we cry and argue, we have a very close working relationship."*

**Queenie, Eldorado Park Women's Co-op**

### **Co-operatives are concerned with the overall welfare of the community.**

This means that co-operatives try to meet the needs of the community.

Community businesses which run co-operatively can help to develop projects which benefit most of the people in the community. These could be community banks, housing co-operatives, building co-operatives, or services such as rubbish collection and child care.

*"Our aim is to introduce more co-ops into the township. There are so many shacks and there are problems with water. We need to help the community to let them develop. There are so many things we could do here. We could involve all sectors: plumbing, welding, carpentry, etc. We need to give people skills. We are thinking about how to upgrade our nation with education and training."*

**Tumahole Brick Co-op**



**Tumahole Brick Co-op: "we need to give people skills".**

When thinking about the role of a co-operative in **your** community, remember:

- ◆ A co-operative works best when it is supported by the community and when it benefits both its members and the community.
- ◆ Women, youth, the unemployed, the disabled, as well as organised workers can form co-operatives. Co-operatives can also be formed by civic associations, trade unions and any other community organisation.
- ◆ Co-operatives can be developed in both urban and rural areas.

## Chapter 3

# Co-operatives in South Africa today

---

### Why are people starting co-operatives?

Co-operatives have become more popular today because:

- ◆ community organisations and trade unions have become stronger and been successful in the struggle against apartheid. They are now in a position to help build organisations for a more democratic and non-racial society.
- ◆ the economy became weaker in the 1980s and many people lost their jobs. There are now so few jobs available that unemployed people have been forced to look for other ways of earning a living.
- ◆ in South Africa there is not enough unemployment insurance. The small amount which unemployed workers get from the government sometimes does not even reach them. This means that people without jobs often have no money at all.

*"I had been unemployed since 1984 when the factory I worked in was closed because of the power of the workers. The union (MAWU) went on strike and eventually the factory closed and moved to the homelands. After that, I was black-listed in Brits and could not find work. Everyone knew about the strike, even the police, and they told the other factories not to employ me."*

**Stephen Makgoathe, Brits Fencing Co-op**

*"I worked at the same place as Stephen. I was also blacklisted; they could see on my dompas that I had been at that factory."*

**Obed Sithole, Brits Fencing Co-op**

There are 2000 people involved in co-operatives in South Africa. Organisations and individual people support co-operatives for different reasons. Some of these reasons are:

- ◆ co-operatives can help the poor;
- ◆ co-operatives can give jobs to a few people;
- ◆ co-operatives give power to their members because they have control over their work;
- ◆ co-operatives help build democracy and workers' control.

**To do any of these things, co-operatives have to be economically successful.**

## Some co-ops at work



Dragon Designs cloth co-op, part of Power Station Co-ops in Grahamstown



Umzokhanyo jewellery co-op, part of Power Station Co-ops in Grahamstown

Montagu Skrynwerke Ko-operatief, a carpentry co-op in the western Cape



Photo: Die Suid-Afrikaan

# in South Africa

Umzthewethemba  
ceramic co-op,  
part of Power  
Station Co-ops in  
Grahamstown



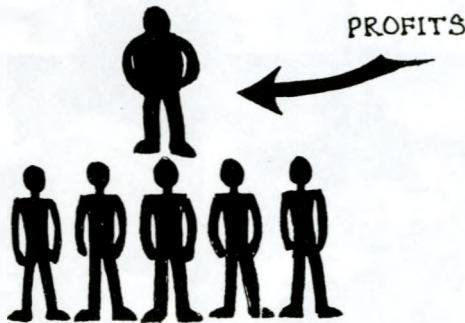
A skilled comrade  
teaches unskilled  
comrades at Zenzeleni  
Clothing Employment  
Project in Jacobs, Natal

Comrades at Zenzeleni  
Clothing Employment Project  
getting feedback on the  
progress of the co-op

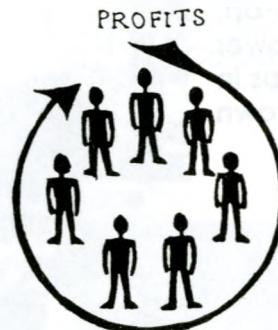


## What makes a co-op different to a capitalist business?

### Capitalist business



### Co-operative



### **Main aims**

The main aim of a capitalist business is to make profits.

The main aim of a co-operative is to make enough profit for the members to earn a living wage.

