

**IMPACT OF CO-OPERATIVES ON THE LOCAL ECONOMIC DEVELOPMENT OF
AGANANG LOCAL MUNICIPALITY IN LIMPOPO PROVINCE**

By

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TABLE OF CONTENTS

	PAGE
Abstract	1
List of figures and tables	2
List of acronyms	3
Acknowledgements	4
Declaration	5
Dedication	6
CHAPTER 1	
1. Introduction	7
1.1. Background to the study	7
1.2. Problem statement	9
1.3. Research questions	9
1.4. Motivation for the study	10
1.5. Aim of the study	11
1.6. Objectives of the study	11
1.7. Significance of the study	11
1.8. Definition of concepts	12
1.8.1. Local Economic Development	13
1.8.2. Co-operative	13
1.8.3. Primary co-operative	13
1.8.4. Secondary co-operative	13
1.8.5. Tertiary co-operative	14
1.8.6. Community	14
1.8.7. Capacity	14
1.9. Outline of chapters	14

CHAPTER 2

2. Literature review	15
2.1. Introduction	15
2.2. Local economic development	15
2.2.1. Introduction	15
2.2.2. Origin of local economic development	16
2.2.3. Legislative framework for local economic development	16
2.2.4. Local Economic Development and what it entails	17
2.2.5. Importance of Local Economic Development	19
2.2.6. Overall goal of LED	19
2.2.7. Critical success factors of Local Economic Development	20
2.2.8. Challenges of the local municipalities in respect of LED	20
2.2.9. Stakeholders in the Local Economic Development	21
2.2.10. International perspective on Local Economic Development	21
2.2.10.1. Local Economic Development in Brazil	22
2.2.10.2. Local Economic Development in Italy	22
2.2.10.3. Local Economic Development in South Africa	22
2.2.10.4. Local Economic Development in Limpopo	23
2.2.10.5. Local Economic Development in Aganang	24
2.2.10.6. Conclusion	24
2.3. Co-operatives Development	25
2.3.1. Introduction	25
2.3.2. Co-operatives	25
2.3.3. Distinction between co-operatives and other forms of Business	25
2.3.4. Origin of co-operatives movement	26
2.3.5. Principles governing co-operatives	27
2.3.6. Importance of co-operatives in local communities	27
2.3.7. Constraints to development of co-operatives	30
2.3.8. Critical success factors for co-operatives	34
2.3.9. International perspectives on co-operatives	34
2.3.10. Co-operatives in Sweden	35
2.3.11. Co-operatives in USA	35
2.3.12. Co-operatives in Brazil	36

2.3.13.	Co-operatives in Japan	36
2.3.14.	Co-operatives in Germany	36
2.3.15.	Co-operatives in Italy	36
2.3.16.	Co-operatives in India	36
2.3.17.	Co-operatives in Africa	37
2.3.18.	Co-operatives in Tanzania	37
2.3.19.	Co-operatives in Uganda	38
2.3.20.	Co-operatives in Rwanda	38
2.3.21.	Origin of co-operatives in South Africa	38
2.3.22.	Overview of co-operatives in South Africa	39
2.3.22.1.	Policy instrument to support co-operatives in S.A	39
2.3.22.2.	Types of co-operatives in South Africa	41
2.3.22.3.	Co-operatives in Limpopo Province	42
2.3.22.4.	Conclusion	43

CHAPTER 3

3.	Research methodology	
3.1.	Introduction	45
3.2.	Research design	45
3.2.1.	Choice and rationale and design	45
3.3.	Study area	46
3.4.	Population	47
3.5.	Sample size and selection method	48
3.6.	Data collection methods	49
3.7.	Data analysis methods	50
3.8.	Delimitations	51
3.9.	Ethical considerations	51
3.10.	Conclusion	52

CHAPTER 4

4. Presentation, Analysis and Interpretation of data	53
4.1. Introduction	53
4.2. Impact of co-operatives on Local Economic Development	53
4.2.1. Networking with other co-operatives	54
4.2.2. Impact on pricing if co-operatives could close down	55
4.2.3. Contribution to socio cohesiveness	56
4.2.4. Practice of democracy	56
4.2.5. Mushrooming of other businesses as a result of co-operatives	57
4.3. The extent to which jobs have been created (sampled co-operatives)	57
4.4. The extent to which Aganang communities financially benefit from the co-ops	58
4.4.1. Average turnover per month	58
4.4.2. Receipt of monthly salaries	59
4.5. Constraints that impact negatively on local economic development	60
4.5.1. Financial record keeping	61
4.5.2. Training programmes provided	61
4.5.3. Involvement of members during implementation	63
4.5.4. Satisfaction with the overall management of co-operatives	64
4.6. Summary of responses from officials of Aganang Local Municipality and LIBSA, and councillors	64
4.7. Conclusion	66

CHAPTER 5

5. Conclusion, Recommendations and Implications	67
5.1. Conclusion	67
5.2. Recommendations	69
5.3. Implications	71
REFERENCES	72
ANNEXURE 1 (Questionnaire to Co-op members)	78
ANNEXURE 2 (Questionnaire for LIBSA, Aganang LED officials and councillors)	81
ANNEXURE 3 (Research Matrix)	85
ANNEXURE 4 (Research Sub-questions)	91
ANNEXURE 5 (Letter of permission from LIBSA)	92
ANNEXURE 6 (Letter of permission from Aganang Local Municipality)	93
ANNEXURE 7 (Editing confirmation from Prof. L. Makalela)	94

Abstract

This research study contends that co-operatives can play a pivotal role in the development of the local economy, if they are properly implemented. The central position of this document is that co-operatives in the Aganang Local Municipality have very little impact, if any, on its local economic development. The study reveals that, there are various challenges facing co-operatives development in the Aganang Local Municipality.

According to the participants in the study, performance of co-operatives in the Aganang Local Municipality is, to a large extent, negatively influenced by the following constraints: Lack of viability studies before commencement, inadequate technical and entrepreneurial skills, Lack of finance, lack of access to affordable transport, suitable places of work, water, telecommunication services, electricity, quality raw materials and technology, lack of administration skills and mismanagement of funds.

The literature reviewed reveals that throughout the developed and developing world, co-operatives have been a significant force in the local economic development. It is also reflected in this document that in many countries co-operatives are among the largest major enterprises. Examples of those countries are the United States of America, Germany, Japan, Italy, and Tanzania.

It is common knowledge that, if enterprises/co-operatives have a number of organisational and resources constraints, they tend to fail. It is also vital to indicate that the extent to which co-operatives members are provided with knowledge and skills, determines their overall performance. On the contrary, and based on the findings of this study, co-operatives in the Aganang Local Municipality have been offered few training courses.

For co-operatives in the Aganang Local Municipality to succeed, the following are recommended: viability study before establishment of co-operatives, capacitation in terms of technical and entrepreneurial skills and adequate financing.

List of figures and tables

Tables	Page
1. Estimated Gross Geographic Product of Aganang Municipality	47
2. Sampling frame for co-operatives in Aganang Local Municipality	48
3. Sampling frame for officials responsible for co-ops In the Aganang Local Municipality	49
4. Jobs created by co-ops	57
5. Average turnover per month	58

Figures

1. Networking with other co-operatives	54
2. Impact on pricing if co-operatives could close down	55
3. Contribution to Social Cohesiveness	56
4. Practice of democracy	56
5. Mushrooming of businesses because of co-operatives	57
6. Receipt of monthly salaries	59
7. Constrains that impact negatively on Local Economic Development	60
8. Financial record keeping	61
9. Training programmes provided	62
10. Involvement of members during implementation of co-operatives	63
11. Satisfaction with management of co-operatives	64

List of Acronyms

BBBEE	Broad Based Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
CIS	Co-operatives Incentive Scheme
Co-op	Co-operative
Dti	Department of Trade and Industry
EPWP	Expanded Public Works Programme
GDP	Growth Domestic Product
GTZ	Deutsche Gesellschaft Fur Technische Zusammenarbeit (German Technical Cooperation)
ICA	International Co-operatives Alliance
IDP	Integrated Development Plan
ILO	International Labour Organization
LED	Local Economic Development
LEDET	Limpopo Economic Development Environment and Tourism
LIBSA	Limpopo Business Support Agency
SACCO	Saving and Credit Co-operatives

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Without the support and advice from the abovementioned people this research study would not have been completed.

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Declaration

I declare that this mini-dissertation hereby submitted to the University of the Limpopo, for the degree of Master of Development has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.



Moloto R.A. (Mr)

15/05/2013

Date

Dedication

This research study is dedicated to my late parents and elder brothers who were very instrumental in motivating me to further my studies. They were also committed to improving the quality of life of their fellow citizens.

CHAPTER 1

1. INTRODUCTION

1.1. Background to the study

Limpopo Province is one of the most poverty-stricken areas in South Africa, with unemployment and poverty prevalent in almost every local municipality and Aganang is no exception. According to the census of 2001, there were 8,722 employed and 12,997 unemployed persons in Aganang. Unemployment rate was estimated to be at 59.8%. Limpopo is committed to halving the unemployment rate by 2014 in order to be one year ahead of the target for achieving the Millennium Development Goals. This target requires that strict unemployment rate should be reduced to 30% by 2014, which means that 17,530 persons from the Aganang Local Municipality have to be employed by that time (Aganang LED Strategy 2007). Suffice it to mention that the Millennium Development Goals as stated in the United Nations Millennium Declaration state that goal one is to reduce poverty and hunger by half by 2015 (United Nations Millennium Declaration, 2000).

Despite the positive development in terms of growth much is yet to be done to reduce unemployment and poverty and thus combat hunger in Aganang Local Municipality. It is therefore vitally important that local economic development programmes such as support of co-operatives be implemented. However, to date it still remains a debate whether co-operatives development should continue to be regarded as the best vehicle for reducing unemployment and poverty, and combating hunger among the local communities (Phillip, 2003).

Co-operatives development and support, as one of the strategies employed to facilitate local economic development has long been agreed upon by the Limpopo Provincial Government and its districts and local municipalities. The overall goal of this model of economic development is to create and develop income-generating activities, provide sustainable, decent employment and develop human resource capabilities, among the local communities (Limpopo Growth and Development Strategy, (2004).

The role that co-operatives play in the development of the local economies has long been acknowledged by the International Labour Organization (ILO). In 2004 the

International Co-operatives Alliance and International Labour Organisation signed a Memorandum of Understanding which emphasises the role which co-operatives can play in facilitating the achievement of the Millennium Development goals (.Birchall, 2004).

Local Economic Development (LED) serves as a tool to assist in addressing socio-economic challenges such as unemployment, poverty and hunger, which South Africa, Limpopo Province and Aganang Municipality in particular are faced with. LED in South Africa is supported by all spheres of government due to the strong belief that bottom-up approaches have more chances of success than top-down ones, (Nel, 2002).

One of the Strategic programmes residing within the LED is the co-operative development initiative. Co-operatives in the Aganang Municipality are currently not showing any sign of making significant impact on the local economy, as reflected in the Limpopo Business Support Agency's 2009/10 Annual Report, which states that only thirty-one were created, and 157 sustained (LIBSA Annual Report 2009:28).

The aim of this study is therefore to evaluate the impact co-operatives on the LED in the Aganang Local Municipality, identify real constraints that inhibit progress and subsequently propose solutions to problems that are experienced.

It is now presumed that co-operatives play a pivotal role in driving the province's growth, and that they form the backbone of employment-creating initiatives. It is a fact that the Limpopo Provincial government concluded studies in the past, and subsequently formulated strategies for local economic development, but the economic growth in turn is not making any significant dent in the reduction of unemployment rate. In South Africa, data on co-operatives is generally insufficient. Data that can be used to study their development trends is even poorer.

A call by President Zuma of the Republic of South Africa for the intensification of the co-operative movement initiatives is an indication that the movement is very important. Co-operatives are regarded as the backbone of local economic development in South Africa.

1.2. Problem Statement

It should be mentioned from the outset that all research studies begin by stating a problem that the researcher wishes to solve. The researcher will never succeed in his or her quest for a solution unless the problem is clearly stated in a manner that lends itself to research. The problem must be known and delineated adequately – it must also warrant further investigation. Practically any scientific research is conducted because accumulated knowledge is never sufficient to solve all problems.

The co-operative development programme was adopted by the Aganang Local Municipality with the sole intention to enhance its local economic development. Despite the efforts by the this local municipality assisted by the provincial development agencies to develop and support co-operatives, the co-operatives programme has still not yet demonstrated any significant impact on the local economic development. Unemployment is very high and communities are still poor, thus indicating that the government's intended goal of improving the livelihoods of the local communities has not yet been met. Over the past five years, the Aganang Local Municipality has invested millions of rands into the co-operative programme, but the LED is still failing dismally to create sustainable job opportunities, reduce poverty, and combat hunger.

Evidence regarding the impact of co-operatives on the Local Economic Development (LED) in the Aganang Local Municipality is generally insufficient. The provincial government, tax payers and beneficiaries of co-operative development are continuously demanding evidence that indicates that co-operatives do have an impact on the local economic development of their municipalities. It is therefore important to conduct further studies in this field.

1.3. Research Questions

The purpose of the research questions is to obtain answers that are very important for the researcher to make some deductions related to the study. The following research questions are addressed in this study:

1. To what extent can co-operatives create sustainable employment opportunities, and thus make an impact on local economic development in the Aganang Local Municipality?

2. Is the establishment and support of co-operatives a waste of government funds or is it a good investment?
3. Are there any development-related constraints to the sustainability of co-operatives in the Aganang Local Municipality?

1.4. Motivation for the study

Practically any scientific research is conducted because man's accumulated knowledge is never sufficient to solve all problems. The study is triggered by the researcher's curiosity to find out the extent to which the co-operatives have an impact on the local economic development of Aganang Local Municipality.

Many municipalities in Limpopo and Aganang in particular are at the moment grappling with practical problems negatively affecting the LED. These problems can be resolved through a well directed strategy of co-operatives development. According to the Integrated Development Plan as at December 2009, Aganang Local Municipality was characterised by a very high unemployment rate of 59.8% and more than fifty-seven percent of its people were having no income at all. The co-operatives development programme is therefore of paramount importance for this municipality (Aganang, IDP 2009).

The researcher noticed that the rate of unemployment in the Aganang Municipality continues to increase, despite the municipality and provincial government development agencies' efforts to support co-operatives, which will in turn enhance its local economic development.

Suffice it to mention that promotion of co-operatives should not be viewed in isolation from wider national development policies and programmes. It is against this background that the Provincial Government took a decision to fund a co-operatives development programme, and mandated the Limpopo Business Support Agency to drive it in the various municipalities – Aganang Municipality is no exception.

The promotion of co-operatives is a key component of the government's broad-based black economic empowerment strategy that seeks to address the imbalances of the past and equitably transfer the ownership of economic resources to the majority of the citizens. It is thus perceived by the communities of South Africa, Limpopo, and

Aganang Local Municipality in particular, as a beacon of hope and vehicle to better their lives (A Co-operative Development Policy for South Africa, 2004).

1.5. Aim of the study

The overall aim of this research is to assess the overall impact of co-operatives on the local economic development of Aganang Local Municipality in Limpopo Province, and identify relevant intervention strategies towards its sustainability. It also aims at finding out whether co-operatives are a suitable vehicle for enhancing local economic development. The study also provides theoretical and practical knowledge towards community development in the Aganang Local Municipality.

1.6. Objectives of the study

The objectives of this study are as follows:

1. To determine the extent to which co-operatives have an impact on the local economic development in the Aganang Local Municipality, as it would be demonstrated by mushrooming of businesses in the area
2. To determine to what extent can co-operatives create jobs in the Aganang Local Municipality based on the number of jobs created per sector as reflected in the LIBSA's Annual Report.
3. To determine the extent to which Aganang communities financially benefit from co-operatives in Aganang, as reflected in the records of co-operatives.
4. To determine whether co-operatives in Aganang can sustain themselves by accessing markets, even after the withdrawal of support by the Limpopo Business Support Agency.
5. To determine whether there are any constraints to co-operatives that impact negatively on the local economic development of the Aganang Local Municipality.
6. To make recommendations on how co-operatives could be developed to the extent of making an impact on the local economic development.