### **Ownership**

In a business, the owners put in their money and become the decision-makers. In large businesses, there may be a number of people who share the ownership. These people are called shareholders.

A co-operative is owned by the members of the co-operative. They are the owner-members.

### **Decision-making**

The owners make their own decisions.

The members have the right to participate in decisions. They can do this by electing a board of directors or they can participate directly, through membership meetings, committee meetings and production meetings.

### **Management and control**

Workers are managed by the owner or by managers who are employed by the owner or shareholders.

The members elect managers from among themselves or they employ a manager who is accountable to the workers. Workers in small co-ops can manage the co-op themselves if they have the skills. In larger co-operatives, workers can elect a board of directors who manage the co-op or select managers, who are still controlled by the members.

### **Profits**

All profits go to the bosses or to the shareholders.

The worker-members decide how profits get distributed. The profits can go to the workers as bonus, back to the community or back into the co-op so that it can develop.

## Some of the problems faced by co-operatives

### a) Competition from capitalist businesses

As we read in the last section, there are differences between co-operatives and capitalist businesses. There are differences in:

- ◆ ownership;
- ◆ control;
- ◆ sharing of profits;
- ◆ management.

But co-operatives and capitalist businesses are the same in one important way: **they must both compete in the same market.**

This means that co-operatives, like any other business, must sell their products to the same people (the public) who buy products from ordinary businesses. So, if the co-operative's product is more expensive (or of poorer quality) than the product of another business, then people will not buy from the co-operative. Many co-operatives fail because they are not able to compete with other businesses.

For example, it is not easy for a sewing co-operative to compete with a clothing factory. This is because the scale (size) of factory production makes its products much cheaper. The factory owner pays less for raw material because he can buy such large amounts, and the large number of machines and many workers are quickly able to turn this raw material into clothing to sell. The final cost is also lower because the wages of factory workers are usually low.

So, if a co-operative wants to be successful, its products must be:

- ◆ in demand (they must be wanted by the public);
- ◆ of good quality (consumers must be satisfied with their purchase);
- ◆ a fair price (consumers must be happy to pay the price).

*"Our white competitors offer a lay-by system. People need bricks to build houses, but they don't have much money. Although the white guy's price ends up higher, people can pay over time. We don't have enough capital to offer people a lay-by."*

**Tumahole Brick Co-operative**

*"We are competing with a fencing company, and they are cheaper because they have a semi-automatic machine."*

**Andries Mokala, Brits Fencing Co-op**

*"A problem with the sewing co-op is the competition. We always have to be on the lookout to make sure that we work with good materials and that our goods go for a cheaper price. Sometimes there is not enough income so we have to wait until the next month."*  
*Doris Fakude, co-ordinator of The Grail projects in Phiri, Soweto*

### **b) Lack of skills**

Co-operative members are usually people who have not had the chance to learn business and managerial skills. As a result, many co-operatives have problems such as inefficiency and low productivity.

*"Our first experience as a co-op did not work out. The women lacked organisational skills. We didn't understand what a co-operative was and where we wanted to go. The structures in the co-op were not working well. There were problems with marketing, finances and cash flow.*

*"There were also problems within the group. There was not enough trust between members, and when things went wrong people always blamed each other instead of trying to get to the bottom of the problem."*

*Ingrid, Eldorado Park Women's Co-op*



**Phiri Skills Development Co-op, Soweto**

*"The main thing we need is business skills. If something goes wrong, the next thing is that we are going to blame the one who is working with the account books."*  
**Andries Mokala, Brits Fencing Co-op**

*"When we started we just thought of helping people who were not working. There was no plan and we didn't know anything about co-ops. Then Cope came and gave us training in business skills."*  
**Tumahole Brick Co-op**

### **c) Lack of start-up finance**

Co-operatives find it difficult to find enough money to start their work. It is not easy for them to get loans from banks. Many co-operatives try to raise money from donor agencies, but these agencies do not have enough money to support co-operatives. And even if they do get grants from donors, this often causes a problem of dependence, where co-op members do not try hard enough to make the business pay for itself.