1.7. Significance of the study

Officially, unemployment in South Africa stands at nearly 40%, and a figure of 59.8% has been recorded in the Aganang Local Municipality's local economic development strategy crafted in 2007 (Aganang LED Strategy, 2007). Within this context a variety

of employment generating strategies are being investigated and experimented with, by Municipalities and private organisations. One programme which enjoys considerable attention and support, though it has yet to really fully prove itself practically, is that of co-operatives development. The LED in Aganang Local Municipality has not yet been fully researched. This study therefore falls in this knowledge gap.

The findings of this study would ensure that the government's funds used to finance these co-operatives achieve its objectives of improving the socio-economic wellbeing of local communities of the Aganang Local Municipality. The Department of Economic Development Environment and Tourism, Aganang Municipality, LIBSA, the Premier's Office and Capricorn District Municipality may use the findings to facilitate sustainability of co-operativeves that are to be funded and incubated in the future.

The study would be of great significance to local government since it will assist in determining to what extent co-operatives can contribute towards the local economic development (LED). This study would provide information that could be used as reference material by other researchers and stakeholders such as councillors, traditional leaders, developers, established and prospective co-operatives, civic organisations and donors, for purposes of developing strategies for the enhancement of Aganang Local Municipality's economic growth. Suffice it to mention that the above mentioned beneficiaries would be in a position to be more focused in the formulation and implementation of municipal development strategies.

Donors would be motivated by seeing the results of their funding once these co-operatives sustain themselves and more employment opportunities are created, thus enhancing the wellbeing of the entire Aganang Local Municipality. The findings of this study could further be seen as a guide for the municipality to review its policy on co-operative development.

1.8. Definition of concepts

A number of concepts, in some instances unique to the subjects of co-operatives and Local Economic Development require clarification. These concepts or terms are as follows:

1.8.1. Local Economic Development

Nel and Mc Quaid (2002) maintain that Local Economic Development should be understood to mean a process whereby local resources are combined in order to stimulate local economies so that they could respond innovatively and competitively to change the local, national and global economies. According to them, LED aims at creating employment opportunities, eradicating poverty and redistributing wealth. This definition is also, to some extent, supported by Blakely (1994) who views local economic development as the process wherein local municipalities or community-based organizations engage to stimulate or maintain business activity and/or employment.

1.8.2. Co-operative

The International Co-operative Alliance (ICA) defines a co-operative as 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. The South African definition of a co-operative emanates from the one stipulated by the International Co-operative Alliance (International Co-operatives Alliance 1995).

1.8.3. Primary Co-operative

It 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 (Draft Limpopo Co-operatives Strategy 2009).

1.8.4. Secondary Co-operative

It is a co-operative formed by two or more primary co-operatives to provide services to its members. The purpose of a secondary co-operative is to help primary enterprises serve their members efficiently and comprehensively. They provide services such as auditing, training, marketing, bookkeeping, advice and other services required by primary co-operatives (Draft Limpopo Co-operatives Strategy, 2009).

1.8.5. Tertiary Co-operative

It is a co-operative formed by secondary and or primary co-operatives in a certain regional area or sector (Draft Limpopo Co-operatives Strategy, 2009)

1.8.6. Community

Edwards and Jones (1976:12) define community as “a group of people who reside in a specific locality”.

1.8.7. Capacity

Capacity in the context of this study would mean capacity to understand, define and manage LED and co-operatives. Capacity is however not limited to the individuals' skills, but should incorporate the organisational and environmental context as well.

1.9. Outline of Chapters

The following chapters are discussed in this research study: Chapter two provides the literature review conducted on the impact of co-operatives on the local economic development, Chapter three explores the research methodology followed, when conducting the study. In chapter four presentation, analysis and interpretation of data are provided. Finally, chapter five provides conclusions, recommendations and implications.

CHAPTER 2

2. LITERATURE REVIEW

2.1. Introduction

In this chapter, relevant literature on local economic development and co-operatives is discussed. A critical analysis of the co-operatives impact on local economic development is reflected. The discussion encompasses international and national perspectives of the topic under study.

The focus of this chapter is on the two concepts; namely, Local Economic Development and Co-operatives. It reflects on their origin, importance, and principles. It also shows evidence on the views of other researchers, regarding the impact of co-operatives on local economic development.

According to De Wet, Monteith, Steyn, and Venter (1981), the aim of a literature review is to give all round perspectives on the latest research findings regarding the topic. In this research, extracts from books, newspapers, internet scripts and professional journals were drawn. The focus was on the South African literature, although selected texts from elsewhere in the world were also reviewed.

For the sake of simplicity, local economic development will be discussed first followed by co-operatives development, although the two programmes influence one another to some extent. For instance the manner in which the local municipality has developed its local economic development strategy will determine the success or failure of the co-operatives development programme. In the same breath, the failure of the co-operative programme will to some extent impact negatively on the local economic development of the municipality. Local economic development is regarded as the key factor in the development process.

2.2. Local Economic Development

2.2.1 Introduction

In this section existing literature on economic development is discussed. It is also understood that LED is implemented by various countries in the world.

2.2.2. Origin of Local Economic Development

A brief history of local economic development is reflected, before the current national policy on LED is discussed. Local economic development should not be regarded as a new concept in the economic development field. It was implemented in many developed countries of the North as far back as the 1960's. On the contrary, countries of the South appear to have started implementing the LED not very long ago. It started when local governments realized the importance of their role in enhancing the economic viability of communities. As the government removed constraints to economic development and facilitates support of business, communities were able to grow their economies and create jobs throughout the world (Nel and Mc Quaid, 2002).

According to Nel and Rogerson (1995) like in other countries, LED was practised in urban areas of South Africa at the beginning of the twentieth century. During the apartheid era, the state was controlling all aspects of society, thus suppressing local initiatives (Nel, 1999).

Besides the fact that it is an old concept, there is still slight confusion as to what exactly is local economic development. Depending on the perspective from which one looks at it, it could be considered to encompass the following activities: development of infrastructure, facilitation of business development in the local area, skills development, facilitation of access to business advice and financial services, and marketing of the area.

2.2.3. Legislative Framework for Local Economic Development

According to Malefane (2009), the implementation of Local Economic Development by municipalities should not be understood to be optional, voluntary or unconditional. They are not doing it because of favour intended for the benefit of local communities, but rather because they have to comply with a legislative obligation. The Constitution of South Africa (1996) also cites institutionalised local economic development as one of the strategic functions of the municipalities. Section 152 (C) and 153 (A) of the Constitution states that municipalities must "promote and manage their administration, budgeting and planning processes to give priority to the basic needs of the communities". The Municipal Systems Act (2000) also mentions that local

resources must be mobilised and developed in order to tackle local economic and social challenges.

2.2.4. Local Economic Development and what it entails

Local Economic Development is understood to encompass municipality-led programmes such as co-operatives development, which enhances the creation of job opportunities in the local area with the ultimate aim of reducing poverty and combating hunger. It aims to enhance competitiveness and thus encourage sustainable growth of the local area.

The practice of local economic development can be undertaken at different levels. A local government pursues LED strategies for the benefit of its jurisdiction, and individual local communities within a local government's jurisdiction can also pursue LED strategies to improve their economic competitiveness. Such approaches are most successful if pursued in line with local government's socio-economic strategies. LED is, thus, about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes, (World Bank 2008.) It is a strategy that assists in creating decent jobs and improving the quality of life of the local communities

Since local economic development may mean different things to different people, to understand it, the following definitions should be considered: Nel and Mc Quaid (2002) take the view that Local economic development (LED) is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

Thus by inference, to ensure a sustainable local economic development initiative, local municipalities, businesses and local communities must commit themselves to work together through a consultative process. Development of the local area can only be possible if there is co-operation among the local municipality, business and communities.

The views of Nel and Mc Quaid (2002) are supported by Marsden and Smith (2005) in their assertion that "Overall wealth creation and local economic development within wider context of sustainable development require new entrepreneurial initiatives that focus on investing in the local environment, creating/strengthening

local institutions and employing people and their resources” (Marsden and Smith 2005:441) Therefore, central to the definition of Local Economic Development, is the participation of all stakeholders, namely businesses, public sector and the community. It is important to note, in order for businesses to prosper, favourable condition government need to prevail. These conditions would in turn, lead to business success and job creation. It could thus be inferred that local economic development is essentially a partnership between local communities and the public sector

Blakely (1994) also supports the views of Nel and Mc Quaid, as well as Marsden and Smith, because according to this author, local economic development is a process in which local governments or community-based organizations engage to stimulate or maintain business activity and or employment, the principal goal being to stimulate local employment opportunities in sectors that improve the community’s living conditions, using existing human, natural and institutional resources.

Local economic development could be regarded as a participatory process where local people from all sectors work together to stimulate local commercial activity, resulting in a sustainable economy. It is a tool to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized. It encourages the public, private and civil society sectors to establish partnerships and collaboratively find local solutions to common economic challenges. Community participation is viewed as very important since it addresses people’s needs. However, the consultative process becomes a challenge to integrated decision making (Tshabalala and Lombard, 2009).

Local economic development is ideally a result of local stakeholders engaging in activities, projects and programmes that address the socio-economic challenges in their area. It is about local communities using their human, physical and financial resources to enhance economic development, employment opportunities and general quality of life.

The German Technical Cooperation (GTZ) view LED as a programme which involves key stakeholders and institutions from public and private sector as well as civil society, in the locality, with the purpose of tackling market failures, removing

constraints to local enterprise development and strengthening their competitiveness (GTZ 2003).

According to the World Bank (2008), LED creates an opportunity for local government, private, non-government organizations and local communities to cooperate for purposes of improving the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive. LED encompasses a range of disciplines, including physical planning, economics, and marketing. It also incorporates many local government and private sector functions such as environmental planning, business development, infrastructure provision, real estate development and finance.

Local economic development is regarded as a strategy that encourages local people to work together to achieve sustainable economic growth, and thus improved quality of life for all communities in a local municipality. It is a municipality led programme, specifically developed and implemented to improve the economic wellbeing of local communities.

LED's fundamental approach is to combine all usually fragmented economic development approaches into systematic and sustainable strategies. It thus focuses specifically on local economic aspects.

2.2.5. Importance of Local Economic Development

Through the use of the local municipalities' comparative advantages, local communities can find their own market niche in the global economy. Communities within rural and urban areas compete to attract investments. It is therefore important for them to work to achieve local economic outcomes (Malefane 2009). The metropolitan, urban and rural areas must ensure the availability of services such as electricity, transport, housing, water, sanitation, telecommunications, health, educational services, skills, business development services and business links, which are in fact the backbone of the LED.

2.2.6. Overall goal of LED

The overall goal of Local economic development is to harness local resources in a manner that would enable the local economy to grow and sustain itself in order to

create sufficient job opportunities and subsequently reduce unemployment and poverty. Strategic Objectives for Local Economic Development are as follows: To reduce unemployment and poverty, combat hunger, promote creation of decent jobs, support and facilitate attraction of investments. However, it should be noted that poverty is caused by many factors, and attributing the problem to lack of implementation of LED programmes may be seen as limiting the available options of combating it. Malefane further argues that the aim of LED is to address inherited inadequacies and failure of apartheid policies, and also to facilitate equitable economic growth and social development (Malefane 2009)

2.2.7. Critical success factors of Local Economic Development

In order to successfully implement local economic development, the following factors need to be taken into consideration: commitment from politicians need to be obtained, accountability must be assigned (the most obvious party in LED, is the local municipalities), the informal economy must be considered, the local municipality must invest cost effectively in infrastructure, socio-economic activities must be integrated, all relevant stakeholders must network, tangible results must be achieved through leveraging private investment, and encouraging establishment of local co-operatives (Malefane).

Suffice it to mention that local economic development strategies need to be unique to the area, since in each town, city and community there are unique conditions that enhance or hinder its strategies. Therefore, when implementing a local economic strategy, the uniqueness of the local area needs to be taken into consideration.

2.2.8 Challenges of the local municipalities in respect of LED

Many impoverished local communities are unable to pay municipal levies, thus negatively impacting on the activities and capacities of local municipalities. It thus calls for a need to avail sufficient funds specifically dedicated to local economic development (Malefane 2009). It is quite necessary that local municipalities play a pivotal role in the development of the local economy. It is however important to note that LED is not to be regarded as the sole responsibility of local municipalities. Taking from the international experience, public-private partnerships need to be established in order to enhance the local economic development.

2.2.9. Stakeholders in the local economic development

Since the LED is a complex process, it is important that various stakeholders are encouraged to participate, since local economic development is a participatory process, where local people from all sectors work together to stimulate local commercial activities, which in turn can result in an economically sustainable local municipality. It encourages the establishment of partnerships which could enable local people to collaboratively find local solutions to common economic challenges (Tshabalala and Lombard 2009).

The following stakeholders are worth mentioning: public sector, small and large enterprises, banks, chambers of commerce, civil society and other state owned entities. Trade unions, land and real estate developers, professional associations, local educational institutions, religious and other cultural groups and minority groups such as the disabled, youth, women need to be involved in local economic development. Suffice it to mention that, local economic development is ideally a result of local stakeholders engaging in activities, projects and programmes that address the socio-economic challenges in their area. It is about local communities using their human, physical and financial resources to enhance economic development, employment opportunities and general quality of life (Tshabalala and Lombard).

2.2.10. International Perspective on Local Economic Development

Internationally the responsibility for the promotion of social and economic development has increasingly become the domain of local municipalities. Similarly, the South African government has followed this trend in a desire to redress the imbalances of the past and promote growth and development at the local municipality level

Both internationally and nationally, there have been vigorous debates as to how best to promote local economic development as a way of reducing unemployment and poverty, and combat hunger. Globalisation brought with it both risks and opportunities to local economies, hence the need to develop and implement local economic development strategies. Before there could be discussion about local

economic development in Southern Africa, South Africa, Limpopo and Aganang in particular, more generic international approaches need to be explored.

2.2.10.1. Local Economic Development in Brazil

In Brazil, LED projects are located in urban areas, namely medium sized municipalities rather than rural-areas so that they could assist the low-income group. They are industrial in nature. Their managerial structures and marketing strategies are beyond reproach. According to Ferguson (1992), Brazilian municipalities of Toleb and Cambe in Parana State are typical examples of local authorities that implement LED strategies successfully.

2.2.10.2. Local Economic Development in Italy

For LED to survive, localities need to facilitate development of skills in the local economy. Pyke (1992) holds the view that small individual local enterprises which specialize in a particular product or service are organised and encouraged to partner with local institutions, through relationships of competition and co-operation. They thus leverage on their collective efficiency in their business transactions.

The above Italian model is praised by Cooke and Morgan (1992) as the best LED model in Europe. This model of Emilia-Romagna Region put emphasis on the following elements: networking between and among enterprises and trade associations, generation and utilization of information within and beyond the region, decentralised delivery through networks and social innovation in public transport, child care and training. Through social innovation the collective intelligence of the region is more readily tapped (Cooke and Morgan, 1992).

2.2.10.3. Local Economic Development in South Africa

Nel (1999) claims that Local Economic Development (LED) is currently attracting considerable attention in the South African government policy circles. Even though the concept is still relatively new in the country, it enjoys wide acceptance and credibility, since it is moreover grounded on the constitution which was adopted in 1996 (Republic of South Africa 1996). This constitution spells out clearly that the government must promote socio-economic development,

It is a fairly new development strategy, which is currently being implemented. The South African Constitution, states that the appropriate local economic development approach for each municipality depends on local conditions, although a number of broad principles need to be adhered to, including among others, utilization of local resources, plugging leakages of buying power, mobilising resources for LED and building local institutional capacity to manage and monitor the LED (Nel and Humphrey 1999).

The government at national, provincial and local levels, regard LED as an anti-poverty strategy. It is believed that the LED programmes will have a positive impact on the intended beneficiaries.

2.2.10.4. Local Economic Development in Limpopo

One of the strategies employed by the Provincial Government is to ensure that the LED projects are sustainable - this is done through the co-operative model of business enterprises. Local economic development aims at improving the livelihoods of the disadvantaged communities by ensuring sustainable opportunities through the establishment of co-operatives. To date, local municipalities have introduced various programmes to assist in maintaining a sustainable LED strategy. These programmes include, among others, the establishment of infrastructure for co-operatives.

The contribution of Limpopo to the Gross Domestic product (GDP) is very minimal. It has few industries, thus employing relatively few people resulting in high unemployment rate of 25.2% (Statistics South Africa, 2010). It thus came as no surprise that the province encouraged all local municipalities to develop and implement local economic development programmes in all municipalities.

In Limpopo, local economic development is likely to promote political and racial reconciliation in the same manner that the town of Stutterheim has succeeded in addressing the legacy of apartheid in South Africa. Community-led development initiatives in this small rural town of Stutterheim could be replicated in other small local municipalities such as Aganang, in order for it to improve on their local economic development performances. In order to succeed, Stutterheim had to take into consideration the fact that influential people in the community needed to

reconcile their differences, and agree on their local economic strategies and outcomes (Nel 1994).

2.2.10.5. Local Economic Development in Aganang

Local economic development is highly regarded as the backbone of development as evidenced by the Municipality's IDP which encompasses the LED strategy. In this municipality, LED seizes its role of addressing socio-economic challenges that the local municipality of Aganang is facing. Although the strategy is in place, Aganang Municipality has experienced very few successes if any in the past five years. One of the local economic development strategies employed by the Aganang Local Municipality is the implementation of the co-operatives development programme.

2.2.10.6. Conclusion

This section clarified the concept of Local Economic Development as the backbone of development in developed and developing countries. Based on the theories cited above, it is quite clear that local economic development is a strategy that is implemented by local municipalities to improve the socio-economic wellbeing of their communities. It is also noted that some municipalities' LED programmes are often inadequately funded. If the municipalities wish to encourage success in many local economic development programmes, adequate support and funding, need to be provided.

Experiences of various countries have important implications for successful LED in South Africa. They further indicate that local municipalities play a pivotal role in enabling local enterprises such as co-operatives to satisfy the needs of the local communities. Such experiences further suggest that public-private partnerships are central to LED in both rural and urban areas, in developing and developed countries.

From the above literature, it is really evident that local economic development is perceived differentially by different authors. This is indicative of the fact that there are lots of debates around the concept. However, it should be noted that co-operatives development, although being criticized, is still being regarded by many countries as a key vehicle for local economic development.

2.3. Co-operatives Development

2.3.1. Introduction

One of the most widely implemented models to speed up local economic development is co-operatives development. Very few people, if any, doubt the centrality of co-operatives in local economic development. Before we focus on the co-operatives and their impact on the local economic development, a brief explanation of what co-operatives are, and how they differ from other business enterprises is given.

2.3.2. Co-operative

In any discussion of the advantages or disadvantages of the co-operative business it is necessary to explain what a co-operative is and what a co-operative is not.

It is rather difficult to define exactly, what is meant by a co-operative. The word, co-operative is derived from the Latin word, *co-operari*, meaning to work together. A co-operative can generally be described as an organization which is established and also patronised by its members, who provide raw materials or become buyers of the final product including the services” (Van Niekerk ,1982).

According to the International Co-operatives Alliance, “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, organised and operated on cooperative principles” (International Co-operatives Alliance1995). In other words, a co-operative could be regarded as a jointly owned enterprise, organised by producers or consumers, which produces and distributes goods and services for the benefit of its owners or members.

2.3.3. Distinction between co-operative and other forms of business

Co-operatives differ from other businesses in that they return net income to users or patrons, while other businesses return it on the basis of investment”, (Cobia,1989). According to Dyer (2009), co-operatives represent a shift of power from the owners of capital to workers as the owners of labour.

According to Mugambwa (2005) the main features that distinguish co-operatives from other forms of businesses, are their values and principles. However, it is worth mentioning that these principles should be treated as guidelines. The co-operative values and principles foster unity and co-operation amongst the grassroots in their struggle to improve their economic situation. It is a convenient means of encouraging the common people to participate in the economic development of their local area and country. Because of the nature of the composition of their membership and the distribution of surplus income earned by the co-operatives, they ultimately facilitate a wider distribution of wealth to the population than ordinary enterprises whose shareholders are usually relatively rich people.

Dyer (2009) also distinguishes co-operatives from other forms of businesses by citing that technological advances and productivity gains are retained within an enterprise and passed on to worker-owners in democratic firms. In capitalist firms, on the other hand, they are paid out by way of dividends to shareholders, who invariably live in some other region or country. Without change in the exercise of power workers will remain subordinated to the interests of capital and exploited by the owners of capital who are interested in increasing their power and control.

A co-operative should not be confused with parastatal or a non-profit organisation. A co-operative is not a parastatal. Government agencies in some developing countries are called co-operatives whereas in reality they are not. Furthermore an association should not be construed to be a co-operative, although some call themselves co-operatives. Co-operatives must be member-owned, and return, surplus income to members.

A non-profit organisation is also not a co-operative because it serves people or organisations outside of itself. It also does not divide its surplus revenue among its members.

2.3.4. Origin of the co-operatives movement

Co-operatives have a long history, both nationally and internationally. They have been in existence for centuries. For instance, “the existence of agricultural tenant contracts with co-operative characteristics, which were proclaimed by the Babylonian

King Hammurapi between 2067 and 2025 BC, points to the existence of co-operatives” (Van Niekerk .1988).

Van Niekerk (1988) further claims that the idea of working together and assisting one another dates back to the Babylonian, Greek and ancient Chinese communities. About 200 years before the Christian era, Chinese had already established loan societies which had co-operative characteristics. During the period, 325-300 BC, the Greeks had already established legalised funeral benefit associations. It is also indicated that the Islamic Religion which was founded by Prophet Mohamed in about 600 AD, also supported the idea of co-operatives.

As a modern phenomenon, the co-operative form of enterprise can be traced to small enterprises in the town of Rochdale, north of England. To date, the principles that they adhered to are still regarded as the foundation of co-operative development, and they remain essentially the same as those practised by the Rochdale pioneers. It is in fact during the latter part of the nineteenth century that the concept spread to other European and North American countries. During the early twentieth century, the co-operative movement spread to Asian and African countries.

2.3.5. Principles governing co-operatives

According to the International Co-operative Alliance, the following principles need to be adhered to: voluntary and open membership, democratic member control, member economic participation, autonomy and independence and education training and Information.

2.3.6. Importance of Co-operatives in the local communities

The World Bank has identified “empowering poor people to participate in development and investing in them as one of the two pillars undermining its efforts to eradicate poverty. It is thus no surprise that the whole world view co-operatives as one of the vehicles to be employed to eradicate poverty (World Bank (2008).

Wanyama, Develtere, and Pollet (2009) also maintain that co-operatives play an important role in the communities. Their role leads to enhancement of the living conditions of their members, especially low-income groups as well as the society at large.

Some of the roles played by co-operatives in the local communities as experienced in the whole world are stated below: According to Nattran and Roux (1991), the most important way of alleviating poverty is to create income-generating opportunities for the poor. Therefore, one of the special programmes that are placed high on the anti-poverty agenda is co-operatives.

Co-operatives also create, improve, and protect the income and employment opportunities of its members and the poor, as well as marginalized groups in the community. Co-operatives facilitate social and political reconciliation, and provide access to financial services and moral support as could be seen in the role played by co-operatives during the mishap caused by Tsunami to the East Asian communities.

They provide opportunities for small enterprises to survive in a world dominated by capital markets. For instance, farmers could market their produce to bakers to cater for reasonable prices, co-operatives members could also save and obtain mini loans at low interest rates.

Co-operatives encourage and promote local economic development utilizing local resources for local benefit – they are enterprises which predominantly reach out to the poor local communities. They are owned by those who use their services, and therefore, they are the right vehicle to empower themselves and the local communities. Suffice it to mention that real co-operatives operate with own resources without depending on external help. Moreover they help to adjust for the market imperfections that normally would impede the majority of private sectors actors from traditionally marginalised areas, from fully competing in the domestic and or global economies.

According to Bibby (2006), co-operatives are providers of solutions to economic problems through their collective action in other areas such as fisheries, forestry and housing co-operatives, which are sustainable, and provide positive benefits to their members in particular, local municipality and its communities. Products and services not otherwise available in the community are provided by these co-operatives.

The purpose of the co-operatives programme is to aggregate buying power, and enhance the co-operatives' opportunities for collective marketing. Co-operatives may become more competitive than other forms of enterprises since they can provide the

same goods or services at lower cost through the following: leveraging economies of scale through bulk buying. They can also be competitive through providing goods and services that are otherwise not available from other enterprises. Co-op members can also share knowledge and skills through working together.

Co-operatives facilitate local savings and lending. They provide services that local municipalities cannot provide, such as, maintenance of schools, community halls, public gardening, waste collection and management etc. They also facilitate the prevention of crime emanating from unemployment, jealousy and poverty. Co-operatives are able to respond promptly to the local community's needs. They facilitate sustainability of local economic development by being responsible for producing and supplying safe quality food and services to their members, but also to the communities in which they operate.

Co-operatives assist in absorbing larger numbers of local people than individually owned enterprises. Members and their co-operatives enhance the employability of the vulnerable and often socially excluded individuals in the local area. All over the world, millions of people have chosen the co-operative model of business enterprise to enable them to reach their personal and community development goals.

Although there is recognition that co-operatives contribute to socio-economic development and the attainment of United Nations Millennium Development Goals, many people still believe that they are insignificant enterprises struggling to survive. Suffice it to mention that the S.A. Government is a signatory to the Millennium Declaration and the Millennium Development Goals, which has a clause that stipulates that the international community should fight poverty, accelerate human development and transform the global economy in a manner that will address the interests of the developing countries.

Members may combine their strengths whilst still maintaining their status as independent business people. Distribution costs can be lowered, joint product or service promotion could be conducted, joint deliveries and marketing could be made.

Despite the importance of co-operatives, there are some disadvantages; namely, outside financiers may be reluctant to lend money, except if terms are unfavourable to co-operatives. Another disadvantage may be that co-operative members are prone

to inviting negative political influence. Suffice it to mention that these negative things are mainly experienced in poor and less educated co-operatives members.

2.3.7 Constraints to Development of Co-operatives

For the purpose of this research, constraints could be construed to mean internal and external factors that negatively affect co-operatives in their endeavour to make an impact on the local economic development. The following are some of the major constraints facing co-operatives development in South Africa: Lack of viability studies before commencement, inadequate technical and entrepreneurial skills Lack of finance access to affordable transport, suitable places of work, water, telecommunication services, electricity, quality raw materials and technology. There is also generally a lack of administration skills. One of the main factors negatively affecting development of co-operatives is mismanagement of funds.

Emdon (1997) cites the following as some of the constraints affecting co-operatives development: Limited access to capital, higher unit costs due to the fact that equipment cannot be used to full capacity. They do not enjoy quantity rebates when purchasing material. Further constraints to co-operatives are found in the banking and credit areas. Substantial problems are connected with the banks requirements which guarantee for the loans. This constraint can however be alleviated by utilising Khula Credit Guarantee Scheme. Moreover, this scheme is not user-friendly at the moment. Small business owners vying for contracts from the local government, other departments and parastatals may be discouraged in their efforts because of seemingly unreasonable, complicated tender documents.

Emdon further, cites lack of access to relevant and easily accessible training in entrepreneurship, production skills, labour relations and other statutory requirements, lack of access to affordable transport, water, electricity, telecommunication and other basic services. There is also a general view that there is lack of appropriate human capital, which is a stumbling block in the way of local economic development. Limited access to business-related information and failure to efficiently and effectively manage conflict is also cited as one of the constraints. Local economic development initiatives may be stifled, if there is inadequate strategic passenger and goods transport systems.

Co-operatives are also, to a large extent, subjected to more control and close monitoring by public servants than any other business in their management and activities. Many business people resent advice or instructions from civil servants, let alone politicians, telling them how to run their business. Indeed, in many countries government interference in the running of co-operatives is often cited as one of the main reasons for the failure. Lack of participation by members is one of the major reasons for failure of co-operatives.

Although it is believed that the government's support to co-operatives is pivotal to their survival it can however also be detrimental since the dependency syndrome among members of the co-operative could easily develop. It is widely agreed that most of the co-operatives fail due to the fact that they receive too little or too much external assistance. The idea of regularly providing funds other than seed funding, to the co-operatives may lead to short term growth which may be followed by complete closure after government funding ceases. They often fail because the government is often tempted to take over the responsibility of these co-operatives in terms of management and liability. For co-operatives sustainability to happen, the government should intervene in the co-ops affairs through offering favourable conditions that would enable co-op members to make their own decisions about the co-op activities. The government should also actively support co-operatives through the development and implementation of the policies that are conducive to their sustainability (Harms 2007).

Phillip (2003) claims that co-operatives have a tendency of adopting a welfare type of approach towards business, thus forgetting that they are businesses. Inability to access training programmes is one of the main constraints to co-operative development. It is clear that without proper training, co-operatives cannot function well even if they can obtain sufficient capital to develop their businesses. The fact that most of the co-operatives members attended school up to the level of primary education, various training programmes are needed to equip them with important skills such as financial management, bookkeeping, conflict resolution and leadership as well as co-operative principles. Some of the co-operatives lack technical skills related to their field and type of business. This leads to them using machines incorrectly and not being able to identify and deal with technical problems. Most

would then wait for a consultant or service providers or an officer to come and solve such technical problems as they arise. The low level of education within our communities poses a serious challenge for co-operatives initiatives. Given the fact that co-operatives are member owned and run, it becomes difficult to run the co-operative as a business

A crime-prone area is not conducive to successful co-operatives development. According to Harmon (1979), crime is one of the major causes of small business failures and crime losses in small enterprises are thirty-five times greater than in large firms.

According to the Limpopo Co-operatives Strategy, the research that was conducted by the Universities of Limpopo, Venda and Pretoria showed that a lot of co-operatives failed because they were not managed as businesses but as projects.

Van Niekerk (1998) also maintains that the failure of Agricultural co-operatives in South Africa's communal land has been blamed on poor management. This assertion seems to have distorted other plans to support co-operatives in favour of training them only. Although training is important it should however, not be construed to be the only preventative measure for failure. There may be other institutional challenges that hinder co-operatives members from performing efficiently and effectively in the business. It is therefore very important that co-operatives in Limpopo and Aganang in particular, be supported politically and economically. Institutional problems need to be identified and analysed in order to come out with the correct solutions.

Co-operatives in general, especially the smaller ones, are unable to attract private sector funding. This is because of their democratic formation and management structures, the limitation in joint responsibilities on liabilities and historical projection of co-operatives as projects. Some of the co-operatives do receive funds but such funds are inadequate and as such they are unable to meet the requirements of the co-operatives. The historical failure of co-operatives also does a lot of damage in the attempt to attract financial institutions to provide funding.

Access to markets is a very big challenge for co-operatives. The mainstream government procurement system has not catered for co-operatives. Few, if any, are

able to get government orders as most people do not accept co-operatives as a formal business. Joint marketing or centralized marketing of their products can also assist in improving access to markets.

However, it needs to be mentioned that some of the co-operatives lack capacity and knowledge of marketing their products and services, and therefore are unable to access the few market opportunities. There is also a tendency of co-operatives to depend on government institutions to continuously take them to exhibitions, and as such most of them are reluctant to spend money to market their products and services.