*"We struggled for four years to get the funding for a machine to make diamond mesh fencing, and now we do have it. Another problem is that there is a shortage of work. This machine can be operated by two people, but there are five of us."*  
**Andries Mokala, Brits Fencing Co-operative.**

### **d) Lack of support organisations with skills and experience**

Co-operatives do not have enough support from professional organisations which can help with business planning and the development of skills. This is often because the co-operatives are in poor communities or in rural areas, where it is difficult to have contact with groups who have the necessary skills. To try to overcome this problem, co-operatives are coming together to help one another (see P 28 "Getting together")

*"We have groups doing candle-making, leather work, jerseys, rug-making and hay-boxes. We want our groups to be independent, but we provide a support structure which organises workshops, seminars, resource people, etc."*  
**Jerry Nkeli, Self Help Association of Paraplegics, Soweto**

*"We haven't really advertised the product but I think people will like it. Now we are waiting for P&S to come and teach us how to double feed. This will increase our speed."*  
**Andries Mokala, Brits Fencing Co-op**



**Self Help Association of Paraplegics (SHAP)**

### **e) Lack of experience in working democratically**

It is difficult to put co-operative principles of democracy into practice. Most people in South Africa have not had much experience of working in a democratic way, or of organising themselves within democratic structures.

*"Some of the money clubs we started have failed. There were problems with funds. The problem is trust. The person who runs the club must keep track of the money properly and put it in the bank. If I fail to do so there is no trust."*

***Lenah Maila, Phiri Buying Club***

*"The main problem is that people don't want to take responsibility. Let's say there is a weekend workshop far away - it's always the same two or three people who go. I worry that if the time comes when we leave the credit union, it will die. Do these people not have the time to put into workshops? We are also women, and we can do it."*

***Thandi Makwakwa, Tsebedisano Mmoho credit union***



**Phiri Buying Club: "the problem is trust"**

### **How can these problems be solved?**

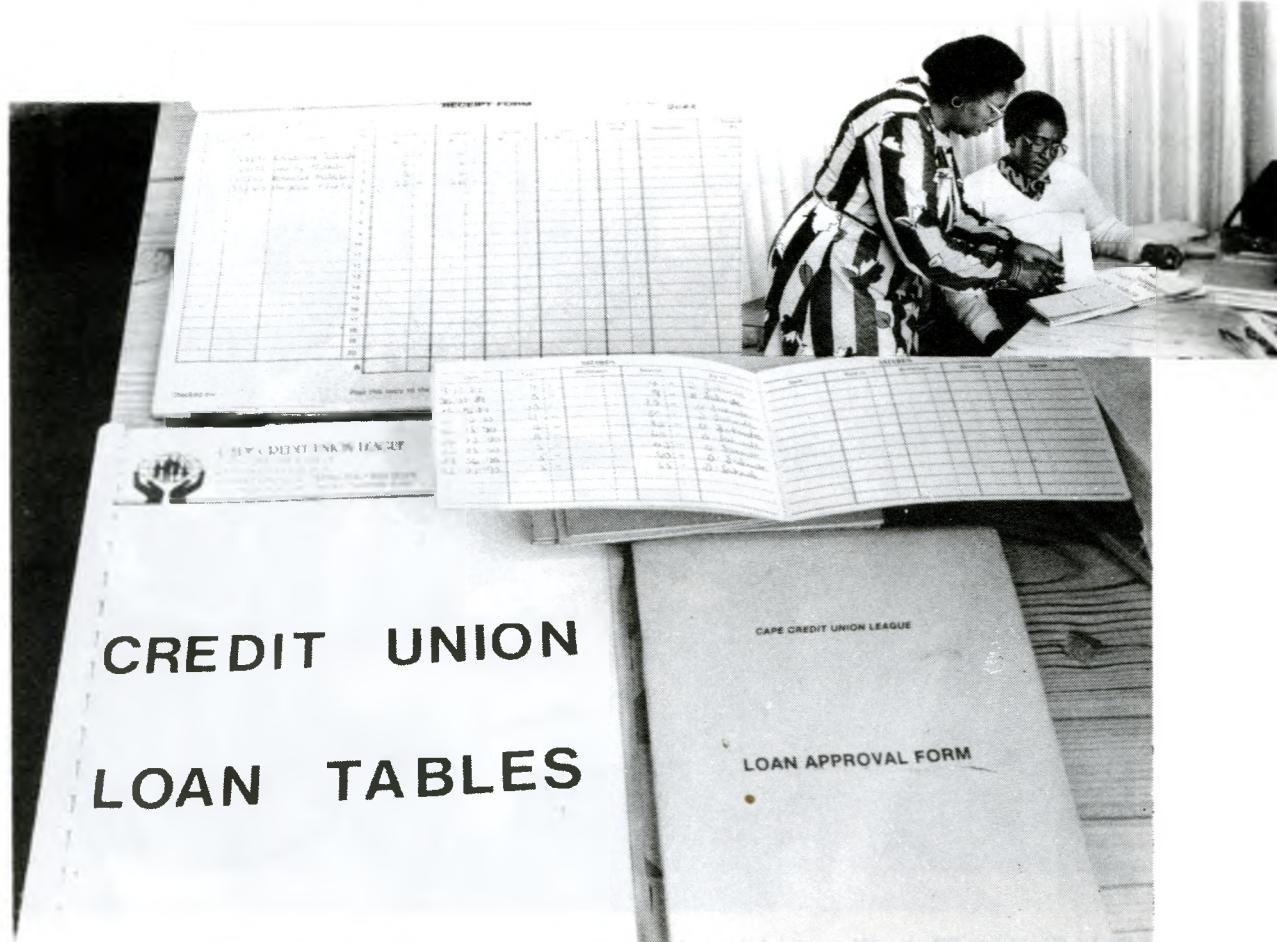
#### **People will need support to build healthy co-operatives**