Since co-operatives are member owned and run, they sometimes register a large number of members who have equal voting rights. This leads to a lot of conflicts due to members' low education levels. In most cases, an influential member would start the co-operative or emerge as a leader as the process unfolds, and take over the management of the co-operative through dominating and influencing decisions. Other members may fight back, keep quiet or leave.

Since a lot of co-operatives start with a low or no funding for salaries, they do not earn salaries. This makes them vulnerable to losing good people, especially if young people are involved. Some co-operatives are weary of spending money on salaries even if they make money. This discourages other members who do not agree with the decision of low or no salaries, and they just leave. Those that do pay salaries pay themselves very low monthly salaries of between R300 and R1000 (Limpopo Co-operatives Development Strategy 2010).

Some co-operatives established a long time ago still use old inefficient machines. Those that have new machines end up not knowing how to operate them. There are some co-operatives funded by LIBSA for which machines were bought and get broken easily and frequently. This may be because cheaper machines are bought so as to stretch the budget and suppliers and manufacturers do not alert the institution of the durability of such machines. This is seen with mostly construction types of machines and even toilet paper manufacturing machines. Some of the machines require regular replacement of expensive parts which have not been catered for in the budget. Most co-operatives do not budget for repairs and when the equipment

breaks down, they wait for the government to assist them, otherwise they close down (.Draft Limpopo Co-operatives Development Strategy)

Communities require information about establishment of co-operatives and how they operate. Once co-operatives are established, they also require information to assist them in their business like getting through to the markets, getting suppliers and managing their business. Some rural areas do not have sufficient information about co-operatives though state-owned entities and government do have information dissemination programmes. Such a challenge will always exist as there are more people and they move, grow, finish school or get retrenched (Draft Limpopo Co-operatives Strategy 2010).

2.3.8. Critical Success Factors for co-operatives

The Co-operatives Act (No 14 of 2005) requires that co-operatives are registered in order for them to be recognised as legal entities in South Africa. Co-operatives cannot be expected to be sustainable unless there is a favourable environment to development and sustainable markets. Access to credit at reasonable terms and adequately trained co-operatives members are also very important for co-operatives to sustain themselves.

Some of the success factors of co-operatives are as follows: favourable laws and policies, open membership to all users, high equity/debt ratio, services centred around members, no government representatives who are elected as board members, co-operatives organised around a resource base, proper management, market access, management and membership training and development, willingness to use modern technology, and enabling legal and regulatory environment.

2.3.9. International perspective on co-operatives.

Before discussing the South African model of co-operatives, a few international references on co-operatives need to be made in order to provide context to the debates that would unfold. Internationally, co-operatives are playing a pivotal role in their contribution to economic development in both developed and developing countries. It is important to mention that co-operatives account for a significant share of business throughout the entire world, especially in the agricultural sector. According to the International Labour Organization, co-operatives are regarded as

pivotal in improving the living and working conditions of communities globally. They provide over 100 million jobs around the world, 20% more than multinational enterprises. In 1994 the United Nations estimated that the livelihood of nearly 3 billion people, or half of the world's population, was made secure by co-operatives enterprises (International Labour Organization 2005). The following serve as further evidence that co-operatives play a significant role in the development of the economies of both developed and developing countries:

2.3.10. Co-operatives in Sweden

Evidence that co-operatives make a significant positive impact in terms of creation of job opportunities is illustrated in the study of six co-operatives in Jamtland Northern Sweden, by Bengt Lorendahl (Lorendahl 1996). The findings were that, of the six co-operatives studied, five created local employment varying from two to ten full time jobs. Local employment in this instance refers to the number of direct and indirect persons employed by the co-operatives. Indirect employment could refer to a situation where a co-operative is creating jobs and income, enabling young families to move into a village.

This would mean more children in the local area, which in turn makes it necessary to employ an additional teacher. This definitely represents a significant contribution in the small rural villages where the co-operatives are operating from. (Lorendahl 1996). According to Dyer (2009), co-operatives control 99% of Sweden's dairy production.

2.3.11. Co-operatives in the USA

According to Beer, Houghton and Maude (2003:86), "more than any other nations studied, the United States conducts its local and regional development activities through local organisations". They claim that this is possible because the United States assigns more tax and service provision responsibilities to the local governments. It thus comes as no surprise that in the United States, 4 in 10 individuals are members of a co-operative. In the United States more than 30 co-operatives have annual revenues of USD 117 billion. In addition, approximately 30% of farmers' products in the US are marketed through 3,400 farmer-owned co-operatives.

2.3.12. Co-operatives in Brazil

Healthcare co-operatives such as the National Confederation of Medical Co-operatives in Brazil also exert a significant impact on health status of the people of Brazil.

2.3.13. Co-operatives in Japan

Co-operatives in Japan make up a huge organizational network in the following sectors: agriculture, social, cultural and industrial sectors. They play a pivotal role in providing infrastructural facilities such as warehouses, transportation research and supply inputs (Rajaratne 2007). Dyer cites that co-operatives control 95 percent of Japans' rice harvest. Almost 100% of Japans' fishermen are organised in co-operatives (Dyer 2009).

2.3.14. Co-operatives in Germany

The co-operatives movement in Germany started in the middle of the 19th century. In Germany, the so-called rural co-operatives do exist. Similar co-operatives exist in Austria, and mostly called credit unions. These co-operatives offer full service banking facilities and compete in the same market with commercial and savings banks. As a result of the unification of Germany another type of co-operative called farming co-operative has emerged. Therefore the term, co-operatives bank is a better fit to their characteristics (Lyne and Collins 2008).

2.3.15. Co-operatives in Italy

In Italy, co-operatives are supported by the government. The largest grouping of co-operatives is Legacoop, which by 2002 had a membership of six million. From the foregoing, one could draw a tentative general conclusion that co-operatives can make a significant contribution to local economic development.

2.3.16. Co-operatives in India

In India, the dairy Co-operatives offer a good example of the impact of co-operatives in bringing grassroots farmers out of poverty and connecting them with markets. The National Dairy Development's main objective is to assist grassroots milk producers in the rural areas of India to reach markets and also obtain inputs and services,

technical expertise and financial assistance. The social impact of co-operatives in India is in the form of a major family planning programme linked to dairy co-operative members in India's poorest and most populated districts.

2.3.17. Co-operatives in Africa

According to Wanyama, Develtere and Pollet (2009), "cooperatives development in Africa can be said to have traversed two main eras: the era of state control and that of liberalization. The first era lasted up to the early 1990s, and saw the origin and substantial growth of cooperatives on the continent". According to them, co-operatives in Africa did not originate from the people's interests and motivations. They were sanctioned by colonial governments, and subsequently controlled by them.

2.3.18. Co-operatives in Tanzania

The history of co-operatives in Tanzania dates back to the late 1920 although in the past, they played a pivotal role in the social development, and rural and urban economy, the current image is negative. Co-operatives are seen as being unable to cope with modern economic realities (Bibby 2006). Corporate governance is central to the co-operatives reform process in Tanzania and elsewhere in the world.

Poor administration and leadership, poor business practice and corruption have tarnished the image of co-operatives. If they are to meet their potential in the future, a comprehensive transformation is necessary.

The 2000 Special Presidential Committee on Reviving Co-operatives, and New Co-operative Legislation of 2003 gave birth to the Co-operative Reform and Modernisation Programme. According to the Co-operative Reform and Modernisation Programme, Tanzania will see a true emergence of democratic and economically viable co-operatives, only if grassroots membership is empowered.

According to Bibby (2006), some of the Tanzanian co-operatives still operate unprofitable facilities such as hotels, oil mills and cotton granaries. Tanzania's network of Savings and Credit Co-operatives Societies (SACCOs) has survived as effective micro-financial institutions. On the contrary the Co-operatives Reform and Modernisation Programme recognise that SACCOs are not meeting their full

potential. He also points out that co-operatives wherein women are participating actively turn to be more successful than others. For instance in SACCOs, women are demonstrating that they are good savers and borrowers (Bibby 2006).

As evidence that Tanzania recognises co-operatives development, as important, Moshi University College of Co-operatives and Business Studies has been established to cater for the educational, training and development needs of co-operatives.

2.3.19. Co-operatives in Uganda

The role played by the Uganda Health Co-operative (UHC) is worth mentioning. It serves rural residents in the Southern part of the country with pre-paid health plans that encourage early treatment of potentially serious diseases, introduce preventive health care that reduces employee absenteeism, prevents malaria by distributing insecticide-treated nets, and provides a more stable funding for private health care facilities and hospitals, track patient health status, review benefits and coverage, and train other co-operatives.

2.3.20. Co-operatives in Rwanda

Following the genocide of 1994, a credit union system expanded services and access to small savers and producers in rural areas without regard to ethnicity. The outreach of credit union system in Rwanda increased from 228 846 in 2000 to 421 965 in 2005.

2.3.21. Origin of co-operatives in South Africa

The Co-operative movement in South Africa dates back to the 19th Century, as a consequent of the side effects of the Anglo-Boer War. Against the backdrop to the different forms of co-operatives in South Africa, this study provides a background to the different forms of co-operatives that have emerged, to key debates and challenges in the co-operatives movement, and to the track record of various co-operatives (Lyne and Collins 2008). According to Phillip (2003), however, South African Agricultural co-operatives began in the 1910's and 1920's, and focus on input supplies and joint marketing. South African co-operatives have since mushroomed all over the country and Limpopo in particular. Although there are some successes and

failures the Limpopo Provincial government is convinced that the co-operatives development could be a viable strategy for the promotion of local economic development (Limpopo Employment, Growth and Development Plan 2009). Co-operatives are undoubtedly an important vehicle in promoting Local Economic Development.

2.3.22 Overview of co-operatives in South Africa

In the South African context a co-operative is an autonomous association of persons united voluntarily to meet their economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises which are organised and operated on co-operative principles (South African Co-operatives Act. No.14 2005). Similarly, A Co-operative Development policy for South Africa states that a co-operative is regarded as a small enterprise as reflected in the National Small Business Act, 29 of 2004. This is further supported by the fact that a small enterprise, according to the National Small Business Act, means a separate and distinct business entity together with its branches and subsidiaries, if any, including a co-operative enterprise (A Co-operative Development Policy for South Africa 2004).

According to Phillip (2003) the Presidential Growth and Development Summit held in July 2003, recommended special measures to support co-operatives as part of several strategies to enhance creation of job opportunities and combat poverty and hunger.

According to the South African Co-operatives Act, 2005 (Act 14 of 2005), co-operatives have the potential to do the following: create and develop income-generating activities and sustainable, decent employment, develop human resource capacities through education and training, develop entrepreneurial and managerial capabilities, strengthen entrepreneurs' competitiveness and access to markets, and increase savings and investments.

2.3.22.1. Policy Instruments to Support Co-operatives in South Africa

The government has amended the Co-operatives Act of 1981 by the Co-operatives Act 14 of 2005 to establish an enabling framework for the promotion of co-operatives in South Africa. This Act allows: registration and de-registration of co-operatives in as

rapid, simple, affordable and efficient a manner as possible, as well as the legal supervision of the compliance of laws and regulations by co-operatives,

The Act furthermore allows decentralization of the registration processes, Development Fund for technical assistance and capacity building, designing special incentives and support measures for Co-operatives enterprises, and other Department of Trade and Industry (dti) programmes to support co-operatives especially financial and non-financial support.

In the new enterprise agency, special support will be provided to co-operatives through the establishment of a specialized unit, availing access to Infrastructure through incubation programmes, access to SMME tax incentives as businesses, preferential procurement which is an effective instrument to promote co-operatives enterprise development in our economy.

Government is implementing its preferential procurement policy in order to enhance its impact on co-operative enterprises. Clear targets are set to increase the levels of preference to black-owned and black-empowered co-operatives enterprises. The government avails and extends its current incentives such as supplier development programmes such as Black Business Supplier Development Programme (BBSDP) and Co-operatives Incentive Scheme (CIS) to ensure that more black co-operatives enterprises are created and are able to meet the requirements of purchasers in the public sector.

Furthermore, co-operatives are assisted to access Expanded Public Works Programmes (EPWP), Public Investment Initiative contracts, Forestry and Construction projects, preferential procurement, state and private procurements, business rescues of failing enterprises through worker buy-outs, export markets, other government related programmes opportunities and clear support programmes in key sector to benefit co-operatives enterprises.

Targeted categories such as the Youth, Women, People with Disabilities and Informal Traders are considered in the development of special programmes. One major objective of the Co-operatives Act is to ensure development amongst black people, women, youth and people with disabilities whereas BBBEE is also an integrated and coherent socio-economic process that contribute to the economic

transformation of the country, a process that increases the number of black people that manage and control the country's economy hence decreasing income inequalities. Co-operatives are currently formed by black people, who will definitely qualify to score effectively under the Broad Based Black Economic Empowerment (BBBEE) policy, and therefore these entities should be encouraged through provision of sufficient information to utilize this economic development tool (Limpopo Co-operatives Development Strategy 2009).

2.3.22.2. Types of Co-operatives in South Africa

One of the reasons behind the Co-operative Act 14 of 2005 is horizontal integration of small farmers. The purpose of this act is to ensure that emerging co-operatives are provided with support programmes. The support programmes are meant to assist development-oriented co-operatives which are established to promote the interest of the previously disadvantaged people in South Africa. This Act is targeting at black people, especially in rural areas.

The following types of co-operatives are worth mentioning; housing co-operative, workers' co-operative, non-profit co-operative, agricultural co-operative, financial services co-operative, consumer co-operative, marketing and supply co-operative and transport co-operative.

A conceptual distinction is highlighted between worker co-operatives, in which workers in an enterprise own and control the co-operative, and consumer co-operatives, in which members are users of the services of the co-operative, without necessarily being employed in the enterprise (Phillip 2003).

Lyne and Collins (2008) argue that agricultural co-operatives are regarded as appropriate mechanisms for facilitating vertical co-ordination with small farmers. They further state that co-operatives facilitate horizontal integration between small farmers. Their assertion is that these farmers would otherwise be excluded from value adding opportunities and markets.

2.3.23. Co-operatives in Limpopo Province

There is a concern from the Limpopo Provincial Government that the co-operative sector is not performing satisfactorily and thus not contributing to the socio-economic development of the province, hence a need for their evaluation.

In response to the Limpopo Provincial Government's Policy on Co-operative development, and its commitment to the total development agenda, the Limpopo Co-operatives Strategy was developed. It needs to be stated that this strategy is also based on the Co-operatives Act No. 14 of 2005.

The co-operatives policy was adopted by the Limpopo Provincial Legislature in October 2003. The government supports establishment of Co-operatives because it believes that well managed and supported co-operatives have the potential to succeed in creating jobs for many people, if compared with other forms of business enterprises.

According to the strategy, emphasis on support is on the following co-operatives: Newly established co-operatives (the so-called start-ups), existing co-operatives, rural-based co-operatives and co-operatives in semi-urban areas. There is however less priority on co-operatives in the urban areas except services and secondary co-operatives (Limpopo Co-operatives Development Strategy 2009).

In Limpopo, as it is in the whole of South Africa, co-operatives are divided into three categories, namely primary, secondary and tertiary co-operatives. The co-operatives development in Limpopo is the responsibility of all spheres of government. However, the Provincial Department of Economic Development, Environment & Tourism (LEDET) mandated Limpopo Business Support Agency (LIBSA) and other relevant institutions to implement the policy on co-operatives.

As stated at the Limpopo Provincial Growth and Development Summit Agreement of 7th June 2003, the following should take place: Mechanisms should be explored to make it easier for co-operatives to tender for local government work. Local government procurement policy should support the Limpopo Business Support Agency, Government Departments and other parastatals should support the development of co-operatives.

Many people in Limpopo, who live in rural areas are currently involved in the informal economy or are otherwise socially and economically excluded from the benefits of development. Co-operatives could therefore play a significant role in helping these people to find solutions on how to fight poverty by utilising their own resources.

Local economic development is regarded as a tool through which sustainable development could be realised. In order for municipalities to achieve the goal of developing sustainable settlements, they need to have a thorough understanding of the socio-economic dynamics of their locality. Through the use of their Integrated Development Plan, of which the LED is a component, they are able to scan their localities.

The other piece of legislation is the Municipal Systems Act of 2000, which states very clearly that every municipality must produce an integrated development plan.

Impact of co-operatives in South Africa, with an unemployed youth population of over sixty (60) percent has already started to exhibit some impact of co-operatives development – the Mogoto Youth Co-operative in Limpopo has created fifteen (15) jobs for the youth with its broiler production farm. This farm was initiated in 2004, and in 2005 it was already in full production.

2.3.24. Conclusion

The chapter reveals many misconceptions about local economic development and co-operatives development. It also gives a synopsis of the varying successes and failures of co-operatives and local economic development, nationally and internationally. It further reveals that, for co-operatives and LED to be sustainable there are principles to be adhered to. From the literature reviewed, co-operatives work best if they are fully supported by local communities.

The evidence presented in the above literature review indicates that research into the impact of co-operatives on the local economic development has been conducted in the past, by many researchers. The evidence also shows that co-operatives in other parts of the world make an impact on the local economic development. The large number of articles, books and journals on co-operatives and local economic development is indicative of the fact that the researcher attempted to consult a wide range of scholarly publications for the research. Throughout the world, co-operatives

are regarded as one of the main local economic development programmes geared towards the creation of jobs and thus alleviation of poverty, especially at local levels. However they suffer from a negative legacy of failure in some countries, where they were controlled by repressive governments. The literature review presented the impact of co-operatives on the local economic development in various countries throughout the world. In addition it brought to light the key critical factors of co-operatives development programme, and the various challenges and opportunities relating to it. Nel (2005) suggests that in most cases, LED in the South African context, is still in its infancy stage. However, as could be seen from the literature reviewed, LED has been reasonably successful in countries of the North, where investment in big businesses and large project development is emphasized (Nel 2001).

CHAPTER 3

3. RESEARCH METHODOLOGY

3.1. Introduction

Research methodology indicates how research should be undertaken. In this chapter the approach to research is outlined. This aims at providing the basis for practical application of research questions. It further elaborates on the elements of the methodology which the researcher uses in the study. These elements encompass research design, study area, population, sampling methods, research instruments, pilot survey and data collection procedures, data analysis methods, delimitations and ethical considerations.

3.2. Research Design

The most appropriate methodology for this study was qualitative research. In this qualitative research, data was mainly obtained from opinions and perceptions of participants. The researcher interacted with participants (co-operatives members, Aganang Local Municipality officer and Limpopo Business support Agency Officials) with the sole aim of obtaining data about the impact of co-operatives in the Aganang Local Municipality. The research was based on twenty one (21) Limpopo Business Support Agency-supported co-operatives in the Aganang Local Municipality. Out of these 21 co-operatives, only ten were selected through the use of stratified random sampling. The 21 co-operatives were first categorised according to their economic sectors, namely agriculture, services and manufacturing. Thereafter, they were randomly selected, taking into account that sectors are equitably represented.

3.2.1. Choice and Rationale of Design

According to Bless and Higson Smith (1995) a research design is a programme to guides the researcher in collecting, analysing and interpreting observed facts. In this study, a qualitative approach to research was used to explore the impact of co-ops on local economic development in the Aganang Local Municipality. The data was gathered largely through structured interviews with co-op members, LIBSA and LED officials and a Councillor. The qualitative method was chosen because it enabled the researcher to interact with the respondents. Respondents were given ample chance

to interpret their own situation in the co-op. It also enabled the researcher to be open to the unexpected issues raised by respondents. After collecting data, statistics was employed to ensure that certain meanings which were lying hidden could be inferred.

3.3 Study Area

The study was conducted in Aganang local municipality of Capricorn District in Limpopo Province, on co-operatives in the service, agriculture and manufacturing sectors. Ten co-operatives were identified for the study. Aganang Local Municipality is an extreme rural municipality located in the Capricorn District Municipality, in Limpopo. The municipality is situated approximately 46 kilometres west of Polokwane, and bordered by Blouberg in the North, Mogalakwena in the South and Polokwane in the East.

It has 4 traditional authorities mainly Moletjie, Matlala, Maraba and Mashashane. It covers the area of 1852.22 square kilometres divided into 109 villages which make up 18 wards. According to Statistics South Africa, Community Survey (2007), the total population of Aganang is 145,454 (33826 households).

Of the five local municipalities, Aganang is the fourth densely populated. Aganang is the smallest of the five municipal economies in Capricorn District. It contributes about 12.7% of the Capricorn District's total population (Statistics South Africa 2007).

The total value of economic production in Aganang Municipality for 2005 was estimated at R440 million. This is 3% of the Capricorn District GGP. The largest sector in the local economy by far is government services, with a contribution of 40.3%. This is represented mostly by salaries of government officials. The second biggest contribution is from finance, real estate and business services with a contribution of 16%. Trade and catering is in third position with a contribution of 11%. (Aganang LED Strategy 2007).

Molemole is also very small, with a total estimated value of production of R510 million for 2005. Polokwane is by far the largest, with a value of production of R10.2 billion. Blouberg is in the second position, with R2 billion and Lepelle-Nkumpi is third with R1.6 billion. Estimated sectoral contributions for Aganang since 1995 are reflected in the table below.

Table 1. Estimated Gross Geographic Product for Aganang Municipality

Sector	1995	1997	1999	2001	2003	2005	%
Agriculture, forestry and fishing	2169258	2250424	3305009	3617648	4156219	4319642	1.0
Mining	15326828	17076327	19951366	24360024	29499888	38600764	8.8
Manufacturing	15310728	15410128	14769389	15446271	14991743	15323149	3.5
Electricity & water	10545959	12091671	11560033	11221917	12952773	13085358	3.0
Construction	15595205	15768781	13074824	14257650	12794638	12589128	2.9
Wholesale & retail trade; catering and accommodation	31707906	33824567	36474848	42176950	43308122	47395288	10.8
Transport & communication	11502804	14904185	19260486	26399380	34284252	37589695	8.5
Finance and business services	70466562	72730293	69522969	67202805	69701431	70277677	15.9
Community, social and other personal services	22531322	22298925	23480760	23934466	24129134	23802953	5.4
General government services	134192139	169241405	180489722	174506620	174132001	177680736	40.3

Source: Aganang LED Strategy 2007

3.4. Population

The research revolved around the impact of co-operatives on the local development of Aganang Local municipality. This research targeted at Limpopo Business Support Agency-supported co-operatives in the Aganang Local Municipality. There are 21 co-operatives that are supported by Limpopo Business Support Agency (LIBSA) in Aganang, and they are as follows: Mashashane Financial Services Co-operative Limited, Putukwane Goat Milk Co-operative Limited, Rampietjiesfontein Goat Co-operative Limited, Moshatara Trading Co-operative, Bakwena Retail Co-operative,

Monotwane Poultry Co-operative, Vhukane Mandhevele Co-operative, Ramoshwane Agricultural Co-operative, Mashashane Balemi Co-operative, Maraba Balemi Co-operative, Mahumo a Juno, Kgoro-Secha Agricultural Co-operative, Maphutha-Barua Co-operative, Dewland Farm and Letutsa Agricultural Far

3.5. Sample size and selection method

The aims of sampling was to minimise time to be spent on research, increase the amount of data and increase accuracy of data collection. In this study, stratified random sampling method was used. By using this method, LIBSA-incubated co-operatives in the Aganang Local Municipality were grouped according to sectors such as agriculture, manufacturing and services. In this study, ten co-operatives, one local councillor, one Aganang LED official and three LIBSA officials were interviewed. The respondents from each sector were sampled equitably.

Table 2. Sampling Frame for co-operatives in the Aganang Local Municipality.

Type of co-op	No of co-ops in Aganang Local Municipality		No. Of co-ops sampled		No. Of sampled co-op members	
	Total	%	Total	%	Total	%
Agriculture	7	33.33%	6	60%	11	50%
Retail	10	47.62%	2	20%	6	27.27%
Services	4	19.05%	2	20%	5	22.73%
Total	21	100%	10	100%	22	100%

Table 3. Sampling Frame for officials responsible for co-ops in Aganang Local Municipality, LIBSA and Councillors.

Category	No. of people	No. sampled	% sampled
LIBSA Officials	4	3	75
LED Officials	2	1	50
Councillors (Economic Portfolio)	18	1	6

3.6. Data Collection Methods

This data were obtained through the use of structured interviews and other co-operatives records. The researcher used the following primary sources; questionnaires were compiled and distributed to co-operatives members, ward councillor, Aganang LED officials and LIBSA officials. Structured questionnaires were used to collect data for this research. The questionnaires contained mainly close-ended questions because, they had the potential to provide the researcher with a greater uniformity of responses. These responses were easily processed for analysis purposes, thus making data analysis relatively easy.

Some questions were translated into Northern Sotho for the convenience of those co-operatives members who could not read and write English. However, some councillors were interviewed telephonically, and their responses recorded on the questionnaires.

Self-administered questionnaires were provided to Aganang LED officials, LIBSA officials and councillors. Those questionnaires comprised closed and open-ended questions. Co-op members were also provided with self-administered questions.

The researcher also used the following secondary sources; books, publications and journals to obtain information related to the research topic. By reviewing the above literature benchmarking studies were conducted to identify best practices in other countries.

In planning this research, consideration was given to its potential impact on the institutions being affected. Honesty, openness, lack of coercion and confidentiality were key critical issues, as is privacy when initiating contacts with individuals.

The researcher therefore obtained verbal permission from the co-operatives members for allowing their co-ops to be used as the researchers unit of study, interviewed them and perused their financial records. Written permission was also sought from the Chief Executive Officer of Limpopo Business Support Agency (LIBSA) to approach incubated co-operatives and LIBSA officials for interviews. The Municipal Manager of Aganang was also requested to allow his employees to participate in the interviews. All respondents were assured of the confidentiality on their responses. No privacy of the respondents was violated. The researcher undertook to make available, the written report to respondents, if needed.

A pilot survey was conducted on two co-operatives, before the real collection of data could be done. These co-operatives were randomly selected and requested to respond to the questionnaires. There were changes made to the questionnaires before real interviews could be conducted. De Vos (2002) states that a pilot study needs to be conducted on a small number of persons who have similar characteristics to the population being studied, This survey was conducted in order for the researcher to be confident that the questionnaires were suitable for the target group, and free from errors.

This research did not cause any harm or stress to respondents. Respondents were not identifiable from the report. The results of the research would be made available to members of co-operatives, the Provincial Department of Economic Development, Environment and Tourism, Limpopo Business Support Agency and Aganang Local Municipality for scrutiny.

3.7. Data Analysis Methods

Qualitative data analysis method was used in this study. This method of analysis is a search for general statements about relationships among categories of data. The researcher used the following secondary sources; books, publications and journals to obtain information related to the research topic. By reviewing the literature, best

practices in other countries were identified. Reading and re-reading the literature was done with the purpose of assessing similarities and differences.

Evidence from literature relating to the following countries was analysed: Germany, Japan, India and South Africa. Co-operatives development in the Aganang Local Municipality was also analysed. Charts, tables and graphs were drawn based on the data collected from respondents. These tools were used for purposes of easy analysis of data collected. The researcher also used the following secondary sources; books, publications and journals to obtain information related to the research topic. By reviewing the literature, best practices in other countries were identified.

5.8. Delimitations

The main challenge which the researcher experienced during the completion of questionnaires was that respondents, particularly members of the co-operatives were initially reluctant to participate, since they were dubious about the motives of the research. After lengthy discussions they were convinced that the results of the interviews were not going to harm their businesses. The interviews lasted long due to low literacy level of respondents. However the researcher had to be patient when translating questions into the home language of the respondents (Northern Sotho). Due to the fact that co-operatives, under study are located far apart from each other, the researcher had to spend huge amounts of money on fuel in order reach out to participants.

5.9. Ethical Considerations

In conducting this research, consideration was given to its potential impact on the institutions being affected. The researcher wrote letters to the Chief Executive Officer of LBSA and the Aganang Municipal Manager, requesting permission to interview their employees (see letter at the back of this dissertation) – approval was subsequently obtained. The researcher further assured participants that confidentiality would be maintained. Honesty, openness, and lack of coercion were key critical issues, as was privacy when initiating contacts with individuals. There was also an assurance that Individual respondents would not be identifiable from the report.

5.10. Conclusion

The researcher used the following primary sources; questionnaires obtained from co-operatives members, ward councillors, Aganang LED officials and LIBSA officials. The questionnaires contained mainly close-ended questions because they had the potential to provide the researcher with a greater uniformity of responses.

CHAPTER 4

4. Presentation, Analysis and Interpretation of Data

4.1. Introduction

In this chapter data obtained from the structured close and open-ended interviews are presented, analysed and interpreted. The chapter deals with data collected from agricultural, retail and service co-operatives in the Aganang Local Municipality. These data were collected through the use of tools described in chapter three (3), and are also based on the research questions reflected in chapter one (1). The tools used are as follows: structured close and open-ended questions and co-operatives records. Data obtained from the structured interviews conducted in Aganang, related to the socio-economic impact of co-operatives on LED as follows:

4.2. Impact of co-operatives on local economic development

Assessment of impact of co-operatives on local economic development involves evaluating changes in the number of formal and informal economic activities, in the Municipality, leakages of funds, as a result of purchasing goods and services from outside Aganang Local Municipality, acquired skills as well as changes in life styles. Responses from co-operatives members are as indicated below:

4.2.1. Networking with other co-operatives

The aim of the question is to find out whether co-operatives in the Aganang Local Municipality practice business networking or not. Business networking facilitates positive impact of co-operatives on the LED, since it contributes towards their sustainability.

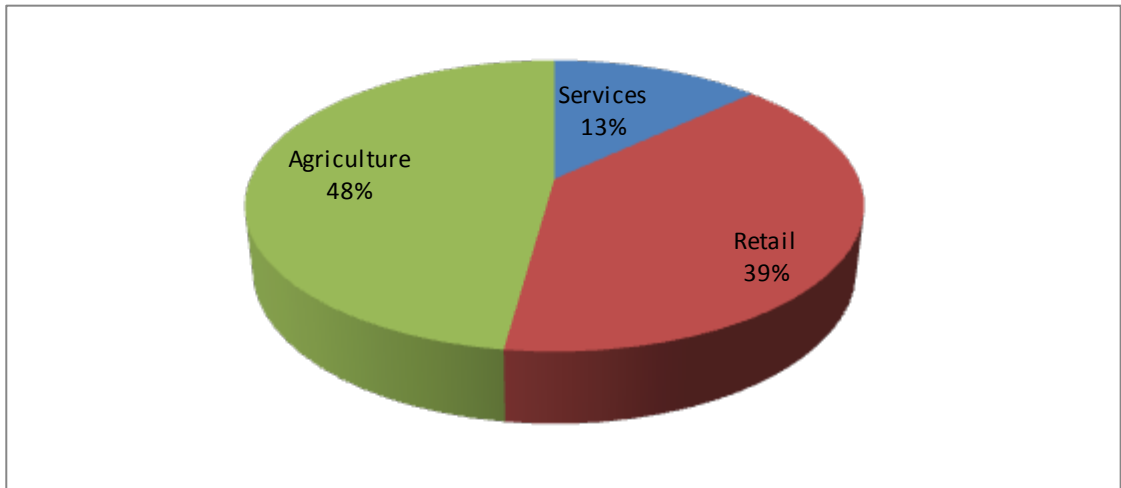


Figure 1

From the information reflected on the above pie chart, it appears that co-operatives in the services sector do very little networking as compared to those in the agricultural and retail sectors. This should trigger co-operatives service providers to put emphasis on the marketing techniques when facilitating their development.