They will have to get:

- ◆ start-up capital;
- ◆ business, marketing and organisational skills.

*"The help we give to new organisations is, firstly, training to understand organisational structures: things like working together, meetings, leadership qualities. We help them decide where they are and where they want to go."*

***Jerry Nkeli, Self Help Association of Paraplegics, Soweto***



**Tsebedisano Mmoho credit union: "we work together".**

### **Where must this support come from?**

The state, the community and support organisations (non-governmental organisations or NGOs) should offer support.

The **state** can help co-operatives by:

- ◆ making laws that give co-operatives the same benefits as capitalist businesses, such as training benefits and subsidies where applicable;
- ◆ promoting organisations which give training to co-operatives;
- ◆ encouraging banks to lend money to co-operatives;
- ◆ encouraging companies to support co-operatives.

The **community** can help co-operatives by:

- ◆ buying the products that co-operatives make;
- ◆ helping to set up networks for selling the products of co-operatives;
- ◆ saving their money with co-operatives.

**Non-governmental organisations (NGOs)** can help co-operatives by:

- ◆ training people to develop co-operatives;
- ◆ providing educational material for co-operatives;
- ◆ planning networks of co-operatives (planning for co-operatives which can help one another to get together).

## Co-operatives and unemployment

Successful co-operatives can provide some jobs for people but they cannot solve the unemployment crisis. There is unemployment in all industrial societies, especially in societies which are capitalist. South Africa is a capitalist society. This means that most of the wealth - the land, the factories, the mines - is owned by a few people. Most of the people have to work for a living and get paid wages. The people who own the factories and the land live off the profits made by workers.

Capitalist businesses aim to make profit. They do not try to provide everyone with jobs. This means that there will always be people out of work. Some people lose their jobs when the economy goes down, but other people have never had a chance to work.

The number of unemployed people can only be reduced when the government acts to create jobs. A government which is representative of the majority of people, and which controls the major resources of the country, will care more about the needs of the unemployed and the poor.

*"Co-ops cannot provide jobs for all. To do this, we need the political power to restructure the economy, and to use the wealth of the nation to serve the needs of the people as a whole."*

***From the Co-op Resolution taken by the Congress of South African Trade Unions (COSATU) at their 1989 national congress.***

*"In SA the rate of unemployment is very high. Co-ops have a role to play in neutralising unemployment and reducing theft."*

***Andries Mokala, Brits Fencing Co-op***

# Rural co-ops have



Unemployed  
Mineworkers'  
Block Project in  
the Transkei



Making batiks, Twananani Textile Co-op, Elim



Photo: Paul Weinberg

# special challenges



Tieselane Wire fence co-op, Elim

Photo: Paul Weinberg

Agricultural co-op, Zululand



Photo: Paul Weinberg

## Co-operatives in a post-apartheid South Africa

The African National Congress (ANC) constitutional guidelines on the economy say that there should be a mixed economy, with a state sector, a private sector, and a co-operative sector.

Both the state sector and the private sector are already very strong. At the moment, co-operatives are weak. The ANC will only support co-operatives if they become a more powerful voice. To make their voice louder, co-operatives need to organise themselves and work together.

### Getting together

One of the greatest problems facing co-operatives is their isolation from one another. This isolation makes co-operative members hopeless and disillusioned when they cannot solve their own problems. But by sharing their experiences and problems with other co-operatives, they will start to support each other and build confidence. This will also help to find collective solutions to their problems. For example, co-operatives can help each other by selling or buying goods together.