4.2.2. Impact on pricing if co-operatives could close down

This question aims to find out whether co-operatives members perceive co-operatives as a vehicle to enhance local economic development or not.

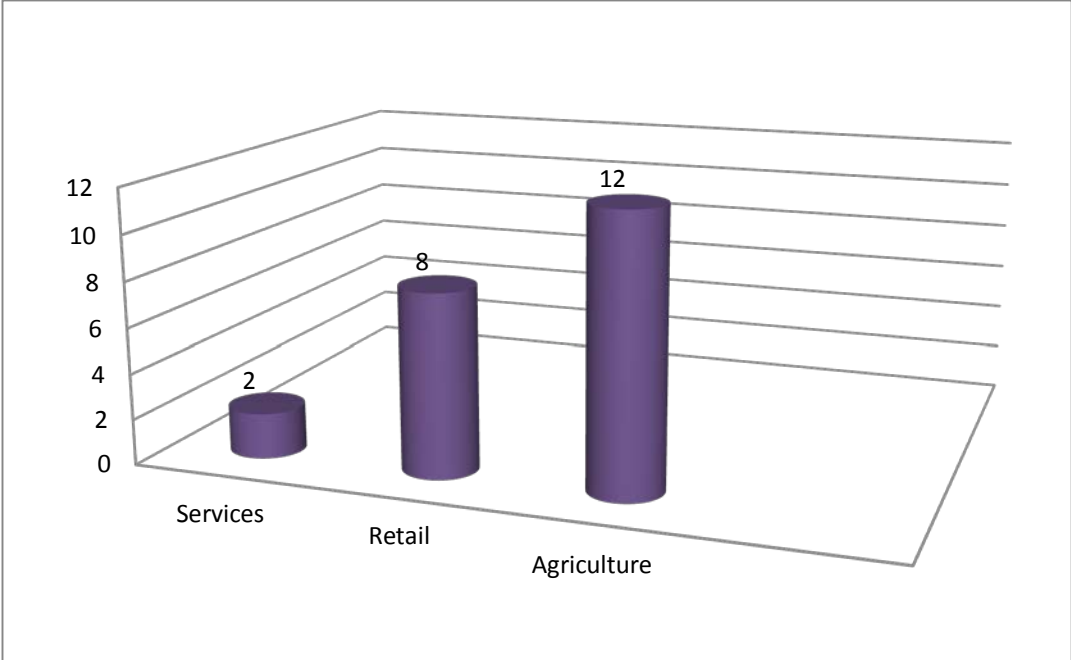


Figure 2

Only two respondents in the services sector indicated that prices in the locality will not change drastically if co-operatives could close down. This is an indication that services sector co-operatives do not perceive change in prices of goods and services as having a substantial impact on the LED.

4.2.3. Contribution to social cohesiveness

The question seeks to find out whether co-operatives in the Aganang Local Municipality facilitate social cohesiveness among communities or not.

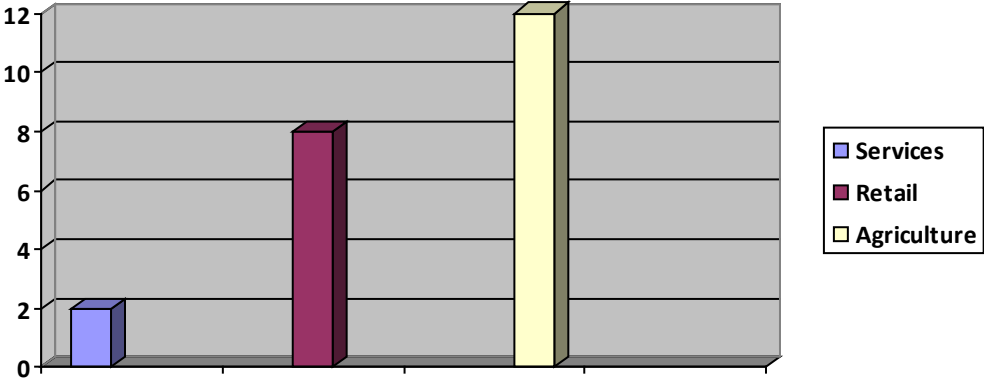


Figure 3

The indication here is that the respondents view co-operatives as a vehicle that enhances social cohesiveness. However co-operatives in the service industry did not view them in the same manner.

4.2.4. Practice of Democracy

The question aims to find out whether co-operatives in the Aganang Local Municipality practice democracy in their daily operations or not. Responses from the co-operatives members, regarding democracy, are shown below:

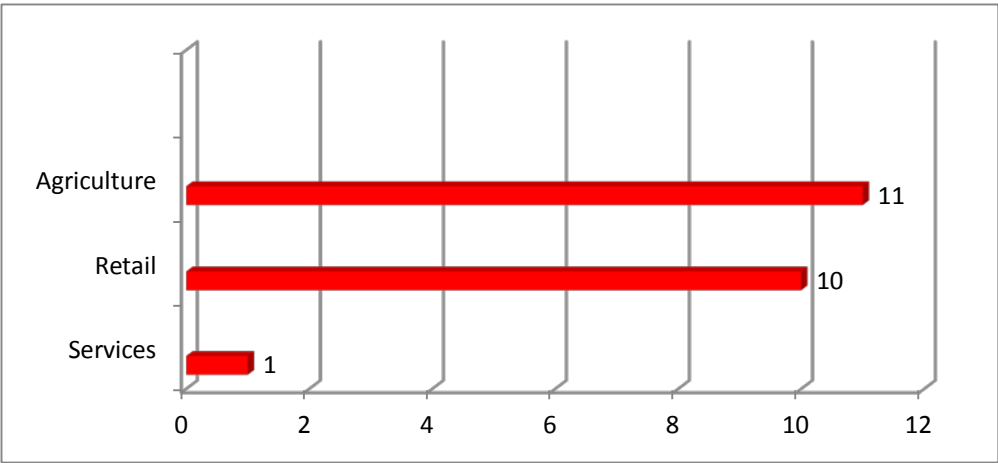


Figure 4

Co-operatives members in the agricultural sector are of the view that their co-operatives are run democratically. However, their assertion does not corroborate with their overall performance.

4.2.5. Mushrooming of other businesses as a result of co-operatives

The question seeks to find out whether additional businesses in the Aganang Local Municipality were established as a result of the good performance of co-operatives or not.

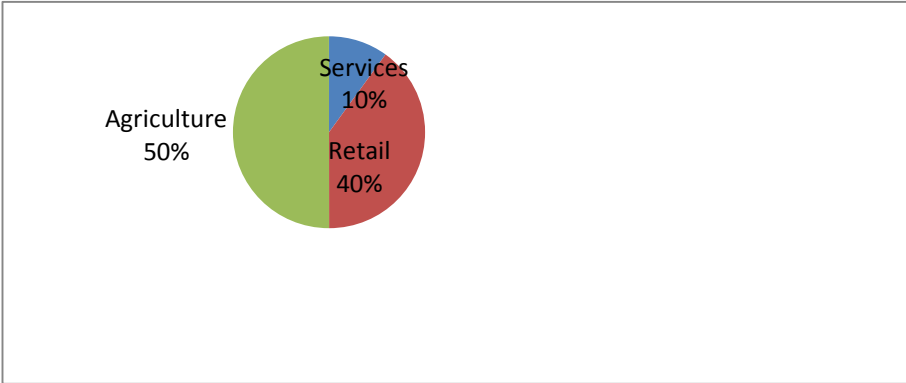


Figure 5

This figure indicates that many co-operatives members do not agree that other businesses have mushroomed in the local area as a result of the existence of local co-operatives, hence low percentages.

4.3. The extent to which jobs have been created (sampled co-operatives)

The aim of this question is to find out about the number of employment opportunities created by co-operatives for the local communities.

Table 4 Jobs created by co-ops

Service	Retail	Agriculture	Total
8	16	45	69

The agricultural sector appears to be employing more people than other sectors, and thus suggesting that, to an extent, co-operatives in this sector make an impact on the LED, by creating job opportunities.

4.4. The extent to which Aganang communities financially benefit from the co-ops

The question seeks to find out whether co-operatives in Aganang generate sufficient income to sustain themselves, or not and thus impact positively on the LED.

4.4.1. Average turnover per month

Table 5

SECTOR	TURNOVER	
	2010	2009
Services	R12 000	R10 500
Retail	R13 000	R12 400
Agriculture	R 8 000	R 7 000
TOTAL	R33 000	R29 600
Average	R11 000	R 9 666

The average turnover of every sampled co-operative is R11 000, thus indicating that their chances of being sustainable is very minimal, given that all the co-operatives in Aganang are labour intensive.

4.4.2. Receipt of monthly salaries

The aim of this question is to find out whether co-operatives are in a position to offer salaries to their members or not. This in a way indicates the economic contribution that co-operatives make on the livelihoods of their members and the local communities in general.

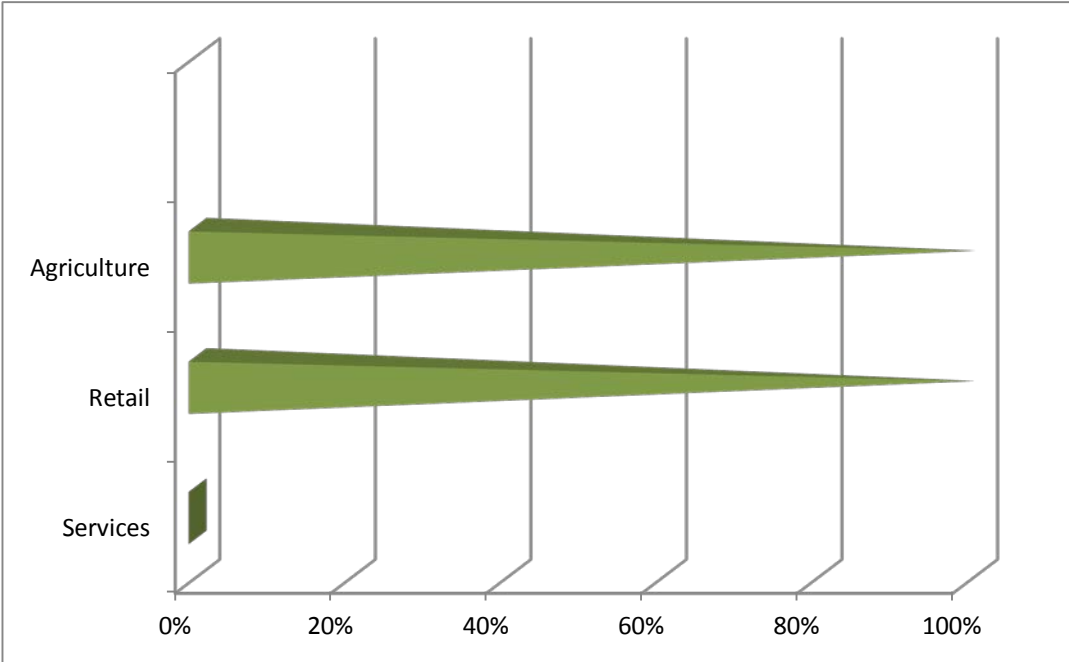


Figure 6

Responses from the co-operatives in the services sector indicate that co-ops in this category do not receive monthly salaries. This indicates that such co-ops are not performing well, financially.

4.5. Constraints that impact negatively on Local Economic Development

The question seeks to find out which are the main constraints to co-operatives development, in the Aganang Local Municipality.

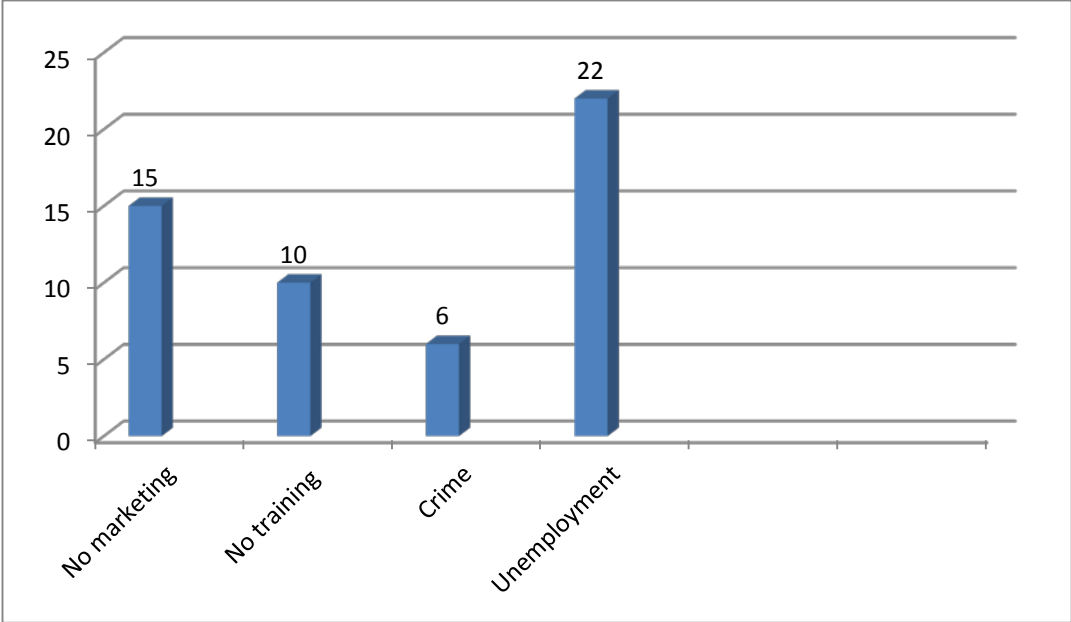


Figure 7

According to the responses obtained from the co-operatives members, high unemployment rate appears to be the main constraint, followed by lack of access to markets, lack of training and crime. Due to the high unemployment rate in the Aganang Municipality, communities are unable to support co-operatives, and thus stifle the LED.

4.5.1. Financial record keeping

The question seeks to find out whether lack of financial record keeping skills could be one of the constraints to co-operatives development or not.

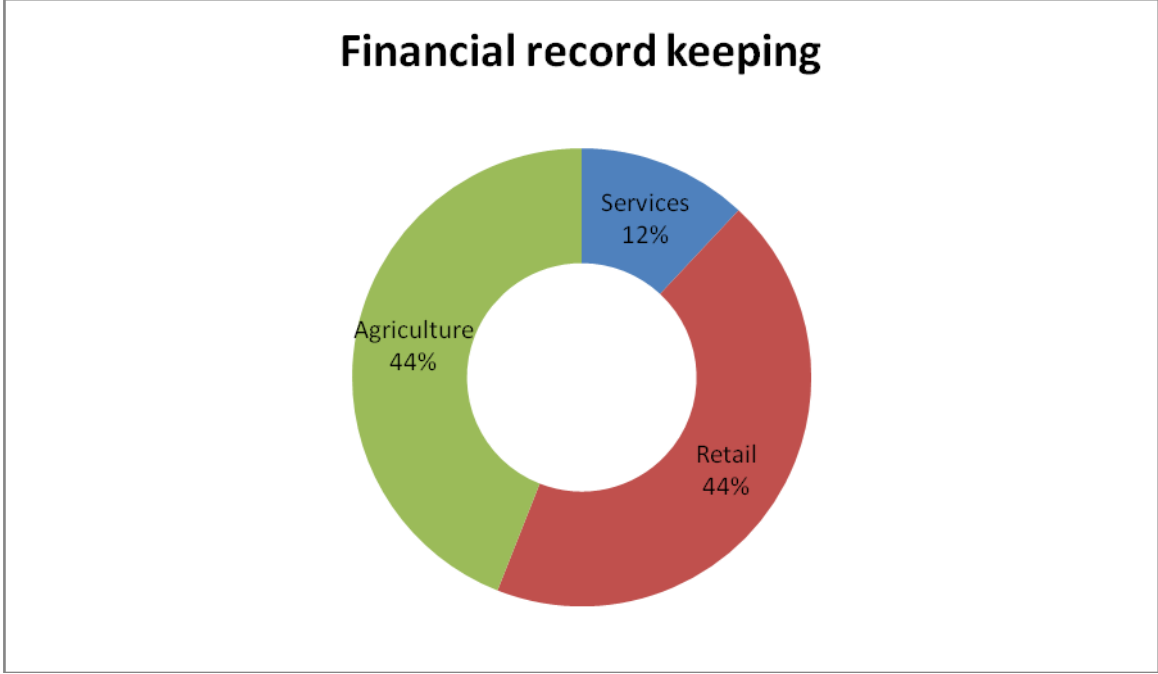


Figure 8

From the chart reflected above, it is indicated that a small percentage of respondents in services sector attended training on Financial Recordkeeping. Their answers suggested that they do not keep their financial records properly due to the fact that they do not have the relevant skills. This indicates that co-operatives members in Aganang are not in a position to manage their co-operatives' finances properly, since they lack financial record keeping skills.