There are a number of organisations which help co-operatives to come together. These are:



#### Cosatu Co-op Forum

The co-operatives affiliated to COSATU trade unions meet regularly to discuss their common problems, aims and directions. Some of the issues talked about in this forum are:

- ◆ how to market their products;
- ◆ the need for training;
- ◆ the relationship of co-operatives to trade unions.

Cosatu has expressed its support for co-operatives in a resolution at its congress in 1989. In this resolution, Cosatu says that: "Co-ops can strengthen democratic organisation, working side by side with structures in the community to provide some of the goods and services needed by the people." Cosatu also says that it will "actively assist in developing the skills needed to strengthen the development of co-ops, both in the urban and rural areas". (The whole resolution is at the back of this booklet.)

The National Union of Mineworkers (NUM), a member of Cosatu, also passed a resolution supporting co-operatives at its 1989 congress. NUM says that "co-operatives can give practical experience of some of the skills needed to build democratic control of production".

## **The North-Eastern Transvaal Regional Co-operative Network (NETCORN)**

This is also an organisation which brings co-operatives together. In 1989, representatives from 16 self-help groups and co-operatives came together to form NETCORN. The aims of NETCORN are: to strengthen and unite all co-operatives in the region; to share skills; to distribute educational material; and to help new co-operatives to start up.

In other regions, co-operatives have been meeting to set up similar networks.

### **Workteam magazine**

In 1986, a magazine called Workteam was started, to serve production co-operatives throughout southern Africa. Some of the articles are written by members of co-operatives. Workteam aims to: write about all co-operatives in the region; be an educational tool for co-operatives; have debates about things that concern co-operatives; encourage co-operatives to write about their experiences and to be in touch with one another. Workteam magazine's address is in the list of addresses at the back of this booklet.



**Brits Fencing Co-op members read Workteam magazine**

### **Southern Africa Co-operative Network (SACNET)**

SACNET was formed in 1990 by four organisations: Co-operation for Research, Development and Education (CORDE) in Botswana; the Collective Self-Finance Scheme (CSFS) in Zimbabwe; the Glen Forest Training Centre in Zimbabwe; and the Zimbabwe Project.

SACNET aims to: work out a suitable approach to co-operative development; help co-operatives to learn from each other's experiences; and help groups involved with co-operatives to share skills.

### **The International Co-operative Alliance**

Co-operatives throughout the world are affiliated to the International Co-operative Alliance (ICA). This organisation was formed in London in 1895. In 1981, the organisation had 350-million members.

The aims of the ICA are: to be the world-wide representative of co-operative organisations; to promote co-operatives in all countries; to promote economic links between co-operative organisations nationally and internationally; to promote the economic and social progress of workers of all countries; and to work for peace. Co-operatives also exist in most southern African countries, and co-operatives in South Africa are beginning to make contact with them.

More names of support organisations are listed at the back of this booklet.

#### **Co-operatives and the community:**

Co-operatives work best when they are supported by community organisations. Telling people in community organisations about co-operatives, and involving them in the activities of co-operatives, will help to build successful co-operatives.

# Chapter 4

## Getting started

---

If your organisation or group wants to start a co-operative you will find it helpful to go through the following stages:

- pre-feasibility;**
- feasibility study;**
- start-up implementation;**
- monitoring and evaluation.**

We look at how to go about it below.

### Pre-feasibility

This stage looks at a range of possible activities for a co-operative. We do not only ask whether the project can work, but whether there are better projects to do or better ways to get the project to work.

#### Step 1

Have a discussion with the members of your group around these questions:

- ◆ Does everyone understand what a co-operative is?
- ◆ What are the aims of the co-operative?
- ◆ Do the members have the necessary skills to run a business?
- ◆ Are all the people in the group committed to developing a business which is owned and controlled by the members? (This means taking part in the decision-making and the practical running of the business.)
- ◆ Are the people in the group committed to one another?

#### Step 2

Look around your community and answer these questions:

- ◆ What do people need? Could you set up a service co-operative, e.g. childcare, painting, house-cleaning, rubbish collection?
- ◆ Where do people buy from? Could your group set up a consumer co-op which buys in bulk (big quantities) and then sells to the community?

- ◆ What are people's housing needs? Are people building their own houses? There is a lot of work in this area which could be done by co-operatives, e.g. blockmaking, making window frames, paving, building, fencing, tiling.