4.5.2. Training Programmes Provided

The question seeks to find out whether members possess relevant skills to manage co-operatives. Ten respondents indicated that they have attended training on Financial Management. Most of the respondents from the retailing sector mentioned that they received training on financial management whereas those in the services sector did not attend. What is also noticeable is that a small number of co-operatives members in agriculture attended training in all programmes under investigation. This

poses a huge challenge in the sense that most of the co-operatives operating in Aganang are in the agricultural sector.

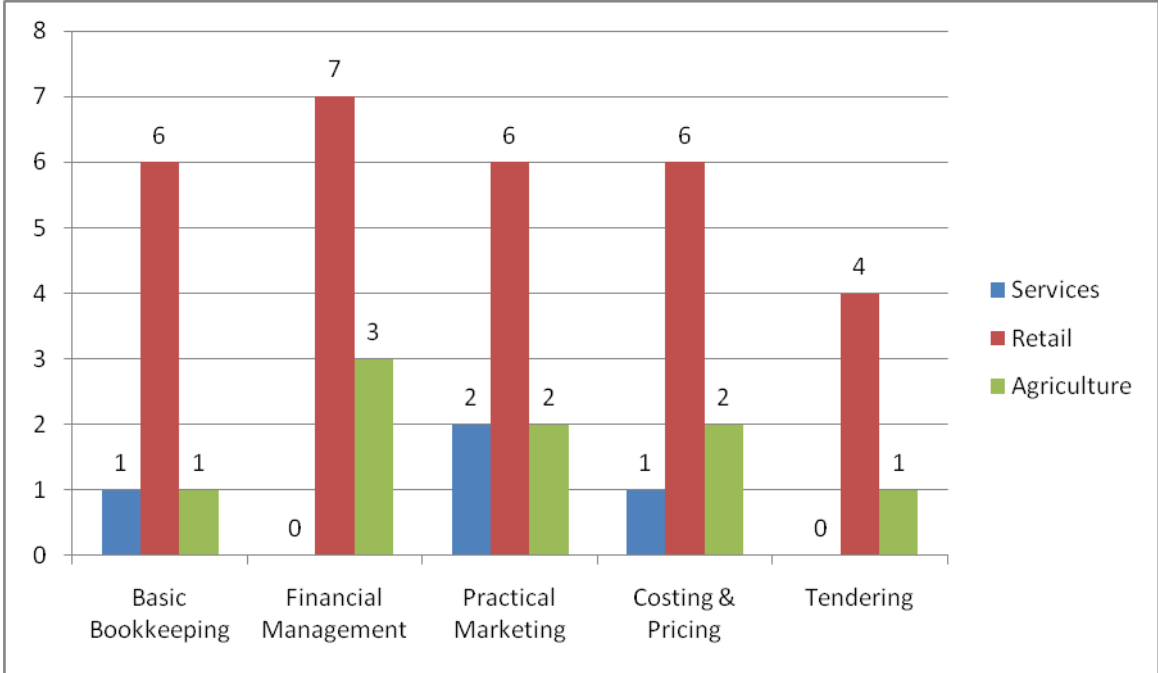


Figure 9

Lack of training, suggests that the chances of sustainability of these co-operatives is very slim. This is one of the factors which inhibit co-operatives development, and therefore prohibit them from having a positive impact on the municipality’s LED.

4.5.3. Involvement of members during implementation

The question seeks to find out whether non-involvement of co-operatives members during the implementation stage, could be regarded as a constraint to co-operatives development in the Aganang Local Municipality or not.

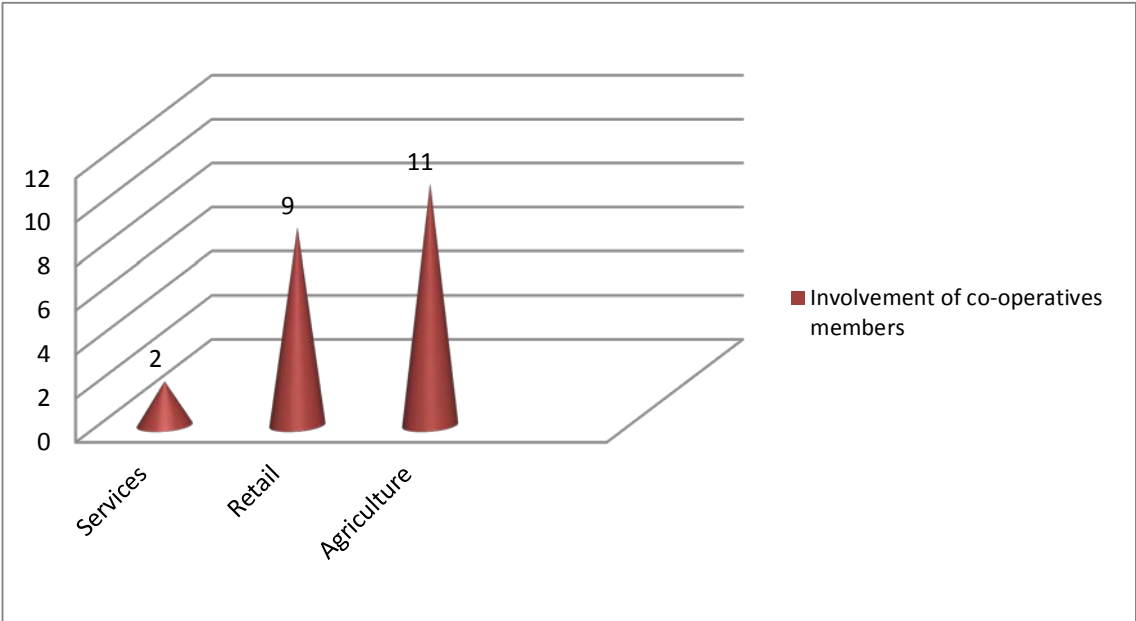


Figure 10

The largest number of respondents from both agriculture and retail sectors indicate that they were involved during implementation of their co-operatives. This research study reveals that co-operatives members do not fully participate in the planning and implementation of their co-operatives – therefore they do not have insight in the performance of their co-operatives.

4.5.4. Satisfaction with overall management of co-operatives

This question relates to the perception of co-operatives members regarding the overall management of their co-operatives.

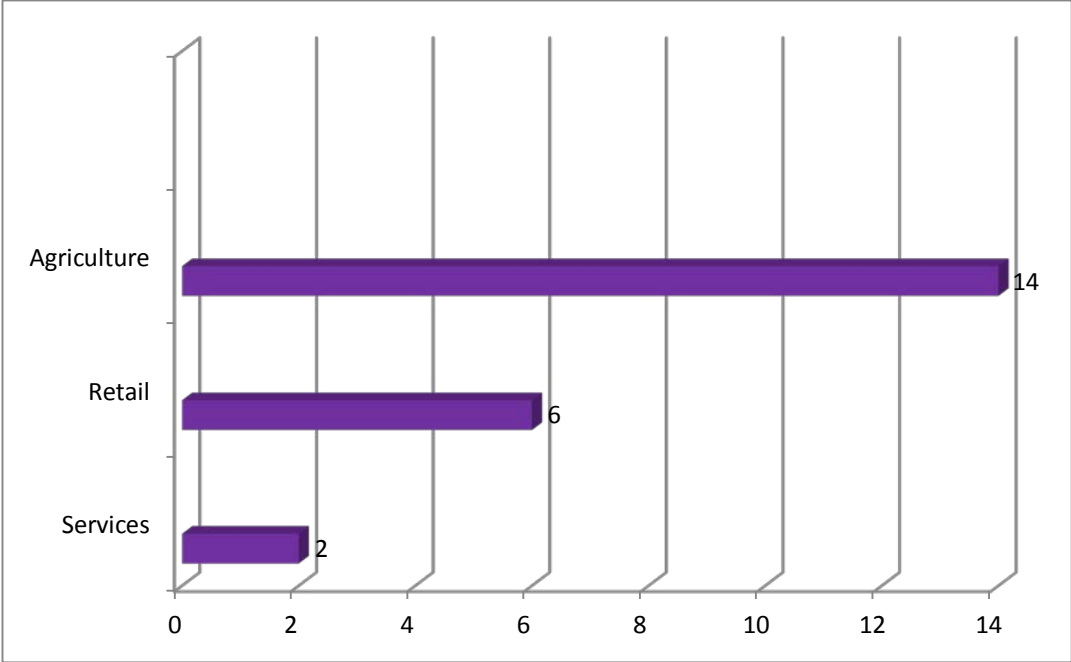


Figure 11

According to the data obtained from members of the nine co-operatives, there is a perception that their co-operatives are being managed well. This is an illusion because most of them did not do well, and could not even pay monthly salaries.

4.6. Summary of responses from officials of Aganang Local Municipality and LIBSA, and Councillors

Questionnaires were distributed to three LED officials who are responsible for co-operatives development in the Aganang Local Municipality. According to the responses from the officials interviewed, there are only three co-operatives which are performing well. The responses indicated that all co-operatives in Aganang are experiencing problems in relation to financial record keeping. LIBSA officials also indicated the following constraints to co-operatives development: lack of support from the municipality's LED officials.

However, the said LED officials blamed the LIBSA officials for lack of support to the incubated co-operatives. Inadequate funding and management skills are also mentioned as constraints to co-operatives' performance. Low level of education is cited as central to the performance of co-operatives in the Aganang Local Municipality. All three officials who were interviewed indicated that they are not satisfied with the overall performance of co-operatives. Democratic principles seem to be not adhered to by co-operatives members. Responses from officials corroborated with those of co-operatives members in respect of non-involvement of all stakeholders during establishment and implementation of co-operatives

The respondents indicate that there are many businesses which have been established as a consequence of the existence of local co-operatives. They moreover indicate that should co-operatives in Aganang close down, the local communities will be negatively affected.

From the perspective of the LIBSA officials, some of the constraints cited as impeding co-operatives development, and its impact on the local economic development of Aganang Local Municipality are as follows: lack of support from the Municipality, lack of sufficient funding, low level of literacy, lack of management skills, inadequate training, poor quality of products, insufficient markets, lack of adequate support from relevant stakeholders, no formal networks with other co-operatives in the locality or elsewhere, and lack of access to finance from commercial banks.

From the perspective of the co-operatives members, however, the following constraints were mentioned during interviews: lack of role clarification, inadequate financial record keeping, inadequate support from LIBSA officials, insufficient training on Business and Financial Management, stock theft and lack of adequate transport.

Almost all respondents indicated that co-operatives in Aganang have been underfunded, thus resulting in insufficient stock, raw material and inadequate equipment. All Goat Co-operatives put their blame on service providers who do not fulfil their promises. Financial Services Co-operatives cite high unemployment rate in the Aganang Local Municipality as one of the biggest constraints to this form of business enterprise.

Most of the responses indicate serious challenges on issues of management of finances. The respondents cited lack of role clarification, inadequate record keeping and inadequate support from LIBSA officials, as some of the factors contributing towards their poor performance.

4.7. Conclusion

This chapter covered data analysis and interpretation thereof through the use of figures and tables which assist to present the findings. The aim of the study was to evaluate the impact of co-operatives on the local economic development of Aganang Local Municipality in Limpopo Province. It was indicated in the first chapter that ten co-operatives would be interviewed. Of the ten co-operatives, six represents agriculture, two retail and two services. Members of the said co-operatives were interviewed, and their views or perceptions analysed. Additional views are from the co-ops' records and LIBSA and Aganang Municipality officials as well as ward councillors. The views were obtained from questionnaires which were distributed to them and received back. These interviews were conducted at the beginning of July 2010. It has been the purpose of this study to highlight the impact of co-operatives on the local economic development of Aganang Local Municipality. Evidence gathered from the co-operatives members, Aganang Municipality and LIBSA officials suggests that co-operatives make very little impact, if any on the LED.

Due to their inability to provide their members with competitive products and services that the market demands, co-operatives, especially those perceived to have been imposed by the local government, are beginning to show signs of collapse. The poor performance of these co-operatives is compounded by the existence of a poorly educated community, with low levels of functional literacy and numeracy.

Factors which have been identified in the research, which are important for enhancing the performance of co-ops, are strong leadership on the part of the implementing agents (LIBSA and Aganang Local Municipality). Secondly, there is a need for community involvement, co-operation and consultation, during all phases of development of the co-operatives operating in the Aganang Municipality.

CHAPTER 5

5. CONCLUSION, RECOMMENDATIONS AND IMPLICATIONS

5.1. Conclusion

This section indicates what has or not been achieved in each objective. The first, second, and fourth objectives were achieved. The first objective involved assessment of the impact of co-operatives development programme on the LED. The second involved the creation of jobs by co-ops, the third, financial benefits to co-ops, and the fourth, sustainability of co-ops.

The findings of this research provide insight for policy makers when addressing the basic challenges facing the Co-operatives Programme in the Aganang Local municipality. It is evident from the survey that establishing and registering a co-operative is not difficult. However, there are many factors that contribute to the malfunctioning of co-operatives. Such factors are also major contributors to the present situation of co-operatives in Aganang.

Through the use of primary and secondary data, a number of answers emerged, which revealed that co-operatives in Aganang are not performing well, and as such do not impact positively on the LED, and thus constitute a waste of tax payers, money. This is corroborated by evidence gathered from the co-operatives members and Aganang Municipality and LIBSA officials

The fifth and sixth objectives were also achieved, responses from participants indicated that there are constraints to co-operatives development. The researcher, finally cited several recommendations that should be implemented as well as some of the implications during the implementation process.

Due to the co-ops', inability to provide their customers with competitive products and services they are beginning to show signs of collapse, especially those that are perceived to have been imposed by the Municipality and LIBSA. The poor performance of co-operatives in the Aganang Municipality is compounded by the existence of a poorly educated community, with low levels of functional literacy and numeracy.

Those factors which were identified through the research process, as inhibiting the development of co-ops in Aganang Local Municipality, could be seen from two perspectives, namely the opinions of the Municipality and LIBSA Officials, and co-op members. Issues relating to perceived reluctance among LIBSA and Municipality officials to fulfil their promises of partnerships were identified.

Respondents from various co-operatives indicated that, number one challenge, which they face, is lack of capital. It was also apparent that their inability to administer finances is affecting them negatively. Respondents to the research questionnaires indicated that the success of co-operatives in the Aganang Local Municipality is negatively affected by the following constraints: Lack of viability studies before commencement, inadequate technical and entrepreneurial skills, Lack of finance, lack of access to affordable transport, suitable places of work, water, telecommunication services, electricity, quality raw materials and technology, lack of administration skills and mismanagement of funds.