Discuss your interest in co-ops with your civic and other organisations in the community. Co-ops work best when they have the support of the community.



## The feasibility study

This is a thorough study to find out whether the project chosen at the pre-feasibility stage will work. It is important to spend time on a feasibility study so as not to set up projects that fail. If the study shows that there are too many problems with one idea, then you can discuss other ideas and start another feasibility study.

The study is done by gathering information about:

- ◆ what the co-operative wants to do;
- ◆ what skills its members have or need;
- ◆ whether there is a market for the product or service;
- ◆ whether the co-op will make enough money to be profitable;
- ◆ whether the project will benefit the community.

Once you have the facts the group will be able to see:

- ◆ if the co-op will be profitable and also be able to work democratically and efficiently;
- ◆ what more needs to be done to make it an efficient, profitable and democratic co-operative.

Part of doing a feasibility study should be doing a **Market Survey**. This means asking a lot of questions to find out whether people will buy your product or service. Some of the questions will only be answered through careful investigation or research, which you might have to do with help from other organisations.

### Example of a market survey for a consumer co-operative

These are the kinds of questions you will need to answer, to find out if and how a consumer co-operative can be successful in your area:

- Where do people shop? (Which areas? Which shops? How many people shop there?)
- What do they buy? (Which products? How much does each product cost?)
- How much do people spend on food every month?
- What do they buy that the co-operative could distribute cheaply?
- Are people prepared to work together and be part of a consumer co-operative?
- What would people gain by joining a consumer co-operative? Would they get cheaper goods than in the shops?

If the co-operative buys in bulk will it get a discount? Which wholesale shops will give the co-op a discount and how much will this discount be?

Another part of the feasibility study is preparing a **Business Plan**.

A co-operative needs a good business plan, start-up capital, a good product or service which is in demand, and the skills to make or provide it. Without careful business planning it will be very easy for the co-op to fail; it must be able to make enough money to cover all costs, pay living wages and have some money over for expansion. Business planning means making sure of the financial success of the co-operative.

Putting a business plan together takes time, money and expertise. Groups starting co-operatives for the first time should ask for assistance from a co-operative service organisation.

There are many different parts to the **business plan**.

#### a. Product plan

The product plan will describe what the co-operative is going to make, or the service it is going to provide. This will include the costs of materials and selling prices. The co-operative's prices will have to compete with those of other businesses. The plan will also explain how the co-op is going to set prices for sales outlets.

#### b. Marketing plan

The marketing plan will estimate the size of the market, who the product or service will be sold to and where it will be sold. The plan should explain what is special about the product or service and why it will succeed.



**Planning is an important part of setting up co-operatives**

### **c. Financial plan**

This is the most important part of a business plan. The financial plan proves that the co-operative is economically viable. This means that it is able to sell its product or service, pay its members a living wage and make a profit. A financial plan will include a financial statement. The financial statement shows how much money the co-operative will make from sales. It also gives the break-even point which is the stage at which the business makes neither a profit nor a loss. It also shows how much money will move in and out of the business. This is called cashflow. These things in a business plan are difficult to do if you have never had business training. You should ask a business training or co-operative service organisation to help you.

## **Start-up implementation**

At this stage the group must put its ideas into action. So the ideas must be clear. The business plan must be discussed and checked so that everyone understands why and how they must act.

The group can then implement the plans, while remembering to watch closely to see if the plans are working or not. The members must be able to see if any plans need to be changed while they are getting the co-operative 'off the ground'. Everyone should be part of implementing the plan by doing specific tasks.

## Monitoring and evaluation

It is not enough to simply do a feasibility study, implement the project and then say that we now have a democratic, working co-operative. Members must monitor and evaluate; in other words, they must look at what is happening and compare it with what should be happening, to see how their co-operative is working, all the time. This helps members to see the strengths and weaknesses of their co-operative, so that they can improve their performance.

In all the steps of building a co-operative, there are many important questions to ask and things to do. The structure and daily routine of a co-operative needs to make sure that members pay attention to the following issues:

### Democracy in the co-operative

A co-operative must run efficiently and democratically.

Democratic structures need to be actively built up by members.

Members must make sure that they are all able to participate fully so that they are able to make decisions about the management of the co-operative. Members need to decide about:

- ◆ structures and committees;
- ◆ management, co-ordination and leadership;
- ◆ accountability and control.

### Education and training

Education and training is needed to build democracy and to equip members to do what the co-operative needs. Education programmes should consider the following:

- ◆ business skills;
- ◆ practical skills;
- ◆ administrative skills;
- ◆ organisational skills;
- ◆ general co-operative education.

### Activity of the co-operative

Every co-operative produces something of value. Some co-operatives need assistance from specialists; for example, building co-operatives may need help from building engineers.

Specialists can help to decide what training in technical skills members need, and how the work process should be structured.

### **Remember:**

- ◆ Co-operatives are most successful when they are formed by people who live or work closely together, or are trying to achieve the same goals.
- ◆ Do not rush into setting up a co-operative before you have been through all the stages. In order to do this you should work together with an organisation which helps to set up co-operatives, or with people who have experience in small business.
- ◆ Discuss your ideas with other organisations. This will help you to learn from the experience of people inside and outside your community, and can help to gather support from people in your area.

## **Working with a service organisation**

There are many organisations who can help co-operatives with advice on all aspects of co-operative development. Some of these organisations are listed on pages 39 to 42 at the back of this booklet.

It is important to have an equal relationship with the service organisation. They are giving a service and you are receiving it, but that does not make them better than you or able to tell you what to do. They do, after all, raise their funds in the name of the community and the co-operatives, so they are accountable, which means they must give you good reasons for what they do.

It is your right, and a good idea, to ask questions of service organisations you are thinking of working with, for example:

Exactly how can they help you?

What other co-operatives have they worked with? (You can find out from these co-ops how they worked together.)

How regularly will they be meeting with you?

Can they give you a working programme for the next year?

Who is paying their costs, and do they expect any financial contribution from the co-op?

What do they expect from you while they are working with you?

It is a good idea to set up a committee with members from the co-op and the service organisation. If the co-op is inexperienced, you may want to invite some community leaders to join the committee. Minutes should be taken of the meetings.

It can be tempting to expect the service organisation, because they are skilled, to take over the management of the co-op. But this is not their job - they are not managers, they are a kind of management consultant. No matter how unskilled the members of the co-operative are, remember that your aim is to learn to manage yourselves.

A contract should be drawn up between the co-operative and the service organisation, describing the responsibilities and accountability of each party.

# Chapter 5

## Conclusion

**T**he co-operatives used as examples in this booklet are all small. In most cases they work separately from one another and have difficulties with marketing, business management and finance. Co-operatives in all capitalist societies have difficulties competing with capitalist businesses.

For co-operatives to be successful they will have to work together. This will make them strong enough to convince the government to make policies which support co-operatives. In some countries, for example, the government helps co-operatives by promising them a percentage of all government building contracts. In other countries, banks offer co-operatives credit and help organisations which provide training to co-operatives.

In order to grow, co-operatives will need to think of businesses and services which are useful to the community. People interested in co-operatives should discuss

**Making bricks can help towards upgrading communities**



their ideas with civics and other mass organisations. Co-operatives could help to upgrade communities, to build houses and to deliver services. The more the community controls, the more power its members will have. Strong communities with democratic organisations will ensure the future of a democratic state.



## **Appendix 1**

### **List of organisations involved in co-operative development**

---

#### **Co-operative service organisations**

##### **Black Initiatives Resource Centre**

P. O. Box 239  
Athlone  
Cape Town  
7760

Tel: (021) 69-67960

##### **South African Credit Union League**

P. O. Box 54  
Judiths Paarl  
Johannesburg  
2045

Tel: (011) 614-3429

AND  
37a Somerset Road  
Cape Town  
8001

Tel: (021) 25-3157

##### **Community Development Resource Association**

6 Beach Road  
Woodstock  
Cape Town  
7925

Tel: (021) 47-9007

##### **Community Organisation for Research Development and Education (Corde)**

University of Natal  
King Edward V Avenue  
Durban  
4001

Tel: (031) 811-3601

##### **Community Service Training Programme**

University of Natal  
King Edward V Avenue  
Durban  
4001

Tel: (031) 816-2076

**Co-operative Planning and Education (Cope)**

4th Floor P O Box 93540  
Sable Centre Yeoville  
41 De Korte Street Johannesburg  
Braamfontein 2143  
Johannesburg  
2001 Tel: (011) 339-6752