It is common knowledge that, if enterprises/co-operatives have a number of organisational and resources constraints, they tend to fail. It is also vital to indicate that the extent to which co-operatives members are provided with knowledge and skills, determines their overall performance. On the contrary, and based on the findings of this study, co-operatives in the Aganang Local Municipality have been offered few training courses, and therefore do not succeed as expected.

The results of the study in respect of constraints concur with findings of other researchers who previously conducted studies on the impact of co-ops on the LED. It also concurs with what various Acts and government policies are saying about the role of co-ops. It is noticed from the responses, that negative perceptions of LIBSA and Aganang Local Municipality officials block the communication between them and co-operatives members, As a result of such tendencies, knowledge and skills are blocked. Suffice it to mention that if perceptions are good, there will be a positive flow of advices from the advisors and mentors (LIBSA officials). This would facilitate the development of co-operatives in the Aganang Local Municipality.

The study managed to achieve its intended aims and objectives, although it could not address all issues which affected the overall performance of co-ops and their impact on the local economic development of Aganang Local Municipality. There is

generally, lack of proper consultations on the part of service providers during the establishment and implementation of co-operatives. This results in inadequate attention being given to sufficient and appropriate resources. Factors which have been identified in the research, which are important for enhancing the performance of co-ops, are strong leadership on the part of the implementing agents (LIBSA and Aganang Local Municipality).

5.2. Recommendations

Findings of the research study as reflected in chapter four (4) prompted the researcher to make the following recommendations, which if implemented, could facilitate the positive impact of co-operatives on the local economic development (LED) of Aganang:

Factors which have been identified, in the research, which are important for enhancing the performance of co-ops, are strong leadership on the part of the implementing agents (LIBSA and Aganang Municipality). Secondly, there is need for community involvement, co-operation and consultation, during all phases of establishment and development of the co-ops operating in the Aganang Local Municipality.

Expertise relating to co-operatives development needs to be developed among co-operatives change agents, as well as co-operatives members. Co-operatives sustainability may to a large extent depend on their ability to reduce their costs.

The needs of the co-operatives must be identified and clearly spelt out before any training could take place. Intensive demand-driven training needs to be offered to co-op members. Co-operatives members need to be provided with record books as learning material, so that they could be in a position to apply what they would have learned. Co-operatives development training programmes need to be offered at primary school level.

Co-operatives members need to continue to undergo further training on financial skills and general business management skills. Limpopo Business Support Agency (LIBSA) should improve its support to the co-operatives in the Aganang Local Municipality, through investing in their training and development programmes, rather

than spending huge amounts of money on consultants, who are only interested in making their own profits at the expense of the co-operatives' sustainability.

It is furthermore very important that co-operatives in the Aganang Local Municipality formulate and implement appropriate marketing strategies. Co-operatives which do not have markets cannot be expected to sustain themselves. The pivotal role played by the available markets cannot be overemphasised.

In planning the establishment and implementation of co-operatives, all relevant stakeholders should be involved; namely, co-operatives members, business advisors development agencies, municipalities, educational institutions and various government departments.

The community within which the co-operatives are operating should also be involved in the planning and implementation of the co-operatives. Obstacles and challenges should be anticipated in order to obviate them. Records must be kept, so that the co-operatives could be regularly evaluated with ease.

In order for co-operatives to impact positively on the local economic development, the following factors need to be considered, namely planning, implementation, etc. Co-operatives in Aganang Local Municipality need to establish networks among themselves and with other co-operatives in the neighbouring municipalities. Networks of co-operatives and assistance provided by provincial and national state-owned entities, and international charity organizations, have shown to be contributory factors towards the success of co-ops in many developed and developing countries. It is also important that co-operatives should appoint managers to assist them in running the day to day business operations.

It is important to point out that, co-ops members and advisors should have positive attitudes towards development, in order to ensure the success of the co-operatives development programme in the Aganang Local Municipality. Co-ops members need to understand the benefits of their involvement in community development. They also need to establish good relationships with relevant partners in economic development. Full involvement of co-operatives members at every stage of the development of their business enterprises is crucial for the success of any co-operatives development initiative.

The government and all change agents should encourage co-operatives to deepen their efforts of community development initiatives. Co-operatives development should be viewed as a collaborative effort by all relevant stakeholders. For example, in the Aganang Local Municipality, there is no way agricultural co-operatives could survive without being mentored by Agricultural Extension Officers.

There has been no research in respect of the impact of manufacturing co-ops on the LED of Aganang Local Municipality. Evaluation of the impact of co-operatives on the LED of Aganang Local Municipality is of paramount importance. One of the key themes to be researched, in future, could be the role of Limpopo Business Support Agency, as a state-owned entity, mandated to assist in the development of co-operatives in the Aganang Local Municipality.

5.3. Implications

In implementing the recommendations reflected above, the following challenges could be encountered: Co-operatives members could still not keep financial records due to their low literacy and numeracy levels. Co-operatives development may still be hindered by politicians, due to their self-interest which result in undeserving consultants still being awarded tenders to assist co-ops. Due to recession, co-operatives may continue to be under-funded by both the government and private sector, thus stifling their development.

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ANNEXURE 1

QUESTIONNAIRE FOR CO-OP MEMBERS IN AGANANG

1. Extent to which co-ops contribute to LED

a. Are you satisfied with the overall performance of your co-operative? Explain

b. Is there a need to have changes in the way your co-operative is managed?
Explain

c. What is needed to enhance socio-economic impact of your co-operative?

2. Co-operatives Development-related constraints

a. What are the constraints to the performance of your co-operative?

Tick Yes/ No

1. Extent to which co-ops contribute to LED	Yes	No	Do not know
a. Is there a wide range of goods provided by the local co-operative?			
b. Would there be an impact on the pricing of goods in the local community if co-operatives were			

closed or relocated?			
c. Do people come from outside your area to buy from your co-operatives?			
d. Do you go to neighbouring communities to buy from any co-operatives?			
e. Does the chairperson communicate to members about co-operative activities?			
f. Is the Chairperson an active community member?			
g. Have the co-operatives contributed to the community with respect to social cohesiveness?			
h. Is the idea of democratic membership in the co-op understood and followed in the community?			
i. Has your co-op developed a formal network with other co-ops in other communities in Aganang?			
2. Investment in co-operatives			
a. Does this co-operative envisage growth?			
b. Are there a lot of different business activities that occur in Aganang as a result of co-operatives?			
c. Do the co-ops offer pricing competitive with larger business centres in the province?			
3. Creation of sustainable employment			
a. Do the co-ops contribute to employment creation?			
4. Communities' benefits as a result of co-operatives			

a. Do you receive monthly salaries?			
5. Co-operatives development-related constraints			
a. Were you involved in the co-operative implementation at every stage in its development?			
b. Did you receive any training since you started?			

6. Training obtained? Tick appropriate box

Did you receive any training in the following programs?

	Yes	No	Do not know
a. Basic Bookkeeping			
b. Financial Management			
c. Practical Marketing			
d. Costing and Pricing			
e. Tendering Skills			

ANNEXURE 2

QUESTIONNAIRE FOR LIBSA, AGANANG LED OFFICIALS AND COUCILLORS

1. Extent to which co-ops contribute to LED

a. How is the demographic spread of co-ops members in Aganang?

	Percentage
Women	
Disabled	
Youth	

2. Investment in co-operatives

a. Which co-operatives are responsible for growth and development of LED within Aganang?-----

b. Are you satisfied with the overall performance of the co-operatives in Aganang? Explain.-----

c. Would you suggest that there needs to be changes in the way co-operatives are managed within the Aganang Municipality? Explain -----

Co-operatives development-related constraints

a. What is needed to enhance positive socio-economic impact of co-operatives in the Aganang Local Municipality?-----

b. What are the constraints to co-operatives in Aganang?

c. Which co-operative-related skills do co-op members in Aganang possess?

	Yes	No	Do not know
1. Extent to which co-operatives contribute to LED			
a. Are there co-operatives that provide services at cost in your community?			
b. Have there been improvements to the co-op businesses in the last 5 years?			
c. Are there any community groups formed in Aganang, as a result of co-operatives?			
d. Do the co-ops sponsor community-wide events in Aganang?			

e. Do the co-ops as institutions plan joint activities with other businesses in Aganang?			
f. Is the idea of democratic membership in the co-op understood?			
g. Do the community members understand the collective investment in the Co-operative?			
h. Do people bypass the local co-operative and go to buy from large business centres?			
i. Are co-operatives seen as locally owned and controlled?			
j. Have there been changes in the co-ops management during the last 5 years?			
k. Do co-op members project a positive image to the members/patrons?			
l. Is the chairperson an active community member?			
m. Does the chairperson communicate to members about co-operative activities?			
2. Creation of sustainable employment			
a. Is there competition for business in your community?			
b. Are the co-operatives in competition with other businesses in your community?			
c. Have there been any new co-op businesses formed in the community in the last 5 years?			
d. Have there been any co-operatives that have downsized			

e. Has the closure of co-operatives been a point of controversy in the local community of Aganang?			
f. How many direct jobs have been created by co-ops in Aganang?			
g. Would there be any impact on the community if the co-operatives close down or relocate			
h. Have there been any new economic activities in your community, ever since co-operatives were formed?			
i. How many jobs have been maintained by the co-operatives in Aganang?			
j. How many people are working permanently in the Aganang co-operatives?			
3. Investment in co-operatives			
a. Is co-operative development a waste of government funds?			
b. Are there goods that only the co-ops provide to your community?			
4. Co-operatives development-related constraints			
a. Were stakeholders involved in the co-operative implementation at every stage in their development?			

ANNEXURE 3

RESEARCH MATRIX					
Sub problem	Research Questions	Source of theory	Source of Data	Type of Data	Analysis
	To what extent, and in which ways do co-ops in Aganang contribute to LED?	Nel & McQuaid 2002 Page 60-74	Secondary Data and interviews	Secondary and Primary	Interpretive analysis and in-depth interviews
		Blakely 1994 Page 1vi			
		Draft Limpopo Co-op Strategy 2009 Page 2			
		Bembridge 1987 Page 25			
		Edwards & Jones 1976 Page 12			
		De Wit 1981 PP 40-41			
		Nel & Rogerson 1995			
		Nel 1999			

		Zaaijer & Sara, 1993 Page 129			
		Fredrich Ebert Stiftung, 1999			
		Bunnet & Krebs, 1993			
		Ferguson, 1992			
		Pyke, 1992			
		Cooke and Morgan, 1992			
		Nel & Humphreys, 1999 Page 277			
		Republic of South Africa, 1996			
		Provincial Growth and Development Strategy, 2004			
		Statistics South Africa May 2010			

		Mugambwa , 2005 Vol. 9			
		Cobia, 1989 Page 1-3			
		Van Niekerk 1982. Page 45-46			
		International Co-operatives Alliance			
		Van Niekerk, 1988 Page 2			
		Nattran & Roux			
		Du Toit, 1998			
		Statistics South Africa, Community Survey, 2007			
		International Labour Organization, nd			
		Van Niekerk 1998			
		Lyne and Collins 2008 Vol.47.2			

		Phillip, 2003			
Aganang Loal Municipality has invested millions of rands into the co-op programme, but there is no significant impact.	Are co-ops support a waste of government funds or an investment?	<p>Constitution of South Africa</p> <p>Co-operatives Act No. 14 of 2005</p> <p>Co-op Development Policy for South Africa 2004 P7</p> <p>S.A. Co-ops Act No.14 of 2005 P10</p> <p>Rajaratne (2007)</p> <p>Dyer (2009)</p> <p>Bibby (2006)</p> <p>YNE AND Collins (2008)</p> <p>Baar, Haughton and Maude (2003)</p> <p>Draft Limpopo Co-ops Development Strategy</p>	Secondary Data and <i>interviews</i>	Primary and secondary	Interpretive and in-depth interviews

		<p>2009</p> <p>Limpopo Growth Development Plan 2009</p> <p>Limpopo Co-operatives Development Strategy.</p>			
<p>Unemployment is very high in Aganang</p>	<p>To what extent can co-operatives create employment opportunities?</p>	<p>Ferguson (1992)</p> <p>Pyke (1992)</p> <p>Cooke and Morgan (1992)</p> <p>Nel and Humphreys (1999)</p> <p>Statistics South Africa (2010)</p> <p>Aganang IDP (2010)</p> <p>Niekerk (1982)</p> <p>International Co-operative Alliance</p>	<p>Secondary Data and interviews</p>	<p>Primary and Secondary</p>	<p>Interpretive analysis and in-depth interviews</p>

LED is failing dismally to create sustainable job opportunities, reduce poverty and combat hunger	To what extent can Aganang Communities financially benefit from co-operatives?	Aganang LED Strategy (2007)	Data gathered from interviews	Primary	Interpretive
No significant impact on the local economic development LED is failing dismally to create sustainable job opportunities, reduce poverty and combat hunger	Are there any constraints to the sustainability of co- operatives?	Edmon (1997) Harms (2007) Phillips (1997) Harmon (1979) Du toit (1989) Van Niekerk (1998) Draft Limpopo Co- operatives Strategy (2010)	Secondary Data and interviews	Primary and Secondary	Interpretive analysis and in-depth interviews

ANNEXURE 4

Research Sub-questions

1. What are the effects of co-operatives on local employment?
2. What is the impact of co-operatives on the youth development in Aganang?
3. Is there any impact of co-operatives on women development in Aganang?
4. Have co-operatives in Aganang created sufficient jobs?
5. Do co-operatives address key socio-economic problems?
6. Can co-operatives facilitate in maintaining local infrastructure?
7. Which strategies could be employed to enhance the effectiveness of co-operatives as one of the instruments of local economic development?
8. Can co-ops sustain themselves even after withdrawal of Limpopo Business Support Agency?
9. Are local communities encouraged to establish co-operatives as a result of positive performance of existing ones?
10. Were there no tensions after additional co-operatives were established?
11. To what extent can communities of Aganang financially benefit, due to sustainable co-operatives?
12. Are there any development-related constraints to the sustainability of co-operatives in the Aganang Local Municipality?
13. Do people come from outside the local area to procure goods and services from your co-operative?
14. Which business skills do community members possess as a result of existence of co-operatives?
15. Do people bypass local co-operatives and go to buy from large business centres?
To what extent and in what ways do co-operatives in Aganang contribute to local economic development?



02 June 2010

To whom it may concern

I hereby grant permission to Mr. R.A Moloto to conduct research on the co-operatives that are supported by Limpopo Business Support Agency. It is believed that the research report would be of assistance to the Limpopo Business Support Agency, since co-operatives development is one of strategic goals.

Regards,

R.R. Mpe

Chief Executive Officer

Date

"Turning business ideas into reality"

Board of Directors: NH Mkhumane (Chairperson), NM Matlala (Deputy), Dr MN Kgathi, D Kourtoumbellides, MH Lekota, PJ Maduna, PJ Malabela, MP Maleta, M Maphutha, WR Milne, VV Mkhomba, HA Ngobeni, LJ Sennelo, MC Setlhako, RR Mpe (C.E.O), TC Tekana (Company Secretary)

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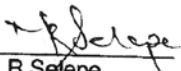
02 June 2010

To: Municipal Staff

I hereby grant permission for Mr R A Moloto to perform interviews with relevant Municipality Staff for the Purpose of his MDEV dissertation.

Kindly give him support

Regards


N R Sefepe
Municipal Manager

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To Whom It May Concern

Re: **Editing: MOLOTO R.A**

This is to confirm that I have edited Moloto R.A's dissertation entitled "The impact of Co-operatives on the Local Economic Development of Aganang Local Municipality".

I trust that the document will be a good read devoid of grammatical and punctuation errors, provided the corrections are successfully carried out.

Should you have any questions, please do not hesitate to contact me as above.

Thank you.

A handwritten signature in black ink, appearing to read 'L Makalela', written over a horizontal line.

Prof L Makalela