**Environmental and Development Agency (EDA)**

P. O. Box 62054  
Marshalltown  
Johannesburg  
2017 Tel: (011) 834-1965

**Intermediate Technology and Small Industries Development Unit (ITSIDU)**

P. O. Box 93  
Elim Hospital  
Transvaal  
0960 Tel: (01552) 701

**Overberg Co-op Services**

Kohler Street  
Montagu  
Cape  
6720 Tel: (0234) 42091

**Power Station Project**

P. O. Box 587  
Grahamstown  
Cape  
6140 Tel: (0461) 26513

**Quaker Peace**

28 Selby Road  
Mowbray  
Cape Town  
7700 Tel: (021) 685-2921

**South African Labour Development Research Unit (SALDRU)**

University of Cape Town  
Rondebosch  
7700 Tel: (021) 650-9111

## **Southern Africa Co-operative Network (SACNET)**

Xanadu  
Cnr. Cavendish and Webb Streets  
Yeoville  
Johannesburg  
2198

# Wilgespruit Fellowship Centre

P. O. Box 81  
Roodepoort  
1725  
Transvaal

- ◆ Many church organisations are involved in co-operative development. Contact your local Council of Churches for details.

## **Business Service Organisations**

Foundation for Entrepreneurship Development

5 Rissik Street  
Johannesburg  
2001 Tel: (011) 833-1480

75 Moore Road  
Durban  
4001

Get Ahead Foundation

P. O. Box 3776  
Pretoria  
0001

Get Ahead has put out a comprehensive directory of all business service organisations.

## **Triple Trust Organisation**

P. O. Box 13227  
Mowbray  
Cape Town  
7705 Tel: (021) 685-5042/6

## Other addresses

## National Union of Mineworkers (NUM)

4th floor  
National Acceptances House  
13 Rissik Street  
Johannesburg  
2001 Tel: (011) 833-7012

## **Sarmcol Workers Co-operative**

P. O. Box 156  
Howick  
3290  
Natal

## Workteam Magazine

P. O. Box 20906  
Gaborone  
Botswana

Zenzeleni Clothing Employment Project

P. O. Box 13010  
Jacobs  
Durban  
4026

- ◆ Addresses of other co-operatives in this booklet can be obtained from Cope.

## Appendix 2

### COSATU's resolution on co-ops

---

#### **This Congress, noting that:**

1. Several Cosatu affiliates, including NUM, NUMSA, POTWA, SACTWU/ACTWUSA and NUWCC have become involved in co-operative development.
2. Many workers facing dismissal or retrenchment are looking to co-ops as a means of creating jobs.
3. The co-operative movement internationally is guided by the following principles:
  - (a) democratic control of the co-operative by the members;
  - (b) no discrimination on the grounds of sex, race or religion;
  - (c) fair distribution of profits;
  - (d) limited interest on share capital (shareholders may get interest on their investment, but not dividend on the profits);
  - (e) co-operatives shall co-operate with each other;
  - (f) co-operatives shall encourage the ongoing education of their members.

#### **And believing that:**

1. Co-operatives have a political role to play in our struggle, by building democratic control of production and distribution, and providing the democratic movement with many lessons that will be needed to build socialism in the future.
2. Co-ops can strengthen democratic organisation, working side by side with structures in the community to provide some of the goods and services needed by the people.
3. Building co-operatives in the rural dumping grounds of South Africa is part of our strategy of rural transformation, and of the long term strategy against the migrant labour system. By providing even a small number of people with economic alternatives to migrancy, co-ops can help to stimulate rural development in ways that build the collective power of rural communities.
4. Co-ops can only be politically effective if they are economically viable. But it is a struggle to build strong co-ops; many skills have to be learnt and it is slow.
5. Co-ops cannot provide jobs for all. To do this, we need the political power to restructure the economy, and to use the wealth of the nation to serve the needs of the people as a whole.

#### **Therefore resolves that:**

1. COSATU supports the growth of democratic co-operatives, within the framework of the international co-op principles.
2. COSATU will actively assist in developing the skills needed to strengthen the development of co-ops, both in the urban and rural areas.
3. COSATU Education Department shall convene at least four meeting of co-ops linked to COSATU annually, to build unity and share resources.
4. COSATU affiliates involved in co-op development shall encourage their co-ops to forge links with community-based co-operatives, as part of building democratic co-operatives in South Africa.
5. COSATU affiliates shall educate their members about co-ops:
  - (a) to build solidarity with democratic co-ops;
  - (b) to prevent the growth of false expectations that the trade unions can create jobs for all those workers facing dismissal or retrenchment;
  - (c) to educate all their members on issues of democratic worker control of production and distribution.